

UNIVERSITI TEKNOLOGI MARA

**INVESTOR SENTIMENT
AND STOCK RETURNS IN
MALAYSIA**

MOHD AZWAN BIN SULAIMAN

MSc

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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.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

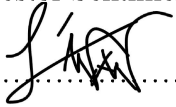
Name of Student : Mohd Azwan Bin Sulaiman

Student I.D. No : 2017565241

Programme : Master of Science (Business Management) -BA750

Faculty : Faculty of Business Management

Thesis Title : Investor Sentiment and Stock Returns In Malaysia

Signature of Student : 

Date : May 2021

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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TABLE OF CONTENT

	Page
CONFIRMATION BY PANEL OF EXAMINERS	ii
AUTHOR’S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF TABLES	xi
LIST OF FIGURES	xv
LIST OF ABBREVIATION	xvi
 CHAPTER ONE INTRODUCTION	 1
1.1 Background of Study	1
1.2 Problem Statement	4
1.3 Research Gap	6
1.3.1 Indefinite of Sentiment Measurement	6
1.3.2 Inconsistency of Empirical Evidences	8
1.4 Research Objectives	12
1.5 Research Questions	12
1.6 Scope of Studies	13
1.7 Limitation of Study	13
1.7.1 Proxy of Sentiment	14
1.7.2 Data Constraint	14
1.8 Significant of Study	14
1.8.1 Body of Knowledge	15
1.8.2 Investors or Practitioners	16
1.8.3 Policy Maker	17
1.9 Organization of Thesis	17