

Rewat Khanthaporn 2011: Macroeconomic Factors Affecting Risk Premium of the Common Stock in the Case of PTT Exploration and Production Public Company Limited. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Assistant Professor Kanokwan Chanchaoenchai, Ph.D. 134 pages.

The main purposes of this study aim to explain the oil market's situation and estimate the predictive power of macroeconomic factors on the risk premium of PTTEP Company to reach precise decision making on PTTEP common stock's investment for most efficient interest rate under economic risk. The study covers the sample period between January 2005 and December 2010. Statistic tests before estimating the risk premium are primary statistics, including correlation coefficients autocorrelation and unit root test. The ADF test indicates that most of series data in first different form are exhibited stationary and the Q-statistic test found serial correlation problem in exogenous variable. Therefore, Autoregressive Moving Average (ARMA) Model will be used to estimate risk premium parallel with Ordinary Least Square (OLS) Model

The result of analysis reveals that the appropriate estimation model is the MA(4) method and show the Stock Exchange of Thailand is Semi-strong Form Efficient Market (Fama, 1970). The changes in economic factors are possibly correlated with risk premium of PTTEP common stock during this period sample. The petroleum oil price is proxy of revenue of PTTEP company, the first previous month of average consumer price index is proxy of inflation, coincident economic indicator and the first previous month of coincident economic indicator is proxy of wealth of nations, exchange rate is proxy of external stability. They have positively explanatory power on risk premium of PTTEP common stock. Another important macroeconomic factor is Thai government bond yield as a proxy of monetary policy which affects the behavior of risk premium of PTTEP common stock. Lastly, the fourth previous month of error term might be result of rapid movement of Risk Premium of PTTEP.

Therefore, the investors should seriously focus on the movement of other relevant factors and market phenomenon to reach precise decision making on investment. In addition, the government and the other related organizations should foster proactive encouragement regarding to investment training and advertisement public reputation to carry the Thai stock market to reach out the stage of efficient.

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Thesis Advisor's signature