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THE EFFECT OF FOREIGN FUNDS TO KUALA LUMPUR STOCK EXCHANGE - COMPOSITE INDEX, EMAS INDEX, SECOND BOARD INDEX, MARKET CAPITALIZATION AND MARKET RETURNS

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ABSTRACT

Many people mostly stock players in Malaysia believed that there is an effect of foreign funds towards the share prices, market liquidity and market volatility. This project paper will try to determine whether there is an direct effect of foreign funds towards our share market.

The study is based on the 5 year period of portfolio foreign funds flows into and out of Malaysia for the purchase and sale of corporate and government securities between residents and non-residents over the period from January 1992 to November 1996. The market data use in these study are the KLSE Composite Index, Emas Index, Second Board Index, Main Board Volume, Second Board Volume and Market Capitalization.

The regression and chart analysis are use to determine the relationship between the foreign funds and variables. The regression analysis use by the author is to determine the Coefficient of Determination (R^2), t-Statistic, Parameter analysis and Hypothesis test. The chart analysis is to determine the trend lines between the variables.