



A STUDY ON THE RELATIONSHIP BETWEEN
INTEREST, INFLATION AND FOREIGN EXCHANGE
RATE TOWARD STOCK PRICE OF FINANCE
COMPANY LISTED UNDER FINANCE SECTOR IN
KLSE MAIN BOARD

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APRIL 2001

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DECLARATION OF ORIGINAL WORK



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I, **MARINI BT. MOHAMAD**, (NIRC Number: **780308-09-5182**, UITM Matrix Number: 99113295) 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 degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
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ABSTRACT

This project paper is to measure and analyze the relationship between economic indicators that are interest, inflation and foreign exchange rates toward stock price of finance companies listed under Finance Sector in Kuala Lumpur Stock Exchange (KLSE) Main Board. 10 companies out of 63 finance companies listed under Finance Sector in KLSE Main Board will be selected as samples for the purpose of this project paper.

This paper want to investigate whether economic variable selected i.e. interest rates, inflation rates and foreign exchange rates really affect the stock price movement of finance company. An increase or decrease of interest rates, inflation rates and foreign exchange rates will be analyzed to examine the relationship between these three economic indicators toward stock price. Consumer Price Index (CPI) are used to determine the inflation, while the interest rates are determined by Base Lending Rate (BLR) for Finance Company and foreign exchange rate are determined by US Dollar.

This research will use data from January 1997 to December 2000 that is to investigate the performance of stock prices of finance companies during economic crisis until year 2000. The data will be analyzed using time series processing (TSP) method.

From the empirical result, it has been concluded that the interest, inflation and foreign exchange rates have negative relationship with stock price of finance companies and its also have significant relationship toward stock price. In other words, the interest,

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