



BOND PRICE AND ITS RELATIONSHIP WITH UNITED STATES MACROECONOMIC VARIABLES

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DECLARATION OF ORIGINAL WORK



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I, MOHD SHAHRUL IKHWAN BIN ABU BAKAR,

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any others degree
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbalism extract have been distinguished by quotation marks and source of my information have been specification acknowledgment.

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ABSTRACT

The U.S. bond market is the largest market in the world but not much is understood in terms of macroeconomic factors that could influence the bond prices in United States. Based on a Vector Autoregressive (VAR) model, this paper examines the impact of three macroeconomic factors namely: interest rates, Inflation rates, and Exchange rates of the U.S Government bond and Corporate Bonds for a period from 1 January 2006 to 31 December 2010. The findings support the expected hypotheses that interest rate, inflation rate and exchange rate have significant influence on the U.S bond prices. It indicates that there is negative relationship between interest rates, inflation rates and exchange rate with the U.S bond prices

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