

**SIMPLE MOVING AVERAGE: THE TECHNICAL ANALYSIS ON THE KLSECI AND  
S&P 500**

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**Submitted in Partial Fulfillment of the Requirement for the  
Bachelor of Business Administration (Hons) Finance**

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**MAY 2008**

## ACKNOWLEDGEMENT

All praises to almighty ALLAH, the most merciful and the most benevolent for giving me the opportunities in completing this research paper. It would be impossible for me to spent time to complete this study without the grace and help of ALLAH S.W.T.

I am greatly indebted to En. Kamal Fahrulrazy Rahim whose excellence in supervision and plays a big role in inspired my work. Without his untiring encouragement, suggestions, ideas and comments throughout this study, this research could not be completed.

I also would like to convey my deepest gratitude and indebted to Associate En. Muhamad Sukor bin Jaafar, PM Zin Ibrahim, and librarian of Universiti Teknologi MARA, Johor Campus for their co-operation and help throughout the duration of this research.

I dedicate this research to my beloved parents and for their endless support and understanding and also to the rest of my families for their help and encouragement. Beyond a simple thank you, I want them to know that I really appreciate what they had done to me.

I wish to express my deepest gratitude to all my fellow's friends, who shared their valuable experience, time and commitment. Without their patience, this study cannot be complete.

Last but not least, I would like to thank to everyone that involved directly or indirectly for their contribution, invaluable support and encouragement they have place on me.

Without everyone continued support, this study would not been the same as presented here.

Thank you.

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## ABSTRACT

Simple Moving Average (SMA) method is one of the Technical Analysis rules. The Technical analysis is where analyst or chartist is often used in order to predict future prices and returns. This paper empirically determined the significant return by applying this method on the Malaysia Stock Market and US market that based on indices, KLCI and S&P 500. The paper concentrated on short term period of moving average which is 20 days of parameter which generated Buy and Sell signals. This study based on the historical closing price of Kuala Lumpur Composite Index and S&P 500 for over the period of January 2003 to December 2007. This study used one tailed one sample t-test method to test the significance of the return calculated for buy and sell decisions.

This study found that the SMA method is not suggested to apply on the Malaysia stock market for the reason of evidence shown that the significant for investor to leave negative returns is out of confidence level. Even though there is high significant level on positive rate of return for buying stock on the market, SMA did not successfully perform its ability to confirm the hypotheses where there is a significant negative returns if selling stocks. Nevertheless, the SMA did perform well on the US market which it was tested on S&P 500 indexes.