



**UNIVERSITI TEKNOLOGI MARA**  
**THE RELATIONSHIP BETWEEN OIL PRICE AND THE**  
**PERFORMANCE OF STOCK MARKET IN MALAYSIA**  
**CASE STUDY: KUALA LUMPUR COMPOSITE INDEX**  
**(KLCI)**

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Project Paper submitted in fulfillment of the requirements for  
**Bachelor of Business Administration (Hons) (Finance)**  
**Faculty of Business Management**  
**UiTM Bandaraya Melaka**  
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**BACHELOR OF BUSINESS ADMINISTRATION  
(HONS) FINANCE  
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“DECLARATION OF ORIGINAL WORK”**

I, NOR FARISHA BT ISMAIL, (I/C Number: 870718385296)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, local or overseas and is not being concurrently submitted for this degree or any others degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbalism extract have been distinguished by quotation marks and source of my information have been specifically acknowledged.

Signature: .....

Date: .....

## **LETTER OF SUBMISSION**

25<sup>th</sup> APRIL 2011

The Head of Program  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
Universiti Teknologi MARA  
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Dear Madam,

### **SUBMISSION OF PROJECT PAPER**

Attached is the project paper titled “The Relationship between Oil Price and the Performance of Stock Market in Malaysia: Kuala Lumpur Composite Index (KLCI)” to fulfill the requirement as needed by the Faculty of Business Management, University Technology MARA. Thank You

Yours Sincerely,

.....

NOR FARISHA BT ISMAIL

2008358101

Bachelor of Business Administration (Hons) Finance

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>ACKNOWLEDGEMENT</b>	iv
<b>TABLE OF CONTENT</b>	v
<b>LIST OF TABLE</b>	x
<b>ABSTRACT</b>	xi
<b>CHAPTERS</b>	
<b>1. INTRODUCTION</b>	
1.0 Introduction	1
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Research Objectives	4
1.4 Research Question	4
1.5 Scope of Study	4
1.6 Limitation of the Study	5
1.7 Significant of Study	5
1.8 Definition of Term	6
1.8.1 Stock Market Index	6
1.8.2 Oil Price	7

## **Abstract**

This study tries to investigate the relationship between oil prices and stock market in Malaysia. The performance may be influence by many factors, relation with economics of views and perspectives. It may be cause by major macroeconomic variables such as inflation, money supply, exchange rate, industrial production and others. This paper is to provide an analysis of the significance correlation between stock prices and some major macroeconomic variables. Data of monthly oil price (OP) in US, monthly stock price (KLCI) and monthly consumer price index (CPI) as variables in this study. The data is collected for the five years period of 1 January 2006 to 31 December 2010 and used to multiple regression method to examine the significance level of the relationships between dependent and independent variables.

The results from this model that this is significant relationship between oil price and stock market with the oil price movement. Furthermore, the analysis also shows inflation has a relationship with stock price but there is no significant result due to the more significant on other macroeconomic variable. These results further our understanding of the interaction between oil prices and share prices and should be of use to investors, regulator, managers, and policy maker.