



UNIVERSITI TEKNOLOGI MARA

**FACTORS OF CARRY TRADE BETWEEN
MALAYSIA AND USA**

**NURUL AMIRAH BINTI MORSHID
2016668642**

Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of UniversitiTeknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, UniversitiTeknologi MARA, regulating the conduct of my study and research.


Name of Student : Nurul Amirah Binti Morshid

Student I.D. No. : 2016668642

Programme : Bachelor of Business and Administration (Hons)
Finance.

Faculty : Business and Management

Thesis : Factors of Carry Trade Between Malaysia and USA

Signature of Student : 

Date : June 2018

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ABSTRACT

This research will examine the factors of carry trade between Malaysia and USA. It will be look on the Foreign Exchange Market (FOREX), and the interest rate differential from the failure of Uncovered Interest Parity (UIP) to hold. Carry trade is a trading strategy that investor borrows funds in a low interest rate currency and lends those fund in a high interest rate currency (Burnside, 2012). Besides that, a country that all of sudden increments its interest rate may be anticipated to draw in outside capital in the short-run, which in a frictionless world, would lead to prompt appreciation of the money. Other than that, by doing this research it can increase the knowledge and have a clear view about the relationship each of variables. It is identified and gives a result from data that had been collected by using method of research and the data is using monthly from year 2011 to 2017. UIP predicts that the currency of a country with a high interest rate is expected to depreciate so that the profit is the same as from investing in a low interest rate bond. In other words, there is positive correlation between interest rate differentials and the currency appreciation (Favilukis, 2015).

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