



**EFFECT OF CRUDE PALM OIL PRICE
TOWARDS MALAYSIAN STOCK MARKET
PERFORMANCE**

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ABSTRACT

Since Malaysia is the world's second largest producer of palm oil after Indonesia, the production of palm oil become a main source of economy in Malaysia. Moreover, the performance of economy is always associated with the stock market performance. In this study, the researcher use the commodity price which is price of crude palm oil as a main indicator to enhance the performance of Malaysian stock market which known as FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI). Because of that, the main purpose of this research is to emphasize on the effect of crude palm oil price on Malaysian stock market performance. Besides, there are some macroeconomic variables used in this study that could influence the stock market return. Therefore, the dependent variable is stock market index, while there are five independent variables involved which are price of crude palm oil, consumer price index, exchange rate, industrial production index, and money supply. This study is using quarterly data from year 2005 until 2015. All data are collected using Datastream source and E-views 8 software is used to analyse the data collected.

CHAPTER 1: INTRODUCTION

1.1 Introduction

This study is emphasize on the effect of crude palm oil price towards Malaysian stock market performance. This section provides a basic and clear understanding on how the researcher wants to conduct the study. Overall, this chapter are divided into eight sections which comprise of overview of Malaysian palm oil industry, background of study, problem statement, research objectives, research questions, scope of study, significance of study, limitations of the study, and summary.

1.2 History / Overview of Malaysian Palm Oil Industry

Palm oil is a vegetable oils, which it is free from cholesterol and have high content of carotene. Initially, palm oil tree originated from West Africa and then it grows into agriculture crop. In early 1870, palm oil was introduced to Malaysia as ornament plant. First commercial plantation of palm oil was done in Selangor in 1917. After that, the plantation of palm oil grows at rapid pace in early 1970 with the support of government's programme. Malaysian Palm Oil Board (MPOB) that established in 1998 is a government agency which responsible for the development of palm oil industry in Malaysia especially on economy sector. Globally, Malaysia's Sime Darby and Federal Land Development Authority (FELDA) are the largest listed palm oil company.