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FACTORS THAT INFLUENCE STOCK PRICE OF TELECOMMUNICATION COMPANIES IN MALAYSIA

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ABSTRACT

The aims of this research are to study the effect and correlation between the selected macroeconomic variables and stock price using annual data from 2010 to 2019, which is 10 years. There is one dependent variable which is stock price and three (3) independent variables such as inflation rate (INF), an exchange rate (ECR), and interest rate (INT). Descriptive Statistics and Ordinary least squares (OLS) have been used as the methods in this research. Moreover, to estimate the unknown parameters in a linear regression model, the Ordinary Least Squares (OLS) were used. The result indicates that only the exchange rate gives a significant impact on the share price while the inflation rate and interest rate do not give any significant impact. This is due to both scores do not within the level of significance respectively.

Keywords: Ordinary least squares (OLS), Stock price, Inflation rate, Exchange rate, Interest rate

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CHAPTER ONE: INTRODUCTION

The overview of the research is outlined in this chapter. Started off with the introduction of study and background of study. Problem statement, research question, research objective and scope of study are followed after that. Last but not least, the significance of study is also included.

1.1 INTRODUCTION OFSTUDY

A stock price of the company can be defined by the amount or value of cost to purchase a share of the company. This stock price is not fixed, and changes according to the condition or scenario of the market. The stock price is expected to grow and increase when the business is running in smooth and decline when the business is running below expectation and not in smooth condition. Many variables that can be use that causing the stock price to increasing or decreasing. Factors affecting stock market price includes interest rate, inflation rate, and exchange rate. Recent years, the equivalent of the financial markets in Malaysia leads the stock market to be exposed to many sources and factors ofrisk.

According to (Vardar, 2011) stated that share price or stock price can be analyzed perfectly using both fundamental and technical analysis. This technical analysis can be determined by studying at company's historical data, which shows the changes of the market share. Analysts usually study whether the stock is near to reach or moving in uptrend or downtrend by observing their previous trends of the share price. Besides, fundamental analysis is focusing on identifying to the stock whether it is in undervalued or overvalued. The data can be getting by evaluating or calculating their all the profits that generated by the company which focusing on microeconomic and macroeconomic data, decision of senior management and company's financial statement.

In the other word, the share price has specially given to each share that issued by the company. The price also represented the current situation and value of the company. This price is the value that people are willing and agreed to pay in different companies, according to their investment strategy. The price can go up or down, depending on the basis of various factor of internal and externalfactors.

1.2 BACKGROUND OFSTUDY

Malaysia Stock Market (FBM KLCI), also known by the FTSE Bursa Malaysia KLCI is a key stock market index that follows the performance of the 30 largest firms on the Bursa Malaysia's Main Board by complete market capitalization. In today's world, the stock market serves as a leading indication of a country's economic development. The establishment of the stock market exchange enables government and corporate institutions to raise quick capital in accelerating the economic development (Kyereboa, 2008). According to FTSE Bursa Malaysia KLCI, Bursa Malaysia has played an essential part within an improvement of the Malaysia capital showcase by giving administrations and foundations that permit the arrangement of a competitive worldwide advertisement by employing internationally recognized metrics.

The stock market in the United States crashed from 2008 to 2009 because of the subprime mortgage crisis. It has had a negative impact on the performance of the global stock market in several countries, including China, Japan, Singapore, and Hong Kong, and Malaysia (Majid, 2009). The Malaysian stock market index, which includes the country's top 30 firms, has been represented by the Kuala Lumpur Composite Index (KLCI) or FTSE Bursa Malaysia since 1986. According to Chong and Puah, the Kuala Lumpur Stock E-Change Composite Index (KLCI) is a capitalization weighted record used as a precise indicator to the execution of the Malaysian stock market. Most previous studies have focused on the association between macroeconomic variables and stock market development in industrialized countries. It implies that fewer researchers are conducting research in underdeveloped countries. When compared to other stock markets, Bursa Malaysia is tranquil and modern, and it is still considered a burgeoning showcase. Regardless, it has grown rapidly since its inception to become one of Asia Pacific's keys developingmarkets.

The Global Financial Crisis impacted all money-related markets throughout the world in 2007 and 2008, generating massive turmoil in the Malaysian economy and leading to dramatic changes in the KLCI, Malaysia's major file and display marker. As a result, it is critical to consider the performance of the Malaysian stock market using significant macroeconomic indicators, as they played a vital role in the subsequent global financial crisis. In this study, the researchers analyzed the factor that influencing stock price of Telecommunication Companies in Malaysia which are Telekom Malaysia ™, Maxis and Axiata based on interest rate, inflation rate and exchange rate.