UNIVERSITI TEKNOLOGI MARA

INVESTOR SENTIMENT AND STOCK RETURNS IN MALAYSIA

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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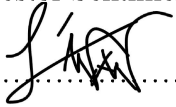
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ABSTRACT

The objective of the research is to investigate the role of sentiment in Malaysia's stock market. The state of investor rationality and efficiency of stock market are debated in theoretical lenses of the behavioural finance paradigm. The behavioral factor, namely, closed-end fund discount, advance-decline ratio, trading volume/turnover, consumer sentiment index (CSI) and business condition index (BCI) that act as the sentiment proxies. These variables are utilized to analyze the relationship between investor sentiment and stock returns by implementing 2 statistical methods including Ordinary Least Square (OLS) and Quantile (QR) regression model. The research findings are suggested consistent with theoretical perspectives on the view of behavioral finance and existing evidence on revealing the relationship between sentiment and stock market return index that is statistically significant. However, the risk proxies' relationship with the stock market is heterogeneous that is in line with the view of stock market in a complex state. In summary, this study offering important finance body of knowledge (academic), practice (investor) and policy implications through a new insight of theoretical and empirical evidence on the role of sentiment towards the stock market in Malaysia. Briefly, behavioral factors sentiments can be taken into consideration instead only relying on fundamental factor for stock investment decision making.

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