



**THE EFFECTS OF MACROECONOMIC VARIABLES ON MALAYSIA'S STOCK INDEX  
(KLCI)**

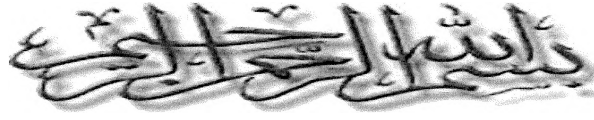
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**JUNE 2013**

## ACKNOWLEDGEMENT



Assalammualaikum w.r.t.

Praise to Allah S.W.T, the Greatest Creator who gives me the strength and blessing to complete this research proposal.

First of all, I would like to express my deepest gratitude to my brilliant advisor Madam Suhaily Maizan Binti Abdul manaf for his support, encouragement, ideas, guidance, and so on throughout the preparation of this research. For my second adviser, Madam Salwani Binti Affandi thank you for all your support and encouragement.

To my beloved family, thanks for continuous encouragement and moral support from beginning until the end of my study. Special thanks also go to my lectures and to my classmates for their ideas that they had given. May Allah S.W.T reward you all with the best in this world and hereafter

As a final word, I would like to extend my sincere thanks and appreciation to all those names that I do not mention here for their support and made this project paper a success in one way or another. Thank you very much.

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## **ABSTRACT**

This study is an attempt to determine the relationship between macroeconomic variables and stock index (KLCI). It considers the yearly data of macroeconomic variables of exchange rate, interest rates, consumer price index and crude oil price from year 1987 to 2012. In pursuance of this, the Vector Error Correction Model (VECM) was used to study long-run relationship between the stock index and the 4 selected macroeconomic variables which are Exchange rate (EXR), Interest Rate (IR), Consumer Price Index (CPI) and Crude Oil Price (COP). The major finding is that macroeconomic variables affect the stock index.