



**THE RELATIONSHIP BETWEEN MONEY SUPPLY
(M2), INFLATION RATE AND INDUSTRIAL
PRODUCTION INDEX TO STOCK PRICE IN
MALAYSIA**

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JOHOR**

NOVEMBER 2006

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

**FACULTY OF BUSINESS MANAGEMENT
UITM, JOHOR**

NOVEMBER 2006

DECLARATION OF ORIGINAL WORK




**BACHELOR OF BUSINESS ADMINISTRATION
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UNIVERSITI TEKNOLOGI MARA
JOHOR**

“DECLARATION OF ORIGINAL WORK”

I, Asimah Nor binti Darus, (I/C Number:820603-14-5772)

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 degrees
- 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: 8 NOVEMBER 2006

HAK MILIK
Perpustakaan Tun Dr. Ismail
Universiti Teknologi MARA, Johor

LETTER OF SUBMISSION

November, 8 2006

Encik Muhamad Sukor bin Jaafar
The Programme Coordinator
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Johor.


Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "THE RELATIONSHIP BETWEEN MONEY SUPPLY (M2), INFLATION RATE AND INDUSTRIAL PRODUCTION INDEX TO STOCK PRICE IN MALAYSIA" to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA

Thank you

Yours sincerely



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Bachelor of Business Administration (Hons) Finance

ABSTRACT

This study aims to study the relationship between the money supply using M2, Industrial Production Index (IIP) and Inflation rate using Consumer Price Index (CPI) to the stock price in Malaysia. The main objective of this study is to determine the relationship among the three variables, which have been influencing the stock market prices especially in the Malaysian stock market. In addition, that are many variables that are related to the stock market price performances in Bursa Malaysia for example industrial production, risk premium, slope of the yield curve, inflation, interest rate, exchange rate, money supply and trade balance but for this study it is more preferable to justify only three variables which contribute to the Malaysian stock market. The period of analysis was between 1996 and 2005 in monthly basis. The method used is Multiple Linear Regression Model to analyze the relationship between Money supply (M2), Inflation rate (CPI) and Industrial production index (IIP) to stock price In Malaysia perspective. As for the overall result, it shows that money supply (M2), Industrial production Index (IIP) and the inflation rate (Consumer Price Index) have significant relationship with the Malaysian stock market prices.