

UNIVERSITI TEKNOLOGI MARA

**FACTORS AFFECTING MOVEMENT OF PRICES
IN MALAYSIA'S STOCK EXCHANGE:
COMPARISON BETWEEN KLCI AND HIJRAH
SHARIAH INDEX**

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Finance)**

Faculty of Business and Management

June 2018

AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

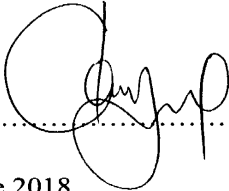
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ABSTRACT

Nowadays, excess fund is better being invested rather than keep in saving account. Through investing, excess fund can be multiplied. Stock exchange is where the best place to securely invest the excess fund available without the existence of fraudulent and scam. Along with growing of Islamic Finance, Shariah index has been introduced by Bursa Malaysia in the stock exchange on 21st May 2007. With the existence of Shariah index, broad benchmark for Shariah-compliant investment has been provided. The general criteria is that, Shariah-compliant companies must not involve with activities deemed non permissible according to Shariah. The performances of stock exchange also represent the performances of economic activity in the country. However, the movement of prices in the stock exchange can be influenced by factors such as fundamental factors and psychological factors. Thus, The aim of this study is to examine how the prices movement of stock exchange is affected by fundamental factors. Fundamental factors that will be focused on upon this study are macroeconomic factors; namely gross domestic products, money supply, inflation rate and interest rate, and the crude oil (WTI) prices. The data being undergo several tests namely unit root test, correlation analysis, multicollinearity analysis, regression analysis, normality test, serial correlation test, variance analysis and functional form analysis. The tests are being done separately in between KLCI and Hijrah Shariah Index. Towards KLCI, it is found that inflation rate and crude oil prices shows significant relationship while gross domestic products, money supply and interest rate show insignificant relationship. Towards Hijrah Shariah Index, gross domestic products, inflation rate and crude oil prices show significant relationship while money supply and interest rate show insignificant relationship.

ACKNOWLEDGEMENT

Firstly, I wish to thank Allah for giving me an opportunity in pursuing my Bachelor Degree and for completing this challenging journey successfully. I would like to show my appreciation and special thanks to my supervisor Dr. Roslina binti Mohamad Shafi and my coordinator Puan Nur Liyana Binti Mohamed Yousop, whom do not stop encouraging and assisting in completing this study.

Special thanks to my supervisor during my internship program, friends and for those that helped and guided me with this project either directly or indirectly.

Finally, this study is dedicated to my lovely parents as a gift and proved that they do determine in educating me. Thanks to my parents in assisting to complete this thesis. Alhamdulillah.

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