



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF KUALA LUMPUR
COMPOSITE INDEX (KLCI) STOCK MARKET
RETURN IN MALAYSIA**

**UMMI IZZATI BINTI RAMLAN
2020996875**

Final Year Project submitted in fulfillment of
the requirements for degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

The research of factors of stock market performance has been well established for many years. However, the majority of research focus on macroeconomic aspects in the setting of industrialized countries. In light of this, the purpose of this study is to close the gap by investigating the factors that influence stock market performance in Malaysia, a developing country. More particularly, this study intends to broaden current literature studies by examining the links between the Malaysian stock market and the gold price, exchange rate, oil price, and U.S. stock market performance. Multiple linear regression analysis is performed in E-views 12 using the Ordinary Least-Squares regression approach to explore hypotheses and statistical associations on a monthly basis from 2011 to 2020. The findings indicate that the performance of the US stock market and the gold price have a positive and negative association with the success of the Malaysian stock market, respectively. This research, on the other hand, suggests that both the exchange rate and the price of oil have a negligible link with Malaysian stock market performance.

Keywords: Malaysian stock market performance, multiple linear regression analysis, gold price, exchange rate, oil price, and performance of the United States stock market.

ACKNOWLEDGEMENT

First and foremost, I want to express my gratitude to God for providing me with the opportunity to pursue my Bachelor's degree and for successfully completing this long and difficult journey. Madam Ammyrra Atyka Binti Abdul Halim, my supervisor, deserves my gratitude and appreciation.

My appreciation goes to Madam Nor Haliza Hamzah and Sir Mohd Azim Sardan, my advisor and co-advisor who helped me accomplish my research by providing facilities and assistance. Special thanks to Sir Mansor Sapari, my investment mentor and friends, for their assistance with this project.

Finally, I dedicate this thesis to my wonderful father and mother, who had the vision and determination to educate me. This victorious piece is dedicated to you both. Alhamdulillah.

TABLE OF CONTENT

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
LIST OF APPENDICES	xiii
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the study	1
1.2.1 Stock Market Crash in the History	1
1.2.2 Stock Market in Malaysia	2
1.2.2.1 Volatility of Stock Market in Malaysia	2
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	5
1.5.1 General Objective	5
1.5.2 Specific Objectives	5
1.6 Significance of the Study	5
1.7 Scope of study	6
1.8 Limitations of study	7
1.9 Definition of key terms	7
1.10 Summary	8
CHAPTER TWO LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Literature Review on Topic	9

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter will provide an overview of the study. Section 1.2 will detail the research background, followed by section 1.3's problem statement. The research topics and objectives will be presented in Sections 1.4 and 1.5, respectively. The significance of the study will be addressed in Section 1.6, and the scope of the study will be explained in Section 1.7. The chapter will then conclude with the study's limitations, definitions of key terms, and a summary.

1.2 Background of the study

The study of the stock market has remained a major focus of academic research for many years. In addition to the fact that the stock market performance serves as a leading indicator of a country's current and future economic health, it is also beneficial to investors who are looking to build long-term wealth. Therefore, the focus of this paper is on the stock market performance in general and the Malaysian stock market performance in particular to better understand the forces that affect.

1.2.1 Stock Market Crash in the History

Previous stock market crashes harmed the local and global economies. These authors argue that the Great Depression was one of the few financial crises that mirrored the 1930s' deflationary environment. The 1929 stock market crash triggered it (Shaikh, 2011). The market opened at 305.85 on October 24, 1929, but soon fell to 272.32 due to the Depression (James, 2010). According to James (2010), with a DJIA of 40.56 points, the US GDP fell from \$103.1 billion to \$58 billion in July 1932. The gold standard's fixed exchange rate caused the downturn to spread to other countries (Bordo & James, 2010). The 1929 Great Depression caused massive losses for investors and businesses. 62 years later, a similar event occurred, with similar effects. Japan had a bubble in 1991. In fact, the US recovered 8% from the Great Depression