

Stock Market Reaction To Bonus Issue Announcement By Public Listed Companies In Malaysia

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ABSTRACT

This research is attempted to examine the market reaction to bonus issue announcements by the public listed companies in Malaysia. There are thirty sample companies use for this research during the period beginning of 2000 to end of 2004. Moreover, this research will determine how bonus issues affect stock prices of companies listed on Bursa Malaysia and investigate whether the stock market in Malaysia is in semi-strong form efficient market hypothesis. It also examine whether the size of the bonus issue has any difference in the impact on stock prices.

Besides, the event window of -30 to +30 days was used to analyse the market reactions to the bonus issue announcement. And the daily stock prices of sample stocks from 30 announcing companies are regressed against market returns using the market model. Furthermore, the categorization of bonus issue into ratio groups will help to facilitate a closer examination of the market responses to the bonus issue announcements.

Thus, this research is very useful for investors seeking to maximize investment returns. In the meantime, the results are also significant and useful for public companies seeking to improve the performance of their stocks.