UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF MACROECONOMICS FACTORS AFFECTING MALAYSIA STOCK PRICE VOLATILITY

NIK MUHAMMAD FARID AFIFUDDIN BIN NIK FAKARUDIN
2020982889

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ABSTRACT

Every trader, whether a scalper, intraday trader, swing trader, or position trader, is sensitive to stock market volatility. This is because they are always looking to make a profit on each of their trades. As a result, they are always aware of any major news so that it does not interfere with their technical analysis. The researcher will conduct research on the relationship between macroeconomic factors and stock market volatility in this study. The purpose of this study is to investigate the factors that influence the volatility of the Malaysian stock market (FBMKLCI) by using the unemployment rate, currency exchange rate, interest rate, and inflation rate as macroeconomic variables. This study was conducted using the regression and correlation analysis to identify macroeconomic factors that influence the volatility of Malaysian stock prices (FBMKLCI) using E-views application version 12 based on annual data for variables from 2011 to 2020. The result that can be made from this study is that the inflation rate and interest rate have shown a significant relationship with the volatility of Malaysian stock prices. As for the unemployment rate and currency exchange rate, it shows the opposite, that is, they both have an insignificant relationship with the volatility of Malaysian stock prices.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The relationship between macroeconomic variables and stock price volatility has been extensively studied in both developed and developing countries, but research in Malaysia is limited and poorly estimated. Using regression and correlation analysis, this study seeks to identify macroeconomic factors that influence the volatility of Malaysia stock prices. Macroeconomic variables include the unemployment rate, currency exchange rate, interest rate, and inflation rate. The FTSE Bursa Malaysia KLCI (FBMKLCI) is used as the dependent variable.

The current study's analysis is based on annual data for variables from 2011 to 2020. According to the findings, macroeconomic variables have a significant impact on stock prices. Stock prices have a significant impact on a country's economy and are widely regarded as the best indicator for forecasting the market and economy in the future.