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To Investigate the Foreign Investment in US Stock Market in Overcoming the Rising Inflation Rate in Malaysia

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ABSTRACT

The purpose of this study had been targeted to explore the investigation on the foreign investment in US stock market in aligned to understand the potential market return to overcome the rising inflation rate in Malaysia. This had been motivated by the increasing interest and preference among the local investors in Malaysia into seeking into alterative investment method in foreign investment market which include foreign stock market. Therefore, the quantitative study had been conducted where the combination of the correlation analysis and regression analysis will test the research framework for the study and further comparative analysis had bene used to identify the comparison between the performance of the foreign stock market return against the inflation rate in Malaysia. The results had proven that only the inflation rate between Malaysia and US remained significant having positive relationship between the two variables rejecting other suggestion from the research framework. The comparative analysis had unveiled that the foreign stock market return considering the exchange rate through NYSE and NASDAQ had been greater and significantly surpass the inflation rate in Malaysia suggesting the recommendation for the investors to invest in the US stock market to overcome the inflation pressure in Malaysia.

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1. INTRODUCTION

Th rising in the cost of living especially in addressing the inflation rate in the country had been creating concerns of the individuals losing the wealth and purchasing power over time. This had been an ongoing issue for many individuals and investors as people are seeking for the best investment to overcome the inflation pressure rising in the country [1]. It is the common objective for investors to invest their cash savings into the financial securities to provide growth in their wealth over time to become richer in financial health [2]. The alternate objective for investment had been closely relevance with the economic condition where the time value of money and inflation over time had result in the dollar value decreasing which provide the need for the investors to seek for the solution in protecting their value of the savings [1].

In Malaysia, there are many options and alternatives available for the investment opportunity where the investors had been actively seeking for multiple form of investment to create the strong investment portfolio and return for their wealth [3]. The popular investment had been the common stock equity investment and property investment which had been considering very good return in terms of return on investment (ROI). However, over time the results had not been encouraging where the return for these types of investments is no longer showing favourable return where the investors tend to lose confidence and seeking for alternative investment opportunity to grow their wealth [1]. This had been contributed by the fact of the high uncertainty in the economic which triggered the adverse impact towards the business growth resulting the lack of growth in the stock market in Malaysia. In addition, the property and construction industry had been too highly competitive where the supply had exceeded the demand for the market creating the surplus in the property industry resulting in the fall in the property pricing and not benefiting the investors that are seeking for wealth appreciation through the property investment [4].

This had provided the new perspective in the world of investment pushing more individuals to seek for investments that are more consistence with lower risk as majority of the investors are more concerns for the risk especially after the Covid-19 pandemic situation where the pandemic period had hit very hardly for the stock investments which is still struggling to bounce back for the current situation [1]. The investment like REITs had becoming the popular trend for the investors where the REITs investment is deemed to provide positive return with lower risk and uncertainty in the outcome of the investment. In addition, the investment into the mutual fund had been gaining more attention from the investors where the investors tend to prefer to invest into the mutual fund as the mutual fund offers good professional management in the portfolio that will assist to mitigate the risk from the economic uncertainty [5].

This had opened the opportunity for the investment for the Malaysian investors to alternatively seeking to invest outside the border of Malaysia. For instance, the stocks and property investment in foreign countries would appear to be more attractive than investing in Malaysia itself [6]. This had been motivated by the fact where the Malaysian currency, Ringgit Malaysia (RM) had not been very encouraging against the foreign currency where the investment in foreign currency will provide greater return with the incremental of the currency exchange to RM [7]. This had provided better leverage for the investors where the investors would potentially benefit from both returns in the investment, firstly from the appreciation of the initial investment value and secondly from the increase in the currency exchange from conversion of the foreign currency to local currency [6].

This had led to the designation of the problem statement for the study which had become the source of the motivation for the research which is to identify the potential return from the foreign investment in comparing against the rising inflation rate in Malaysia. This had been crucial address as the innovative idea in investing in foreign countries could appear to be favourable for the moment especially with the instability of the local currency in Malaysia. Therefore, the current study will deep dive into the exploration of the potential investment return through the US stock market to understand the behavioral of the stock market return against the Malaysian inflation rate to reflect on the potential ability for the investors to overcome the pressure from the inflation rate in Malaysia. With this, the objective of the research had been clear into investigating the US stock market return against the inflation rate in Malaysia.

2. LITERATURE REVIEW

Signaling theory is a concept from economics and sociology that studies how information is transmitted between individuals or units in situations where information asymmetry may exist. It was first developed in the early 1970s by economist

Michael Spence and has since been applied in various fields, including economics, sociology, biology and marketing [8]. The central idea of signaling theory is that individuals with different characteristics or qualities may have an interest in revealing those characteristics to others. This is particularly relevant in situations where it is costly or difficult to directly observe these features [9]. The signaling theory had become a signal to provide early indications of the future development of the relevant variables that could have an impact on the economy and the financial market [10]. Overall, signaling theory provides a framework for understanding how individuals and entities communicate information about their qualities and how this information influences decision making in situations with incomplete information [8]. It is widely used in various fields to explain behavior in markets, education, the workplace, and other social contexts.

With reference to signaling theory, the theory had become relevance towards the current research study where the signaling theory had been creating the signal from the economic conditions to provide the prediction towards the movement in the stock market. In the initial perspective, the rise and fall of the economic condition through the cycle of the economy had been sharing the likeliness to reflect the performance of the stock market in the world [11]. This had been highly reference to events like the financial economic crisis back in 2008 as well as the recent Covid-19 pandemic resulting in major recession in the economy had seen the similar trend observation in the movement of the stock market globally. With the potential relationship being identified, the signaling theory would come into live in the observation of the inflation rate in Malaysia having the similar positive correlation with the stock market performance in Malaysia as well as other countries. Therefore, the investors would be expecting them to have the stock market to continue to grow in the same direction with the inflation rate as well as the GDP for the country to have the offsetting effect from the growth of the investment against the rising inflation rate in the country [9].

Based on the previous study, the exploration of the previous research had observed correlation between the stock market growth and the inflation rate had been positive with strong positive correlation strength [12]. This is because of the business had been in aligned with the development of the economic situation which had been crucial to address for the investors as the investor's ad been actively seeking for the opportunity to invest into the stock market to grow the wealth higher than the rising inflation level for the country [13]. It is highly believed that investing in major blue chips stocks in the global market will likely to become the perfect recession proof for the investors as the major companies would not be likely to be affected during the bad times of the economic condition [14]. The positive correlation had been the proof for the investors to not be caught by surprise and concerns from the investment return as the objective for the investors had been to stay above the inflation rate in the rising living cost and prices of the consumer goods and services [15].

Besides, the previous study had been providing the good suggestion that the foreign investment had been very favorable preference for majority of the investors where the investors had been seeking to invest in larger stock market which tend to be more promising in driving larger return from the investment [14]. The highest preference for the stock investment had been US stock market where the stock investment from the New York Stock Exchange (NYSE) and NASDAQ had been the common preference among the investors. The reasons supporting into investing in foreign stocks in US stock market had been motivated by the fact on the stability and the potential for the foreign stocks to grow drastically [16]. The expectations had been more positive for the investment in the US stocks market against the local stock market like in Malaysia which had been the concerns for the investors to put the money into the local investors which is not likely to have the similar potential of the investment return [17].

In addition, the foreign investment like the US stock market had no longer been new within the scope of the international investment strategy from the investors. The first viewpoint to support the international investment had been contributed by the diversification of the investment [18]. The majority of the investors had been highly depending on the local economy and the growth of the local investment may not be highly potential and finding difficulty to provide greater return to beat the rising inflation within the local economy [19]. This had been highly relevance towards the investors from the developing countries where the surplus of the funding will likely to seek for foreign investment to provide higher hedging and diversification for the investment dividing the risk from being highly affected by the local economic condition [20].

Furthermore, the investment for the foreign market had been highly attractive especially for the US stock market where the equity stocks for the US multinational companies had been highly prosing in terms of the business performance and the business growth will likely to be in larger scale translating into higher return on the investment for those stocks [21]. In comparison towards the companies and business in other countries, the development of the country may not have the stretch of the potential for the business which will put a limit on the potential earning from the investment into the local stock market [22]. This had been importance for the investors where the investors are having more positive impression where the US companies are having higher reputation creating the lower risk and uncertainty for the business resulting in lower ups and downs for the stock and mitigate the risk for the investors [3].

Moving on, the most crucial reasons that surface from the previous investigation through the relevance research had unveiled that the currency exchange had played a major role in influencing the investment decision by the investors. This is because the currency instability and unfavorable fall in the currency had created the lack of growth opportunity in the local investment [23]. Therefore, the investors may tend to take advantage into investing into foreign market to benefits on the gain for the foreign exchange rate for the investment. In other words, the investors will obtain the higher return results from the initial investment growth and the higher translation gain from the foreign exchange rate [24]. For instance, the continuous fall of the local currency like RM had been creating much concern for the investors to continue investing in the local market [25]. This will become more beneficial for the investors to invest into the currency that are tend to be more stable especially like the highly demanded US dollar currency which would appear to be more encouraging for the investors to invest [26].

Based on the current literature review, there are some suggestions where the study had contributed to the designation of the research framework which will aligned with the quantitative study for the current research paper. The research framework for the study will identify the major focus into the identifying the variables for the indicators like the inflation rate and the stock market return which will become the backbone for the quantitative analysis. With this, the research framework will address the testing for the relationship between the inflation rate as the independent variable against the dependent variable on the stock market return. The hypothesis had been developed as reference below that will be proceed with the hypothesis testing to conclude the outcome for the quantitative findings and results for the study.

<u>Hypothesis 1</u>

H0: There is no positive relationship exist between the inflation rate in Malaysia against the stock market return in Malaysia.

H1: There is positive relationship exist between the inflation rate in Malaysia against the stock market return in Malaysia.

<u>Hypothesis 2</u>

H0: There is no positive relationship exist between the inflation rate in Malaysia against the inflation rate in US.
H1: There is positive relationship exist between the inflation rate in Malaysia against the inflation rate in US.

Hypothesis 3

H0: There is no positive relationship exist between the inflation rate in Malaysia against the stock market return in US.
H1: There is positive relationship exist between the inflation rate in Malaysia against the stock market return in US.

Hypothesis 4

H0: There is no positive relationship between the currency exchange rate of USD/MYR against stock market return in US.
H1: There is positive relationship between the currency exchange rate of USD/MYR against stock market return in US.

Hypothesis 5

H0: There is no positive relationship between the inflation rate in Malaysia against the translated currency return in the stock market return in US.
H1: There is positive relationship between the inflation rate in Malaysia against the translated currency return in the stock market return in US.

With reference to the gap in the literature review, the gap had been identified and exist where there is relevance scope of study from the demonstration of the previous research papers but there is lack of emphasize and focus into the specific topic for the Malaysian investors. The Malaysian investors had been playing a major representation in the global economy in driving the growth for the wealth and purchasing power for the developing country that will become the crucial address towards the local economic condition. In addition, there is lack of studies that posed the study on the relationship involving the exchange rate for the investment which can be addressed within the scope for the current study using the US stock market and the USD as the benchmark for the quantitative analysis for the study. The outcome for the study had been clear to address the little evidence within the academic study which is to highlight the ability of the foreign investment in the US stock market to overcome the rising inflation pressure in Malaysia. These gaps will be targeted to reduce and narrow down through the outcome for the current study.

3. RESEARCH METHODOLOGY

The current address towards the methodology of the research had been crucial to represent the engine room for the research paper to drive the achievement in the data analysis though the demonstration of the quantitative data study [27]. The preference towards the designation of the quantitative method of study had been motivated by the nature of the research which is highly involving the numerical data through the historical data input through the economic indicators of inflation rate and the movement of the stock market in both US and Malaysia [28]. The quantitative method of study had been addressing the benefits for the current research to arrive in the soldi and objective conclusion that allow the research to draw a concrete findings and results to conclude the objective and aim of the study [29]. Besides, the quantitative study had provided the wider scope of study which allow the higher coverage of the study for the numerical data input from two countries into the study, namely Malaysia and US [30].

The data collection process had emphasized into the collection of the data input from the secondary data market where the data had been collected through the previously primary data market which had been the historical data that are made available for the public to access the data input [31]. The historical data for the current data is highly accessible from the online public sources like the Yahoo Finance in obtaining the market index data for Malaysia and US as well as the World Bank data to contribute the data on the inflation rate for both countries. The secondary data collection induces major benefits where the secondary data collection had been more convenience and efficient which will provide the higher drive for the research to collect the data more effectively and efficiently to direct the conduct for the quantitative analysis study [29].

The target population for the study had been clear where the study will direct the focus into the study towards the two major countries involved in the scope of the study. The primary focus for the research had been targeting to focus on the impact for the Malaysian investors towards the involvement into the foreign investment into the US stock market [32]. The reason for the focus into the Malaysian is mainly to address the rising concerns for the Malaysian in deciding the alternative for the investment decision to overcome the rapidly rising local inflation rate in Malaysia [5]. In addition, the choice to study into the US stock market is mainly triggered by the reason where the US stock market tends to be provided more stability in the investment return as well as delivering more promising business growth over time among the different stock markets available in the world [7]. Furthermore, the involvement of the USD currency against the local RM currency had been crucial to address the potential currency translation gain due to the weak and instability of RM currency against the strong and stable currency from the USD currency [7]. With reference to below Table 1, the variables had been demonstrating on the unit of analysis for the study directing the exact samples to be included for the study based on the representation of each of the variables included in the study. The collection timeline for the data input had bene targeted from the year 2020 to 2023 as the coverage is considered sufficient to cover the up and down for the business trend and economic cycle to consider all the potential impacts and external factors throughout the quantitative analysis [5].

Table 1: Variables for the Study

Variables	Indicators
Malaysia Stock Market	KLSE Market Index
US Stock Market	NYSE Market Index
	NASDAQ Market Index
Malaysia Inflation Rate	Malaysia Consumer Price Index (CPI)
US Inflation Rate	US Consumer Price Index (CPI)
Exchange Rate	MYR/USD Exchange Rate

Shifting the focus into the quantitative data analysis method, the quantitative analysis study had been assisted through the demonstration of the series for the quantitative output for the study to achieve the significant in the numerical data to draw the conclusion of the study. Firstly, the quantitative study had introduced the correlation analysis which is an important form of analysis that will drive the testing for the current study. The main direction for the quantitative study had been targeted to study five main different variables included for the study, namely the Malaysia inflation rate, US inflation rate, KLSE market return, NYSE market return, NASDAQ market return and USD/MYR exchange rate. The correlation analysis will observe the Pearson Correlation Coefficient to determine the direction and strength of the correlation that exist between the variables included in the study. Moving on the regression analysis will be crucial to conclude the findings and results for the research study where the regression model will be constructed individuals to perform the single regression model to test the relationship between the independent variable against the dependent variable based on the designation of the research framework for the current study. The results derived from the regression analysis will be used to draw the conclusion for the study using the outcome through the hypothesis testing as drawn from the previous literature review for the study. Last but not the least, the comparative analysis will be conducted at the end of the quantitative analysis to provide the clear comparison and picture to identify the comparison between the performance of the investment against the inflation rate in

Malaysia. The comparative analysis will include the observation to identify the trend and pattern between the inflation rate in Malaysia and the inflation rate in US against the investment return through the Malaysia stock market return and the US stock market return to conclude the objective and aim for the current study.

DATA ANALYSIS

The quantitative study had been demonstrating the statistical output mainly for the correlation analysis and regression analysis as well as the providing the distribution of the comparative analysis for the data input within the variables that are included for the study. The variables that will become part of the research study will observe the Malaysia inflation rate, US inflation rate, KLSE market return, NYSE market return, NASDAQ market return and USD/MYR exchange rate.

Table 2: Correlation Analysis

	Malaysia CPI	US CPI	KLSE	NASDAQ	NYSE	MYR/USD
Malaysia CPI	1					
US CPI	0.45502015	1				
KLSE	-0.0290922	0.00044966	1			
NASDAQ	-0.1262673	-0.0669442	0.28813089	1		
NYSE	0.17480298	0.19296715	0.33193325	0.65056473	1	
MYR/USD	-0.1712853	-0.3019243	-0.3500797	-0.0774848	-0.2929342	1

Correlation analysis was part of the quantitative method to identify the significant correlations for the study. The benchmark for measurement is the reference to the Pearson correlation coefficient with a measurement range between -1 and +1, where the negative and positive integer represent the direction of the correlation between the two variables. Based on the demonstration through the information in Table 1, the inflation rate had bene sharing the positive correlation between the inflation rate in Malaysia against the inflation rate in US at the moderate level of strength. This indicate the evidence to show there is a similarity of the trend in the evolution in the economic conditions at the global level tend to be moving in the similar direction with the positive correlation being proven between the economy in Malaysia and US.

Moving on, the development of the correlation analysis had proceeded into the understanding between the market index between the stock market in Malaysia and US. The results from the correlation analysis in Table 1 had proven that the KLSE market index growth had bene sharing weak positive correlation against the NYSE market index growth and NASDAQ market index growth showing that there is a similarity in the trend and pattern between the different market indices within the global market. This indicate that there is not much different in the expectations in the development of the market index growth between different countries where the market indices are expected to be growing into the positive direction but at the different growth rate between different countries. In addition to the current observation, the NYSE market index growth and NASDAQ market index growth had been showing strong positive correlation indicating that the market indices within the same country of US had been showing very strong relation and positive direction reflecting the market indices performance are not highly deviated within the same local economic condition in the country.

Shifting the focus into the comparison between the correlation between the inflation rate against the stock market return movement, the information in Table 1 had demonstrated the inflation rate in Malaysia had shared very little correlation exist against the market index performance regardless referring to the market indices of Malaysia and US in the KLSE, NYSE and NASDAQ showing that there is no much relation and influence ongoing from the inflation rate against the growth of the stock market return.

The similar observation had been evidenced through the correlation analysis for the US inflation rate where there is no significant correlation being observed through the relation against the stock market return for KLSE, NYSE and NASDAQ. With this, the findings had showed the support to identify there is little relevance between the inflation rate and market index performance indicating that the investment return of the stock market does not being influenced by the economic condition through the inflation rate indicator for the country.

Last but not the least, the exchange rate for the MYR/USD had been included as the last variable that would put into the consideration for the currency translation for the foreign investment. The correlation analysis had provided the consistency in the observation where the currency exchange of MYR/USD had been showing weak negative correlation for both the inflation in Malaysia and US as well as the movement of the market index growth for KLSE, NYSE and NASDAQ. This indicate that the exchange rate tends to be having the significant negative relationship against the economic condition and the stock market movement. Therefore, the currency exchange sems to still be unpredictable for the investors to generate the positive return in terms of the foreign currency translation to the benefits of the investors.

Table 3: Regression Analysis (Malaysia CPI Against KLSE Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.039942644	0.050521643	0.790604614	0.437614904
Malaysia CPI	-0.28115996	2.059592764	-0.136512404	0.892657751

Moving on, the regression analysis had become the fundamental methodology for the quantitative analysis for the current study where multiple regression analysis will be constructed to test the relationship of the independent variable and the dependent variable as demonstrated in the research framework for the study. Firstly, the Table 3 had shown the regression analysis for the model having the Malaysia CPI as the independent variable against the KLSE market index growth which represent the stock market for Malaysia. With reference to the p-value as generated, the p-value of 0.892 had exceed the tolerance level of 5% indicating there is no evidence to support the presence of the relationship exist between the two variables.

Based on the results, the hypothesis 1 is put into the hypothesis testing where the lack of evidence to support the fact on the existence of the significant relationship between the inflation rate in Malaysia against the stock market return in Malaysia resulting in the rejection of the alternate hypothesis in H1 and accepting the null hypothesis in H0.

Hypothesis 1

H0: There is no positive relationship exist between the inflation rate in Malaysia against the stock market return in Malaysia.

H1: There is positive relationship exist between the inflation rate in Malaysia against the stock market return in Malaysia.

Table 4: Regression Analysis (Malaysia CPI Against US CPI)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.039942644	0.050521643	0.790604614	0.437614904
Malaysia CPI	-0.28115996	2.059592764	-0.136512404	0.892657751

Moving forward to the data in table 4, the regression model had been constructed to test the relationship between the Malaysia CPI represent the inflation rate in Malaysia against the US CPI on the inflation rate in US. From the previous correlation analysis, these two variables had been deemed to be sharing moderate strength of positive correlation where ethe positive relationship had been proven to be significant through the regression analysis as the p-value recorded at 0.0255 had been lower than the tolerance level of 5%. This indicate that the historical data had showed sufficient evidence to support the significant relationship of the inflation rate in Malaysia affecting the inflation rate in US.

With reference to the outcome for the quantitative analysis, there is existence of the significant positive relationship between the inflation rate in Malaysia against the inflation rate in US resulting in the rejection of the null hypothesis in H0 and accepting the alternative hypothesis as drawn from the literature review in H1.

Hypothesis 2

H0: There is no positive relationship exist between the inflation rate in Malaysia against the inflation rate in US.

H1: There is positive relationship exist between the inflation rate in Malaysia against the inflation rate in US.

Table 5: Regression Analysis (Malaysia CPI Against NYSE Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.010968149	0.050553359	0.216961829	0.830237498
Malaysia CPI	1.716140119	2.060885704	0.832719697	0.413951743

Besides, the quantitative analysis will move forward to explore the relationship between the Malaysia CPI as the independent variable and the stock market growth in US as the dependent variable. For this case, the regression analysis will be conducted twice with two different dependent variables from the NYSE market index growth and NASDAQ market index growth will be used to draw the outcome to conclude the hypothesis testing for the current study. Based on the output in Table 5, the regression model is constructed with the Malaysia CPI representing the inflation rate in Malaysia as the independent variable against the NYSE market index growth as the dependent variable. The results had shown that the p-value had recorded 0.414 which is far exceeding the tolerance level of 5% indicating there is no relevance evidence to support the existence of the relationship between the two variables.

Table 6: Regression Analysis (Malaysia CPI Against NASDAQ Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.140502788	0.084493578	1.662881267	0.110519045
Malaysia CPI	-2.05645836	3.444511133	-0.597024739	0.55658594

Shifting the focus to Table 6, the regression model in Table 6 had the dependent variable being replaced with the NASDAQ market index growth instead of the NYSE market index growth as demonstrated in the Table 5. The quantitative output in Table 6 had shown the p-value recording at 0.557 which is above the 5% tolerance level suggesting no relationship being exist between the inflation rate in Malaysia against the NASDAQ market index growth.

With reference to the statistical output through the regression analysis for both the NYSE market index growth and the NASADQ market index growth, the results had been in sync suggesting the lack of evidence to pose the existence of the Malaysian inflation rate to influence the growth of the market index in US regardless is NYSE or NASDAQ. Therefore, the outcome from the regression analysis had proceed to reject the initial suggestion from the literature review in H1 and accepting the null hypothesis as drawn in H0 for hypothesis 3.

Hypothesis 3

H0: There is no positive relationship exist between the inflation rate in Malaysia against the stock market return in US.

H1: There is positive relationship exist between the inflation rate in Malaysia against the stock market return in US.

Table 7: Regression Analysis (MYR/USD Against NYSE Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.052287786	0.026279328	1.989692651	0.059197363
MYR/USD	-0.638681954	0.444448376	-1.437021684	0.164782627

The data output in Table 7 had demonstrated the testing for the relationship between the currency exchange of MYR/USD as the independent variable against the NYSE market index growth as the dependent variable for the study. The outcome in Table 7 had identified the p-value recorded at 0.165 which is above the tolerance level of 5% indicating there is no impact from the exchange rate in affecting the movement of the growth in the NYSE market index.

Table 8: Regression Analysis (MYR/USD Against NASDAQ Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.100165998	0.04545833	2.203468478	0.038329576
MYR/USD	-0.280256701	0.768812687	-0.364531837	0.718941425

Moving on, the Table 8 had carried out the similar regression analysis using the regression model replacing the NYSE market index growth with the NASDAQ market index growth instead but using the same exchange rate of MYR/USD as the independent variable. The results in Table 8 had shown the p-value recorded at 0.719 which is above the tolerance level of 5% indicating the lack of evidence to suggest the significant impact from the exchange rate of MYR/USD against the NASDAQ market index growth.

To summarize the findings, the regression analysis had showed no evidence to support the existence of the relationship being significant between the exchange rate of MYR/USD against the US stock market growth. This result had forwarded the outcome to reject the alternate hypothesis in H1 for hypothesis 4 and accepting the null hypothesis as drawn in the H0.

Hypothesis 4

H0: There is no positive relationship between the currency exchange rate of USD/MYR against stock market return in US.

H1: There is positive relationship between the currency exchange rate of USD/MYR against stock market return in US.

Table 9: Regression Analysis (Malaysia CPI Against Currency Translated NYSE Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.031409456	0.050228603	0.625330066	0.538187614
Malaysia CPI	1.070381603	2.047646535	0.522737486	0.606381869

The Table 9 had demonstrated the regression model using the Malaysia CPI as the independent variable representing the inflation rate in Malaysia against the NYSE market index growth based on the currency translated computation from USD to MYR to identify the stock market return with the consideration of the currency exchange. This had been crucial o address the impact of the currency exchange in the foreign investment in the US stock market affecting the investors in Malaysia. The results in Table 9 had shown the p-value of 0.606 which is far above the tolerance level of 5% showing no evidence to support the existence of the impact from the inflation rate in Malaysia affecting the US stock market return including the consideration of the currency exchange impact.

Table 10: Regression Analysis (Malaysia CPI Against Currency Translated NASDAQ Market Index Growth)

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.164476572	0.086641412	1.898359782	0.070845256
Malaysia CPI	-2.791554011	3.532070902	-0.79034484	0.437763405

Shifting the focus into the regression analysis in Table 10, the Table 10 showed the regression model being constructed using the NASDAQ market index growth based on the currency translated computation replacing the NYSE market index. The similar regression analysis conducted had observed the p-value recorded at 0.438 which is above the tolerance level of 5% indicating there is no evidence to support the existence of the significant in the relationship between the two variables.

As a result, the findings had concluded that there is no relation between the two variables of the inflation rate in Malaysia against the translated currency return in the stock market return in US. Therefore, the results had led to the rejection of the alternative hypothesis in H1 as drawn in hypothesis 5 and accepting the null hypothesis in H0.

Hypothesis 5

H0: There is no positive relationship between the inflation rate in Malaysia against the translated currency return in the stock market return in US.

H1: There is positive relationship between the inflation rate in Malaysia against the translated currency return in the stock market return in US.

With the completion of the correlation analysis and regression analysis to test the relationship between the independent variables and dependent variables as demonstrated in the research framework for the study, the comparative analysis will be conducted to provide the clear view in the performance of the stock market return based on the foreign investment in US against the inflation rate in Malaysia. The exchange rate had been factored into the computation for the US stock market return to ensure the consideration of the exchange rate fluctuation impact affecting the return for the investors in Malaysia. With this, the comparative analysis is targeted to study the comparison in the return from the US stock market return from both NYSE and NASDAQ market index to overcome the pressure from the rising inflation in Malaysia.

Table 11: Comparative Analysis

Year	Malaysia CPI	KLSE	NYSE (MYR)	NASDAQ (MYR)
2000	1.53%	3.92%	2.32%	42.77%
2001	1.42%	-17.45%	-3.70%	-46.19%
2002	1.81%	9.43%	-20.35%	-34.48%
2003	1.09%	-0.14%	6.99%	30.62%
2004	1.42%	15.74%	15.19%	8.78%
2005	2.98%	12.40%	15.24%	14.25%
2006	3.61%	-0.16%	7.50%	-6.65%
2007	2.03%	46.79%	9.49%	14.99%
2008	5.44%	-15.33%	-16.75%	-13.92%
2009	0.58%	1.02%	-17.64%	-7.96%
2010	1.62%	15.83%	-1.57%	2.96%
2011	3.17%	13.81%	7.51%	13.86%
2012	1.66%	5.35%	2.55%	12.37%
2013	2.11%	8.64%	26.30%	28.19%
2014	3.14%	5.57%	10.52%	18.68%
2015	2.10%	-7.92%	21.12%	40.11%
2016	2.09%	-4.06%	5.64%	7.29%
2017	3.87%	6.46%	16.77%	29.42%
2018	0.88%	1.38%	2.83%	14.72%
2019	0.66%	-8.37%	2.34%	8.19%
2020	-1.14%	-1.90%	-2.01%	35.00%
2021	2.48%	-6.81%	32.59%	35.94%

2022	3.38%	-0.16%	-2.64%	-10.95%
2023	2.00%	-2.20%	8.60%	17.32%
Yearly Average	**2.08%**	**3.41%**	**5.37%**	**10.64%**

The comparative analysis in Table 11 had provide data input for the comparison between the inflation rate in Malaysia through the expression of Malaysia CPI against the market index growth in Malaysia using the KLSE market index growth as well as the currency translated stock market return for NYSE and NASDAQ. The outcome in Table 11 had shown the yearly average for the past 23 years from 2000 to 2023 timeline which provide a very good coverage through the up and down of the economic cycle. Firstly, the local investment into the KLSE market index performance had observed that the local stock portfolio is able to overcome the inflation pressure by producing the average return of 4.41% which surpass the average inflation rate which is standing at 2.08%. This would mean that investing in the local Malaysian stocks will likely to yield higher positive return against the rising inflation in Malaysia.

Moving on, the comparative analysis in Table 11 had extended the comparison against the foreign investment in NYSE and NASDAQ stock exchange market. With the consideration of the conversion of the investment return to local currency using the active currency exchange rate as per the timeline provided, the average return recorded had been very encouraging standing at 5.37% for NYSE stock market return and 10.64% for NASDAQ stock market return which highly surpass the inflation rate in Malaysia. In addition, the KLSE market index growth had been not even near in achieving the significant average return from the investment which is crucial to be addressed in the current study to demonstrate the significant discrepancies between the local stock investment return and foreign stock investment return.

4. DISCUSSION

With the achievement of the outcome through the series of the quantitative analysis, there is significant observation in the results and findings to draw the conclusion for the research study. From the results and findings of the study, there are a number of insights that contribute to the new and fresh knowledge within the scope of academic study creating new references for the future researcher. Based on the research framework and hypotheses testing as conducted, there is only one hypothesis being accepted out of the total five hypotheses being tested within the quantitative study. This had been showing the evidence to suggest that only the inflation rate between Malaysia and US is sharing significant positive relationship among each other, but the remaining regression model had showed no evidence to suggest the significant relationship exist between the inflation in Malaysia against the other indicators such as the stock market return in US and Malaysia. This concluded that there is no significant of the correlation and relationship between the investment of stock portfolio return against the inflation of the country. This could be contributed by the fact where the economic condition within the country during the time of recession and boom is not likely to share the similar trend and influence towards the business stocks performance due to the business industry tend to be more affected by the market trend and the demand from the consumers rather than the economic factor.

Moving on, the comparative analysis had been powerful in determining the performance of the foreign investment return for the stock market in US for the Malaysian investors where the average return for the past 23 years had been assessed to compare against the inflation rate in Malaysia. In the first outlook, the inflation rate in Malaysia had been suppressed by the return of the stock market of KLSE which had been higher than the inflation rate over the past trend. In other words, the investors that tend to invest in the local stock market in Malaysia had been likely to enjoy higher return against the inflation rate in Malaysia which means the investors will be improving in terms of wealth and purchasing power despite not significant as the average KLSE market return is only recording at 3.41% exceeding by a small margin of the average inflation rate standing at 2.08%.

On the other hand, considering the investment return through the US stock market return with exchange rate being factored into the computation, the investment return for the UIS stock market will be determined by two different sources of earnings and gain, firstly based on the incremental of the stock price in the US stock market and the increase in the exchange rate of MYR/USD creating the impact towards the conversion of the value to the local currency for the Malaysian investors. As a result, the average return for the NYSE stock market return had been more than double the inflation rate being observed in Malaysia with the average annual return of 5.37% while the average return for NASDAQ stock market had been significantly higher standing tall at 10.64% which is more than five times of the inflation rate average in Malaysia.

The potential reasons being drawn for the significant higher return from investing in the foreign stock market of NYSE and NASDAQ had been evidenced through the outcome for the research which could be due to the higher gain recorded from both events through the stock capital appreciation as well as the incremental of the exchange rate translating into Malaysian currency. The average return based on the past trend had showed major positive impact for the Malaysian investors where the average return had been exceeding the inflation rate in Malaysia and the investment return for the KLSE stock market. In another perspective, the exchange rate had been sharing the negative correlation against the movement of the stock market return which could become a good approach to reduce the overall risk for the foreign investment where the exchange rate could appear to be an ideal diversification of risk for the foreign investment. As a result, the foreign investment tends to provide more stable return and creating more positive outcome in generating higher return rather than the local stock market investment. Therefore, the conclusion of the findings had drawn the recommendation for the investors to highly considering into investing into foreign stock investment like those stocks in the NYSE and NASDAQ stock market.

CONCLUSION

The outcome of the study had been concluded with the relevance findings for the research study where the objective of the study had been achieved throughout the research process for the current study. The quantitative analysis for the current study had been providing significant contribution of study towards few relevance parties. Firstly, the outcome for the current study draws new knowledge within the scope of finance and economic which is critical address for the academic in reducing the gap in the literature review. Besides, the current findings could be creating future opportunity for the future researchers in conducting future relevance research study.

Besides, the study had drawn the relevance understanding towards the investment decision for the local investors in Malaysia. This is mainly contributed by the fact which was initially highlighted where the goal and objective for the investors Is mainly to overcome the pressure from the inflation within the Malaysian economy. Therefore, the investors can reference to the current study where the recommendation drawn to suggest into the investing in the US stock market had create the favorable return for the investors. As evidence from the findings, there is a large margin being observed from the foreign investment suggesting the higher potential from the foreign investment as the currency exchange provide the upper hand in creating higher leverage and lower risk for the investment and this creating higher positive return to overcome the inflation rate in Malaysia.

Based on the current outcome of the study, the study had provided the opportunity to suggest into the future are of study within the relevance scope of research area. The current study had identified the potential of the foreign investment in the US stock market which had address the higher potential for the local Malaysia investors as the return generated from the foreign investment is likely to create higher return surpassing the inflation rate of the country. With the high margin of excess, the foreign investment can be considered safe to leverage against the rising inflation rate as the investment strategy to offset the impact on the purchasing power for the investors. This had opened the suggestion to further the research study to explore into the other foreign investments like the trust funds and treasury bonds in foreign country to suggest on the comparison against the local inflation rate in Malaysia. Besides, the blue chips portfolio from major stock market can be conducted to test the portfolio return to compare the gap in the investment return to overcome the rising inflation in Malaysia. It is highly believed that these studies will provide significant insight for the academic and investors.

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