



**MALAYSIA AND ASIA MARKET LINKAGE: ANALYSIS OF GLOBAL
FINANCIAL CRISIS**

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Abstract

This study investigates stock market linkage between Malaysian stock market and Asian Stock market for an analysis of global financial crisis. The issues of this study is to know and get the clear picture of the volatility of Malaysian stock index whether it is depends with other stock market index in the Asian region considering the event before and after the global financial crisis 2007-2008 with the latest data of information. Besides that, the purpose of this study is to have a clear view on the relationship between the dependent variable of Bursa Malaysia Composite Index (FBMKLICI) and independent variables of Indonesia Stock Exchange Composite Index (IDX), Singapore Straits Time Index (STI), Korea Composite Stock Price Index (KOSPI) and Stock Exchange of Thailand SET Index (Bangkok_SET). The data observation data are collected for 120 observations of daily data of each observe stock market before and after the crisis found in Data Stream Professional The data has been analysed by using Eviews 8.0 to do descriptive, unit root test, multiple regression, correlation analysis and test on assumption. The findings for the period before the crisis indicate that STI and Bangkok_SET are significant relationship with FBMKLICI and surprisingly for the period after the crisis, STI, Bangkok_SET and KOSPI have significant relationship with FBMKLICI in explaining the linkage of Malaysian stock market and Asian stock market.

Chapter 1

1.1 Introduction

The first chapter of the study is overview and pre-information about the background and rationality for carrying the study. Several sections will be considered in this chapter starting with the background of the global financial crisis in the section 1.1. Next, section 1.2 will be describes the problem statements that led to this studies. Research objective, question and significant of the study will be explain and discuss in section 1.3, 1.4 and 1.5. Last of the section in chapter one will be represented the scope of the study.

1.2 FTSE Bursa Malaysia Kuala Lumpur Composite Index (FMBKLCI)

Malaysia is one of the developed countries that have with the population over 30 million. As the developed country, the expansions of economy in the Malaysia are important to ensure the country itself can achieve the vision 2020. The main economy indicator of the country is stock market index as the benchmark of the stock price that will be trade across the world. In Malaysia, the stock market index can be known as FTSE Bursa Malaysia Kuala Lumpur Composite Index (FMBKLCI) as the replacement of past stock index which is Kuala Lumpur Composite Index (KLCI) on 6 July 2009.

The purpose of the enhancement of FTSE Bursa Malaysia Kuala Lumpur Composite Index is to improve the calculation method by adopting the international index calculation. This improvement is to make sure the trading system is clear and have better transparency for the investors to trade in Malaysia. FMBKLCI also known as the capitalization weighted stock market index that consist of 30 big companies from the Malaysia main market as the