A STUDY ON THE RELATIONSHIP BETWEEN MALAYSIAN STOCK RETURNS AND FINANCIAL RATIOS

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DECLARATION OF ORIGINAL WORK

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ABSTRACT

The purpose of this paper is to study the relationship between the financial ratios and the stock returns in Malaysia during the period of 2006 – 2015. The financial ratios including dividend yield (DY), earnings yield (EY), and book-to-market ratios (BM) are selected as the predictor variables. In addition, this paper also included return on equity (ROE) as a variable in predicting the stock return in Malaysia. The finding shows that both DY and BM have positive significant relationship towards Malaysian stock return while EY and ROE have no significant relationship with the Malaysian Stock Return. It was proved that financial ratios can predict the stock return and BM have the highest predictive power among the variables.