



اَوْنِيُورْسِيْتِي تِيكْنُولُوْجِي مَارَا

UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

**A STUDY ON THE EFFECT OF MACROECONOMIC VOLATILITY
TOWARDS LOCAL STOCK MARKET PERFORMANCE:
A CASE OF KUALA LUMPUR COMPOSITE INDEX (KLCI)**

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LETTER OF SUBMISSION

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22 October 2006

The Head of Program
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Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached here with, is the project paper entitled “ A study on the effect of macroeconomic volatility towards local stock market performance: A case on Kuala Lumpur Composite Index (KLCI)” in fulfilling the requirement by the faculty of Business Management, MARA University of Technology.

I hope this project paper will fit the requirement and expectation of the subject matter. The code for this subject is FIN 660. I would also like to thank for all the guidance and support in this completion of project paper.

Thank you

Yours sincerely


.....

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ABSTRACT

This study is conducted to answer the question whether interest rate, consumer price index, money supply and foreign exchange rate give effect to the Kuala Lumpur Composite Index (KLCI)'s price performance. In order to measure the interest rate, the base lending rate is applied in this study, while money supply is measured as M2 in monetary aggregate and foreign exchange rate is Malaysia Ringgit quoted as Singapore Dollar. In addition, consumer price index can be proxy to inflation rate.

All those factors are considered as independent variables to test whether these factors are giving effect or influence to the KLCI's price, which represent as dependent variable. All the data are collected in monthly basis from 2000 until 2005 and Multiple Linear Regression Analysis Model will be used.

Based on the finding, base lending rate and consumer price index are having negative relationship with KLCI's price. Similar with the theory stated that, interest rate and inflation rate are negative relationship with stock prices. Meanwhile, money supply and foreign exchange rate are having positive relationship with the KLCI's price. Overall, among the variables, foreign exchange rate is the most influence factor to the movement or price of the Kuala Lumpur Composite Index.

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