THE APPLICATION OF DIMSON'S ADJUSTED MODEL IN ANALYZING THE EFFECT OF MACROECONOMIC VARIABLES ON STOCK RETURNS : A STORY IN SOUTHEAST ASIA COUNTRIES

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ABSTRACT

This study examines the macroeconomic factors that determine the Stock Returns for four different selected countries from Southeast Asia which are Malaysia, Singapore, Indonesia and Thailand from the period of 2010 until 2014. The determinant factors studied are Crude Oil Price, Inflation Rates and Exchange Rates. Stock Market Returns for each country is estimated to obtain the adjusted Stock Returns. Monthly data of crude oil prices, inflation rates, exchange rates between each country and USD and their stock returns were modeled into a multiple linear regression model. The data covering from 2010 until 2014 were collected from Yahoo Finance, International Monetary Fund (IMF), WorldBank. The objectives of this paper are (i) to examine the relationship between crude oil prices, inflation rates and exchange rates towards the stock returns. (ii) To examine the relationship between crude oil price, inflation rate and exchange rates towards Adjusted stock returns. The general findings suggest that there is significant relationship between the macroeconomic variables towards the Southeast Asia stock returns, however the results showed that exchange rate is negatively correlated towards the stock return except for Malaysia.