

UNIVERSITI TEKNOLOGI MARA

**RELATIONSHIP BETWEEN ANALYST
RECOMMENDATION AND
PERFORMANCE OF MALAYSIAN
IPOS DURING THE LOCKUP PERIOD**

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ABSTRACT

This study investigates the impact of the analysts' positive recommendation has on the share price performance of the IPOs surrounding the expiration of the lockup period in the Malaysia stock market. The study explores whether the analysts' positive recommendation gives a significant positive share price performance in spite of the negative effect of the expiration of the lockup period. The analysts' positive recommendation was categorised into four groups, namely 1) the affiliated analysts' positive recommendation, 2) the non-affiliated analysts' positive recommendation, 3) analysts' positive recommendation with foreign analyst and 4) the analysts' positive recommendation without the foreign analyst recommendations. The IPOs sample of 385 companies were taken from the period of January 2000 to December 2014. The study applied event study methodology to investigate the performance of the IPO share price. The study found that the analysts' positive recommendation gave an insignificant positive share price performance in both of the event window surrounding the expiration of the lockup period. Further investigation between affiliated analysts' positive recommendation and non-affiliated analysts' positive recommendation showed an insignificant return towards the performance of IPOs share price surrounding the expiration of the lock-up period. There is no evidence to support that the share price of the affiliated analysts' positive recommendation outperformed the share price of the non-affiliated analysts' positive recommendation surrounding the expiration of the lockup period. However, in the short term event window, the results showed that the analysts' positive recommendation with foreign analysts gave a significant positive effect on the share price performance of IPO surrounding the expiration of the lock-up period. The significance statistical tests implied that the analysts' positive recommendation with foreign analyst does convey new and beneficial information in their research reports, hence, is being recognised as a positive information by investors in the market. The study shows that in the short term, the analysts' positive recommendation needs to collaborate with foreign analysts in order to have a positive effect on the share price performance of the IPO during the expiration of the lockup period. The thesis result shows that investors have positive preferences towards foreign analysts' positive recommendation. Consequently, the market participants such as the Bursa Malaysia authorities, the investors, investment banks and the independent research house should acknowledge the importance of the collaboration with the foreign analyst in the research reports. The foreign analysts are needed in Malaysia capital market for the investors to benefit from their analyst's recommendation on the Malaysia IPOs during the lockup period

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