THE EFFECT OF TRADING ACTIVITY TOWARDS CRUDE PALM OIL FUTURES PRICES

NOOR KASUMAHDIWI BINTI PARSAT
2015283082

BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS
(FINANCE) FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA SABAH

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ABSTRACT

The purpose of this study is to examine the role of informational content of trading activity (trading volume and open interest) on the commodity futures price in Malaysian Futures Exchange. Besides that, this study also interested to measure the two way relationship between the predictors variable and dependent variable. The sample include in this study is daily data covering from 1st of June 2016 until 28th of April 2017. The data collected from Bursa Malaysia Derivative Berhad; commodity futures specifically for Crude Palm Oil Futures contract. This thesis is employing Ordinary Least Square (OLS) with Breusch-Godfrey test instead using the simple OLS method. To test the two way relationships, Granger Causality Effect being utilized. The findings from this study are; both trading volume and open interest does positively significant in the determination of futures commodity price. While for the Granger result, there is no bidirectional relationship found in this thesis. These result are recommended to the technician analyst, investors as well as for farmers who interest involve in futures market.

Keywords: Commodity Futures, Open interest, Trading volume, OLS with BG-LM test, Granger Causality Effect