

THE MACROECONOMIC FACTORS THAT AFFECT STOCK PRICE IN MALAYSIA

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ABSTRACT

The objective of this study to test four variables such as exchange rate, money supply M2, interest rate and gross domestic product affect stock price in Malaysia by using time series data. The monthly data have been collected from July 2011 until December 2014. The data have been collected from Thomson Reuters DataStream database and Bank Negara Malaysia (BNM). A Multiple Regression Model is designed to test the effect and Augmented Dickey Fuller (ADF) test was used to find out the stationary of the data series. The multiple regression result of the study indicate the exchange rate and interest rate have negative significant to stock price while money supply M2 and GDP shows the positive significant on stock price. The ADF result represent all the variables are stationary at first difference. For Johansen Cointegration Test shows that in long run shows 3 variable (money supply M2, interest rate and GDP) are significant at 1% probability of the significant level and exchange rate is not significant.

Keywords: stock price, exchange rate, money supply M2, interest rate, GDP, Malaysia.