



UNIVERSITI TEKNOLOGI MARA

**THE INFLUENCE OF MACROECONOMIC
FACTORS ON MALAYSIA STOCK MARKET
PERFORMANCE**

**NUR AMIRAH NABILAH BINTI MOHD TAUFEK
2020975299**

Final Year Project submitted in fulfillment of
the requirements for degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

AUGUST 2022

ABSTRACT

The research of the macroeconomic factors for stock market performance has been widely documented for years. The purpose of the study is to analyze the influence of the macroeconomic factors on Malaysia's Stock Market Performance between period January 2012 to December 2021 on monthly basis. The total that has been observed from this study is 10 years. This research uses selected four independent variables which are Gross Domestic Product (GDP), Inflation Rate, Interest Rate and Exchange Rate while the dependent variable is Kuala Lumpur Composite Index (KLCI). In addition, this research is utilizing descriptive analysis, correlation analysis, multicollinearity test and regression analysis to determine either the independent variable is significant or insignificant towards KLCI. Research finding has shown that all independent variable have significant relationship with Malaysia Stock Market Performance (KLCI Index) thus the null hypothesis is rejected.

Keywords: Kuala Lumpur Composite Index (KLCI), Gross Domestic Product (GDP), Inflation Rate, Interest Rate and Exchange Rate.

ACKNOWLEDGEMENT

First and foremost, praises and thanks to God, the Almighty, for showers of blessing throughout my research work to complete the research successfully. I would like to thank you Universiti Teknologi Mara for providing me with an opportunity to do the Final Year Project Paper that has to be submitted to fulfill the requirement for the degree of Bachelor of Business Administration (Hons) Investment Management. I would like to express my deep and sincere gratitude to my research advisor, Puan Nik Nur Shafika Mustafa for the invaluable guidance through the research. Her sincerity and motivation to guide me is very inspiring. She has taught me the methodology to carry out the research. It was a great privilege to work under her guidance. Also I would like to express my gratitude to my coordinator subject INV667, Madam Yuslizawati Mohd Yusoff for her inspiring efforts to motivate all the researchers to the research study and I need to express my gratitude to my 2nd examiner, Dr. Basaruddin Shah Basri for his time to inspect my research study. Finally, this study cannot be done without my parents' support, prayer and love. Stay safe and Thank you.

TABLE OF CONTENTS

CONFIRMATION BY PANEL OF EXAMINERS	i
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	
CHAPTER 1: RESEARCH OVERVIEW	
1.1 Introduction	1
1.2 Background of the study	1
1.3 Problem statement	2
1.4 Research questions	2
1.5 Research objectives	3
1.6 Significance of the study	3
1.7 Scope of the study	4
1.8 Limitations of the study	4
1.9 Definition of key terms	5
1.10 Summary	6
CHAPTER 2: LITERATURE REVIEW	
2.1 Introduction	7
2.2 Literature Review on Malaysia stock market performance (KLCI Index)	7
2.3 Literature Review on Gross Domestic Product (GDP)	8
2.4 Literature Review on Inflation Rate	8
2.5 Literature Review on Interest Rate	9
2.6 Literature Review on Exchanges Rate	10
2.7 Theoretical/ Research Framework	11
2.8 Summary	11

CHAPTER 1: RESEARCH OVERVIEW

1.1 Introduction

This chapter will discuss background of study, problem statement, research questions and research objectives. A significance and scope of study and its limitations. Also, the definition of the key term and summary for this chapter.

1.2 Background of study

In general, the stock market is a place where buyers and sellers of shares in businesses may come together. (Tan, Hui Wei et al. 2016) A country or a territory may have different stock exchanges that permit the trading of stocks and other types of assets. The ability of a stock to increase or decrease its shareholders' wealth is measured by its performance. Price fluctuations are frequently used to forecast a product's effectiveness. Stocks do well when their price increases, whereas a price decline indicates a poor performance. The unpredictable nature of stock market returns has grown to be a hot issue in this new era of globalization in developing nations like Malaysia. (Filipe Chauque, D. F., & AP Rayappan, P. 2018)

The relationship between stock market and economic activities is obvious regardless of its causality direction. Different studies often choose different macroeconomic variables to analyze the factors that influence the stock market. (Asst. Prof. Tuangporn Pinudom et al. 2021). The study indicates that there is a relation between macroeconomic indicators and the stock market, although the results and interpretations will change depending on the tests' experimental design and method. Various results might occur. (Aditya Prasad Sahoo et al. 2020)

In this paper, it will focus on the Kuala Lumpur Composite Index (KLCI). KLCI was established in 1986 as a standard for a stock market index that would offer a precise performance indicator of both the Malaysian stock market and the nation's economy. (Mohamed Asmy Bin Mohd Thas Thaker et al. 2010)