

## Abstract

This study utilized the Pair-wise Granger Causality test and monthly time-series data from a ten-year period (from January 2003 to December 2012) to explore the long-term unidirectional causal relationships from major economic indicators, namely commodity prices, consumer confidence, foreign exchange rates, foreign stock market indices, inflation, interest rates, money supply, and real estate price and sales value to the return of the Banking Sector Index of the Stock Exchange of Thailand. The objective of this exercise was twofold: to determine whether or not the Banking Sector Index of the Stock Exchange of Thailand is a market inefficient sector of the Stock Exchange of Thailand, and to determine the factors that predict the long-term value of the Banking Sector Index of the Stock Exchange of Thailand, so that abnormal market returns could be achieved if market inefficiency existed.

The findings of this study revealed that the Banking Sector Index of the Stock Exchange of Thailand is market inefficient to commodity prices, consumer confidence, foreign exchange rates, foreign stock market indices, inflation, interest rates, and real estate price and sales value. As such, the specific variables: Australian Dollar/Thai Baht Exchange Rate, Brent Price, British Pound/Thai Baht Exchange Rate, Commodities Price, Euro/Thai Baht Exchange Rate, German Stock Market Index, Heating Oil Price, Hong Kong Stock Exchange Index, Indian Rupee/Thai Baht Exchange Rate, New Zealand Dollar/Thai Baht Exchange Rate, Russian Ruble/Thai Baht Exchange Rate, Singapore Dollar/Thai Baht Exchange Rate, Swedish Krona/Thai Baht Exchange Rate, Swiss Stock Market Index, Taiwan Stock Market Index, Thai Consumer Confidence Index, Thai Consumer Price Index, Thai Gold Bar (Buying) Price, Thai Interest Rate from the Top Four Thai Banks, Thai Interest Rate from the Top Five Thai Banks, Thai Real Estate Price, Thai Retail Real Estate Sales Value and WTI Price, which all exhibited significant long-term causal relationships to the return of the Banking Sector Index of the Stock Exchange of Thailand, may be used to target excess returns from the Banking Sector of the Stock Exchange of Thailand.