



**THE IMPACT OF MACROECONOMIC
VARIABLES ON STOCK RETURN– A STUDY OF
KUALA LUMPUR COMPOSITE INDEX (KLCI)**

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DECLARATION OF ORIGINAL WORK



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“DECLARATION OF ORIGINAL WORK”

I, SITI SALIHAN BINTI SADIKIN, (930122016774)

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: 30 DECEMBER 2016

LETTER OF SUBMISSION

30th DECEMBER 2016

Sir Syamsyul Bin Samsudin

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Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “THE IMPACT OF MACROECONOMIC VARIABLES ON STOCK RETURN:-A STUDY OF KUALA LUMPUR COMPOSITE INDEX IN MALAYSIA” to fulfill the requirement as needed by the Faculty of Business Management, University of Technology MARA.

Thank you

Yours sincerely

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ABSTRACT

This study attempts to examine the impact of macroeconomic variables on Kuala Lumpur Composite Index (KLCI). Stock market has been investigated as one of the factor that affects the economic growth in Malaysia. This is because a well formulated stock market index can be a sensitive barometer of short run political and economic development. Therefore, it is important to study the effect of macroeconomic variables on stock return. The aim of the study is to investigate the impact of macroeconomic variables such money supply, interest rate, exchange rate and inflation rate on the returns of Kuala Lumpur Composite Index (KLCI) that listed in Bursa Malaysia. Secondly, this study's purpose is to know the intensity of macroeconomic variables on price index of company listed on Kuala Lumpur Stock Exchange. Macroeconomic variables in this study are interest rate (T-bills), money supply (M2) and inflation rate (CPI) and exchange rate. The findings reveal that among four independent variables, only two variables which are exchange rate and inflation rate are significant with dependent variable. Whereas, interest rate and money supply shows insignificant result with stock prices. In addition, exchange rate shows the negative relationship in the first month. However, inflation rate have a positive relationship in the current month and shows the negative relationship after the first month differencing. The prices of stock for KLCI are taken from the monthly period 2008 until 2015 which is 8 years by using Multiple Linear Regression method.