



**UNIVERSITI TEKNOLOGI MARA**

**THE INTERRELATIONSHIP OF GLOBAL  
MARKET INDICES AND COMMODITIES  
TOWARDS THE BURSA MALAYSIA KLCI  
INDEX**

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## **ABSTRACT**

This research is an attempt to initiate a theoretical interrelationship global market indices and commodities towards KLCI index over the period 2016-2020 in monthly. This research is based on KLCI index while for the independent variables is Dow Jones Industrial Average Index, SSE Composite Index, Hang Seng Index, crude oil price and gold price. This research information is from the database which is investing.com and trading economics website. The research methodology for this analysis is focused on descriptive analysis, correlation analysis, regression analysis and multicollinearity test, autocorrelation analysis and normality analysis. The findings of this study shows that all independent variables are significant to the dependent variable which Bursa Malaysia KLCI Index (KLCI) except Gold Price (GOLD). SSE Composite Index (SSE), Hang Seng Index (HSI), Crude Oil Price (OIL) have a positive relationship with KLCI Index. Dow Jones Industrial Average Index (DJIA) and Gold Price (GOLD) have a negative relationship with KLCI Index.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter will comprise of background of the study, problem statement, research questions, research objectives, significance of the study, scope of the study, limitations of the study, definition of key terms and summary.

### **1.2 Background of Study**

The stock market's performance may be evaluated using a variety of indicators to identify the present situation of the economy, whether the country is worth investing in or should be avoided, and to indicate the economy's overall health. The market index is one of the indicators that may be used to determine the stock market's performance. A market index is a hypothetical portfolio representing a segment of a country's financial market as a collection of investment assets in that market (Young, 2019).

The relevance of market players, regulators, and academic researchers investigating the level of volatility links across financial markets has expanded due to financial market integration within a fast-developing global financial system. Investors and policymakers are increasingly interested in better understanding the nature of cross-market connections and interactions. As a result, a better understanding of how markets interact is critical in determining price, hedging, and regulatory policy. As a result, there is a lot of literature on volatility and cross-market correlations. (Francis In, 2002).

The country's only stock market, with the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI) as its main index, is the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI). Before the Asian financial crisis, according to Corradi, Distaso, and Mele (2013), the Malaysian stock market was the fifth-largest in Asia in terms of capitalization. Macroeconomic factors can account for about 75% of stock market fluctuation, according to their research. Srinivasan (2011), on the other hand, claims that monetary policy factors have a major long-term impact on the Malaysian stock market.