



THE DETERMINANTS OF STOCK MARKET RETURN

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Thank you.

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FTSE Bursa Malaysia KLCI formula = $\sum_{t=1}^N \frac{(p_t \times e_t \times s_t \times f_t \times c_t)}{d}$	20
KLCI = f (Interest Rate, Money Supply, Industrial Production Index, Exchange Rate)	22
KLCI, $Y_i = \alpha + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \varepsilon$	23

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ABSTRACT

This paper aims at finding out the relationships between FTSE Bursa Malaysia Kuala Lumpur Composite Index and four macroeconomic variables which are interest rate (IR), money supply (MS), industrial production index (IPI) and exchange rate (ER) from Quarter 1 2004 to Quarter 4 2013 which contains a quarterly data set of 40 observations. This paper employs Multiple Linear Regression with time series data sourced from DataStream. Subsequently, econometric tests are to be conducted to observe the relationship of the macroeconomic variables to the stock market return, FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI). Interactive software package E-view would be used for testing and analysing the data collected. The study is an attempt to investigate the relationship of the chosen macroeconomic variables towards influencing FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI). The results indicate that FBMKLCI is consistently examined by interest rate and money supply. For the industrial production index and exchange rate, the linkage with FBMKLCI turns to be insignificant.