

ABSTRACT

Title: The Influence of Selected Industries on the Risk Behavior of the Philippine Stock Exchange Composite Index

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The study determined the influence of the financial, industrial, oil, and property sectors to the volatility of the Philippine stock market using time series data from January 1997 to December 2005. The interplay of risk relationships was considered in the light of the political environments and macroeconomic shocks that characterized the period under study.

This paper utilized multiple regression analysis using least squares estimation in testing the hypothesis that the daily trading activities of the Philippine stock market, as measured by the Phisix (as the PSEi was known in this period) representing 30 best-performing stocks, is influenced by the behavior of the industry sector stock price indices. The stock price

index in five (5) sectors was analyzed against the PSE composite index (Phisix). A total of 2349 (days of trading index) samples were purposively collected from the Philippine Stock Exchange.

Empirical results show that the finance, industry, and property sectors influenced positively the growth in the Phisix. Mining is not statistically significant in the model and was dropped from the prediction model. The oil sector pulled down the Phisix value within the period covered in the study. The results are significant at 5% level. The inclusion of political administration was considered after the Phisix model showed structural instability at 10% level.

Keywords: Prais-Winsten, multiple regression, Philippines Stock Exchange Composite Index, Phisix, dummy variable, CAPM