

**INTERNATIONAL BUSINESS & MANAGEMENT
ACADEMIC COLLOQUIUM 2018**

A collaborative effort between

**FACULTY OF BUSINESS AND MANAGEMENT, UiTM KEDAH
&
HATYAI BUSINESS SCHOOL, HATYAI UNIVERSITY**

Copyright © 2018 by the Universiti Teknologi MARA Cawangan Kedah

Published by the Faculty of Business & Management

All rights reserved. No part of this publication may be reproduced, copied, stored in any retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission from the Rector, Universiti Teknologi MARA Cawangan Kedah, 08400 Merbok, Kedah, Malaysia.

EDITORIAL

Patron

Associate Professor Dr Shaiful Annuar Khalid
Associate Professor Dr Wittawat Didyasarini Sattayarak

Chair

Dr Kamarudin Othman

Co-Chair

Dr Siriluck Thongpoon

Colloquium Committees

Associate Professor Dr Nik Ramli Nik Abdul Rashid
Dr Norhidayah Ali
Dr Yanti Aspha Ameira Mustapha
Dr Law Kuan Kheng
Roseamilda Mansor
Azim Izzuddin Muhamad
Jamilah Laidin
Mohd Firdaus Ruslan
Nur Zainie Abd Hamid
Mohd Shafiz bin Saharan

Abstract Reviewers

Associate Professor Dr Nik Ramli Nik Abdul Rashid
Dr Mahadzir Ismail
Dr Dahlia Ibrahim
Dr Hafizah Hammad Ahmad Khan
Dr Yanti Aspha Ameira Mustapha
Dr Norhidayah Ali
Dr Law Kuan Kheng
Dr Mohd Rizaimy Shahrudin
Dr Siti Meriam Ali
Dr. Patcharee Scheb – Buenner
Dr. Chutima Wangbenmad
Dr. Siriluck Thongpoon

Language Editors

Dr Wan Irham Ishak
Nor Aslah Adzmi
Bawani A/P Selvaraj

Formatting

Nor Ananiza Azhar
Nur Diana Hassan

Director of Design

Syahmi Harudin

eISBN: 978-967-0314-56-3

Printed by: Perpustakaan Sultan Badlishah
Universiti Teknologi MARA (UiTM) Cawangan Kedah

THE PERILS OF OIL PRICE AND EXCHANGE RATE MOVEMENT ON KLCI

Dr. Noor Zahirah Binti Mohd Sidek¹, Jamilah Binti Laidin², Shahiszan Binti Ismail³

Email:

nzahirah@kedah.uitm.edu.my

ABSTRACT

Oil price, exchange rate and the stock market reaction are among the longest standing issues in empirical economics especially for oil exporting countries. The main objective of this study is to detect asymmetric effect in both the long-run as well as in the short-run. The finding, obtained by means of a NARDL model from January 1990 to December 2016 by using monthly data of Malaysia, indicates that in the bound test, the NARDL specification has suggested the existing of cointegration among variables, including the oil price, Industrial Production Index (IPI as a proxy to national income) and exchange rate. Bound test shows all variables cointegrated in the long run by F-stat exceed the critical upper bound. The estimated NARDL model has affirmed the presence of asymmetric in the long run for all variables. It is notified that the asymmetric long run relation between stock market and oil price, considering the increase and decrease of the oil price, is significantly related to the stock market. Exchange rate also indicates similar result, with both directions significantly affect the stock market. Thus, policy attention should be directed to sharpen market power and investment behaviours in Malaysia.

Keywords: Oil price, Industrial Production Index, exchange rate, NARDL, stock market