THE EFFECT OF DISCOUNT RATE CHANGES ANNOUNCEMENT TO KUALA LUMPUR COMPOSITE INDEX

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ABSTRACT

This study seeks to examine the impact of discount rate towards Kuala Lumpur Composite Index including the Treasury Bills and stock market returns. Specifically, this study will determine the existence of linkages and causality between the Kuala Lumpur Composite Index as well as the Treasury Bills trend and stock market performance.

Secondary data being used for this study are monthly stock price, Treasury Bills Rate and KLCI Index. This study concentrated on the 40 companies listed in Main Board of Bursa Malaysia. The method that will be used is event study method that comprised of before and after the discount rate changes took place.

This study is conducted by using Microsoft excel in order to find the beta value of the security through regression. This program also important to calculate abnormal return, return of security, and the changes of treasury bills as to measure the effect of those changes towards Kuala Lumpur Composite Index (KLCI).