UNIVERSITI TEKNOLOGI MARA

RESEARCH ON RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES WITH TECHNOLOGY STOCK MARKET PERFORMANCE IN MALAYSIA

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ABSTRACT

Using standard and well accepted methods of cointegration and vector autoregression, this paper examines the dynamic linkages between stock market performance and four macroeconomic variables in the case of Malaysia. Empirical findings indicate the presence of a long run relationship between these variables and stock market performance, as well as significant short run interactions among them. Documents positive short run and long run relationships between stock market performance and macroeconomic variables in particular. Macroeconomic variables play such a crucial role for investor and traders when it comes to making investment decision in the stock market. Therefore, this study is to find out the relationship between macroeconomic variables with technology stock market in Malaysia and will be using secondary data. This study also will be using ten (10) years period and five (5) listed technology companies in Bursa Malaysia. This study will be using E-views to run all the collected data in order to have the perfect finding. There will be four (4) independent variables and one (1) dependent variable. The expected finding for this study will be shown during the entire process.

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CHAPTER ONE (1):
INTRODUCTION

1.1 Introduction

The stock market is one of the elements that contribute significantly to a country's economic growth. The country's government, industry, central bank, and investors must all keep a careful eye on the stock market's movements. The stock market, according to [illegible] should be conceptually tightly connected with the country's macroeconomic factors since stock prices reflect the discounted present value of projected future cash flows. As a result, a few studies have been performed to assess the presence of a link between macroeconomic variables and the stock market.

The Malaysian stock exchange was originally known as the Kuala Lumpur Stock Exchange (KLSE) until being renamed Bursa Malaysia Berhad in 2004. This is Malaysia's only stock exchange, with a total of 909 firms listed (as of 3[rd] March 2014), including 800 listed in the main market and 109 listed in the ACE market. All 909 firms are spread over 14 sectors on Bursa Malaysia, including Closed-End Funds, Construction, Consumer Products, Finances, Hotels, Industrial Products, IPC, Mining, Plantations, Properties, REITs, SPAC, Technology, Trading, and Services. The Kuala Lumpur Composite Index (KLCI) is a component of the Bursa Malaysia, reflecting the top 30 businesses. It has been recognised as the Malaysia stock market index since 1986 and is currently known as the FTSE Bursa Malaysia KLCI.

GDP, CPI, interest rate, money supply, and other significant macroeconomic indicators are used to indicate a country's economic growth. They are comparable to the stock market in that both are vital to the growth of the country. As a result, we should investigate if the macroeconomic variable can explain the stock market or vice versa.

For a long time, knowledge of the elements that might impact the behaviour of the stock market and macroeconomic variables has piqued the interest of not only investors but also policymakers, but it is still difficult to establish which macroeconomic variables can directly influence the stock market. Knowing the relationship between macroeconomic variables and the stock market can help investors such as retail investors or institutional investors appropriately forecast stock price movement, whereas knowing the relationship between the stock market and macroeconomic variables is important for government sector such as