



**TESTING OF WEAK FORM EFFICIENCY ON BURSA MALAYSIA'S SELECTED
INDUSTRIES**

MUHAMMAD ADIB AKMAL BIN NOOR AZLAN

2013152173

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANGEMENT

UNIVERSITI TEKNOLOGI MARA

KAMPUS BANDARAYA MELAKA

JANUARY 2017

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS.) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

“DECLARATION OF ORIGINAL WORK”

I, MUHAMMAD ADIB AKMAL BIN NOOR AZLAN, (I/C Number: 930508-10-5323)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas and is 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: _____

LETTER OF TRANSMITTAL

January 2017

Dr. Fahmi bin Abdul Rahim

Bachelor of Business Administration (Hons) Finance,

Faculty of Business Management,

Universiti Teknologi MARA, Melaka City Campus,

110 Off Jalan Hang Tuah, 75300 Melaka.

Dear Sir / Madam,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper title “**TESTING OF WEAK FORM EFFICIENCY ON BURSA MALAYSIA’S SELECTED INDUSTRIES**” to fulfil the requirement needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You,

Sincerely,

MUHAMMAD ADIB AKMAL BIN NOOR AZLAN

2013152173

Bachelor of Business Administration (Hons.) Finance

TABLE OF CONTENTS

TESTING OF WEAK FORM EFFICIENCY ON BURSA MALAYSIA'S SELECTED INDUSTRIES	i
DECLARATION OF ORIGINAL WORK	ii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xi
CHAPTER 1	12
1.0 RESEARCH BACKGROUND	13
1.1 PROBLEM STATEMENT	16
1.2 RESEARCH OBJECTIVE	17
1.3 RESEARCH QUESTIONS	17
1.4 SIGNIFICANCE OF STUDY	17
1.5 LIMITATIONS OF STUDY	18
1.6 SCOPE OF STUDY	19
1.7 RESEARCH STRUCTURE	19
CHAPTER 2	20
2.0 INTRODUCTION	21
2.1 THE THEORY OF EFFICIENT MARKET HYPOTHESIS	22
2.2 TYPES OF EMH	24
2.3 ASSUMPTIONS ON EMH	27
2.4 MISCONCEPTIONS OF EMH	29
2.5 FINDINGS OF EMH	30
2.5.1 EVIDENCE SUPPORTING EMH	30
2.5.2 EVIDENCE AGAINST EMH	35
2.6 PAST FINDINGS ON TECHNICAL ANALYSIS	39
2.7 HYPOTHESES OF STUDY	41
2.8 THEORETICAL FRAMEWORK	42
2.9 CONCLUSION	42
CHAPTER 3	43
3.0 INTRODUCTION	44
3.1 DATA	44
3.2 BACKGROUND OF THE MODEL	45
3.2.1 AUTOREGRESSIVE MODEL	45
3.3 EMPIRICAL DESIGN	46
3.3.1. Empirical Model 3.1 (Return on Construction industry)	46
3.3.2 Empirical Model 3.2 (Return on Consumer industry)	47
3.3.3 Empirical Model 3.3 (Return on Industrial industry)	47
3.3.4 Empirical Model 3.4 (Return on Tin and Mining industry)	48
3.4 STATIONARY TEST	49
3.4.1 AUGMENTED DICKEY-FULLER (ADF) TEST	49
3.4.2 PHILLIPS-PERRON (PP) TEST	49
3.5 DIAGNOSTIC TEST	50
3.5.1 Normality test on residual (Jarque Bera Test)	50
3.5.2 Autocorrelation test	50
3.5.3 Heteroscedasticity Test	51

ABSTRACT

The purpose of this study is to investigate the existence of Efficient Market Hypothesis (EMH) in Bursa Malaysia's selected industries. However, this study is only testing the weak form of EMH. The industries chosen for this research is Construction, Consumer, Industrial and Tin and Mining industry. The data was collected in for each industry for daily, weekly and monthly basis from year 2011 to 2015. This study used Autoregressive Model to regress the past stock price with the current stock price. Tests employed for this study includes descriptive analysis, test for estimated empirical model, stationary tests and diagnostic tests. Result of this study reveals that for daily data, all of the industries has significant relationship which can be concluded as inefficiently weak. Meanwhile, for weekly data only consumer industry is inefficiently weak and for monthly data only industrial industry is inefficiently weak. All the other data for other industries can be concluded as efficiently weak. These results provide understanding towards investors, analysts and regulator in dealing with Efficient Market Hypotheses.