

Predicting Bear Stock market in Thailand with macroeconomic variables via Markov Switching model

ABSTRACT

This study explores predictability of macroeconomic variables to predict bear stock market in Thailand. We start with Markov-switching model of stock return; then filtered probability of bear stock market to evaluate power of prediction, and finally run the results to in-sample and out-of sample. The conclusion is that all macroeconomic variables together play the best indication for predicting bear stock market. Moreover, set of public debt and inflation rate can be treated as the second most powerful of prediction.