



**THE RELATIONSHIP OF MACROECONOMIC VARIABLES ON THE STOCK
PRICE INDEX IN MALAYSIA**

SITI NURBASIRAH BT ROSLAN

2013325285

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

KAMPUS BANDARAYA MELAKA

JULY 2016

ACKNOWLEDGMENTS

In the name of Allah, the Most Compassionate, the Most Merciful

Praise be to Allah the Al-Mighty for giving me the strength and patience to complete this study within the period given.

I wish to express my sincere gratitude to my advisor, Madam Zarinah Bt Abu Yazid, for her continuous encouragement, invaluable suggestions, patient guidance and supporting me with kindness, sympathy and academic enthusiasm. Her forceful comments and meticulous directions were a constant source of inspiration to my research that immensely improved the quality of this project paper.

I also would like to take this opportunity to deliver my deepest indebtedness to my parents for their patience, support and guidance for this research. Not forget, great appreciation go to the rest of my friends that help me from time to time during the research. The whole research really brought us together to appreciate the true value of friendship and respect of each other.

Great deals appreciated go to the contribution of my faculty - Faculty of Business Management. Apart from that, I hope that all the information and data that I have gathered here will increase the knowledge of anyone who will be accessing it regarding the study on the “The Relationship of Macroeconomic Variables on the Stock Price Index in Malaysia”. It would be a great honour to us if it is used as a reference or for any other good cause.

Finally, I would like to extend this appreciation to all that have directly and indirectly contributed invaluable assistance, cooperation and support in the completion of this research.

TABLE OF CONTENTS

List of Contents	Pages
Title Page	i
Declaration Of Original Work	ii
Letter of Submission	iii
Acknowledgments.....	iv
Table Of Contents	v
List of Tables	viii
List of Figures	ix
List of Abbreviation.....	x
Abstract.....	xi
CHAPTER ONE-INTRODUCTION	
1.0 Introduction	1
1.1 Background of study	1
1.2 Problem Statement	3
1.3 Research Objectives	4
1.4 Research Questions	4
1.5 Significant of Study.....	4
1.6 Scope of Study	5
1.7 Limitation of Study	6
1.8 Definition of Terms.....	6
1.9 Research Reporting Structure.....	7
CHAPTER 2-LITERATURE REVIEW	
2.0 Introduction	8
2.1 Relevant Theories.....	8
2.2 Stock Price.....	8
2.2 Exchange Rate.....	9
2.4 Interest Rate.....	11
2.5 Inflation Rate.....	12
2.6 Theoretical Framework	13
2.7 Conclusion.....	13

CHAPTER THREE-RESEARCH METHODOLOGY

3.0	Introduction	15
3.2	Data Methodology.....	16
3.2.1	Preliminary Test.....	16
3.2.2	Stationary Test	16
3.2.3	Jarque Bera Test (Normality Test).....	17
3.2.4	Descriptive Statistics.....	17
3.2.5	Ordinary Least Square (OLS)	18
3.2.6	Pearson Correlation Coefficient.....	20
3.3	Empirical Model.....	20
3.3.1	Simple Linear Regression	21
3.3.1.1	Model 3.1: FTSE Bursa Malaysia KLCI vs Exchange Rate	21
3.3.1.2	Model 3.2: FTSE Bursa Malaysia KLCI vs Interest Rate	21
3.3.1.3	Model 3.3: FTSE Bursa Malaysia KLCI vs Inflation Rate	22
3.3.2	Multiple Linear Regression.....	22
3.3.2.1	Model 3.4: FTSE Bursa Malaysia KLCI vs Exchange Rate, Interest Rate & Inflation Rate	23
3.4	Hypothesis Statement	24
3.5	Conclusion.....	25

CHAPTER FOUR-DATA ANALYSIS AND FINDINGS

4.0	Introduction	26
4.1	Preliminary Analysis	26
4.2	Stationary Test.....	31
4.3	Jarque Bera Test (Normality Test).....	33
4.4	Descriptive Statistic.....	35
4.5	Findings on Empirical Model.....	37
4.5.1	Simple Linear Regression.....	37
4.5.1.1	Empirical Model for Objective 1:FTSE Bursa Malaysia KLCI vs Exchange Rate .	38
4.5.1.2	Empirical Model for Objective 1:FTSE Bursa Malaysia KLCI vs Interest Rate	40
4.5.1.3	Empirical Model for Objective 1:FTSE Bursa Malaysia KLCI vs Inflation Rate ...	42
4.5.2	Multiple Linear Regression.....	42
4.5.2.1	Empirical Model for Objective 2:FTSE Bursa Malaysia KLCI vs Exchange Rate, Interest Rate & Inflation Rate.....	42
4.6	Findings on Correlation Coefficients	48

ABSTRACT

This paper examines the relationship between the macroeconomic variables on the stock price in Malaysia. In the research have employ three macroeconomic variables which are exchange rate, interest rate and inflation rate to the FTSE Bursa Malaysia KLCI with the quarterly data which range from 1st quarter of January 2008 until 4th quarter of December 2015. In the empirical analysis, this paper employed Ordinary Least Square (OLS) method to estimate the regression. The results indicate that the changes in exchange rate and inflation rate has no significant effect on the changes of the FTSE Bursa Malaysia KLCI. However, there is highly negative significant relationship between stock market and interest rate. Moreover, the results further our understanding of the between the macroeconomic variables on the stock price in Malaysia in should be useful for speculator, regulator, and investor.