



A STUDY ON MACROECONOMIC FACTORS AFFECTING GOVERNMENT BOND  
YIELDS:  
THE CASE OF MALAYSIAN BOND MARKET

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KAMPUS BANDARAYA MELAKA  
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Submitted in Partial Fulfillment  
Of the Requirement for the  
Bachelor of Business Administration  
(Hons) Finance

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UNIVERSITI TEKNOLOGI MARA  
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**KAMPUS BANDARAYA MELAKA, MELAKA**

**“DECLARATION OF ORIGINAL WORK”**

I, Nurul Aisyah Binti Atan (940107-01-6644)

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 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: \_\_\_\_\_

(Nurul Aisyah Binti Atan)

940107-01-6644

**LETTER OF TRANSMITTAL**

JANUARY 2018

Miss Nurhaslinda Binti Hashim  
Faculty of Business Management  
Kampus Bandaraya Melaka  
Universiti Teknologi MARA Melaka  
110 Off Jalan Hang Tuah  
75300 Melaka Bandaraya Bersejarah.

Dear Miss,

**SUBMISSION OF FINAL PROJECT PAPER**

Attached is the project paper titled “**A Study on Macroeconomic Factors Affecting Government Bond Yields: The Case of Malaysian Bond Market**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely

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Nurul Aisyah Binti Atan  
(940107-01-6644)  
Bachelor of Business Administration (Hons) Finance

## ABSTRACT

This study investigates the macroeconomic factors affecting the government bond yields by analyzing the relationship between the government bond yields that is measured by yield to maturity (YTM), with the inflation (INF), interest rate (INT), exchange rate (EXC), money supply (MS) and stock index (SI). This study covers the Malaysian bond market in which Malaysia government decides to make the bonds as priority in the market and become the main sources for long term financing due to the Asian financial crisis that has been occurred in year 1997 (Fabella & Madhur, 2003). Besides, this study chose Malaysian government bond as the financial data from the year of 2007 to 2016 were used 40 observations for this study. A multiple linear regression analysis was executed in this study to see the relationship between dependent and independent variables. The dependent variable is government bond yields and is measured by the yields to maturity (YTM), whereas the independent variables are inflation, interest rate, exchange rate, money supply and stock index. As a result this study found interest rate, money supply and stock index have significant and negative impact on government bond yields whereas inflation has significant and positive impact on government bond yields while only exchange rate has negative and insignificant effect on government bond yields.

*Keywords: Government bond yields, exchange rate, interest rate, money supply, stock index.*