



**REACTION OF STOCK PRICE TO THE PRIVATE
PLACEMENT ANNOUNCEMENT**

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ABSTRACT

This study focuses on the reaction of stock price to the announcement of private placement. The objective or purpose of this study is to determine whether there is effect or not before and after private placement announcements. Private placement or private investment capital is money invested in the company usually from private investors in the form of stock and sometimes bonds. It is different from the other equities such as Initial Public Offerings (IPO's).

To analyze stock price reaction to the announcement of private placements, this study using 36 companies which have been listed in Bursa Malaysia and involved in private placement. The time horizon is during year 2000 to year 2005 which is six years. The sample data are the 320 daily stock prices before and 320 daily stock prices after private placement announcement. This study using Event Study Method that prescribed by Dodd and Warner (1983) to examine the stock price reactions to the announcement of equity issues as data analysis techniques. This method determines the abnormal return. From the return of stock price and equity, the statistical test conducted by Microsoft Excel and estimated statistical model to examine the significant. There are some previous researchers have concluded that there are positive effect of stock price after and before private placement announcement. There are also some of them says oppositely which there is negative effect. This study also can be use by the investors as the guideline to know the effect of stock price before and after the private placement announcement.