

Universiti Teknologi MARA

**Fuzzy Time Series and Geometric
Brownian Motion in Forecasting Stock
Prices in Bursa Malaysia**

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STUDENT'S DECLARATION

I certify that this report and the research to which it refers are the product of my own work and that any ideas or quotation from the work of other people, published or otherwise are fully acknowledged in accordance with the standard referring practices of the discipline.

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ABSTRACT

Every country has its own stock market exchange, which is a platform to raise capital and is place where shares of listed company are traded. Bursa Malaysia is a stock exchange of Malaysia and it is previously known as Kuala Lumpur Stock Exchange. All over the world, including Malaysia, it is common for investors or traders to face some lost due to wrong investment decisions. According to the conventional financial theory, there are so many reasons that can lead to bad investment decisions. One of them is confirmation bias where an investor has a preconceived notion about an investment without a good information and knowledge. In this paper, we study the best way to provide good information for investors in helping them make the right decisions and not to fall prey to this behavioral miscue. Two models for forecasting stock prices data are employed, namely, Fuzzy Time Series (FTS) and Geometric Brownian Motion (GBM). This study used a secondary data consisting of AirAsia Berhad daily stock prices for a duration of 20 weeks from January 2015 to May 2015. The 16-weeks data from January to April 2015 was used to forecast the stock prices for the 4-weeks of May 2015. The results showed that FTS has the lowest values of the Mean Absolute Percentage Error (MAPE) and the Mean Square Error (MSE), which are 1.11% and $MYR^20.0011$, respectively. For comparison, for GBM, the MAPE is 1.53% and the MSE is $MYR^20.0017$. In addition, the foracasted stock prices by FTS are almost similar to the actual stock prices and the findings imply that the FTS model provides a more accurate forecast of stock prices.

TABLE OF CONTENTS

CONTENTS	PAGE
SUPERVISOR'S APPROVAL	ii
STUDENT'S DECLARATION	iii
ACKNOWLEDGEMENTS	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE: INTRODUCTION	
1.1 Background of the Study	1
1.2 Problem Statement	2
1.3 Objective of the Study	3
1.4 Scope of the Study	3
1.5 Significance of the Study	4
CHAPTER TWO: LITERATURE REVIEW	
2.1 Stock Market	5
2.1.1 Previous Research on Stock Prices	6
2.2 Geometric Brownian Motion (GBM)	8
2.2.1 Previous Research on Geometric Brownian Motion	9
2.3 Fuzzy Times Series (FTS)	10
2.3.1 Previous Research on Fuzzy Times Series	11
2.4 Summary	13

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	Data Collection	14
3.2	Data Analysis	14
3.2.1	Method of Fuzzy Times Series (FTS)	15
3.2.2	Method of Geometric Brownian Motion (GBM)	18
3.2.3	Error Measures	22
3.2.3.1	Mean Absolute Percentage Error (MAPE)	22
3.2.3.2	Mean Square Error (MSE)	22
3.2.4	Analysis of Error Measures	23

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1	Data Interpretation	24
4.2	Fuzzy Times Series (FTS)	24
4.3	Geometric Brownian Motion (GBM)	39
4.3.1	The Microsoft Excel Command	40
4.4	Results and Discussions	41
4.4.1	Results	41
4.4.2	Discussions	44

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1	Conclusions	46
5.2	Recommendations	47

REFERENCES	48
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