



**THE CORRELATION BETWEEN DEVELOPING ASIAN
STOCK EXCHANGE AND KUALA LUMPUR COMPOSITE
INDEX (KLCI)**

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ABSTRACT

The East Asian Crisis was a financial crisis that commenced in July 1997 in Asian in Thailand and later, it extended to the rest of the neighbouring economies. The crisis affected stock prices, currencies, and other asset prices in the most of the Asian economies. Indonesia, South Korea, and Thailand affected most strictly while Malaysia, Philippines, Singapore, Taiwan and Laos had moderate affect.

The crisis not only caused asset prices to fall across these markets, but also created speculative runs and capital flight, which is leading to considerable financial instability for the entire Asian region. It will affect a loss of confidence for investors who had intended to invest in Asian markets. . This paper seeks to examine the level of correlation between Kuala Lumpur Composite Index (KLCI) with developing Asian Exchange namely Thailand Stock Exchange (SET), Vietnam Stock Exchange (VN-Index), Jakarta Stock Exchange Composite Index (JCI), and Philippine Stock Exchange (PSE). Secondary data are collected from various sources for the sample period from August 2000 to December 2015 (monthly) which comprises 185 observations. The monthly changes of stock price indices which are used to represent the market return and it is collected from DataStream.

The model used in this study is Ordinary Least Square Method (Multiple Regression Model). Real time effects of several independent variables towards the dependent variable will examine. Econometric Views Software (E-views 7.0) will be used to generate the result from the data collected.

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