Kunyakorn Tamkaongarm 2011: The Affect of Macro Economic Factor of Risk Premium Case Study of Long Term Equity Fund. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Assistant Professor Kanokwan Chancharoenchai, Ph.D. 148 pages.

The main purposes of this study aim to explain the Thai stock market's situation and estimate the predictive power of macroeconomic factors on the risk premium of two Long term equity funds namely, JUMBO25 Dividend Long Term Equity Fund and KRUNGSRI Active SET50 Dividend LTF. Both selected Funds have difference investment policy related to degree of risk. The study covers the sample period between January 2005 and December 2009. Before estimating the risk premium, the various statistic tests such as autocorrelation correlation coefficients and unit root test., for instance, are applied. To avoid the spurious problem caused by unit root process, the Augmented Dickey Fuller is employed to test the stationary process. The Augmented-Dickey Fuller test indicates that most of series data in the first different of Logarithm form are exhibited stationary.

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According to the Q-statistic test, the Autoregressive Moving Average Model is possibly an appropriate model to estimate the risk premium of both funds on relevant macroeconomic factors. So Autoregressive Moving Average Model is thus applied as regression model in the investigation. The estimating findings also show that the coincident indicator, money supply, oil prices and one previous term of risk premium have statistically significant explanation power on both risk premiums of both funds. This indifferent estimating finding points out that the indifferent investment policy of long term funds react to economic situation in the same direction. Moreover, the statistical significance of those macroeconomic factors including the past term of risk premium demonstrated that the risk premium of both funds still response to past information and have a long term memory behavior. This finding thus suggests that the equity mutual fund market in case of long term fund could be a semi-strong inefficient form base on the framework of Fama's Efficient Market Hypothesis.

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