

**RELATIONSHIP BETWEEN KLSE COMPOSITE INDEX  
AND OTHER MAJOR INDICES**

**PREPARED BY:**

**IBRAHIM BIN HJ AB. RAHMAN  
93014811**

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## ABSTRACT

The main objective of this study is to determine whether there is any relationship between Kuala Lumpur Composite Index and other major world indices. The selected bourses and indices are Tokyo Stock Exchange (Nikkei), Hong Kong Stock Exchange (Hang Seng), New York Stock Exchange (Dow Jones Industrial Average), London Stock Exchange (FT-SE 100), and Stock Exchange of Singapore (SES All Shares). A brief background of the selected bourses and computation of the indices were carried out in chapter two. Chapter three continues with the literature review from the previous studies which are considered as related to this study.

Chapter four continued with the data and methodology. The data collected were the weekly closing indices of the selected indices for a period of five years from January 1989 to December 1993. There were 260 observations of closing indices for each selected index. There are five hypotheses postulated in order to conduct a simple linear regression and correlation analysis by using the Statistical Package for Social Science (SPSS).

From the analysis carried out it can be concluded that Kuala Lumpur Composite Index is positively related to Nikkei, Hang Seng, Dow Jones Industrial Average, FT-SE 100 and SES All Shares index. However the degree of correlations is weak, except for SES All Shares which shows a strong relationship with correlation coefficient of 0.7222. Therefore it can be concluded that information on performance of other major bourses should be considered in making investment decision in Kuala Lumpur Stock Exchange.

## TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	i
✓ ABSTRACT.....	ii
LIST OF APPENDICES.....	iii
TABLE OF CONTENTS.....	iv

### CHAPTER 1 INTRODUCTION

1.0 Introduction.....	1
✓ 1.1 Introduction.....	1
✓ 1.2 Objectives of Studies.....	4
✓ 1.3 Scope and Limitations.....	5

### CHAPTER 2 BACKGROUND OF BOURSES

2.0 Background Of Bourses.....	7
2.1 Kuala Lumpur Stock Exchange.....	7
2.2 Tokyo Stock Exchange.....	10
2.3 Hong Kong Stock Exchange.....	12
2.4 London Stock Exchange.....	14
2.5 Stock Exchange of Singapore.....	16
2.6 New York Stock Exchange.....	19

### CHAPTER 3 LITERATURE REVIEW

3.1 Literature Review.....	21
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### CHAPTER 4 DATA AND METHODOLOGY

✓ 4.0 Data And Methodology.....	25
4.1 Data.....	25
✓ 4.2 Hypothesis.....	26
✓ 4.3 Methodology.....	33

CHAPTER 5 ANALYSIS AND FINDINGS

5.0 Analysis and Findings.....40  
5.1 Hypothesis 1.....42  
5.2 Hypothesis 2.....45  
5.3 Hypothesis 3.....48  
5.4 Hypothesis 4.....51  
5.5 Hypothesis 5.....54  
5.6 Trend Analysis.....57

CHAPTER 6 CONCLUSIONS AND RECOMMENDATIONS

6.0 Conclusions And Recommendations.....58  
6.1 Conclusions.....58  
6.2 Recommendations.....59

BIBLIOGRAPHY

APPENDICES