

Empirical Analysis on Exchange Rate Fluctuation and Sectoral Stock Returns in Malaysia

(*Analisis Empirik Terhadap Turun Naik Kadar Pertukaran dan Pulangan Saham Mengikut Sektoral di Malaysia*)

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ABSTRACT

The purpose of this study is to observe the impact of the exchange rate fluctuation in Malaysia on sectors stock returns by using an augmented standard capital asset pricing model from October, 1992 to December, 2015. This paper extends previous studies on exchange rate fluctuation for the case of Malaysia by estimating the augmented capital asset pricing model for the price indexes sectors, including financial, plantation, properties, industrial, tin and mining, trade and services, consumer products and construction sector indexes. Moreover, this study also expands the literature by adapting the modelling proposed by Ibrahim (2008) by considering the exchange rate volatility, Asian financial crisis dummy and pegging exchange rate dummy. Such an analysis significant in part because of the importance of exchange rate fluctuation as drivers of sectoral returns. In general this study successfully documented the exchange rate fluctuation scenario in Malaysia. Overall, the result suggests that the exchange rate fluctuation in Malaysia can be categorized as the long memory in the volatility process. The results further suggest the sectors are largely affected by the currency fluctuated.

Keywords: Sector returns; exchange rate returns; exchange rate volatility; exchange rate asymmetric

ABSTRAK

Kajian ini bertujuan untuk mengkaji kesan turun-naik kadar pertukaran di Malaysia terhadap pulangan saham mengikut sektor dengan menggunakan model perletakan harga aset modal dari bulan Oktober 1992 hingga Disember 2015. Kajian ini merupakan lanjutan daripada kajian-kajian yang terdahulu dengan menganggarkan model imbuhan perletakan harga aset modal bagi sembilan sektor ekonomi terpilih termasuklah sektor kewangan, pertanian, harta, perindustrian, perlombongan, perdagangan dan perkhidmatan, barang kepentingan dan pembinaan. Seterusnya, kajian ini juga menyumbang kepada kajian lepas dengan mengambilkira model pengukuran yang diperkenalkan oleh Ibrahim (2008) dengan memasukkan pembolehubah kemerauan kadar pertukaran, pemboleh ubah patung krisis kewangan Asia dan pemboleh ubah patung kadar pertukaran tetap. Kajian ini adalah signifikan kerana pemboleh ubah kemerauan kadar pertukaran merupakan pemangkin kepada pulangan sektor. Secara keseluruhan, dapatan kajian mencadangkan bahawa kadar pertukaran asing di Malaysia boleh dikategorikan sebagai pemboleh ubah kesan jangka panjang. Dapatan kajian seterusnya mencadangkan bahawa kebanyakkan harga saham sektor ekonomi di Malaysia amat dipengaruhi oleh kadar turun naik matawang.

Kata kunci: Pulangan sektor; pulangan kadar pertukaran asing; kemerauan kadar pertukaran asing

INTRODUCTION

The exchange rate fluctuation can be says as exposure in the market value. Moreover, the exposure also can be say as an elasticity of change in the market value of the firm resulting from a unit change in the exchange

rate (Adler & Dumas 1984). While this is the exact definition of exposure that an investor is interested in, if the change in the value of a firm is directly related to the change in a firm's expected cash flows, this definition of exposure will also be the measure that the risk manager of the firm would be interested