

**CRUDE OIL PRICES SHOCK AFFECT INVESTORS' BEHAVIOR IN
MALAYSIA:
DATA ANALYSIS ON THE MAJOR PETROLEUM
BASED COMPANIES**

**NOORFARAH SHAHIRA MOKTAR
2015183171**

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UNIVERSITI TEKNOLOGI MARA
SABAH**

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ABSTRACT

The purpose of this paper is to examine the correlation between changes in crude oil prices and its effects towards investors' behavior in Malaysia. Investor's behavior can be measured by looking at the movement of the stock prices in three major petroleum based companies which are Petronas Dagangan, Petron and Shell. The sample period of this study is starting from January 2017 until December 2017. Multivariate vector auto-regression model (VAR) that employed the generalized impulse response function and forecast variance decomposition error is being applied in this study. Panel data statistical software will be use in analyzing the data. Investors' behavior is the dependent variable while crude oil prices, interest rate (overnight policy ratio) and corporate performance (price-to-earnings ratio) are the independent variables. Based on the findings, it can be conclude that crude oil prices and interest rate has a negative relationship towards investors' behavior meanwhile only price-to-earnings ratio has a positive relationship with investors' behavior.