WEATHER AND STOCK RETURNS: THE EMPIRICAL EVIDENCE FROM AGRICULTURE AND MANUFACTURING INDUSTRIES IN MALAYSIA

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DECEMBER 2019

ACKNOWLEDGEMENTS

First of all, I would like to express my deepest gratitude to Allah S.W.T as with his blessing, I have been successfully finished this paper. Thanks to him for granting me patience and a strong will to complete this paper.

I would like to express my deepest appreciation to Dr.Hapsah S. Mohammad who gave me the opportunity to learn and guideD by her. Without her expertise, knowledge, suggestions and recommendations, it would be hard for me to complete this paper. I really appreciate her efforts in giving me advices and willing to see me anytime despite her busy schedule.

Other than that, I also would like to express my gratitude toward my family who always supported me and gave me strengths to finish this paper when I felt to give up, also my fellow friends who always there to help me whenever I needed their help and who were always there to answer all the questions whenever I reached them in completing this paper.

Last but not least, I am also very thankful to all the staffs at Dewan Bandaraya Kota Kinabalu, especially my supervisor who is always understanding and gave me permission twice a week to meet my advisor for consultation in completing this paper.

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ABSTRACT

For many years, the study of weathers and stock returns are well studied and documented by researchers. However, most of the studies are focusing on the stock market in general. This open up a gap to study further on the stock return of the specific industries such as agriculture and manufacturing. To be more specific, this study aims to investigate the relationship between weathers and stock return for manufacturing industries and agriculture industries. This study used panel data from 10 main market agriculture firms and top 10 manufacturing firms in Malaysia that listed in the main board of Bursa Malaysia. The study period is 5 years that is from 2014 to 2018. The dependent variable in this study is stock returns of manufacturing and agriculture industries, meanwhile the independent variables in the study are temperature, humidity and rainfall. The findings on the manufacturing industries indicate that there is a negative and insignificant relationship with all the independent variables (temperature, humidity and rainfall). On the other hand, agriculture industries show a significant relationship with rainfall variables and insignificant relationship with temperature and humidity variables. The study suggest that the findings are in line with both efficient market hypothesis theory and behavioural finance theory.