



UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF COMMODITIES
PRICE TOWARDS THE MALAYSIAN
STOCK MARKET**

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ABSTRACT

This study investigates the impact of commodities price towards the Malaysian stock market. Therefore, the purpose of this study is to have a clear view on the relationship between the dependent variable of KLCI and independent variables of palm oil, gold, and crude oil of commodities price in Malaysia and find the factors that the most impact towards the Malaysian stock market. Thus, this research wants to investigate and help investors to determine which commodities price give more benefits to them. There is 3 sample data derived from the commodities price with ten-year period from 2006 to 2016 which make the total number of observation at 132. The samples included based on the availability and continuity of the data in monthly found in Data Stream Professional during the period of 2006 until 2016. The data has been analysed by using Eviews 8.0 to do descriptive, regression and correlation analysis. Using time series method, the findings indicate that gold and crude oil price are significant in explaining Malaysian stock market and both of it also the dominant factor that impact the KLCI while, palm oil price has no significant relationship with KLCI.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

A stock market plays a major part in helping of the financial development and improvement of a country. In fact, general performance of a country's economic condition is a reflection of the performances of stock market indices. Specifically, a rising stock market index during a stock market boom is associated with a positive economic condition. The purpose of this study is to examine the impact of commodity prices towards the Malaysian stock market. Specifically, this study is to investigate if the Malaysian stock market is influenced by the palm oil price, gold price and crude oil price.

A marketplace with the purpose of buying, selling as long as trading products was called as Commodity market. Commodity market was slightly like equity market because it also selling commodities instead of buying or selling shares. In around 50 commodity markets worldwide, there are almost 100 primary commodities which allow investor to help in investment trade. In addition, hard commodities and soft commodities are part of commodities types. Hard commodities are the resources that naturally exist like gold, rubber and oil. While corn and wheat are the example of products in soft commodities.

Malaysia is selected to examine how commodity prices include palm oil, gold and crude oil affect the stock prices. Kuala Lumpur Composite Index (KLCI) is the stock market for this country. Malaysia is one of the countries that are fast growing in economics among the South East Asian, besides they are also contributor of consumption in commodities (Gelec et al., 2012). The reason behind in selecting developing countries is due the attractive and volatile in growth rates.