



**MALAYSIAN SECTORIAL INDICES VS
MACROECONOMIC FACTORS, ANY
CORRELATION? :
EVIDENCE FROM MALAYSIA**

**SYED AHMAD FADZLI B. SYED BAHARUDDIN
2010286360**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) ISLAMIC BANKING
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

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Allahamduhillilah. . . .

***In the name of ALLAH, The Beneficient, The merciful,
Praise be to ALLAH, Lord of the Worlds, The Beneficient, The merciful,
Owner of the Day of Judgment;
Thee (alone) we worship; Thee (alone) we ask for help,
Show us the straight path, The path of those whom Thou hast favoured;
Not (the path) of those who earn Thine anger
Nor of those who go astray.***

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ABSTRACT

Movement of stock market indices illustrates the overall market sentiment. Investors use it to forecast the future market trend. The Sectorial Index Analysis is also one way of measuring the economic growth. It quantifies the key parameters of economy growth of a country. Furthermore, the analysis of different indices facilitates the Government and Investor to use it as the reference guide. In Malaysia, the industrial product sector play an important role in driving the growth of the Malaysian economy, whether as a strategic sector or as a mobiliser of funds for investment. The aim of this research is to examine the relationship between the industrial product index with macroeconomic variables namely Interest Rate (BLR), Inflation Rate (CPI), and Money Supply (M2). The methodology uses was Multiple Regression Analysis which to identify the relationship between Industrial Product Index and the macroeconomic variables. The sample data is taken from datastream for the period of 10 years [2000 – 2010] was then computed using E-views. Result show that CPI and M2 variables have significance correlation with the indices while BLR not have significance correlation with the indices. Whilst CPI and M2 have positive relationship with Industrial Product Index in Bursa Malaysia which mean that this variables have significant relationship with the stock market indices.



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