

THE SPEED OF STOCK PRICE ADJUSTMENT TO ALL ANNOUNCEMENTS BETWEEN THE BIG CAPITAL AND SMALL CAPITAL COMPANIES

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ABSTRACT

The aim of this study was to compare the speeds of stock price adjustment coefficients between the big capital and small capital companies to new firm specific and market-wide announcements arrival. Another objective of this study was to determine the efficiency level of the Bursa Malaysia. For the purpose of conducting an accurate analysis, the robust Theobald and Yallup's (2002) Anti-covariance ratio estimator was used in this study to determine the speed of price adjustment coefficients for different types of announcements. Together with the number of days taken by the stock prices to fully adjust to new announcement, the degrees of over or under-reaction of the prices were also investigated and reported. This research was based on the main board listed companies of Bursa Malaysia and the time frame was from year 1999 to 2004. Fifty big and fifty small capital companies were selected for this study based on their market capitalization. For firm specific announcement, big capital companies adjust their under-reaction two days faster than small capital companies. While for market-wide announcement, both types of companies showed a superfluous adjustment speed on the announcement date. Furthermore, the findings reveal that there was only a slight difference in the speed of price adjustment coefficients between big capital and small capital companies to all announcements. The results also indicate that market-wide announcement was adjusted faster than firm specific announcement. In conclusion, this study confirmed that the Malaysian stock market was between near semi-strong and near weak form efficient.