



**THE RELATIONSHIP OF KUALA LUMPUR COMPOSITE INDEX
AND MACROECONOMIC VARIABLES: COMPARISON
BETWEEN ASIAN FINANCIAL CRISIS AND GLOBAL
FINANCIAL CRISIS**

**FARAH ATHIRAH BT MD ZULKIFLIE
2013735041**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

JUNE 2016

ACKNOWLEDGEMENT

First and foremost, Alhamdulillah and all praise to Allah Almighty for giving me the opportunity, strength and patience to fulfil this Academic Project requirement for the Bachelor of Business Administration (Honors) Finance. His utmost blessings have made this entire final semester research possible within the allocated timeframe.

I would like to take this opportunity to convey my utmost gratitude to my Thesis Project's advisor, Nor Hazila Binti Ismail for her massive inputs, immense guidelines and continuous support very start of my research proposal culminating to the completion of this final research. I would also like to express my deepest appreciation towards my thesis coordinator, Sir Syamsyul bin Samsudin for her guidance throughout the completion of this research. In addition, my heartfelt thanks are also extended to both my loving parents, family members and classmates for their unwavering contribution and invaluable counsel in helping me steering this research to greater heights.

Last but not least, I would like to thank everyone who have supported, helped and worked together directly or indirectly in assisting me realizing this research on time, the cooperation given is well appreciated and will always be remembered. Thank you.

ABSTRACT

This paper aims to investigate which crisis gave more impact towards the relationship of KLCI in Malaysia and macroeconomic variable. The objective in this research is to study the relationship between macroeconomic variables and KLCI. Selected macroeconomic variables are Money supply, inflation rate, interest rate and gross domestic product. Also to study which situation that gave most impact towards KLCI. The dependent variable is the main variable and interest that researcher want to investigate and measure the effect of independent variables on dependent variable. The dependent variable on this study is Kuala Lumpur Composite Index. So, this study is to investigate the relationship of macroeconomics selected towards KLCI. The independent variables mean the one that can influence and effect on dependent variable. In this research, the study is to investigate the relationship between dependent and independent variables that is gross domestic product, money supply, inflation rate, and interest rate. Variables for this study is Malaysian stock market index as the base variables or known as dependent variable and the independent variables for this study are interest rate, inflation rate, money supply and gross domestic product. Conducting the study will be considered the information and data from the Thompson DataStream provided by UiTM library database. This study covered a period from 1st January 1996 until the end of 2014. We use the monthly closing price of the Kuala Lumpur Composite Index (KLCI) to analyze the volatility.

CHAPTER 1	4
INTRODUCTION	4
1.1 Introduction	4
1.2 Background of the study	5
1.3 Problem Statement	10
1.4 Research Objective	11
1.5 Research Question	12
1.6 Scope of Study	13
CHAPTER 2	14
LITERITURE REVIEW	14
2.1 Introduction	14
2,2 Literature Review on the Topic	14
2.3 Literature review on stock return	16
2.4 Literature review on money supply	18
2.5 Literature review on interest rate	19
2.6 Literature review on gross domestic product	21
2.7 Literature review on inflation rate	22
CHAPTER 3	23
RESEARCH AND METODOLOGY	23
3.1 Introduction	23
3.2 Population and sample	24
3.2.1 Data collection	24
3.2.2 Secondary data	24
3.2.3 Dependent variable	24
3.2.4 Independent variables	25
3.3 Theoretical framework	25
3.4 Hypothesis	26
3.4.1 Hypothesis 1	27
3.4.2 Hypothesis 2	28
3.5 Statistic and Econometric Method	29
3.5.1 Descriptive Analysis	29
3.5.2 Stationary Test	29
3.5.3 Normality Test	30
3.5.4 Correlation Coefficient	30

CHAPTER 1

INTRODUCTION

1.1 Introduction

Chapter one will be discussing on the background of the study, problem statement of the research, research question, research objective, significant of the study, and the scope of the study. This research is about The Relationship of FTSE Bursa Malaysia Kuala Lumpur Composite Index and macroeconomic variables. The variables of dependent and independent will be discus in the background of the study where Kuala Lumpur Composite Index is the only dependent variable of this research with four independent variables, which are gross domestic product, money supply, interest rate and inflation rate. This paper discussed about the gap between dependent variable and independent variables of this study in the problem statement. Next is about research question of the study. The research question will be related to the theoretical framework in our research. Other than that, research objective also is the one important thing in this chapter. Research objective will be divided into two (2) categories that is main research objective and specific research objective. In this chapter also it will included with the information about important of some parties with this study such as government, investor and individual. It will cover in significant of study.