INVESTOR EMOTION RISK IMPACTS ON STOCK MARKET :

UNITED STATES EVIDENCE

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2015162611

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TABLE OF CONTENTS

CHAPTER 2 LITERATURE REVIEW

CHAPTER 3 DATA AND METHODOLOGY

ACKNOWLEDGEMENT

In the name of Allah, the Beneficent, the Merciful

It is my deepest appreciation and gratitude to my supervisor, En. Jasman Tuyon for his guidance to continue this thesis whereby providing a useful material, valueable information, encouragement and support to complete this thesis and able to complete this thesis as scheduled.

I also deeply grateful and thanks to all the lecturers for the helping hand in terms of understanding all subject and advices during my period of studies.

I am highly indebt and thoroughly grateful to my family not only support me in term of financial, but also give advice and motivation to continue my study in order to completing this BBA programmed.

Last but not least, I would like to express my gratitude to all of my friend that had been support directly or indirectly during my studies.

ABSTRACT

The purpose of this research is to examine the role of emotion in United States stock market where regardless of being developed financial markets there are disagreement about the state of the US investors and the stock market efficiency between behavioural and modern finance in the theoretical lenses. The data that had been used in this research is Standard and poor 500 stock market index as dependent variables and dividend (fundamental factors), volatility index (VIX) CBOE and historical volatility MSCI ACWI (behaviour factors) as independent variables where the linear, non-linear and quantile models been used to test the dataset. The results, the dividend variables show positive significant while VIX CBOE and historical volatility MSCI ACWI show negative significant towards US stock market. These findings are in parallel with empirical evidence and theoretical perspective that been used in this research. In addition, this research introduces new alternative proxy in measuring investor emotion globally (historical volatility of MSCI ACWI) and give implication to finance body of knowledge which is investor rationally of US stock market. As a practical implication, it gives investor a new thought that the US stock market is not always fully efficient due to human behaviour and the policy makers need to control enormous of behavioural risk in market to diminish the negative effect of behavioural factors in United State.