

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION AND RECOMMENDATION

From this study, it can be concluded that of the seven sectors in the Bursa Malaysia Main Board analysed the property sector is the worst performer and the consumer products sector has turned out to be the best performer after the financial crisis.

This result was not surprising because the financial crisis had caused an enormous loss of wealth and therefore a reduction in demand for medium and high-end properties. In spite of the exchange controls imposed and the economic recovery after that, the property market has experienced the slowest recovery as there was a glut of properties in Malaysia due to the over construction of properties prior to the recession. Furthermore, there has been very little purchasing of properties for investment in Malaysia. Financial Institutions have also put in more measures to ensure that loans for purchase of property are not given out as liberally as before to reduce moral hazard. As the country gains in wealth, it is expected that the property sector will perform better.

The consumer products sector had gained from the depreciation of the ringgit. Malaysians started resorting to locally produced substitutes as the cost of imported products has risen between 30 –40 % since before the financial crisis. The profits of most companies in the consumer products sector soared during the study period due to the unprecedented demand for local products.

Among the better performers include the finance and construction sector.

Due to reductions in interest rates and consequent loan growth, higher valuations (based on the discounted cash flow model) of equities in the finance sector were possible as higher future cash flow was perceived. As a consequence of this, the equities in the financial sector exhibited high returns. The sector also reaped gains from the setting up of Danaharta to buy over selected NPL's and Danamodal to recapitalise ailing banks. The finance sector showed good performance as it has benefited by the establishment of Danaharta, Danamodal and the CDRC. NPLs have been bought over by Danaharta while distressed banks and financial institutions have been recapitalised by Danamodal.

The construction sector gained from the acceleration of delayed projects by the government. Accelerating projects was one of the government's methods to aid economic recovery.

The results conclude that the EMH is a null hypothesis. The IMH states that the market is inefficient due to disequilibrium. The Malaysian market was definitely in disequilibrium after the financial crisis. Equity prices had dropped far below their equilibrium prices. The study period is hence a period of anomaly.

5.2 LIMITATIONS OF THE STUDY

This study analyses the performance of only seven sectors in the Bursa Malaysia Main Board. This is due to the availability of data and other constraints. If data could be obtained on the remaining sectors in the Bursa Malaysia main board, the study could be more conclusive.

The number of observations in the data for this study were not sufficient to conduct a statistical significance test for the Jensen Index. A larger number of observations was necessary to determine if the Jensen's Index for each sector was significant or not.

5.3 FURTHER RESEARCH

The performance study can be conducted in a few of these suggested ways to give a better insight of equity performance after the financial crisis:

- i) Expand the study to include Bursa Malaysia's Second Board equities.
- ii) Study the performance of unit trusts in Malaysia after the financial crisis.
- iii) Obtain data to compute indices for the infrastructure, technology and hotels sector to be included in an extension of this ranking study.
- iv) Conduct a comparison performance analysis between selected equities from each sector to have an idea of individual equity performance.