UNIVERSITI TEKNOLOGI MARA

FACTORS THAT AFFECT STOCK MARKET PERFORMANCE IN MALAYSIA

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ABSTRACTS

This study aims to investigate the link between the variables that influence Malaysian stock market performance, such as the Exchange Rate, Crude Oil Price, Foreign Direct Investment, and Interest Rate, and Malaysian stock market performance. Multiple Linear Regression will be utilized to find the correlations between independent and dependent variables. The stock market is an essential component of the economy since it contributes significantly to the expansion of major economic sectors. The stock market plays an important function not only for the industry but also for the investor who wishes to maximize his return on investment. On the other hand, we are aware that the growth of a nation is tightly tied to its economy, which comprises a number of characteristics such as GDP, Foreign Direct Investment, Exchange rate, Inflation, Interest rate, and Money supply. These factors are the pillars of any economy. Changes in economic fundamentals and expectations of their future prospects impact stock price variations. This study is based on secondary data, including data for the Dependent Variable and Independent Variable. In this study, Eviews is utilized to analyze the data and quantify the outcomes. There is first a Multicollinearity Test. Then, the Normality Test follows. The researcher next applies the Correlation Analysis. The researcher concludes with a Multiple Linear Regression that contains R-squared (Coefficient of determination), Adjusted R-squared, F-statistic, and T-statistic. This study will employ longitudinal studies, or studies conducted over time, as its methodology. This is accomplished by analyzing the same condition repeatedly or continuously over the period in which the problem runs its course. The data collected is based on thirty years of observation from 1990 to 2020, covering the elements that influence the performance of the Malaysian stock market.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

The stock market, according to Corporate Finance Institute (2022), is the collection of exchanges and other platforms where shares of publicly traded companies are purchased, sold, and issued. Such transactions are conducted via established official exchanges (whether physical or digital) or over-the-counter (OTC) marketplaces that adhere to a set of standards. Multiple buyers and sellers of securities can meet, interact, and transact on the stock market. The stock market facilitates the price discovery of business shares and serves as an economic barometer.

Fair pricing and a high level of liquidity can usually be expected in the stock market due to the vast number of investors competing for the best price. Investors in the stock market can exchange shares and other qualifying financial instruments with zero to low operational risk in a safe, regulated environment. Government guidelines dictate that the stock markets are both primary and secondary markets. According to Corporate Finance Institute (n.d.), Stock market performance is a measure of the returns on stocks over time. There are several indicators of stock performance, each with its own set of characteristics and benefits to consider when analyzing returns. The length of time over which stock returns are monitored is determined by individual preference. However, portfolio managers typically assess the performance of shares on a daily, weekly, monthly, and annual basis respectively.

According to Bursa Malaysia, Bursa Malaysia designs many indices that offer investors a comprehensive and extensive collection of data that monitors and evaluates the performance of the key capital and industrial categories of the Malaysian and regional markets. As part of Bursa Malaysia's strategic plan, the Kuala Lumpur Composite Index (KLCI) was improved to guarantee that it remains robust in measuring the national economy's growing interdependence with the global economy. Bursa Malaysia and its index partner, FTSE, have linked the KLCI with an internationally recognized index calculation process to produce a more investable, competitive, and transparently managed index.