



**STOCK RETURN PREDICTABILITY BY BAYESIAN MODEL AVERAGING:
EVIDENCE FROM STOCK EXCHANGE OF THAILAND**

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ABSTRACT

This research paper examines the predictability power on future stock returns by employing the concept of Bayesian Model Averaging (BMA). The sample focuses on Stock Exchange of Thailand (SET) over 2001-2011 to identify the predictor variables which have more powerful on future stock returns. In order to, identify the predictability power over financial crisis, this paper also separates sub-period over 2008-2009 which was under financial crisis to examine. In addition, this paper employ powerful predictors to calculate expected returns compares between BMA and traditional regression (Fama Macbeth two steps procedure). Then, compare MSE calculated from error based on two approaches to identify whether approaches can outperform over out-of-sample period.

Keywords: Bayesian Model Averaging, Stock return predictability, SET