RISK AND RETURN ON NEWLY LISTED STOCKS ON THE KUALA LUMPUR STOCK EXCHANGE

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ABSTRACT

This project paper is a brief study on risk and return for 30 newly listed companies on the Main Board on the Kuala Lumpur Stock Exchange from the years 1989 to 1994. This study is conducted mostly through secondary data and based on daily basis. This study is looking into the risk and return on newly listed stocks on the KLSE in the post-listing period.

The purposes of this study are to examine the average daily return performance and risk performance of newly listed stocks on the KLSE. To study risk-return performance, a number of variables are estimated for the newly listed stocks. The daily returns are generated by the Market Model and the Total Risk are decomposed into systematic risk and unsystematic risk. While for other risk variables (Beta and Unsystematic Risk) , Lotus Application Software Packages is used to gather the regression output.

The results of this study appear to show that newly listed stocks earn a positive returns in the post-listing period. Newly listed stocks also have higher average risk variables (Total Risk, Beta and Unsystematic Risk) in the post-listing period. Moreover the risk measures of newly listed stocks show declining stage in the days following listing date.

TABLE OF CONTENTS