

## A STOCK GAME: PICKING THE WINNERS AND LOSERS IN MALAYSIA STOCK MAKET

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### Introduction

#### History of bursa Malaysia:

The first formal securities business organization in Malaysia was the Singapore Stockbrokers' Association, established in 1930. It was re-registered as the Malayan Stockbrokers' Association in 1937. The Malayan Stock Exchange was established in 1960 and the public trading of shares commenced. The board system had trading rooms in Singapore and Kuala Lumpur, linked by direct telephone line.

On April 14, 2004, we changed our name to Bursa Malaysia Berhad, following our demutualization exercise, the purpose of which was to enhance our competitive position and to respond to global trends in the exchange sector by making us more customer-driven and market-oriented. We are focused on various initiatives aimed at improving our product and service offerings, increasing the liquidity and velocity of our markets, improving the efficiency of our businesses and achieving economies of scale in our operation.

We accomplished double achievements when the exchange received certifications for conformance to the ISO 9001:2000 Quality Management System and ISO 14001:2004 Environmental Management System standards on 5 October 2007.

In December 2008, we launched a new trading platform, Bursa Trade Securities, which enables faster processing and execution of orders and provides wider trading functions and features.

Bursa Malaysia is an exchange holding company approved under Section 15 of the Capital Markets and Services Act 2007. It operates a fully-integrated exchange, offering the complete range of exchange-related services including trading, clearing, settlement and depository services. The wholly-owned subsidiaries of Bursa Malaysia own and operate the various businesses, as set out below:-

Subsidiaries	Principal Activities
Bursa Malaysia Securities Bhd	Provide, operate and maintain securities exchange
Bursa Malaysia Derivatives Bhd	Provide, operate and maintain a futures and options exchange
Labuan International Financial Exchange Inc.	Provide, operate and maintain offshore financial

	exchange
Bursa Malaysia Bonds SdnBhd	Provide, operate and maintain registered electronic facility for secondary bond market
Bursa Malaysia Securities Clearing SdnBhd	Provide, operate and maintain a clearing house for the securities exchange
Bursa Malaysia Derivatives Clearing Bhd	Provide, operate and maintain a clearing house for the futures and options exchange
Bursa Malaysia Depository SdnBhd	Provide, operate and maintain a central depository
Bursa Malaysia Depository Nominees SdnBhd	Act as a nominee for the central depository and receive securities on deposit for safe-custody or management
Bursa Malaysia Information SdnBhd	Provide and disseminate prices and other information relating to securities quoted on exchanges within the group
Bursa Malaysia Islamic Services SdnBhd	Operate all Islamic Markets businesses and activities initiated under Bursa Malaysia

### Vision of Bursa Malaysia

“The vision of bursa Malaysia is to be the preferred partner in Asia for fund-raising, trading and investment.’

### Mission of Bursa Malaysia

“As the preferred partner, Bursa Malaysia offers a fair and orderly market that is easily accessible with diverse and innovative products and services.”

### The stock analysis method:

For purchase the stock it is necessary to know the method of stock analysis. There are some methods that use for stock analyzes. These basic methods are quantitative analysis, fundamental analysis and technical analysis and each of them include of some sub-categories.

### Fundamental analysis:

In this method the investor investigate stocks more carefully and its tools are financial statement.

Actually the investors have to look at the per-share value ratio. That is the good method to determine the proportional value of the share to compare with the selling price. In this case the historical trend is useful also.

### The sub categories of fundamental analysis are growth, income and value.

In the growth method the investor looking for long-term invest and prefer the company that have the potential to growth in long-term. In the income model the investor looking for dividend the important thing is income of the investors more than value of the share. The value method looking for liquidity that means if the investors want to sell it is possible to sell in following hour or next day.

**Technical analysis:**

This method looks at the chart and the idea of the other company about this especial stock. Investors have to focus on the companies and institutions that have effect on the stock price .in this method the historical price and market price trend investigate and it can use for predict the price in the future.

The base of technical analysis is based on three assumptions:

- 1) The market discounts
- 2) Trend of price movement
- 3) Repetition of history trend

**The portfolio stock selection method:**

There are several ways to select the stocks in the stock market. In this project when I want to chose the stock I look at the big loser and winner in that particular time and after that investigate the historical price and market trend of stocks. So it is show that the method that I used is technical method.

So the sixty stocks that I chosen is from different industries .these sixty stocks contain of thirty losers and thirty winners.

In this case we check and record the price for these sixty stocks from 4<sup>th</sup> of March to 13<sup>th</sup> of May day to day.

At the end of period we see the trend of price and compute how many stocks chose correctly. It shows that from 30 winners that I chose 20 chose correct and for the loser from 30 stocks 15 of them chose correct.

There are some requirements in this assignment that I will answer in the following pages.

**Requirement 1) Calculate the annual percentage yield (APY) for each stock**

The tables below show the price of these stocks in 4<sup>th</sup> of March and 13<sup>th</sup> of May that need for calculate the **annual percentage yield (APY)**.

In this case we have to calculate the APY for sixty stocks (thirty losers and thirty winners) separately.

For calculate the annual percentage yield we have to calculate HPR, APR and the get APY.

For calculate HPR we need the beginning price and ending price that we have in below table.

$$\text{HPR (holding period return)} = (\text{ending price} / \text{beginning price})$$

The HPR for each stock calculate and put in the fourth column.

Then we have to calculate the APR

$$\text{APR} = \text{HPR}^{(1/n)}$$

From the date that we start (4<sup>th</sup> March 2011) to date that finish (13<sup>th</sup> May 2011) the period is 71 days and the year is 365 days so:

$$N = 71/365 \text{ and } (1/n) = (365/71)$$

$$\text{So APR} = \text{HPR}^{(365/71)}$$

The APR for each stock calculate and put in the fifth column.

The next step and the last on for this part are APY.

$$\text{APY} = \text{APR} - 1$$

The APY for each stock calculate in the last column of the tables.

<b>Loser</b>	4 <sup>th</sup> March	13 <sup>th</sup> May	HPR	APR	APY
c.i.holdings2828	3.02	2.76	0.913907285	0.629511915	-0.370488085
dataprep8338	0.285	0.29	1.01754386	1.093527003	0.093527003
d&o green technology7204	0.17	0.25	1.470588235	7.261824192	6.261824192
uoa reits5110	1.35	1.4	1.037037037	1.205579572	0.205579572
bina goodyear7023	0.69	0.79	1.144927536	2.00525032	1.00525032
zelan2283	0.485	0.48	0.98969072	0.948120682	-0.051879318
metal	0.96	0.83	0.864583333	0.473297112	-0.526702888
reclamation7059					
caely holding7154	0.225	0.24	1.066666667	1.393449794	0.393449794
grand central	0.63	0.635	1.007936508	1.04147638	0.04147638
enterprised5592					
unisem5005	1.86	1.6	0.860215054	0.461131634	-0.538868366
bimb5258	1.37	1.61	1.175182482	2.292981398	1.292981398
hdbs6688	2.27	2.5	1.101322	1.642381933	0.642381933
ccm2879	1.76	1.72	0.977272727	0.888531169	-0.111468831
proton5304	3.27	3.45	1.055045872	1.317147361	0.317147361
topglov7113	4.75	5.17	1.088421053	1.545849942	0.545849942
naim5073	3.28	2.71	0.826219512	0.374800825	-0.625199175
arank7214	0.42	0.445	1.059524	1.346140294	0.346140294
bhic8133	3.92	4.4	1.122449	1.810917923	0.810917923
kfc3492	3.71	3.84	1.03504	1.193694624	0.193694624
twsplnt6327	2.99	3.26	1.090301003	1.559625351	0.559625351
aem7164	2.59	2.61	1.007722008	1.040337476	0.040337476
naim5073	3.28	2.71	0.82622	0.374800825	-0.625199175
mashing8583	2.4	2.59	1.079166667	1.479459112	0.479459112
uzma7250	2.12	2.03	0.95754717	0.800105745	-0.199894255
kassets6653	4.06	4.3	1.0591133	1.343461197	0.343461197
esso3042	3.22	4.45	1.381987578	5.276063475	4.276063475
pnarkso5657	5.28	5.67	1.073863636	1.44246311	0.44246311
kfc3492	3.71	3.84	1.03504	1.193694624	0.193694624
pacmas4782	3.303	4.28	1.295791705	3.789012204	2.789012204
p&O6009	0.78	0.8	1.295791705	1.139004834	0.139004834
<b>WINNER</b>	<b>4<sup>th</sup> March</b>	<b>13<sup>th</sup> May</b>	<b>HPR</b>	<b>APR</b>	<b>APY</b>
kualalumpur					
kepang2445	20.5	21.04	1.026341463	1.143009334	0.143009334
genting4715	3.44	3.62	1.052325581	1.299781574	0.299781574

cimb1023	8	8.25	1.03125	1.171391466	0.171391466
maybank1155	8.8	8.85	1.005681818	1.029555009	0.029555009
petronas chemical5183	6.33	7	1.105845182	1.677358064	0.677358064
petronas gas6033	11.8	11.24	0.952542373	0.778838619	-0.221161381
kulim2003	3.39	3.26	0.961651917	0.81789521	-0.18210479
britishamerican					
tubaco4162	48.1	48.2	1.002079002	1.010733933	0.010733933
digi6947	27.62	29.3	1.060825489	1.354663889	0.354663889
nestle4707	45.1	47.6	1.055432373	1.319629793	0.319629793
public bank1295	13.16	13.12	0.996960486	0.984472352	-0.015527648
axiata group6888	4.99	5.05	1.012024048	1.06337211	0.06337211
guinness anchor3255	9.46	10.32	1.090909091	1.564102236	0.564102236
carlsberg2836	6.365	7.44	1.16889238	2.230582784	1.230582784
icapital.biz5108	2.12	2.24	1.056603774	1.327176541	0.327176541
hongleon bank5819	9.4	12.44	1.323404255	4.222818605	3.222818605
airport5014	6.04	6.11	1.011589404	1.061026388	0.061026388
tanjong2267	8.2	9.36	1.141463415	1.974254882	0.974254882
allianz1163	5.1	5.25	1.029411765	1.160696709	0.160696709
paramon1724	5	5.69	1.138	1.943652723	0.943652723
bkawan1899	15.2	16.2	1.065789474	1.387568771	0.387568771
TWS4421	8.12	8.81	1.084975369	1.520856055	0.520856055
SEG9792	3.6	3.97	1.102777778	1.653576365	0.653576365
TASIK4448	8.52	8.8	1.03286385	1.180846061	0.180846061
BURSA1818	8.15	7.8	0.957055215	0.79799476	-0.20200524
MTD9032	10.2	10.52	1.031372549	1.172107263	0.172107263
MAYBANK1155	8.8	8.85	1.005681818	1.029555009	0.029555009
f&n3689	16.12	18.92	1.17369727	2.278122671	1.278122671
fareast5029	7.6	7.1	0.934210526	0.704792172	-0.295207828
fareast5029	17.6	17.8	1.011363636	1.059809593	0.059809593

### Requirement 2) Compute and compare the average realized APY

For this part the average realized APY for winners stocks and losers stocks have to calculate. So at first the APY of each stock has calculate and after that all stocks' APY have too add and calculate sum of them. After that the sum of average APY has to divide by number of stocks.

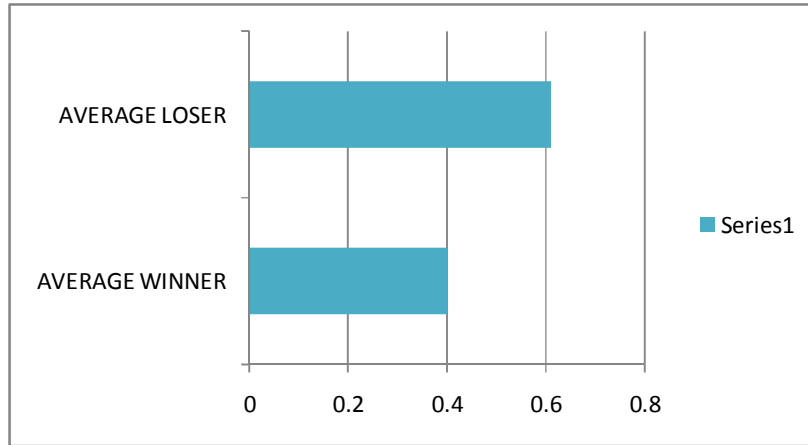
The APY for each stock calculate in the above tables in last column.

#### Winners:

Average realized APY of winner firms = 0.40

#### Losers:

Average realized APY of loser firms = 0.61

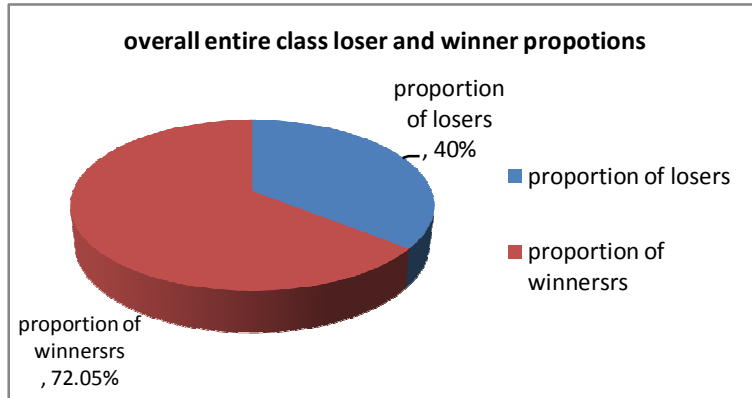


As we can see in the above chart the average annual APY for winners is 0.40 and for losers is 0.61 and my winners' average APY is less than the losers, which means the average amount of deposit I earn on loserfirms was more than the average amount of deposit I earn on winnerfirms.

**Requirement 3) Calculate the proportion of those whose expected winners outperformed their expected losers in the class.**

For this part the entire student submitted their result of sections for losers and winner to the game coordinator (lecturer) and the game coordinator calculate the average proportion of the students. The results show that the students were able to choose winner stocks better than loser stocks. It shows that all the students selected more winner stocks than loser stock. Because of that it can be concluded that all students outperformed in selecting winner stocks over loser ones.

Individual	Winner	Loser
MOHAMMAD MIRAREFIN	21	19
MALINI D/O KANJANAPATHY	29	1
TAHEREH ALSADAT MIRMOHAMMADI	20	15
HUSSEIN ABEDI SHAMSABADI	17	11
AHMAD RAJABI	22	10
ROGHAYEH SHOURKASHTI	25	19
MOSTAFA GOLKHANDAN	20	11
MOHAMAD NOURANI DARGIRI	21	15
SEYED DANIAL GHAZIMIRSAEID	20	17
ALIREZA BEHROOZ	22	9
DARIYOUSH JAMSHIDI	23	11
LEE ZI HAN	20	5
NAZGOL FAMILARJESTANI	21	13
SUM	<b>281</b>	<b>156</b>
Proportion	<b>72.05%</b>	<b>40.00%</b>



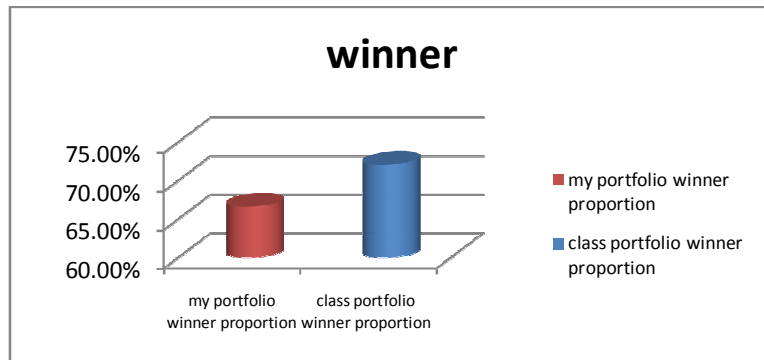
It should mention that 100% of the classes, their winner firms are more than loser firms individually, so outperformed of whole class in winner firms was more than loser firms, mine is same as other ant it is outperformed.

The proportion of the class for wieners=72.05 % and for the loser =40 % and my proportion for winners and losers are:

The winner that chose at first is 30 that 20 of them choose correctly so the winner proportion = 76%

The loser that chose at first is 30 that 15 of them choose correctly so the loser proportion = 36%

Actually I have tried to compare my portfolio performance to the overall performance of the class. In loser types of stocks, my proportion is higher than class and in winner type of stocks, my portfolio shows better result. My portfolio of winners is 76%, which is more than class performance of 72.05%. My portfolio proportion of losers is 36% that is less than class performance of 40%. The following graphs show the results.





**Requirement 4) Calculate the average realized APY for all expected winners and compared it to that of all the expected losers.**

For this part we have to gather average APY of all student then we have to sum them together and then divided it by numbers of student. We have to consider that the winners' APY and the losers' APY have to sum separately. So the result is:

Average of entire class winners' APY= 0.69

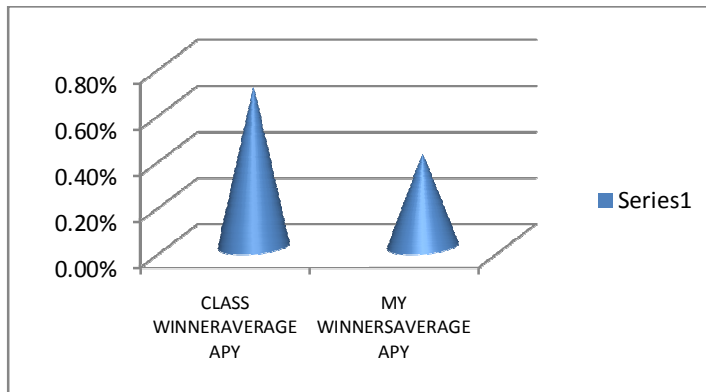
Average of entire class losers' APY= 0.43

My results are:

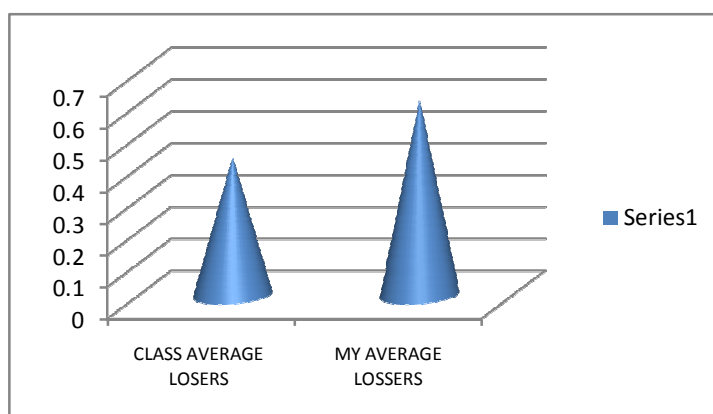
Average of winners' APY = 0.40

Average of losers' APY = 0.61

The results show that my APY in loser is more than the average of class and in winner less than the average of class. The charts below show the APY for me and the class at the same time.







#### Requirement 5) How did you do overall? Under-perform over-perform or average?

Actually my winners average APY is 0.40 and it is less than average of winner of entire the class that is 0.69, so it is shown that my performances in the winners are underperform compare to class.

The losers average APY is 0.61 that is significantly higher than average of losers of entire class that is 0.43. It is shown that my performance in the loser is good and better than class that means over-performance.

#### Requirement 6) The investment strategies used to select these stocks and any quantitative techniques employed for select stocks.

As I mention before, there are several technique method to investigate the performance of the stock and firms in the market .what I do is I go to the [www.shareinvestor.com.my](http://www.shareinvestor.com.my)) business market watch and bursa Malaysia ([www.bursamalaysia.com](http://www.bursamalaysia.com)) during the trending period.

These sites have a lot of information about the stocks so what I have to do

##### 1) Historical price :

The historical price can help us to see what the firm did before and we can analyze its performance. When the prices increase during the specific period it show that the firm performance is well and if the prices decrease it show that the performance of firms is not good in that specific time and it can help us to predict future price of the firm that is the reason that I chose this method.

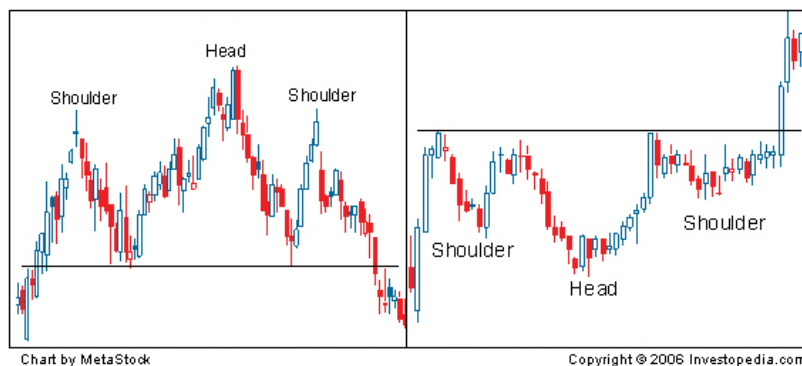
##### 2) Trends :

As mention trend is one of the most important concept in the technique analysis. There are 3 types of trends those are upwards, downwards, horizontal. When the trend is upward that means the price increase and it is good for shareholders and when it is downwards that mean the price of stock decrease and it is not good news

for the shareholders, so with the trends we can see how the firm work in the past and it can help us to predict future.

### 3) Technical Analysis

Technical analysis takes a completely different approach; it doesn't care one bit about the "value" of a company or a commodity. Technicians (sometimes called chartists) are only interested in the price movements in the market. This is one of the most popular and reliable chart patterns in technical analysis. Head and shoulders is a reversal chart pattern that when formed, signals that the security is likely to move against the previous trend. As you can see in Figure 1, there are two versions of the head and shoulders chart pattern. Head and shoulders top (shown on the left) is a chart pattern that is formed at the high of an upward movement and signals that the upward trend is about to end. Head and shoulders bottom, also known as inverse head and shoulders (shown on the right) is the lesser known of the two, but is used to signal a reversal in a downtrend.



Head and shoulders top is shown on the left. Head and shoulders bottom, or inverse head and shoulders, is on the right.

#### Conclusion:

As a conclusion my stock game shows that my stocks are outperformed in losers and underperformed in winners but the proportion of my winner and losers is more than class.

And in the average APY my losers is higher than class and winners is less than class average.

#### References:

- 1) <http://thestar.com.my>
- 2) <http://biz.thestar.com.my/marketwatch/>
- 3) <http://www.bursamalaysia.com/website/bm/>
- 4) <http://www.estockwise.com/estockwise-articles/stock-market-analysis.htm>
- 5) [www.shareinvestor.com.my](http://www.shareinvestor.com.my)