

MALAYSIAN STOCK MARKET AND MARKET RISK MODELS

**ZATUL KARAMAH BINTI AHMAD BAHARUL ULUM¹, ISMAIL BIN AHMAD² & NORHANA BINTI
SALAMUDIN³**

¹School of Business and Economics, Universiti Malaysia Sabah, Kota Kinabalu, Sabah, Malaysia

^{2,3}Faculty of Business Administration, Universiti Teknologi MARA, Shah Alam, Selangor, Malaysia

ABSTRACT

The objective of this study is to test the conservatism level of Value-at-Risk (VaR) models that are integrated with several volatility representations in estimating the market risk for the Malaysian stock market. By applying to the non-financial sectors data, the expected maximum losses and conservatism degree were quantified for VaR models at 95% confidence level. In summary, this study indicates that consideration of volatility modelling is important when deciding the appropriate VaR models in managing market risk.

KEYWORDS: Value-At-Risk, Volatility Modelling