

Independent study title	THE VALUE RELEVANCE OF FINANCIAL STATEMENTS AND ITS PREDICTABILITY ON STOCK RETURNS: AN EMPIRICAL STUDY OF TAIWANESE MARKET
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## ABSTRACT

This thesis investigates the predictive power of financial ratios on stock returns within the Taiwanese equity market, challenging traditional views on market efficiency. The primary aim is to assess whether financial statement information can predict stock returns in Taiwan, providing new insights into the semi-strong form of the Efficient Market Hypothesis (EMH).

Utilizing a robust methodological framework, the study employs panel unit root tests and dynamic panel data regression analyses to explore the interactions between various financial indicators and their impact on stock performance.

The research adopts a dynamic panel data approach, analyzing data from the FTSE TWSE Taiwan 50 Index from 2015 to 2023. This includes rigorous tests for stationarity and the application of the Generalized Method of Moments (GMM) to address potential endogeneity issues. Findings reveal that financial ratios such as the