



THE EFFECT OF MACROECONOMIC VARIABLES ON STOCK MARKET
RETURN IN MALAYSIA (2010 -2018)

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TABLE OF CONTENTS

	Particular	Page
	Title Page	i
	Declaration of Original Work	ii
	Letter of Submission	iii
	Acknowledgement	iv
	Table of Contents	v-vii
	List of Figures	viii
	List of Tables	ix
	List of Abbreviations	x
	List of Appendices	xi
	Abstract	xii
Chapter 1	RESEARCH OVERVIEW	
	1.0 Introduction	1
	1.1 Background of Study	1-4
	1.1.1 Stock Market Return in Malaysia	4-8
	1.2 Problem Statement	8-11
	1.3 Research Objectives	12
	1.4 Research Questions	13
	1.5 Hypothesis of the Study	14-15
	1.6 Significance of the Study	16-18
	1.7 Scope of the Study	18
	1.8 Definition of Terms	19-20
	1.9 Conclusion	20
Chapter 2	LITERATURE REVIEW	
	2.0 Introduction	21
	2.1 Theoretical Review	21-22
	2.2 Dependent Variable	22
	2.2.1 Kuala Lumpur Composite Index (KLCI)	22-23
	2.3 Independent Variable	24
	2.3.1 Inflation Rate	24-25
	2.3.2 Interest Rate	26-28
	2.3.3 Exchange Rate	28-30

	2.3.4	Money Supply	30-32
	2.4	Conclusion	32
Chapter 3		RESEARCH METHODOLOGY	
	3.0	Introduction	33
	3.1	Source of Data	33
	3.2	Research Design (Equation and Variable Identification)	34
	3.3	Data Collection Method	35-36
	3.4	Data Processing	36
	3.5	Theoretical Framework	37-38
	3.6	Data Analysis	38
	3.6.1	E-views	38-39
	3.6.2	Multiple Linear Regression	39
	3.6.3	F-test Statistics	40
	3.6.4	T-test Statistics	40-41
	3.6.5	Diagnostic Checking	41
		3.6.5.1 Model Specification and Normality Test	42
		3.6.5.2 Multicollinearity	43
		3.6.5.3 Autocorrelation	44
		3.6.5.4 Heteroscedasticity	44-45
	3.7	Conclusion	45
Chapter 4		RESULT AND FINDINGS	
	4.0	Introduction	46
	4.1	Descriptive Statistics	46-49
	4.2	Unit Root Test	49-51
	4.3	Multiple Linear Regression	51
	4.3.1	F-statistics	52
	4.3.2	T-statistics	53-56
	4.3.3	R-squared	58
	4.4	Diagnostic Test	58
	4.4.1	Residual Mean	58
	4.4.2	Normality Test – Jarque Bera	59
	4.4.3	Autocorrelation Test – Breusch Godfrey	59

ABSTRACT

This study investigates the relationship between four macroeconomic variables such as inflation rate, interest rate, exchange rate and money supply and Kuala Lumpur Composite Index from January 2010 to September 2018 which have a monthly data set of 105 observations. Besides that, the purpose of this study is to determine which macroeconomic variables are the most significant in influencing the stock market index by using time series data analysis. In this study, arbitrage pricing theory (APT) is used to construct our model to capture the relationship between macroeconomic variables and Malaysia security market performances over the period of January 2010 to September 2018. The data was analyzed using Econometric Views (E-views) and this study had been tested for several statistics. The findings reveal that among four of the independent variables, only three variables which are interest rate, exchange rate and money supply are significant with dependent variable. Besides that, only one independent variable which is inflation rate is insignificant with dependent variable (KLCI). In conclusion, money supply has positive relationship with stock price meanwhile inflation rate, interest rate and exchange rate shows negative relationship among stock prices.

Keywords: Stock Market Return, Inflation Rate, Interest Rate, Exchange Rate, Money Supply, Malaysia