

MACROECONOMIC VARIABLES THAT INFLUENCE MALAYSIA SHARE MARKET

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ABSTRACT

The growth in the Malaysia stock market and the economy raises some questions with regards to the relationship between the stock price index and the key element of macroeconomic variables. This study investigates on the selected macroeconomic variables mainly the gross domestic product, exchange rate, consumer price index, interest rate, and money supply on the Malaysia stock market index. This study uses time-series data from the year 1977 to year 2008 with the intention to indentify the long-run and short-run relationship between the selected variables. It applies Unit-Root test to demonstrate the level of stationary for the variables with the stock market index. Besides that, it also applies the Johansen's Cointegration test to measure the long-run relationship between Malaysia stock market and the macroeconomic variables. The Vector Error Correction Model (VECM) of causality will be apply in this test to see either there is a uni-directional or bi-directional relationship from the variables to stock market Malaysia.

Keywords: *Malaysia Stock Market Index, GDP, EXE, CPI, INT, MS.*