VaR and Determinant of Stock Return:
Evidence from Stock Exchange of Thailand (SET)

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ABSTRACT

In this paper, we applied the two-way fixed effect regression in order to investigate the explanatory power of market beta, firm size, book value to market value ratio (BV-to-MV), and especially for Value at risk (VaR) and illiquidity ratio (ILLIQL) regarding cross sectional expected stock return. The sample period is January 2003 through December 2011. Except for market beta the paper found that size, BV-to-MV, VaR and illiquidity ratio are able to explain cross-sectional of expected return at stock level. Furthermore, from the time series regression, the Five-Factor model that was formed by include proxies for VaR and illiquidity ratio variables to Fama and French Three Factor Model is significantly increase the explanatory power to explain time-series variation in stock return.

Keywords: VaR and Determinant of Stock Return; Value at Risk; Fama and French factor model