



THE APPLICATION OF DIMSON'S ADJUSTED MODEL
IN ANALYZING THE EFFECT OF MACROECONOMIC
VARIABLES ON STOCK RETURNS : A STORY IN
SOUTHEAST ASIA COUNTRIES

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TABLE OF CONTENT

	Page
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
USE OF THESIS	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF TABLES LIST OF ABBREVIATIONS	ix
ABSTRACT	xi

CHAPTER

1 INTRODUCTION

1.0	Background of the study	1
1.1	Problem Statement	3
1.2	Research Objective	5
1.3	Significant of study	6
	1.3.1 Body of knowledge	
	1.3.2 The investor	
	1.3.3 Future Researcher	
1.4	Limitation of study	7

2 LITERATURE REVIEW

2.0	Introduction	8
2.1	Theory used in the study	9
	2.1.1 Stock Return	

	2.1.1.1	Efficient Market Theory	
2.1.2		Crude Oil Price	
	2.1.2.1	Law of One Price	
2.1.3		Inflation Rate	
	2.1.3.1	Fisher Effect Theory	
2.2		Literature Review	11
2.3		Conceptual Theoretical Framework	14

3 DATA AND METHODOLOGY

3.0		Introduction	15
3.1		Data Collection Method	16
3.2		Empirical Formula	17
	3.2.1	Dimson's Adjusted Model	
	3.2.2	Multiple Linear Regressions	
3.3		Measurement Variable	18
3.4		Hypothesis Development	19
3.5		Unit Root Test	20
	3.5.1	Augmented Dickey Fuller Test	
	3.5.2	Philips-Perron Test	
3.6		Autocorrelation Test	20
	3.6.1	Breusch-Godfrey Lagrange Multiplier Test	
3.7		Multicollinearity Test	21
	3.7.1	Variance Inflation Factor Test	
3.8		Heteroscedasticity Test	22
3.9		Multiple Linear Regressions	22
3.10		Research Methodology Flow Chart	23

ABSTRACT

This study examines the macroeconomic factors that determine the Stock Returns for four different selected countries from Southeast Asia which are Malaysia, Singapore, Indonesia and Thailand from the period of 2010 until 2014. The determinant factors studied are Crude Oil Price, Inflation Rates and Exchange Rates. Stock Market Returns for each country is estimated to obtain the adjusted Stock Returns. Monthly data of crude oil prices, inflation rates, exchange rates between each country and USD and their stock returns were modeled into a multiple linear regression model. The data covering from 2010 until 2014 were collected from Yahoo Finance, International Monetary Fund (IMF), WorldBank. The objectives of this paper are (i) to examine the relationship between crude oil prices, inflation rates and exchange rates towards the stock returns. (ii) To examine the relationship between crude oil price, inflation rate and exchange rates towards Adjusted stock returns. The general findings suggest that there is significant relationship between the macroeconomic variables towards the Southeast Asia stock returns, however the results showed that exchange rate is negatively correlated towards the stock return except for Malaysia.