EFFECTS OF MACROECONOMICS VARIABLES ON STOCK INDEX: KUALA LUMPUR COMPOSITE INDEX

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Submitted in Partial Fulfilment

Of the Requirement for the

Bachelor of Business Administration

(Hons) Finance

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA,

JOHOR

ACKNOWLEDGEMENT

First of all I want to thank Allah S.W.T. for giving me good condition of mental and physical during the period to complete this research paper. Alhamdulliah with the strength, I manage to complete this research paper on time.

I also want to thank all people surround me who had helped me while during this research paper. A big thank to all lecturer in UiTMSegamat, Johor, especially to my advisor, PuanSitiSalwaBt Hassan, who had guided me and teach me in preparing this report. She helped me a lot in giving her ideas and correcting the error that I make. Other big thanks to my second examiner EncikSyamsulSamsudin who had helped ma lot in giving more information preparing this research paper.

In addition, I want to thank to all my friends for the best cooperation while completing this research paper. Thanks for sharing the information and knowledge together. Not to forget, my family members who had always with me and give a moral support to me to complete this research paper. Lastly, thank again to those who helped me in completing this research paper. I would never forget the kindness of each of you.

Thank you

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ABSTRACT

There are only a few research papers that had been conducted in Malaysia based on the previous studies that focusing on the topic which is effect of macroeconomic variables on stock market. There are no specific macroeconomic variables that had been stated give the effect toward stock market because each of the research studies is using different variables. Therefore, the independent variables used in this study are specific to exchange rate, interest rate, crude oil price, consumer price index and money supply while the dependent variable is Malaysian stock market return (KLCI). The main objective of this research study is to investigate whether there is a relationship between selected macroeconomic variables towards Malaysian stock market return. The data collection for this research study is from secondary data which is from Jan 1999 until December 2013 based on monthly data. All the data were find by using datastream that provided by UITM. The study employed a time series multiple regression analysis which is using E-view software. This software isused to test and analyze the data that had been collected.

CHAPTER 1: INTRODUCTION

1.1.INTRODUCTION

This research paper is to study the effect of macroeconomic variables on the Malaysian stock market return (KLCI). This chapter discusses the background of study, problem statement, research questions, research objective, significance, scope and limitation of study as well as definition of terms.

In addition, this research paper will discuss about dependent and independent variables and the relationship between the variables. The dependent variables are macroeconomic variables and the independent variables are Malaysian stock market returns. In the macroeconomic variables, there are nominal interbank exchange rate (EXR), 91-day Treasury bill (T-bill) yield to proxy for Interest rate (TBR), crude oil price (CRO), consumer price index to proxy for inflation (CPI) and gross domestic product (GDP). It is presumed that the macroeconomic variables have a significant influence on the Malaysian market return (KLCI). This relationship is the subject matter of the problem statement of this research.

Other than that, this chapter will cover research questions and research objective in further details. The significance of the study will also be highlighted which could provide investors and policy makers in better understanding for their decision making process.