



**DETERMINANTS OF STOCK MARKET RETURNS IN MALAYSIA: EVIDENCE
FROM FTSE KLCI**

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CITY CAMPUS**

JANUARY 2018

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**Submitted in Partial Fulfilment of the
Requirement for the
Bachelor of Business Administration with Honours (Finance)**

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UNIVERSITI TEKNOLOGI MARA (MELAKA)
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JANUARY 2018

DECLARATION OF ORIGINAL WORK




**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS
(FINANCE)
FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

I, MUHAMMAD FADZLI BIN KADIR, (I/C Number: 910831-03-5099)

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 other degrees.
- This project-paper (“this study”) is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: 

Date: 12 January 2018

LETTER OF SUBMISSION

January 2018

The Head of Programme

Bachelor of Business Administration (Honours) Finance

Faculty of Business and Management

Universiti Teknologi MARA

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75300 Melaka

Dear Sir/Madam,

SUBMISSION OF INDUSTRIAL TRAINING PROJECT PAPER (FIN672)

Hereby, enclosed the project-paper (“the study”) titled “**DETERMINANTS OF STOCK MARKET RETURNS IN MALAYSIA: EVIDENCE FROM FTSE KLCI**” to fulfil the requirement précised by the Faculty of Business and Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,



MUHAMMAD FADZLI BIN KADIR

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Bachelor of Business Administration with Honours (Finance)

DETERMINANTS OF STOCK MARKET RETURNS IN MALAYSIA: EVIDENCE FROM FTSE KLCI

ABSTRACT

The stock market was one of indicators in determining the future economy of a country. Bearish in the stock market refers to there is unfavourable signal to the economy while bullish in the stock market refers to there is positive outlook in future economy of a country. The trend of the major stock market index gives a perception to local and foreign direct portfolio investment towards a county and determining the determinants of stock market returns will help them in making investment decisions. This study highlighted the significant determinants in determining future movements of stock market returns in Malaysia. The quarterly time series data span over the period of the first quarter of 2008 to the first quarter of 2017 was used for this study. This study employed the Ordinary Least Squared (OLS) approach to testify all the research objectives by employing FTSE KLCI as the proxy for stock market returns in Malaysia. The trend for FTSE KLCI had been fluctuated since Global Financial Crisis 2008. The research objectives focused on testing the selected determinants of stock market returns in Malaysia such as exchange rate of Malaysia ringgit to 1 U.S. dollar (USD/MYR), Gross Domestic Product (GDP) in millions Malaysia ringgit, interest rate proxied by Malaysia Treasury Bill Band 4 (68 to 91 days to maturity) and crude oil price proxied by Crude Oil West Texas Intermediate (WTI) spot cushioning U.S. dollar per barrel. It was revealed that the exchange rate, the GDP and the interest rate had significant impact in determining stock market returns in Malaysia.

Keywords: stock market returns, exchange rate, Gross Domestic Product, interest rate, crude oil price