

**ANALYSIS OF STOCK MARKET REACTIONS TO
QUARTERLY FINANCIAL RESULTS IN BANKING
SECTOR OF COLOMBO STOCK EXCHANGE**

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Degree of Master of Financial Mathematics

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Thesis/Dissertation submitted in partial fulfillment of the requirements for the
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DECLARATION

I, (Heeraluge Pasindra Janandhaya Perera - 188865R), hereby state that this thesis, titled "Analysis of Stock Market Reactions to Quarterly Financial," is the outcome of my original research and was written by me for the purpose of fulfillment of the requirements for the degree Master of Science in Financial Mathematics.

Also, I hereby state that no part of thesis has been submitted for any other qualifications at any other university. Any external sources and references used in this thesis have been properly cited according to university guidelines.

Signature:

Date:

I certify that I supervised this thesis in fulfillment with the Master of Science in Financial Mathematics requirements at the University of Moratuwa.

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Abstract

This research “Analysis of Stock Market Reactions to Quarterly Financial Results in Banking Sector” is completed by using daily stock prices of CSE in banking sector from 2013 to 2020. The aim of this research is to identify whether investors buy and increase the demand for a stock if the quarterly financial results give positive indications and vice-versa for negative indications. Hence the focus shall be to detect whether there is a discernable relationship between a company's financial success in a certain quarter and the subsequent returns observed in its return. Under this main objective, volatility pattern of the stock return was analyzed by using symmetric and asymmetric model. Apart from that, appropriate Generalized Autoregressive Conditional Heteroscedastic (GARCH) family models were built for S & P SL 20 companies in banking sector. This study was included five main banking sector companies in S & P SL 20 companies. This study finds that the market has weak-form efficiency. In that event ($n=2$), Mean equation shows that the effect of event has spread between -4% to +27% and also volatility of effect of event has spread between -10% to +10%. Considering other events, mean equation shows that the effect of event have spread between -7% to 10% and also volatility of effect has varied between -8 to 6%. Quarterly financial result shows the financial health and growth of the company. Quarterly financial results are helping investors to make smart strategic decisions.

Keywords: Quarterly Financial Results, Generalized Autoregressive Conditional Heteroscedastic (GARCH) models, Weak-form efficiency

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