



**Dynamic Relationship among the Economic Factors and Stock Market  
Returns in Major Oil Exporting and Importing Countries: Considered of  
Mincer and Zarnowitz Regression Model.**

**NORAZIZAH EDAHYU BINTI MAHAMUD**

**2014642354**

**BACHELOR OF BUSINESS ADMINISTRATION WITH HONORS (FINANCE)**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**KOTA KINABALU**

**JUNE 2016**

## ACKNOWLEDGEMENT

First and foremost, I want to thank and give my highest gratitude to Allah S.W.T for giving me a chance to persuade my Bachelor Degree here at UiTM and for giving me His guidance, bless and strength for completing this Final Year Project Paper.

I also want to express my utmost gratitude to the people who helped me to complete this thesis. They are Associate Professor Dr. Imbarine bin Bujang (Advisor), Dr. Alice Wong Su-Chu and Mister Ahmad Fauze bin Abdul Hamid for giving me their supervision, guidance, knowledge, advice and also blessing during completing this thesis.

I would like to express the deepest appreciation also to my family member especially to my mother for understanding me and giving her fully support to complete my thesis. Thank also giving to him (Mohd Azizi bin Mohd) for supporting me and always push me to do my thesis. I would also like to thank to all my brothers for their loving and understanding.

Besides that, I am very grateful to and thanks to my friends (Mona and Chaloy) for helping me during completing this thesis and also to my housemate (Kak Era, Fila and Ana) for understanding and also helping me.

Last but not least, I would express my thankful to everybody that I unintentionally missed out to mention who directly and indirectly have been contributed and provided their cooperation for completing this thesis. Thank you so much and may Allah/God bless you all.

## TABLE OF CONTENT

	<b>Page</b>
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v-vii
LIST OF FIGURES	viii
LIST OF TABLES	ix-x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xii

### **CHAPTER**

#### **1 INTRODUCTION**

1.0 Background of Study	1-3
1.1 Problem Statement	4-5
1.2 Objective of Study	6
1.3 Scope of Study	6
1.4 Limitations of Study	7
1.4.1 Lack of Information	7
1.4.2 Lack of Experience	7
1.4.3 Time Constraint	7
1.4.4 Lack of Variables Included	8
1.5 Significant of Study	8
1.5.1 Body of Knowledge	8
1.5.2 Investors	8

1.5.3 Future Researchers	9
1.5.4 Policy Makers	9
1.5.5 The Regulation Body or Government	9
1.6 Organization of Study	10-11
<b>2 LITERATURE REVIEW</b>	
2.0 Introduction	12
2.1 Theory Used in This Study	12-13
2.2 Oil Prices	13-14
2.3 Inflation Rates	14-15
2.4 Exchange Rates	15-16
2.5 Interest Rates	17-18
2.6 Theoretical Framework	19
2.7 Conclusion of Chapter	20
<b>3 DATA AND METHODOLOGY</b>	
3.0 Introduction	21
3.1 Data Collection	22
3.2 Empirical Model	22-23
3.2.1 Multiple Linear Regression	23
3.2.2 Mincer and Zarnowitz Regression	24
3.3 Hypothesis Testing	25
3.4 Descriptive Statistic Analysis	25
3.5 Diagnostic Test	26
3.5.1 Panel Unit Root Test	26
3.5.2 Heteroskedasticity	27
3.5.3 Autocorrelation	28
3.5.4 Multicollinearity	28
3.5.4.1 Variance Inflation Factor (VIF) Test	28-29
3.5.5 Cross-Correlation Matrix	29
3.6 Estimation Procedure	29

## **ABSTRACT**

The fluctuation of oil prices has become a great agony among major oil exporting and importing countries. A vast amount of studies provide evidence that stock market returns is affected by the macroeconomic factors. However, no current studies have been carried out on considering the lagged time which can able to contribute something new in the extension of knowledge. Therefore, the current study attempts to investigate the relationship between the stock market returns and economic factors by including the movement of oil prices, interest rates, exchange rates and inflation rates on an annual basis from 2010 to 2015 of the major oil exporting and importing countries. Arbitrage Pricing Theory was used in this study together with Mincer and Zarnowitz (1969) in order to re-checking all the variables based on the lags time. The findings from the current study suggested that oil prices, interest rates, and inflation rates significantly affect the stock market returns. After adjustment, exchange rates also significantly affect stock market returns besides oil prices and interest rates.