



**ANALYSIS OF STOCK MARKET AND MACROECONOMIC
INDICATORS IN MALAYSIA**

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ABSTRACT

The stock markets of a country are reflected by the state of its economy. Therefore, the economic indicators can be used to predict the stock and stock future markets as it help to understand where the economy is heading. Even though there were many researches done, however most of the previous researches only focus on the effect of macroeconomic variables towards stock price instead of stock market. For instance, Rjoub, Türsoy, & Günsel, (2009) had focused on Istanbul Stock Exchange and Singhania & Anchalia, (2013) focused on Hong Kong, Japan, India and China Stock Exchange. Theoretically, most of the macroeconomic variables have a significant relationship with stocks market, however the empirical result from the past researchers are mixed. Due to that matter, this study would shed light on empirical results of macroeconomic indicators that affected the stock market (FBMKLCI) in Malaysia. This study aims to investigate the potential factors that affecting the stock market index and to evaluate the relationship between macroeconomic indicators which are interest rate, risk premium, international effect (S&P 500), and industrial production with the stock market in Malaysia. Time series analysis is use and data collected from 2010 until 2015 in monthly basis. The data will be analyzed by using E-views software. The method use is regression model. The findings is that there is relationship between the macroeconomic indicators tested with the FBM KLCI, but only S&P 500 that have a significant coefficient.

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CHAPTER 1

INTRODUCTION

1.0 OVERVIEW

The economists refer the stock market as a physical place for people who want to buy and sell shares of stock. The stock market is more than a physical place as it is also a place to set of arrangements, advertisement, computer listings, online transaction and personal relationships that make it possible for stock to be traded. The largest stock market in the world consists of NASDAQ Stock Market, the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange. However, these markets differ from one another, especially the type of stock traded and the mechanisms used for trading. Their similarity is only on the type of capital market which is secondary market.

Nowadays, the global stock market has modernized by replacing the antiquated trading floors and practices with computerized electronic trading. The internet has made the real time market cheap, efficient, secure and quick access. It is also become a place where the market participants can access any publicly listed company's stock in order to make a trading. While, the market index allow the traders to see how the market participants perceive the future. Any movements in the index will reflect the changing expectations of the market participants.

In this study, it is more focus on the Malaysia stock market which is FTSE Bursa Malaysia KLCI (FBM KLCI) stock index. This study discussed about the stock index and its relationship with the macroeconomic indicators. A futher explanation about this study will be discussed throughly by chapter.