



**THE RELATIONSHIP BETWEEN STOCK PRICES AND EXCHANGE  
RATES:  
EVIDENCE IN MALAYSIA**

**RATNA SUSILA BINTI JAMALUDIN**

**2014321143**

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

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**KOTA KINABALU SABAH**

**JULY 2017**

## **ACKNOWLEDGEMENT**

First of all, thanks to Allah for his mercy and guidance in giving me full strength to complete my study in University Technology Mara and complete to finish my final year project. Even facing some difficult in completing the task, I still manage to complete it.

Then I would like sincerely thanks to Mr Marius Benedict as my advisor for give lot of knowledge, support, patience, motivation and guidance to me for completing my final year project. Without your guidance I would not completed my final year project. I also would like to thank you to Madam Yvonne for evaluating me.

Then, I would like to thank my parents and friends who never give up for supporting me mentally and physically not just during finishing my final year project but also during my whole study in University Technology Mara.

## **TABLE OF CONTENT**

	<b>PAGES</b>
TITLE OF PAGES	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v-vii
LIST OF FIGURE	vii
LIST OF TABLE	viii-ix
LIST OF ABBREVIATIONS	x
ABSTARCT	xi
<b>CHAPTER 1      INTRODUCTION</b>	
1.0 INTRODUCTION	1-5
1.1 STATEMENT OF PROBLEM	6-8
1.2 SCOPE AND LIMITATION OF STUDY	8
1.3 OBJECTIVE OF STUDY	9
1.4 SIGNIFICANT OF STUDY	10
1.5 SUMMARY OF CHAPTER	10
<b>CHAPTER 2      LITERATURE REVIEW</b>	
2.0 INTRODUCTION	11
2.1 THEORETICAL STUDIES	11
2.2 EMPIRICAL REVIEW	12-16

	2.3 SUMMARY OF CHAPTER	17
<b>CHAPTER 3</b>	<b>RESEARCH METHODOLOGY</b>	
	3.0 INTRODUCTION	18
	3.1 DATA COLLECTION MODEL	18-20
	3.2 VARIABLES AND MEASUREMENT	20-24
	3.3 THEORETICAL FRAMEWORK	24-27
	3.4 EMPIRICAL ANALYSIS FRAMEWORK	28
	3.5 PANEL REGRESSION MODEL PROCEDURES	29-31
	3.6 LINEAR REGRESSION TEST	32
	3.7 FLOW CHART	33
	3.8 SUMMARY OF CHAPTER	34
<b>CHAPTER 4</b>	<b>RESULT AND FINDING ANALYSIS</b>	
	4.0 INTRODUCTION	35
	4.1 DESCRIPTIVE ANALYSIS	35-38
	4.2 UNIT ROOT TEST	39-44
	4.3 DIAGNOSTIC TEST	45-49
	4.4 ARCH AND GARCH TEST	50
	4.5 RESULT OF R-SQUARE	51
	4.6 RESULT OF LINEAR REGRESSION	52-54
	4.7 RESULT OF HYPOTHESIS TESTING	55-63
	4.6 SUMMARY OF CHAPTER	63
<b>CHAPTER 5</b>	<b>RECOMMENDATION AND CONCLUSION</b>	
	5.0 INTRODUCTION	64

## **ABSTRACT**

This study will investigate the interaction between stock prices and exchange rates in Malaysia. By using monthly data from year 1992 to 2016, this study attempts to examine the relationship between stock prices and exchange rates in long run effect. This study also investigates the short-run relationship between stock prices and exchange rates during Asian Financial Crisis for year 1996 to 2000 and Global Financial Crisis for year 2006 to 2010. Some economic variable has been added in this study as control variables. The result indicates that there has significant relationship between stock prices and exchange rates in long run effect but not in short run effect during Asian Financial Crisis and Global Financial Crisis.

**Keywords: Stock Prices, Exchange rates**