



**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF KUALA LUMPUR  
COMPOSITE INDEX(KLCI) TOWARDS STOCK  
MARKET RETURN IN MALAYSIA**

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## ABSTRACT

This paper investigate the significant relationship between the Kuala Lumpur Composite Index Stock Market Return and various macroeconomic factors such as oil price, exchange rate, interest rate, and inflation. This study used multiple regression model to analyze the significant relationship between the dependent variables and independent variables which is KLCI stock market return with macroeconomic determinants. A total of four indicators were taken as the independent variables of this study with a period of six(6) years monthly data from 2015 to 2020. Hence, this study shows that various macroeconomic factors such as interest rate and exchange rate have a significant relationship on the KLCI return. For this study, it used time-series data to analyze the significant relationship between various factors and stock market return. The result in this study shows that, three out of four independent variable have significant relationship and positive relationship with the dependent variables. Oil price, exchange rate and inflation have insignificant relationship with KLCI stock market exchange. Meanwhile, interest rate have significant relationship and negative relationship with KLCI stock market return.

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

The stock market where the place for buyers and sellers of securities to meet, transact and interact. The overall economy is serve as the barometer for the stock market price discovery for share of corporations. As the numbers of participants in the stock market is large, a fair price will be assure and a high degree of liquidity as many market participants versus with each other for the greatest price.

In Malaysia, Kuala Lumpur Stock Exchange is now known as Bursa Malaysia. This exchange is hundred percent serve and offers listing, trading, depository, clearing and settlement services. Bursa Malaysia also work with other international corporations and exchanges to promote transparency and performance in the global capital market. As for today, Bursa Malaysia into a partnership with the Chicago Mercantile Exchange to offer derivatives.

In other words, the stock market is a place where firms can raise capital and expand their operations. It is also used by investors to preserve their wealth and improve the overall lifestyle of society. Despite the volatility of the stock market, many people fail to obtain the returns they deserve due to the market's unpredictable nature.

However, stock market is originally known for its volatility and the market always reacts to the changes in macroeconomic factors and sometimes for some unthinkable reasons. As the results, all investors and firms will fail to obtain their expected return from their investment.

Statistics in DALBAR's quantitative Analysis of Investor Behavior show that although the average equity mutual fund investors are higher than the inflation rate, but after adjusting for inflation rate is relatively inferior compared to the total amount of risk taken (Bell, 2005). In other word, if this happening, it will crush a nation's

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