



**“A STUDY ON MARKET INTERDEPENDENCE OF FUTURES  
MARKETS WITH ITS UNDERLYING ASSETS: ANALYSIS ON  
EUROPE DEVELOPED MARKET”**

**(UNITED KINGDOM, FRANCE, GERMANY)**

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BANDARAYA MELAKA**

**MAY 2011**

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**Submitted in Partial Fulfilment Of the Requirement for  
the Bachelor of Business Administration  
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
UITM, BANDARAYA MELAKA**

**MAY 2011**

## **DECLARATION OF ORIGINAL WORK**



### **BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGY MARA BANDARAYA MELAKA**

#### **“DECLARATION OF ORIGINAL WORK”**

I, ZAHIRAH BINTI HAMID GHUL, 2008754711

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 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**

9<sup>th</sup> MAY 2011

The Head of Program  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
Universiti Teknologi MARA  
72400 Bandaraya Melaka  
Melaka

Dear Madam,

**SUBMISSION OF PROJECT PAPER**

Attached is the project paper Titled “A Study on Market Interdependence of Futures Markets with Its Underlying Assets: Analysis on Europe Developed Market” to fulfil the requirement as needed by the Faculty of Business Management, University Technology MARA.

Thank You

Your Sincerely,

.....

ZAHIRAH BINTI HAMID GHUL

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Bachelor of Business Administration (Hons) Finance

## **ABSTRACT**

There are many research have been conducted in order to investigate the relationship between futures and spot market in Europe countries. This study tries to expand the body of knowledge by investigate the interdependence relationship of futures and spot market in Europe and focus in three countries, United Kingdom, France and Germany. The Single Linear Regression model was applied on the weekly price stock index from 1<sup>st</sup> January 2005 until 31<sup>st</sup> December 2010. The index used in this study are FTSE 100 Index for United Kingdom, CAC 40 Index for France, while DAX Index for Germany. The result shows that there is a bidirectional relationship between futures and spot market in these three countries. Bidirectional relationship means existing of lead lag relationship between spot and futures. In some cases futures can lead spot; hence other cases spot can lead futures. Moreover, from the result of this study shows a significant of coefficient in all countries.