

THE INFLUENCES OF INVESTMENT ANALYSIS ON STOCK PRICE MOVEMENTS IN KLSE: EVIDENCE FROM SURF88.COM AND DYNAQUEST SDN. BHD.

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ABSTRACT

There are 46 licensed investment advisers in Malaysia. Most of them provide their research reports and analyses of market through their publication, magazine, newspaper and etc. The Securities Commission defines that the role of the licensed investment adviser is primarily to provide research reports and analyses of the markets to clients subscribing to their services. Therefore, it is important to determine whether there is an impact on stock price movement to their research reports and analyses in KLSE. Two licensed investment advisers are selected, Surf88.com and Dynaquest Sdn Bhd, in Malaysia and it allow us to make a comparison between their 'Buy' recommendations.

By measuring the abnormal return and the holding period return, it shows that the investment adviser's recommendation to buy certain stocks do provide positive abnormal return and holding period return on the publication days. By using the normal distribution test statistic, the advisers' recommendations are able to generate significant abnormal return for both the investment advisers.

The results of this research are consistent with the previous researches. However, these two selected investment advisers provide different impact to the stock price. In addition, abnormal returns of them are significant in different days and the result also show that the reaction of their recommendations on stock prices can be explained by different possibilities, including Buying Pressure Hypothesis, Information Hypothesis, Reputation Hypothesis, and Repeating Observation.

In contrast to prior researches, our result shows that electronic-media base recommendation is not superior to recommendation from print-media base. Actually, recommendations published in traditional print have stronger effects on stock prices than that published in electronic media.

As a conclusion, this research provide a clear picture on how the results are found and how the recommendations from selected licensed investment advisers affect the stock price movements