

**PERFORMANCE OF IPO DURING HOT AND COLD MARKET**

**NUR SHAHIRAH BT ABDUL AZIZ  
2006850174**

**Submitted in Partial Fulfillment of the Requirement for the  
Bachelor of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
MARA UNIVERSITY OF TECHNOLOGY  
JOHOR**

**MAY 2008**

**DECLARATION OF ORIGINAL WORK**



**BACHELOR OF BUSINESS ADMINISTRATION (HONS)  
FINANCE FACULTY OF BUSINESS MANAGEMENT  
MARA UNIVERSITY OF TECHNOLOGY  
JOHOR**

**“DECLARATION OF ORIGINAL WORK”**

**I, NUR SHAHIRAH BT ABDUL AZIZ, ( I/C Number: 850425-14-5362)**

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:

Date: MAY 2008

## LETTER OF TRANSMITTAL

Faculty of Business and Management  
MARA University of Technology  
85009 Segamat  
Johor Darul Takzim

MAY 2008

Rabiatul Alawiyah Bt. Zainal Abidin  
The Head of Program  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
MARA University of Technology  
85000 Segamat  
Johor Darul Takzim

Dear Madam,

### **PERFORMANCE OF IPO DURING HOT AND COLD MARKET**

I'm required to do a project paper on the above topic. I hereby submitted this report and I really hope that this work will fulfill the requirement for the Bachelor of Business Administration (Hons) Finance.

Thank you.

Yours sincerely,

NUR SHAHIRAH BT ABDUL AZIZ  
2006850174  
Bachelor of Business Administration (Hons) Finance

## ACKNOWLEDGEMENT

All praises to almighty ALLAH, the most merciful and the most benevolent for giving me the opportunities in completing this research paper. It would be impossible for me to spent time to complete this study without the grace and help of ALLAH S.W.T.

I am greatly indebted to En. Muhamad Sukor bin Jaafar whose excellence in supervision and plays a big role in inspired my work. Without his untiring encouragement, suggestions, ideas and comments throughout this study, this research could not be completed.

I also would like to convey my deepest gratitude and indebted to my advisor, Puan Rabiatal Alawiyah Bt Zainal Abidin, librarian of Universiti Teknologi MARA, Johor Campus and librarian of Bursa Malaysia for their co-operation and help throughout the duration of this research.

I dedicate this research to my beloved parents and for their endless support and understanding and also to the rest of my families for their help and encouragement. Beyond a simple thank you, I want them to know that I really appreciate what they had done to me.

I wish to express my deepest gratitude to all my friends, who shared their valuable experience, time and commitment. Without their patience, this study cannot be complete.

## ABSTRACT

This paper examines the short-run performance of 30 Malaysian IPOs issued during the period 1996 to 2001. The performance of IPOs was analyzed based on the different economic period namely hot and cold markets. A hot market was characterized by an unusually high volume of offering and high number of IPOs issued. In contrast, a cold market has much lower issuance. The performances of IPOs have been analyzed based on market adjusted initial return as adopted previous studies to see the performance in different economic condition. In order to determine the short-run performance of IPO, the five interval periods selected are first day, first week, first month, third month and sixth month upon listing.

After analyzed both market conditions, this study documents an average first day initial return of 11.44%. The findings show difference in different economic condition. Over the short run period, IPO recorded 31.82% abnormal return in the hot market for the last sixth month. The finding shows a significant difference in the mean initial return under different economic condition. In the hot market, Malaysian IPOs recorded a high initial return which is 32.06% than in the cold market -8.82%. However, for the short run performance in the cold market, the result was recorded negative return of -8.82% and -3.09% in the first day and first week. The rest of interval period still shows the positive return in cold market.