



**THE DETERMINANT THE FUTURE PRICE STOCK MARKET
IN MALAYSIA**

NOOR HAFIZA BINTI KAMARUDIN

2013553271

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
BANDARAYA MELAKA**

JANUARY 2016

ACKNOWLEDGEMENT

In the name of Allah SWT The Most Gracious, The Most Compassionate and The Most Merciful, Alhamdulillah all thanks and praises due to Allah SWT for making things possible, for giving me strength, spiritual and inspiration to complete this project paper. Praised to Almighty Allah SWT for giving me the strength and courage to perform this project paper titled “To Determine the Future Price Based on Malaysia Data”. Besides that, I would like to express my sincere gratitude and appreciations to each person who had given me a valuable contribution throughout conducting this paper.

First and foremost, I would like to personally show my respect to my first advisor, Madam Nur Hafidzah Binti Idris for her advices, guidance, encouragement and understanding towards the accomplishment of this assignment. I would also express my profound appreciation to my second advisor Madam Shahreena Binti Daud for her comments and guidance to fulfill this requirement in completing this assignment.

Next, I also would like to dedicate my special thanks to my precious family, who gave me full support. Not forgotten, I express my profound gratitude to all parties and individuals who help me directly or indirectly in completing this project paper. I hope this project paper can give benefits to me and others for the future references. I wish this project paper had meet the standard requirement stated and qualified to be as one of the source of knowledge in the future. Insha Allah.

ABSTRACT

This study examines the relationship between spot price and dividend yield towards future price. Extending related empirical studies, the fair value determined by Cash and Carry Arbitrage model. Cash and Carry model being as a reference towards this study in determine the variables. The variables taken based on the model such and future price, spot price, risk free interest rate and dividend yield. The risk free rate cannot be taken due to lack of data to further this study. Most of studies such as McGowan and Muhammad (2011), Zulkarnain and Shamsuddin (2012), Abdullah (2011), Ali and Chowdhury (2010) and Lean, H. H., (2015), found that there has positive relationship of spot price and dividend yield towards future price. This project paper, Regression analysis approach was used to determine the significant relationship between spot price, dividend yield and future price based on Malaysia data. The time constrain are from January 2000 to November 2015 by using monthly data. The result from multiple regression analysis shows that only spot price giving strong impact to the future price. The weak relationship between dividend yield and future price is possible due the dividend yield give different result for different test (Van Binsbergen, et al., 2010).

TABLE OF CONTENT

CHAPTERS

DECLARATION OF ORIGINAL WORK

LETTER OF SUBMISSION

ACKNOWLEDGEMENT

i

TABLE OF CONTENT

iii

LIST OF TABLES

viii

LIST OF FIGURE

ix

ABSTRACT

x

1. INTRODUCTION

1.0 Introduction

1

1.1 Background of Study

2

1.2 Problem Statement

4

1.3 Research Question

5

1.3.1 Specific Question

5

1.4 Research Objective

5

1.4.1 General Objective

5

1.4.2 Specific Objective

5

1.5 Significant Study

5

1.5.1 The Government

6

1.5.2 The Researcher

6

1.5.3 The Industries

6

1.5.4	Generate Further Research	7
1.6	Scope of Study	7
1.7	Limitation of Study	7
1.7.1	Time Constraint	7
1.7.2	Lack of Information	8
1.7.3	Data Collection	8
1.8	Research Structure	8
2.	LITERATURE REVIEW	
2.0	Introduction	10
2.1	Literature Review	10
2.1.1	Cash and Carry model as reference	10
2.1.2	Kuala Lumpur Composite Index Future (FKLI)	11
2.1.3	FKLI and Kuala Lumpur Composite Index (KLCI)	13
2.1.4	FKLI with Dividend Yield	14
2.2	Theoretical Framework	15
3.	RESEARCH METHODOLOGY	
3.0	Introduction	16
3.1	Hypotheses	16
3.1.1	Null and Alternate Hypotheses	16
3.2	Variables	17
3.2.1	Dependent Variable	17
3.2.2	Independent Variables	18
3.3	Data Collection	18