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ANNOUNCEMENT EFFECT
OF THE
TRADING SUSPENSION
IN THE KLSE

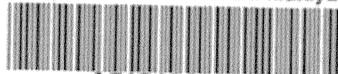
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ABSTRACT

This research examines the announcement effect of trading suspensions in the KLSE. An empirical investigation is conducted by using daily stock prices from 1/1/93 to 31/12/97 for a total of 471 valid samples of suspended stocks. Market model is used to find the abnormal return associated with these suspensions. Our results indicates that the magnitudes of price adjustments associated with suspensions are consistent with substantial and permanent shifts in securities prices to retain equilibrium and the price adjustments observed are consistent with an externally efficient securities market. The results also indicates that all our subsamples i.e. both voluntary and non-voluntary suspensions, both standard and non-standard suspensions, both main and second board suspensions and both favourable and non-favourable suspensions exhibit behaviour consistent with adjustment to significant new information.

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