

**THE STOCK RETURN IN REACTION OF INFLATION AND
INTEREST RATE IN NEW MELLINNEUM ON KUALA
LUMPUR STOCK EXCHANGE (KLSE)**

**CASE STUDY ON:
MALAYSIA INDUSTRIAL SECTOR**

SITI NORHAPIZAH BTE SALMAN

2004337811

**BBA (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KAMPUS KELANTAN**

NOVEMBER 2006



اَوْنِوَرْسِيْتِي تِيْكْنُولُوْجِي مَارَا
UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

**THE STOCK RETURN IN REACTION OF INFLATION
AND INTEREST RATE IN NEW MILLENNIUM ON
KUALA LUMPUR STOCK EXCHANGE (KLSE)**

**CASE STUDY ON:
MALAYSIA INDUSTRIAL SECTOR**

**BY:
SITI NORHAPIZAH BINTI SALMAN
2004337811**

**Thesis submitted to the Faculty of Business Management
MARA University of Technology**

**In fulfillment for the Bachelor of Business Administrative
(Hons) Finance**

NOVEMBER 2006

ACKNOWLEDGEMENT

Assalamualaikum w.b.t

First of all, I would like to praise to Allah S.W.T for giving me the strength, time and knowledge and also courage to finish this project. I also would like to take this great opportunity to express my sincere acknowledgment and appreciation to all those concern in making of this project paper.

First and foremost, I would like to thank to my respective project advisor, PM. DR. NIK MUHAMAD NAZIMAN B. ABDUL RAHMAN, who has made a significant contribution and provided me useful comment at all stage of this project paper. Also thanks to my second examiner, PROF. MADYA ROSLAN BIN AB. RAHIM who is willing comments my project paper. Not forgotten special thanks to all staff of KLSE library and Bank Negara Malaysia (BNM) for helping me with valuable information, comments and guidance.

I would like to take this opportunity to thank my friends for their undivided support, comments as well as suggestion that would improve this project. Last but not least, for my respected family, this gives me their support, encouragement, and scarifies.

Lastly, to the person that directly or indirectly, thanks for your generous time and cooperation, and also my special acknowledgement to Universiti Teknologi MARA for granting me the opportunity to pursue my study for this BBA (Hons) Finance program.

Thank you.

SITI NORHAPIZAH SALMAN

BBA (Hons) Finance

Faculty of Business and Management

MARA University of Technology

Kelantan

November 2006

ABSTRACT

In general, when inflation decelerated in the 1980s, stock price performance turned sharply higher, reaching its high point in the 1990s as inflation receded to a level last witnessed three decades earlier. In this study, the short-term fluctuations in the weekly returns on industrial sector price of eighty-eight (88) companies affected by the economy problem in the millennium year 2000 to 2004 are regress with Simple Linear Regression estimates. The results are compared to the behavior of variation in returns in developed markets and the changes in the economic condition that is inflation with the industrial companies' stock return in Malaysia. Multiple Linear Regression estimates of variables indicate that inflation and interest rate have relationship with the stock return in industrial sector. However, the result shows that there are only several companies that significant with in both variables. Based on T-table from 88 companies in industrial sector, only four (4) companies in hypothesis 1 and twelve (12) companies in hypothesis 2 accepted the Alternate Hypothesis (H_a). As the conclusion, the overall the result shows that both dependent variables, which are interest rate and inflation not significant with the independent variables, industrial companies' stock return.