

ABSTRACT

This study aims to analyse time series data from Bursa Malaysia to assess volatility. Daily closing data for an eleven-year period between 2000 and 2010 from the Bloomberg datastream was used for analysis. The data retrieved was for a single benchmark index (KLCI) and other main sector indices. The data analyses were done using EViews software (student version) which has the ability to perform ARCH/GARCH framework analysis. A normal distribution (Gaussian) model was used for analysis. Initial investigation focused on examining the existence of the stylised facts of financial time-series data from Bursa Malaysia. The common stylised facts examined were fat-tail distribution, volatility clustering, mean-reverting and leverage effect. The examination of the data confirmed that the Bursa Malaysia financial time-series data exhibited all the stylised facts mentioned above. The follow-up analyses were focused on volatility and its characteristics. The analyses found that volatility existed on the Malaysian stock market (i.e. benchmark index and sector indices.) Of the eleven indices examined the Consumer Sector and the Mining Sector were found to be the most volatile and the least volatile respectively. A follow up analysis was carried out with the 11-year data broken into yearly data to verify if there was correlation on the volatilities, however the proved otherwise.

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