THE MACROECONOMIC FACTORS AFFECTING TOWARD STOCK PRICE IN KUALA LUMPUR COMPOSITE INDEX

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ABSTRACT

Stock market can be defined as the market in which shares are issued and traded either through exchanges or over-the-counter markets. Stock market can be split into two main sections which is the primary and secondary market. The purpose of this research is to examine the relationships between stock price in Kuala Lumpur Composite Index (KLCI) and macroeconomic variables. Malaysia is a developing country, so that this paper will aim and investigate how macroeconomic variables can response towards the stock price in Kuala Lumpur Composite Index in a developing time. In order to see the determinant factors, a set of 20 years range of data will be used which from the years 1994 until 2014. Unit Root Test regression will be used to see the factors that contribute to the changes in Malaysia's stock price. KLCI will be used as dependent variable for this research while interest rate, money supply, consumer price index and crude oil price will be used as independent variables. This study is similar to many of the earlier studies in some aspects, so it uses econometric tools used in earlier studies but at the same time this study differentiates itself from other studies in the sense it uses Malaysian markets and macroeconomic data for analysing the relationship and it also tries to analyse the impact of global economy on the Malaysian markets.

Keywords – Interest Rate, Money Supply, Consumer Price Index and Crude Oil Price

Paper Type – Research paper

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In this chapter, it will be discuss about the background of the study, problem statement of this research, research question, research objective, significant of study and the scope of the study. This research is about the study on relationship between macroeconomic variables towards the stock price in Kuala Lumpur Composite Index (KLCI).

In the background of the study, it will be discuss about the dependent variable and independent variables of the research. Dependent variable in my study is the stock price in Kuala Lumpur Composite Index and the independent variables are the interest rate, money supply, consumer price index and crude oil price.

The research question in this chapter will be discussed about the question related to the theoretical framework in my research. There are two (2) categories of research question. First is the main research question and secondly are the specific research questions. The main research question is related to the dependent variable that is the important or basic research in our study. The specific research question is the supportive of the main research question.

Research objective is divided into two (2). First, the main research objective and second is the specific research objective. There are two types of variable that will be discussed in this research which is dependent variable and independent variables. The dependent variable in this study is stock price in Kuala Lumpur Composite Index (KLCI) and the independent variables are Interest rate, Money Supply, Consumer Price Index and Crude Oil Price.