UNIVERSITI TEKNOLOGI MARA

THE IMPACT OF MACROECONOMIC VARIABLES ON MALAYSIA STOCK MARKET PRE AND DURING PANDEMIC COVID19

MUHAMMAD FARIS SYAQIL BIN RUSLAN
2020985033

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

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

The purpose of this research is to identify which macroeconomics variables will give an impact to Malaysia stock market in pre and during pandemic Covid19. It will be performed by analysing the relationship between FTSE Bursa Malaysia KLCI and macroeconomic factors namely Overnight Policy Rate, Money Supply, Oil Price, Exchange Rate and Consumer Price Index. The data that was used in this research is monthly basis from Thomson Reuters, Central Bank and Trading Economics. Important to highlight, the study uses a time series analysis to examine the data that was collected from the past 4 years which is from July 2018 until October 2021, and it will be divided 20 months for pre and 20 months for during Covid19 to see which factors that gives out a significant relationship with FTSE Bursa Malaysia KLCI. Descriptive analysis, correlation analysis, normality test and regression analysis were performed. The result obtained from the variables shows that independent variable that have a positive significant with dependent variable is Consumer Price Index in pre Covid19 and no macroeconomic variables that have a significant relationship with FTSE Bursa Malaysia KLCI in during pandemic Covid19. **Key words:** KLCI, Overnight Policy Rate (OPR), Money Supply (MS), Exchange rate (ER), Oil Price (OIL), Consumer Price Index (CPI).

<u>ACKNOWLEDGEMENT</u>

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.0   INTRODUCTION

This study is focussing to discuss the relationship between macroeconomic variables and the impact on Malaysia stock market in pre and during pandemic Covid19. This chapter will go over the study's background, problem statement, research questions, research aims, study significance, study scope, and the first chapter's overview.

In Bursa Malaysia, they have 5 main tradable indices that can be used for investors to forecast the overall performance of the stock market which is FTSE Bursa Malaysia KLCI Index, FTSE Bursa Malaysia Mid 70 Index, FTSE Bursa Malaysia Top 100 Index, FTSE Bursa Malaysia Hijrah Shariah Index and FTSE Bursa Malaysia Asian Palm Oil Plantation Index (USD and MYR). The component of the FTSE Bursa Malaysia KLCI Index is 30 biggest companies that listed on the Main Board with the full market capitalisation and reach the FTSE Bursa Malaysia Ground Rules requirement which is minimum free float of 15% for corporation and to guarantee that the company's equities are liquid well to be traded, a liquidity screen is used. Meanwhile for FTSE Bursa Malaysia Mid 70 Index that focusing into Futures contract, and FTSE Bursa Malaysia Top 100 Index is the combination between The FTSE Bursa Malaysia KLCI and the FTSE Bursa Malaysia Mid 70 Index. For FTSE Bursa Malaysia Hijrah Shariah Index, the main component is 30 largest companies in the FBM EMAS index that fulfil the free float, and liquidity and requirement. For the last tradable indices in Bursa Malaysia is FTSE Bursa Malaysia Asian Palm Oil Plantation Index (USD and MYR). This index comprises companies in the Asia Pacific region that make money from palm oil, as defined by FTSE in developed, advanced emerging, and secondary emerging countries, excluding Japan, Australia, and New Zealand. In this study, we will be focusing into FTSE Bursa Malaysia KLCI Index. (Bursa Malaysia, n.d.)