UNIVERSITI TEKNOLOGI MARA

RELATIONSHIP BETWEEN INVESTMENT ALTERNATIVES AND VOLUME ON STOCK RETURN

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ABSTRACT

COVID-19 pandemic has impacted Malaysia in many aspects especially on the economy. Economy is often related to stock market. The stock market has been long used as a leading indicator of the economy. Lockdown measures and economic stimulus employed by the previous and current government impacted stock market return in various ways. The stock market return has many determinants. To find out whether the determinants, determine the stock market return, this study employed volume traded in KLCI, gold, and bond to observe the relationship of those independent variables with stock market return using the Kuala Lumpur Composite Index (KLCI) as a proxy. The duration of this study observation is from December 2011until recent data November 2021. It is found in this study that all the independent variables (volume, gold, bond) have a significant relationship with the stock market return. It is highlighted that volume has a positive relationship with a stock market return while bond and gold both has a negative significant relationship with the stock market return. The COVID-19 period is also proven to influence the impact of volume on stock market return.

Keywords: Volume, Stock Return, Gold, COVID-19 pandemic, Bond, Investment Alternatives, KLCI.

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INTRODUCTION

1.1 INTRODUCTION

Stock market is a group of exchanges where the transaction and issuance of shares of public listed companies take place. The existence of the stock market assures investors that their holdings are as liquid as possible. Umaraliyevich, Azimovich, Ibrokhimovich and Ugli (2020) claims securities market as a crucial part of the economy and the stock exchange is necessary part of market economy. Başer and Açik (2018) stated in their writing, the stock market is influenced by the economic situation which consists of current and future expectations. Hence it is considered as an indicator of an economic condition. Therefore, due to its nature of reflecting economic conditions, it is relevant to study the factor of such a statement.

This study is carried out to find the relationship between the investment alternatives and volume on stock market return. The context, the need, the constraints, and the definition of figure and term used in this study are included.

This work focuses specifically on whether the investment alternatives such as gold and bond and volume explain the stock market return. To further extend the understanding of this topic, the relationship between volume traded and stock market return during the COVID-19 period is also observed.

1.2 BACKGROUND OF THE STUDY

Profitability, return, and risk are a common topic of interest in any financial instrument. Mestel, Gurgul, and Majdosz (2003) in their study stated empirical studies on stock exchange normally focus on stock prices and their behavior over time. Investor expectation is the determinant of price changes since the market move mainly by supply