ABSTRACT

This paper examines the explanatory power of five variables on average stock returns, namely Beta, Earnings-to-Price ratio, Leverage ratio, Size, and Book-to-Market ratio. The sample covers all the stocks listed on the Stock Exchange of Thailand during 2004 to 2009. The sample period is divided into the yearly analysis from 2004 to 2008, and the whole sample period of 2004 to 2009. There are 2 parts of the methodology, firstly the interaction between Size and Beta relative to average stock returns, and secondly the cross-sectional regression of five variables on average stock returns. The result indicates that big firm produces the higher average returns than small firms which is not consistent with the study done by Fama and French (1992). Under multiple regression, the result indicates that some of five variables can contribute the explanatory power to the stock return. Under the sample period covered in this study, Leverage ratio and Size provide the good explanation in short-time horizon, while Book-to-Market Equity ratio is good for the long-term. And Earnings-to-Price ratio can perform well in both of short- and long-time horizons.