THE CO-MOVEMENT OF THE MALAYSIAN STOCK RETURN

NAKESVARI A/P SHANMUGAM

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by

Nakesvari a/p Shanmugam

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Dean of Othman Yeop Abdullah Graduate School of Business,
Accounting Building,
Universiti Utara Malaysia,
06010 Sintok,
Kedah Darul Aman.
ABSTRAK

Kajian analisa tentang dasar dan pulangan saham yang merangkumi tahun 1999 hingga 2010 dengan menggunakan 389 sampel saham yang masih aktif tersenarai di Bursa Malaysia. Data dianalisis menggunakan regresi OLS yang terkumpul dan hasilnya menunjukkan bahawa semua pembolehubah selain kadar cukai efektif iaitu saiz, ROA, nilai sebenar terhadap nilai pasaran (BVMV), nilai inflasi dan kadar penyebaran signifikan pada tahap 1%. Namun begitu, nilai $R^2$ menunjukkan bahawa kadar kekuatan penjelasan terhadap model yang digunakan dalam kajian adalah sangat lemah.

Dengan ini, dapat disimpulkan bahawa semua pembolehubah yang telah dikenalpasti di atas dapat digunakan untuk menjangkakan pulangan saham di Malaysia kerana ia mampu menjelaskan pulangan saham. Dengan demikian, dapat dikatakan bahawa dasar unsur ini boleh digunakan sebagai alat untuk mrngukur tahap pengaruh mereka terhadap pulangan saham. Akhirnya, pelaburan di pasaran saham boleh menjadi bentuk pelaburan yang boleh dijangka jika pelabur mengetahui tentang apa yang mereka lakukan.

Katakunci: kadar pulangan saham, nilai sebenar terhadap harga pasaran, ROA, saiz, inflasi, kadar penyebarandancukai.
ABSTRACT

The study of the fundamental analysis and stock return covers the period from 1999 to 2010 with the sample of 389 Malaysian stocks that are actively traded in Bursa Malaysia. The data has been analysed using Pooled OLS regression and the results showed that all the variables namely size, ROA, book to market ratio (BVMV), inflation and spread are significant at 1% level except effective tax rate. However, the $R^2$ indicated that the explanation power of the models is very weak.

It can be concluded that all the variables that have been indentified above can be used to predict Malaysian stock return as they are able to explain the stock return. Thus, it tells that the fundamental factors can be used as an analytical tool to measure their influential level towards the stock returns. Finally, investing in the stock market could be a predictable form of investment if the investors know on what they are doing.

**Keywords:** Stock return, Book to Market value, ROA, Size, Inflation, Spread and Tax
DECLARATION

I hereby declare that this project paper is my original work except for quotations and citations which have been duly acknowledged and that it has not been previously or concurrently submitted for any other degree at Universiti Utara Malaysia or other institutions.

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NAKESVARI A/P SHANMUGAM
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CHAPTER 1
INTRODUCTION

1.0 Background of the Study

The Capital Asset Pricing Model known as CAPM has been introduced by the Sharpe (1964) and Lintner (1965) to predict the risk and return relationship in evaluating the performance of the stocks. The major drawback of this model is due to it is solely depends on the beta in predicting the returns. Therefore, later studies done by Fama and French (1992, 1993) found that the beta has no explanatory power and the ratio of book-to-market value and firm size are the significant factors explaining cross-section mean returns. Thus, CAPM is being challenged since this model used risk index beta in measuring the returns.

Although there are voluminous researches have been undertaken relating to the cross-sectional behaviour of stock returns to the different variables in many developed countries but yet few studies describing the emerging markets including Malaysia. (e.g., Kürşat and Güner, 2000; Choudhury, 2003; Lee & Lee, 2008). Most of the listed names have just focused on each variable like Price-Earnings ratio, Price-to-Book ratio and Dividend Yield ratio at a particular time in influencing the return in their research. Thus, focusing on the interaction among these most important fundamental variables in investment strategy like return on asset, book-to-market value, leverage, price earning and size are less investigated and published.

Furthermore, there are theoretical implications to support that a connection between stock returns and macroeconomic variables exists, among them are Fama (1981), Nousheen et al. (2008), Sezgin et al.(2008) and who have said this. Thus, a replacement of imputation
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REFERENCES


