



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN MALAYSIA
MACROECONOMIC AND OIL PRICE ON
EMERGING MARKET ISLAMIC INDEX**

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Dissertation submitted in partial fulfilment
of the requirements for the degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

Emerging market and Islamic financial instrument have become very popular among investors globally, it made investors questions what if both of the subject combines becoming emerging markets Islamic index and how will it perform when several factors such as the macroeconomics and oil price make a move. The explanation to it have several ways as previous studies relied on different test on data but most shows almost similar results. This research paper use data from Bloomberg, Eikon Thomson Reuters, Bank Negara Malaysia, World Bank Data and Trading Economics. The data will be test on descriptive analysis, correlation analysis and regression analysis.

ACKNOWLEDGEMENT

First and foremost, I would like to thank Allah S.W.T. for providing me with the chance to pursue my degree and for successfully completing this long and difficult journey of studies. My appreciation and thanks go to everyone that have been helping me especially my supervisor Puan Shashazrina Roslan and Dr. Roslina Mohamad Shafi.

My appreciation goes to my colleague during my internship for giving me an insight and help to understand the current market situation. Special thanks to my colleagues and friends for helping me with this project.

Finally, this thesis is dedicated to my family for having the foresight and drive to teach me. This triumphant work is dedicated to them. I am also feeling very thankful as this research has help me to understand much better regarding the topic.

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Chapter 1

Introduction

1.0 Overview

This research paper focuses on the relationship between Emerging Market Islamic Index, Brent crude oil price and selected macroeconomic variables from an emerging country, Malaysia such as Gross Domestic Product (GDP), Interest Rate (IR), Inflation Rate (Inf.) and Money Supply (M3).

1.1 Background of Study

In the past years, Islamic Financial index or market has been receiving a massive inflow, attracting both investors Muslim and non-Muslim (Slah Bahloul, Mourad Mruoa and Nader Naifar, 2017). The development of shariah compliant markets also shows a continuous bull trend overtime (Ho, C. S. F., Abd Rahman, N. A., Yusuf, N. H. M., & Zamzamin, Z. 2014). Islamic finance follows the Shariah which is an Islamic law that prohibits riba (interest), gharar (unnecessary risk taking), maysir (gambling) and it promotes sharing of risk and profit, asset-backed financial transactions and righteous investments (Shamsuddin, A. 2014). Islamic finance also prohibits investments that were considered from non-ethical sectors like related to alcohol, pork, tobacco, etc. (Selim baha Yildiz and Abdelbari El khamlichi 2017).

One of the most anticipated sections of Islamic finance market by investors is the growing Islamic indices that specifically designed to track the performance shariah compliant publicly traded companies (Slah Bahloul, Mourad Mruoa and Nader Naifar, 2017). Islamic indices were firstly launched in the late nineties (Slah Bahloul, Mourad Mruoa and Nader Naifar, 2017). Islamic indices were launched to provide Muslim investors align with their beliefs while help non-Muslim investors an opportunity to diversify their portfolios (Selim baha Yildiz and Abdelbari El khamlichi 2017).

In the global economy, emerging markets have reached a tipping point where most of the emerging countries growth rate has been in the double digits figure for years until the 2008 global financial crisis put a new reality and some nations have seen a slowdown (Selim baha Yildiz and Abdelbari El khamlichi 2017). Emerging markets equity markets are now selling at a significant discount compared to the developed