



UNIVERSITI TEKNOLOGI MARA

**IMPACT OF COVID-19: EVIDENCE FROM
MALAYSIAN STOCK MARKET**

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ABSTRACT

The purpose of this study is to evaluate the performance of Malaysian stock market. We have investigated whether the global pandemic Covid-19 really affected the Malaysian stock market. The pandemic Covid-19 has been chosen in our study because the impact of the pandemic is shocking globally. Many sectors affected by the pandemic. The dependent variable used to conduct this study is KLCI Index, while the independent variables used are Covid-19 cases in Malaysia, Covid-19 cases in China, Covid-19 cases in United States, CBOE VIX Index and Brent Crude Oil Price. The time series data is used based on a year daily data in 2020 from 1st January 2020 to 31st December 2020 to evaluate the relationship between the independent variables and dependent variable. The financial data of KLCI Index, CBOE VIX Index and Brent Crude Oil Price is taken from investing.com while the Covid-19 cases is taken from DataStream. Furthermore, based on previous study by Jais L. Y. (2020), we found that the results showed the number of Covid-19 cases in Malaysia adversely affected the performance of Malaysian stock market same as the CBOE Volatility Index which tends to adversely affected the Malaysian stock market performance. Covid-19 cases in Malaysia and CBOE Volatility Index showed a negative and significant relationship towards KLCI Index. Meanwhile, Brent Crude Oil Price did not adversely affect the performance of Malaysian stock market as we got a result of positive and significant towards KLCI Index similar with the results by previous study by (Jais L. Y., 2020).

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter will discuss on the background of the study, problem statement, research questions, research objective, significance of the study, scope of the study, limitations of the study and definition of key terms with overall summary for this chapter.

1.2 Background of the Study

In December 2019, the corona virus disease (COVID-19) was first detected in Wuhan, China. The unexpected virus shocked the world since it is a highly severe disease that was declared as a worldwide pandemic by the World Health Organization (WHO) on March 11, 2020. The virus spread rapidly around the world, prompting governments in every country to take action. At the early pandemic, most countries declared movement control order or lockdown to avoid the spreading of the virus. The rapid spread of Covid-19 virus was not just affected the health of a person, furthermore it also affected the health of the global economy and the financial market all over the world (Dayong Zhang, 2020). Most of the sector and businesses especially small businesses and start-up businesses facing losses of money, closing down businesses and also dismissal of workers due to sudden decline in demand (Alves, 2020).

In addition, the Malaysian Prime Minister stated that the Movement Control Order (MCO) will be implemented on March 18, 2020 and would last until March 31, 2020. It was later extended for a further two weeks, till April 14, 2020. It affects most of the people in Malaysia such as shutting down economy and most affected ministry is the Ministry of Education where all schools, colleges and universities have been instructed to close during the MCO (Jamal Othman, 2020).

Furthermore, the stock market is a public marketplace where a company's shares are issued and traded. It is a place where enterprises and the corporate sector may raise capital for their operations and investment activities, therefore indirectly stimulating the economy and improving society's general lifestyle. Since there has been a considerable increase in inflation