THE RELATIONSHIP BETWEEN WEATHER AND STOCK MARKET PERFORMANCE: EVIDENCE FROM MALAYSIA (2011-2015)

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ABSTRACT

Stock market is one an important indicator of economy in the country. This research aiming to investigate the weather could influencing the stock market performance. Therefore, this research want to examine that the relationship between weather and stock market performance. Good market return in the country are said to be an essential part of country economic development. So the investor must know when the market return can give good advantages to them. Therefore, the good weather can give positive relationship with the market return. The dependent variable on this research is Kuala Lumpur Composite Index (KLCI) and the independent variable are categories as types of weather that are cloud cover, evaporation, humidity, rainfall and temperature. There is no general consensus between this combinations of this weather. In addition, time series data analysis for a period of 2011-2015 (5 years) in daily basis has been used in this paper. Time series regression analysis was used to recognize the most optimal model in explaining the level of stock market performance. The findings of this paper designate that the average of market returns for the period of study is 21.21%. In the meantime, evaporation, humidity and temperature is the only variable that significantly shows a positive relationship with market return, while cloud cover and rainfall showing no significant relationship with market return.

Keywords: Market returns, KLCI, Weather