

## Appendix 1:

### FTSE Bursa Malaysia KLCI Constituents and Weightings

Rank	Constituent name	Sector	Weighting in Index (%)
1	Malayan banking	Banks	9.92
2	Public Bank	Banks	9.67
3	Sime Darby	Diversified Industrial	8.69
4	CIMB Group Holdings	Banks	8.33
5	Axiata Group	Mobile Telecommunications	6.61
6	Genting	Hotels	6.38
7	IOI	Farming & Fishing	5.26
8	TenagaNasional	Alternative Electricity	4.86
9	Digi.com	Mobile Telecommunications	4.67
10	Petronas Chemicals Group	Commodity Chemicals	4.17
11	AMMB Holdings	Banks	2.82
12	Maxis	Mobile telecommunications	2.68
13	Telekom Malaysia	Fixed Line Telecommunications	2.65
14	Kuala Lumpur Kepong	Farming & Fishing	2.58
15	Genting Malaysia	Hotels	2.44
16	Petronas Gas	Exploration & Production	2.38
17	PPB Group	Food Products	2.10
18	Hong Leong Bank	Banks	1.73
19	AirAsia	Airlines	1.65
20	British American Tobacco (Malaysia)	Tobacco	1.47
21	YTL Corp	Multiutilities	1.46
22	UMW Holdings	Automobiles	1.23
23	YTL Power International	Water	1.14
24	PetronasDagangan	Integrated Oil & Gas	1.11
25	Hong Leong Financial	Banks	0.79
26	Bumi Armada	Marine Transportation	0.75
27	MMC	Multiutilities	0.66
28	RHB Capital	Banks	0.65
29	UEM Land Holdings	Real Estate Holding & Development	0.60
30	Malaysia Marine and Engineering Holdings	Oil Equipment & Services	0.57
<b>Total</b>		-	<b>100.00</b>

Source: FTSE Group, data as at 19<sup>th</sup> December 2011

## Appendix 2:

### Augmented Dickey-Fuller Unit Root Test for KLCI Return

Null Hypothesis: Y1 has a unit root  
 Exogenous: None  
 Lag Length: 0 (Automatic based on SIC, MAXLAG=0)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-81.75787	0.0001
Test critical values:		
1% level	-2.565239	
5% level	-1.940862	
10% level	-1.616674	

\*MacKinnon (1996) one-sided p-values.

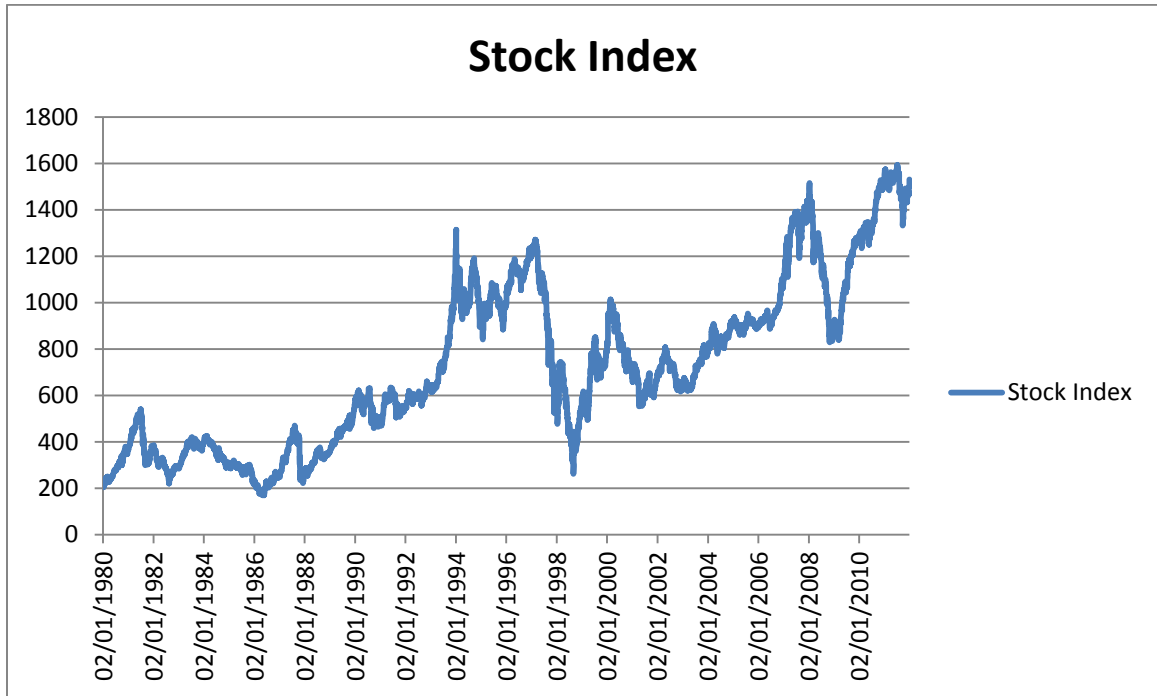
Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(Y1)  
 Method: Least Squares  
 Date: 04/16/12 Time: 11:51  
 Sample (adjusted): 1/03/1980 12/30/2011  
 Included observations: 8347 after adjustments

	Coefficient	Std. Error	t-Statistic	Prob.
Y1(-1)	-0.889525	0.010880	-81.75787	0.0000
R-squared	0.444723	Mean dependent var		1.91E-06
Adjusted R-squared	0.444723	S.D. dependent var		0.018622
S.E. of regression	0.013876	Akaike info criterion		-5.717129
Sum squared resid	1.607068	Schwarz criterion		-5.716287
Log likelihood	23861.44	Hannan-Quinn criter.		-5.716842
Durbin-Watson stat	2.003982			

From the test results, since the t-statistic of the ADF test is  $-81.75787 <$  the test critical values, therefore we reject null hypothesis which states that the return has a unit root. Hence we conclude that the Return of KLCI is stationary at level and so it has constant mean and constant variance and the covariance is independent of time.

### Appendix 3:

#### The KLCI movement (1980—2011)



### Appendix 4:

#### The abnormal returns for positive political announcements

Events							
t	1	2	4	5	6	7	12
-5	(0.00354)	(0.00139)	0.00313	(0.01049)	(0.01793)	(0.01613)	(0.00315)
-4	0.01222	(0.00215)	0.00627	(0.00950)	(0.01678)	(0.00368)	0.02540
-3	0.00085	(0.00475)	(0.00339)	(0.00681)	0.01042	(0.01086)	(0.00787)
-2	0.00356	0.00979	0.00272	(0.00448)	(0.00887)	(0.00962)	(0.00607)
-1	(0.00021)	0.00348	0.01174	0.00862	0.02176	0.00689	(0.00041)
0	0.00547	0.02201	0.00914	0.01149	0.00740	0.00592	0.01766
1	(0.00278)	(0.00792)	0.00389	(0.00991)	(0.00382)	(0.00041)	(0.00211)
2	(0.00427)	0.00769	0.01035	(0.00177)	(0.00663)	0.00092	(0.01013)
3	(0.00435)	(0.01358)	0.00313	(0.00659)	0.00316	(0.00821)	(0.00791)
4	(0.00692)	(0.02201)	0.00927	(0.00915)	(0.00334)	0.00020	(0.01769)
5	(0.01904)	(0.01749)	(0.00049)	(0.00864)	(0.00872)	(0.00319)	(0.00363)
Events							
t	13	16	17	18	21	22	23
-5	(0.00187)	0.01927	0.00870	0.00050	0.00952	0.01009	0.00322
-4	0.00049	(0.01415)	0.00884	(0.00303)	(0.02531)	0.04229	(0.00588)
-3	0.00857	0.00596	0.00874	0.00318	(0.02528)	(0.00826)	(0.01028)
-2	0.00695	0.00927	0.00320	(0.00738)	0.00853	0.01975	(0.00172)
-1	0.00890	0.02162	0.00533	0.02201	(0.12421)	(0.00894)	(0.00977)
0	0.00209	0.04573	0.00611	0.01600	0.12992	0.00192	0.01683
1	0.01286	0.03008	(0.01700)	(0.00098)	0.07126	(0.01570)	(0.00716)
2	(0.00583)	0.01721	0.00966	0.00326	0.16942	(0.03746)	(0.00630)
3	(0.01950)	0.00510	(0.00653)	0.01375	0.23311	0.01676	0.00905
4	(0.00835)	(0.01751)	0.01226	0.01823	(0.20605)	(0.00874)	(0.01399)
5	(0.00284)	0.01374	(0.00624)	(0.00535)	0.12322	0.00555	(0.00256)
Events							
t	26	27	28	30	33	34	37
-5	(0.00159)	0.01468	0.00380	(0.01110)	0.00080	(0.00285)	0.00154
-4	(0.00272)	(0.00748)	(0.00785)	0.00036	(0.01732)	0.00808	(0.00218)
-3	0.00105	0.00263	0.00232	0.00036	0.00454	0.00295	(0.00806)
-2	0.00378	0.01345	0.01004	(0.00569)	0.01418	0.00174	0.00181
-1	0.00104	(0.01987)	0.00061	0.00756	0.02448	0.00145	0.00070
0	0.00459	0.00526	0.00230	0.00433	0.00299	0.00252	0.00456
1	(0.00652)	0.00374	(0.01489)	0.00946	0.01933	(0.00047)	0.00479
2	0.00197	(0.00657)	(0.00554)	(0.00585)	(0.00340)	0.00035	(0.00402)
3	(0.00466)	0.00181	(0.00847)	(0.00970)	(0.01216)	0.00645	0.00977
4	(0.00694)	(0.00866)	0.00290	0.00932	0.01189	0.00401	(0.00144)
5	(0.00451)	0.00361	0.00229	(0.00748)	0.02644	0.00378	0.00080

## Appendix 5:

### The abnormal returns for negative political announcements

Events							
t	3	8	9	10	11	14	15
-5	0.02737	0.01656	0.02559	(0.00363)	(0.00106)	(0.15628)	(0.00730)
-4	0.01680	(0.00731)	0.03724	0.00257	(0.01193)	0.00058	(0.02167)
-3	0.00275	(0.01409)	0.00119	(0.00844)	(0.01104)	0.11754	0.00123
-2	(0.00042)	(0.02006)	(0.02384)	0.00586	(0.00059)	(0.09611)	0.03771
-1	(0.00417)	0.00252	(0.02228)	0.01319	(0.00689)	(0.08945)	(0.01435)
0	(0.00330)	(0.03988)	(0.00285)	0.00007	(0.02797)	(0.02987)	(0.00112)
1	0.01370	0.01922	(0.00022)	(0.00017)	(0.00734)	(0.11971)	0.00709
2	0.00511	(0.02153)	(0.00977)	0.00508	(0.00812)	0.08476	0.00931
3	0.00479	(0.00888)	0.00660	0.00658	(0.00911)	0.05438	0.00249
4	0.01974	(0.00855)	0.00045	0.01822	(0.00908)	0.01067	(0.00798)
5	0.00947	(0.00136)	(0.00013)	0.00982	(0.00315)	0.00277	(0.00092)
Events							
t	19	20	24	25	29	31	32
-5	(0.00788)	(0.00096)	0.01122	(0.00203)	(0.01043)	(0.01971)	0.00199
-4	0.00380	(0.00319)	0.00022	0.00111	0.00185	(0.01244)	0.00199
-3	(0.01680)	(0.00391)	0.00201	(0.00444)	0.01650	(0.02569)	0.00005
-2	0.00827	0.01310	(0.00193)	0.00345	(0.00131)	0.01522	(0.01755)
-1	0.02570	(0.00554)	0.01096	(0.00365)	(0.00951)	(0.00256)	0.00238
0	(0.01981)	(0.01953)	(0.01402)	(0.02240)	(0.01550)	(0.09494)	(0.02513)
1	(0.01140)	(0.01958)	(0.00137)	(0.01252)	(0.00053)	0.02842	0.00065
2	(0.01136)	0.00724	0.00099	(0.01670)	(0.00048)	0.02162	(0.03401)
3	0.00054	(0.00269)	(0.01011)	0.00954	0.00260	(0.02532)	0.01992
4	0.01046	(0.01029)	0.00353	0.01974	(0.00373)	(0.00539)	0.01808
5	(0.00248)	0.00378	0.00635	(0.00082)	(0.00616)	(0.01446)	(0.01476)
Events							
t	35	36	38				
-5	(0.01923)	0.00114	(0.00046)				
-4	(0.00168)	(0.00140)	(0.00040)				
-3	0.01546	0.01194	0.00591				
-2	(0.00073)	0.01060	(0.00078)				
-1	0.01176	(0.00241)	0.00274				
0	(0.00232)	(0.00546)	(0.00395)				
1	(0.00615)	0.00045	(0.00668)				
2	0.01371	0.00288	0.00154				
3	(0.00077)	(0.00224)	(0.00061)				
4	(0.00700)	(0.01271)	(0.00173)				
5	0.00076	(0.00613)	(0.00939)				

## Appendix 6:

### The cumulative abnormal returns for positive political announcements

Events							
t	1	2	4	5	6	7	12
-5	(0.00354)	(0.00139)	0.00313	(0.01049)	(0.01793)	(0.01613)	(0.00315)
-4	0.00868	(0.00354)	0.00940	(0.01999)	(0.03471)	(0.01981)	0.02224
-3	0.00953	(0.00829)	0.00602	(0.02680)	(0.02430)	(0.03067)	0.01437
-2	0.01310	0.00150	0.00873	(0.03128)	(0.03316)	(0.04029)	0.00830
-1	0.01288	0.00498	0.02047	(0.02266)	(0.01140)	(0.03340)	0.00789
0	0.01835	0.02699	0.02961	(0.01117)	(0.00400)	(0.02748)	0.02555
1	0.01557	0.01907	0.03349	(0.02108)	(0.00782)	(0.02789)	0.02344
2	0.01130	0.02676	0.04384	(0.02285)	(0.01446)	(0.02698)	0.01331
3	0.00696	0.01318	0.04698	(0.02944)	(0.01130)	(0.03519)	0.00540
4	0.00004	(0.00883)	0.05625	(0.03859)	(0.01463)	(0.03498)	(0.01228)
5	(0.01900)	(0.02632)	0.05576	(0.04723)	(0.02336)	(0.03817)	(0.01592)
Events							
t	13	16	17	18	21	22	23
-5	(0.00187)	0.01927	0.00870	0.00050	0.00952	0.01009	0.00322
-4	(0.00138)	0.00512	0.01754	(0.00253)	(0.01579)	0.05238	(0.00265)
-3	0.00720	0.01108	0.02628	0.00065	(0.04107)	0.04412	(0.01293)
-2	0.01414	0.02035	0.02948	(0.00673)	(0.03254)	0.06387	(0.01465)
-1	0.02304	0.04197	0.03481	0.01528	(0.15675)	0.05493	(0.02442)
0	0.02513	0.08769	0.04092	0.03128	(0.02683)	0.05685	(0.00759)
1	0.03799	0.11778	0.02392	0.03031	0.04443	0.04115	(0.01475)
2	0.03216	0.13498	0.03358	0.03357	0.21385	0.00369	(0.02105)
3	0.01267	0.14009	0.02705	0.04732	0.44696	0.02045	(0.01199)
4	0.00432	0.12258	0.03931	0.06555	0.24091	0.01171	(0.02598)
5	0.00147	0.13632	0.03307	0.06020	0.36413	0.01726	(0.02854)
Events							
t	26	27	28	30	33	34	37
-5	(0.00159)	0.01468	0.00380	(0.01110)	0.00080	(0.00285)	0.00154
-4	(0.00431)	0.00720	(0.00405)	(0.01074)	(0.01652)	0.00524	(0.00064)
-3	(0.00327)	0.00984	(0.00173)	(0.01038)	(0.01197)	0.00819	(0.00870)
-2	0.00051	0.02329	0.00831	(0.01607)	0.00220	0.00993	(0.00689)
-1	0.00155	0.00342	0.00892	(0.00850)	0.02668	0.01138	(0.00618)
0	0.00614	0.00868	0.01122	(0.00417)	0.02967	0.01391	(0.00162)
1	(0.00038)	0.01242	(0.00367)	0.00529	0.04900	0.01344	0.00316
2	0.00159	0.00586	(0.00922)	(0.00056)	0.04560	0.01379	(0.00086)
3	(0.00306)	0.00767	(0.01768)	(0.01026)	0.03343	0.02024	0.00892
4	(0.01000)	(0.00099)	(0.01478)	(0.00094)	0.04532	0.02425	0.00747
5	(0.01451)	0.00261	(0.01249)	(0.00842)	0.07176	0.02803	0.00827

## Appendix 7:

### The cumulative abnormal returns for negative political announcements

Events							
t	3	8	9	10	11	14	15
-5	0.02737	0.01656	0.02559	(0.00363)	(0.00106)	(0.15628)	(0.00730)
-4	0.04416	0.00924	0.06283	(0.00106)	(0.01298)	(0.15570)	(0.02897)
-3	0.04691	(0.00484)	0.06402	(0.00950)	(0.02402)	(0.03815)	(0.02775)
-2	0.04650	(0.02491)	0.04017	(0.00364)	(0.02461)	(0.13427)	0.00997
-1	0.04232	(0.02238)	0.01789	0.00955	(0.03150)	(0.22372)	(0.00438)
0	0.03902	(0.06226)	0.01504	0.00962	(0.05947)	(0.25358)	(0.00550)
1	0.05272	(0.04304)	0.01482	0.00944	(0.06681)	(0.37329)	0.00159
2	0.05783	(0.06457)	0.00506	0.01452	(0.07493)	(0.28853)	0.01090
3	0.06262	(0.07345)	0.01166	0.02110	(0.08404)	(0.23415)	0.01339
4	0.08235	(0.08199)	0.01211	0.03933	(0.09313)	(0.22348)	0.00541
5	0.09183	(0.08336)	0.01198	0.04914	(0.09627)	(0.22070)	0.00449
Events							
t	19	20	24	25	29	31	32
-5	(0.00788)	(0.00096)	0.01122	(0.00203)	(0.01043)	(0.01971)	0.00199
-4	(0.00408)	(0.00414)	0.01145	(0.00092)	(0.00858)	(0.03216)	0.00398
-3	(0.02088)	(0.00806)	0.01345	(0.00537)	0.00792	(0.05785)	0.00402
-2	(0.01261)	0.00504	0.01152	(0.00191)	0.00661	(0.04262)	(0.01352)
-1	0.01309	(0.00050)	0.02248	(0.00556)	(0.00290)	(0.04518)	(0.01114)
0	(0.00672)	(0.02003)	0.00846	(0.02796)	(0.01841)	(0.14013)	(0.03627)
1	(0.01812)	(0.03961)	0.00708	(0.04048)	(0.01893)	(0.11170)	(0.03562)
2	(0.02948)	(0.03237)	0.00808	(0.05719)	(0.01941)	(0.09009)	(0.06963)
3	(0.02894)	(0.03506)	(0.00204)	(0.04765)	(0.01681)	(0.11541)	(0.04971)
4	(0.01848)	(0.04534)	0.00149	(0.02790)	(0.02054)	(0.12080)	(0.03163)
5	(0.02097)	(0.04156)	0.00784	(0.02872)	(0.02670)	(0.13526)	(0.04639)
Events							
t	35	36	38				
-5	(0.01923)	0.00114	(0.00046)				
-4	(0.02091)	(0.00027)	(0.00086)				
-3	(0.00544)	0.01167	0.00505				
-2	(0.00617)	0.02227	0.00428				
-1	0.00559	0.01986	0.00702				
0	0.00327	0.01439	0.00307				
1	(0.00287)	0.01485	(0.00361)				
2	0.01083	0.01773	(0.00207)				
3	0.01007	0.01549	(0.00268)				
4	0.00307	0.00278	(0.00441)				
5	0.00382	(0.00334)	(0.01379)				

## Appendix 8:

### The abnormal returns for budget announcements

#### Positive announcements

t	2005	2006	2007	2008	2009	2010	2012
-5	0.00016	(0.00190)	0.00224	0.00238	0.01539	0.00698	0.00185
-4	(0.00340)	0.00287	0.00018	0.01039	(0.00417)	0.00279	(0.01205)
-3	0.00452	0.00214	0.00209	0.00207	(0.00547)	0.00240	(0.00241)
-2	0.00961	(0.00411)	0.00486	0.01342	(0.00050)	(0.00546)	0.01258
-1	(0.00337)	(0.00094)	(0.00028)	0.00309	0.00479	(0.00100)	0.01518
0	0.00424	0.00294	0.00240	0.00704	0.03022	0.00465	0.00665
1	0.00851	(0.00303)	0.00756	(0.00850)	0.00216	(0.00663)	(0.00007)
2	(0.00031)	(0.00126)	(0.00481)	(0.00101)	(0.01012)	(0.00067)	0.01254
3	(0.00373)	0.00233	(0.00801)	0.00208	0.00068	(0.00989)	0.01402
4	0.00566	(0.00200)	(0.00085)	0.00089	0.00187	(0.00681)	0.01354
5	0.00250	(0.00177)	0.00061	0.00665	(0.01122)	0.00022	0.00040

#### Negative announcements

t	1998	1999	2000	2001	2002	2003	2004	2011
-5	0.01538	0.00796	0.00158	0.00888	0.00422	(0.00757)	0.00420	(0.00171)
-4	0.00140	0.00031	0.00273	0.00848	0.01345	(0.00499)	(0.01148)	0.00237
-3	(0.00635)	0.06771	(0.00488)	0.00651	(0.00226)	0.00986	(0.00946)	(0.00225)
-2	(0.02123)	0.00362	0.00365	0.01506	0.00872	(0.01840)	(0.01030)	0.00531
-1	0.00501	(0.00631)	0.01698	0.00269	(0.00025)	(0.00162)	0.00778	(0.00208)
0	(0.00461)	(0.00406)	(0.00895)	(0.00377)	(0.00821)	(0.00351)	(0.00418)	(0.00604)
1	(0.02937)	(0.00114)	(0.01451)	(0.01851)	(0.00859)	(0.01429)	0.00138	(0.00783)
2	(0.00560)	(0.00721)	(0.00526)	(0.02566)	0.00849	(0.01438)	(0.00309)	0.00368
3	(0.03392)	(0.01284)	0.00576	0.01035	0.00558	(0.02319)	0.00565	(0.00294)
4	(0.02942)	(0.00978)	(0.00334)	(0.00877)	(0.00104)	0.00565	(0.00619)	0.00117
5	(0.01551)	(0.00220)	(0.00774)	0.01719	(0.00334)	0.01259	(0.00042)	(0.00194)



## Appendix 9:

### The cumulative abnormal returns for budget announcements

#### Positive announcements

t	2005	2006	2007	2008	2009	2010	2012
-5	0.00016	(0.00190)	0.00224	0.00238	0.01539	0.00698	0.00185
-4	(0.00324)	0.00097	0.00242	0.01277	0.01122	0.00977	(0.01021)
-3	0.00128	0.00311	0.00451	0.01485	0.00575	0.01217	(0.01261)
-2	0.01089	(0.00100)	0.00937	0.02827	0.00525	0.00671	(0.00003)
-1	0.00752	(0.00193)	0.00909	0.03136	0.01004	0.00571	0.01515
0	0.01176	0.00100	0.01149	0.03839	0.04026	0.01036	0.02180
1	0.02027	(0.00202)	0.01904	0.02989	0.04242	0.00373	0.02173
2	0.01996	(0.00329)	0.01423	0.02888	0.03231	0.00306	0.03428
3	0.01623	(0.00096)	0.00622	0.03096	0.03299	(0.00684)	0.04830
4	0.02189	(0.00296)	0.00537	0.03184	0.03485	(0.01365)	0.06184
5	0.02439	(0.00473)	0.00598	0.03849	0.02363	(0.01342)	0.06224

#### Negative announcements

t	1998	1999	2000	2001	2002	2003	2004	2011
-5	0.01538	0.00796	0.00158	0.00888	0.00422	(0.00757)	0.00420	(0.00171)
-4	0.01679	0.00827	0.00431	0.01736	0.01767	(0.01256)	(0.00728)	0.00065
-3	0.01044	0.07599	(0.00057)	0.02386	0.01541	(0.00270)	(0.01675)	(0.00160)
-2	(0.01079)	0.07960	0.00308	0.03892	0.02414	(0.02110)	(0.02704)	0.00371
-1	(0.00578)	0.07329	0.02006	0.04161	0.02389	(0.02272)	(0.01926)	0.00164
0	(0.01039)	0.06924	0.01112	0.03784	0.01568	(0.02623)	(0.02344)	(0.00441)
1	(0.03976)	0.06809	(0.00339)	0.01934	0.00709	(0.04052)	(0.02206)	(0.01224)
2	(0.04535)	0.06088	(0.00866)	(0.00632)	0.01558	(0.05490)	(0.02515)	(0.00856)
3	(0.07928)	0.04804	(0.00290)	0.00402	0.02116	(0.07809)	(0.01950)	(0.01150)
4	(0.10870)	0.03826	(0.00623)	(0.00475)	0.02013	(0.07243)	(0.02569)	(0.01033)
5	(0.12421)	0.03606	(0.01397)	0.01244	0.01679	(0.05985)	(0.02610)	(0.01227)