ABSTRACT

The primary objective of this study was to investigate whether the economic variables impact the stock market performance of Market for Alternative Investment (MAI) in Thailand or not. In addition, this study aimed to develop the estimated model to measure the predictive power of economic variables on MAI performance by using multiple regression analysis. The dependent variable in this paper is the performance of Market for Alternative Investment (MAI) index return; whereas the independent variables are lagged return on MAI, 7 international stock market indices, 6 exchange rate currencies against Thai Baht, gold price, oil price, interest rate, and inflation.

The data was divided into two set of samples. One set of sample is named as in-the-sample data, consisting of 110 samples from September 2002 to July 2011. The in-the-sample data is used to develop the model and measure the significance of variables. Another set of sample is known as out-of-sample data, consisting of 23 samples from August 2011 to June 2013. The second set of data was used to utilize and evaluate the predictive ability of estimated model.

The study found out that only MAI's lagged return and Minimum Loan Rate have an impact on MAI performance. The lagged return on MAI is positively related to MAI index return. This means that MAI's return depends on its past performance in the similar direction. In addition, Minimum Loan Rate, as a proxy of interest rate, has a negative relationship to MAI performance. This implies that an increase in interest rate lessens the performance of MAI. However, other variables were found to be insignificantly related to MAI performance. They have no predictive power to forecast MAI performance.

Results from this study can benefit the stakeholders in MAI market. These stakeholders are able to manage their portfolios to gain the favorable returns from MAI with a minimum systematic risk. Furthermore, the results provide additional international evidence regarding small and medium size enterprise stock market for an academic study.