

**An Analysis of Stock Market Behavior:  
Risk, Return and Stock Market Volatility  
In Pakistan (KSE).**



**SUPERVISOR:**

**Dr. Kashif-ur-Rehman**

**Professor**

**Department of Management & Sciences**

**Bahria Institute of Management and Computer Sciences,**

**Islamabad.**

**January 4, 2004.**

**A thesis submitted to Department of Management and Sciences, Bahria  
University, Islamabad, in partial fulfillment of the requirement for the degree of  
Master of Business Administration in Finance.**

## EXECUTIVE SUMMARY

This study is extremely significant for the elaboration of the relationship between risk and return and how they affect the stock return. This study also defines the nature of volatility at KSE. The study has been undertaken with respect to Karachi Stock Exchange (KSE). The research is conducted on the basis of secondary data. Almost three hundred observations have been analyzed. The quantitative analysis has been carried out on the basis of top five active companies. The monthly data is used for analysis of last 5 years. There are three stock exchanges in Pakistan but this study is limited to Karachi Stock Exchange and All the analysis are based on Karachi Stock Exchange.

In this study there are three types of major variables. First is risk, second is return and third is volatility. Risk is independent variable while the return is dependent variable. Where, Return depends on risk while the risk is independent. Increase in risk refers to increase in return with certain ratio. As well as decrease in risk refers to decrease in return with certain ratio. So, there is +1 relation between risk and return. The stock market volatility is moderating variable. It influences both the variables independent (risk) and dependent (return).

This study is also very useful for the investors, because it allows the investors to manage their portfolios in a better way by keeping in view the relationship between risk and return. The knowledge of risk and its relationship with the stock prices is highly significant for investors.

## **TABLE OF CONTENTS**

### **Chapter #1**

#### **Introduction and Background**

1.1	Objective of the study	07
1.2	Problem Statement	07
1.3	Theoretical Framework	08
1.4	Significance of the Study	09
1.5	Scope of the Study	10

### **Chapter #2**

#### **Literature Review**

2.1	Empirical Evidence from Developed Markets	11
2.2	Pakistani Equity Market	16

### **Chapter # 3**

#### **Research Methodology and Design**

3.1	Type of the Study	19
3.2	Source and Type of Data	19
3.3	Statistical Tools	20

**Chapter # 4****Analysis and Interpretation of Data**

4.1	Risk and Return Analysis	21
	Conclusion	59
	References	60
	Table (4.1)	21
	Table (4.2)	26
	Table (4.3)	30
	Table (4.4)	34
	Table (4.5)	38
	Table (4.6)	42
	Table (4.7)	44
	Figure (4.1.1)	46
	Figure (4.1.2)	47
	Figure (4.1.3)	48
	Figure (4.1.4)	49
	Figure (4.1.5)	50