Risk And Predictability Of Return Of Malaysian Securities

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ABSTRACT

Bate is a measure of systematic risk, which is important for financial decisions such as capital budgeting, performance evaluation and portfolio management. The Capital Asset Pricing Model assumes that the beta coefficient is constant over time. However, many studies on developed equity markets and emerging markets have found evidence that individual stock betas are time varying. The key assumption in this research is that investors have to learn long-run level of beta and the purpose of this study is to investigate beta and return predictability issue in Bursa Malaysia Stock Exchange during the period from 1996 to 2005 which is divided into the same two periods. Researcher has chosen 30 companies to be sample from Bursa Malaysia Stock Exchange Composite Index to be sample in order to conduct tests. The result for the beta predictability is measure at the different period, but the return predictability is measure in the same period. It shows beta for individual stock can be predicted over the full sample period, but for the portfolios are not. The most important results are showed that the beta value can predict the return in Finance Sector which is more close to the market return. The results of unpredicted beta and unpredicted return may due to several reasons such as environment changes, inefficient of estimation. These findings also can be explained by fast changes in companies and the market in Malaysia.