



**THE INTERNATIONAL STOCK MARKET INTERDEPENDENCE BETWEEN
MALAYSIA, SINGAPORE AND INDONESIA.**

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BANDARAYA MELAKA

OCTOBER 2009

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
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“DECLARATION OF ORIGINAL WORK”

I, **MOHD FARHAN BIN JAFRI**, (I/C Number: **860813-09-5079**)

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 degree.
- 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: _____

LETTER OF SUBMISSION

30 October 2009

The head of program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA
Bandaraya Melaka

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "THE INTERNATIONAL STOCK MARKET INTERDEPENDENCE BETWEEN MALAYSIA, SINGAPORE AND INDONESIA" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely

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ABSTRACT

The issues of international stock markets linkages had been investigated over the time. Since the Asian financial crisis in 1997, many economists are concerned about the relationship between Asian stock markets and others in the world. This paper is conducted to examine the linkages between Malaysia, Singapore, and Indonesia stock markets. The Vector Autoregression (VAR) model was applied to five years daily price stock index from these three countries from 2004 to 2008. The results show that both a domestic and international price relationship between stock indexes exists in Malaysia, Singapore and Indonesia. Furthermore, the study shows that the current return of Malaysia market is not affected by the previous return of the same market. The result from the finding also indicates that the current return of Indonesia market is not persuaded by the previous return from the same market. However, the result shows that the current market return of Singapore market is positively influenced by the previous return from the same market. As a conclusion, the result of this study shows that the relationship effect exists between stock market in Malaysia, Singapore and Jakarta. This means the investors should be aware of the price movement in stock market between Malaysia, Singapore and Indonesia. The result also indicates that there is international stock market interdependence between these three countries.

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