EFFECT OF FUNDAMENTAL FACTOR ANALYSIS ON BLUE CHIP STOCK RETURN IN MALAYSIA AFTER THE OUTBREAK OF COVID-19 PANDEMIC

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Abstract

This study examines the effects of fundamental factors on the returns of Malaysian blue-chip stocks following the outbreak of the COVID-19 pandemic. Using secondary data from 2020 to 2022, this research analyzes key financial ratios, including return on equity (ROE), price-to-book ratio (P/B), debt-to-equity ratio (D/E), price-to-earnings ratio (P/E), dividend payout ratio (DPR), and net profit margin (NPM), to determine their influence on stock returns. The dataset comprises panel data of 30 blue-chip companies, resulting in 90 observations. The analysis, conducted using EViews 12, reveals that ROE has a significant negative relationship with stock returns, while P/B and D/E have positive and significant relationships. In contrast, P/E, DPR, and NPM exhibit negative but insignificant relationships. The findings suggest that P/B and D/E are critical factors for investors when evaluating blue-chip stocks, while ROE warrants cautious interpretation due to its inverse relationship with returns. However, the study is limited by its focus on fundamental analysis, excluding technical analysis, and its short time frame of three years. These limitations indicate the need for further research with broader datasets and alternative analytical approaches. The results have practical implications for investors, portfolio managers, and policymakers. Investors are encouraged to prioritize fundamental factors such as P/B and D/E when making investment decisions, while policymakers can leverage these insights to enhance regulatory frameworks supporting informed decision making in Malaysia's capital markets. This study contributes to the understanding of stock performance during a period of significant economic disruption and offers a foundation for future research in post-pandemic financial analysis.

Keywords: Fundamental factor analysis, Blue Chip Stocks Malaysia, Covid-19 pandemic

INTRODUCTION

Investment can be defined as the commitment to allocate funds to one or more investment vehicles with the expectation of generating future profits (Sullivan, 2013). According to Guiso et al. (2008), stock investments are inherently risky, with potential losses including capital loss and opportunity cost—the foregone benefits of investing in alternative instruments (Stulz, 2013). Investors often face challenges in making decisions when allocating their resources (AZA Zaidi et al., 2019). Investment decisions in stocks are influenced by a variety of factors, which can be broadly categorized as internal or external. External factors include government policies and macroeconomic conditions, while internal factors are related to a company's performance, behavior, and associated risks (Yushan Kang et al., 2022).

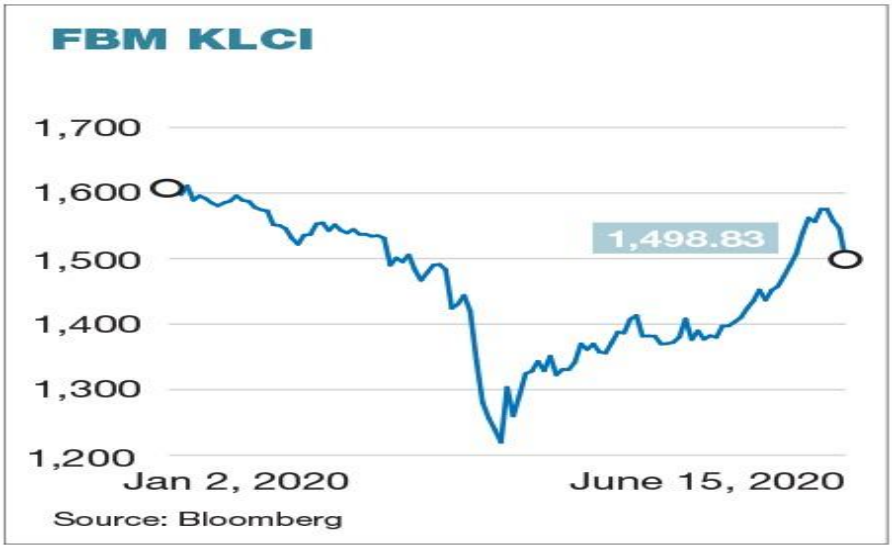
The COVID-19 pandemic significantly disrupted various aspects of daily life, including global stock markets and major economies. Countries in Asia experienced substantial declines in stock market performance, with some showing the most severe negative abnormal returns following the pandemic outbreak (Liu et al., 2020). In Malaysia, the economy recorded its

worst performance since the Asian Financial Crisis (1997–1998), contracting by 5.6% in 2020 (Anisha Shukry, 2021).

The stock market in Malaysia plays a crucial role in the country's economic growth and development. The performance of major indices, such as the FTSE Bursa Malaysia KLCI (KLCI), reflects the broader economic conditions. This capitalization-weighted index comprises the 30 largest companies listed on Bursa Malaysia, commonly referred to as blue-chip stocks. The performance of these blue-chip stocks was severely impacted by the COVID-19 pandemic. According to Wong Ee Lin (2020), the second wave of COVID-19 infections caused the FBM KLCI to drop by 47.19 points (3.05%), reaching a two-week low of 1,498.83 points, marking the index's third consecutive day of decline. Figure below shows the decline in the KLCI index.

Figure 1: Decline of FBM KLCI index
Sources: The Edge Markets

Research on the returns of blue-chip stocks has been a widely studied topic in recent years. However, there is a lack of research on the impact of the COVID-19 pandemic on the



returns of Malaysia's blue-chip stocks. While numerous studies have examined the effects of the pandemic on other stock markets, such as Indonesia's, the Malaysian stock market's reaction to the pandemic—marked by tendencies to overreact—is less understood. For example, Chia et al. (2020) investigated the impact of COVID-19 on 13 composite market indices, including the KLCI. Their results revealed that all market indices recorded negative returns, although nine indices showed statistically insignificant effects. Similarly, Lee et al. (2020) examined how the Malaysian stock market was influenced by COVID-19 cases in Malaysia, the United States, and China, given the close economic ties among these countries. However, these studies did not focus specifically on blue-chip stocks or explore the impact of fundamental factor analysis on their returns.

Existing studies primarily investigated how Malaysia's large-cap stocks were affected by the pandemic (AM Jaapar et al., 2021). For instance, Jaapar et al. highlighted that stock returns were sensitive to local COVID-19 death cases in Malaysia, with a significant but small positive relationship. In contrast, Singapore's stock market showed a negative relationship. They recommended future research to include more proxies for COVID-19's impact and extend the sample period to better understand its effects.

The influence and significance of fundamental factor analysis on the returns of Malaysia's blue-chip stocks after the COVID-19 pandemic remain unclear. This study aims to address this gap, motivated by the limited research on how fundamental factors influence blue-chip stock returns before and after the pandemic.

In this study, financial ratios such as return on equity (ROE), dividend payout ratio (DPR), price-to-book (P/B) ratio, debt-to-equity (D/E) ratio, net profit margin (NPM), and price-to-earnings (P/E) ratio are employed to investigate their influence on the returns of Malaysia's 30 blue-chip stocks during the post-pandemic period. The findings aim to provide investors with insights into the relationship between fundamental factor analysis and blue-chip stock returns in Malaysia. Additionally, this research offers a foundation for future studies related to this topic and practical implications for industry practitioners, as discussed in the section on industry implications.

LITERATURE REVIEW

The Efficient Market Hypothesis (EMH) is a well-established and significant theory in contemporary finance that suggests all relevant information is readily available and fully reflected in security prices (Naseer & Tariq, 2016). According to EMH, new information is quickly incorporated into market activities, rendering the analysis of past and current data ineffective for predicting future returns or earning above-average risk-adjusted returns. The random walk model, on which the EMH is predominantly based, posits that information enters the market unpredictably, resulting in random and independent price fluctuations (Oo Efuntade & Ao Efuntade, 2022). The EMH theory identifies three forms of market efficiency: weak, semi-strong, and strong (Naseer & Tariq, 2016).

Signal theory explains how actions by a signaler influence the perceptions of a signal receiver. It examines the connection between a signal and the characteristics it reflects, as well as the factors that make a signal credible and appealing (Suripto & Supriyanto, 2021). For instance, stock splits may serve as positive signals, indicating management's optimism about future prospects (Nurdianam et al., 2022). Such signals, conveyed as information, can provide financial statement users with either positive (good news) or negative (bad news) insights.

Dividend payout ratio (DPR) is a policy wherein managers decide the proportion of earnings distributed to shareholders over a given period. Bulutoding (2018) examined the impact of the debt-to-equity ratio and return on assets on stock prices of companies listed on the Jakarta Islamic Index from 2010 to 2016. The study found a significant positive relationship between DPR and stock prices. Similarly, Nur Athirah et al. (2022) investigated the relationship between dividend policy and share price volatility in the Malaysian stock market during the COVID-19 pandemic, revealing a correlation between DPR and share price fluctuations. Conversely, Nguyen et al. (2020) used the Generalized Estimating Equation (GEE) to analyze data and found that DPR negatively correlated with share price volatility. Debri et al. (2022) analyzed the effects of return on equity (ROE), capital adequacy ratio, and DPR on stock prices in Indonesian banking companies, concluding that DPR had no significant impact.

Net profit margin (NPM) reflects a company's management efficiency in generating profits from sales and investments (Fatmawatie et al., 2021). Lindriani (2018) studied the effects of NPM, return on assets (ROA), price-to-book value (PBV), and debt-to-equity ratio (DER) on stock prices of consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2015 to 2017. Using multiple linear regression analysis, the study found that NPM significantly influenced stock prices. Kartiko (2021) analyzed mining companies listed on the IDX during the COVID-19 pandemic and reported a positive and significant relationship between NPM and stock prices. However, Sami (2018) examined the relationship between financial ratios and market stock returns in Qatar, concluding that NPM had no significant impact on market stock returns.

The price-to-book ratio (P/B) indicates how much the market values a company's book value per share. Graciela et al. (2021) investigated the effect of fundamental factor analysis on the prices of Sharia-compliant stocks listed on the Jakarta Islamic Index (JII) from 2015 to

2018, revealing a significant relationship between P/B ratio and stock prices. Similarly, Awwad and Salem (2019) examined the relationship between fundamental financial ratios and stock prices of industrial companies listed on the Amman Stock Exchange from 2010 to 2017, finding a significant relationship between P/B ratio and market returns. Ammar et al. (2022) explored the impact of financial proxies on real estate companies listed on the Amman Stock Exchange during the COVID-19 pandemic, discovering a positive and significant effect of P/B ratio on market returns. Alswalmeh and Dali (2019) studied the predictive power of financial ratios on the returns of banking sector companies listed on the Amman Stock Exchange, reporting a significant relationship between P/B ratio and sector index returns.

The price-to-earnings ratio (P/E) measures how much investors are willing to pay for a company's earnings, reflecting their expectations for future growth. Awwad and Salem (2019) found a significant relationship between P/E ratio and market returns for industrial stocks listed on the Amman Stock Exchange. However, Musallam (2018) and Stephanus and Sebastian (2022) reported no significant relationship between P/E ratio and stock returns in their respective studies on Qatar and Indonesia during the COVID-19 pandemic. Similarly, Hakim and Abbas (2019) found that P/E ratio had no substantial impact on stock returns of real estate and property companies listed on the IDX.

Debt-to-equity ratio (DER) serves as a measure of financial leverage, indicating the proportion of equity and debt used to finance a company's assets. Darmawan (2022) examined the effects of the COVID-19 pandemic on stock returns in the healthcare and non-consumer cyclical sectors listed on the IDX, reporting a positive influence of DER on stock returns. Hasanudin and Awaloedin (2020) studied telecommunications companies listed on the IDX, finding a significant relationship between DER and stock returns. In contrast, Bulutoding (2018) and Wibisono et al. (2022) reported a negative relationship between DER and stock prices for companies listed on the Jakarta Islamic Index and LQ45 sector, respectively.

Return on equity (ROE) measures a company's ability to generate profits from its equity base. Kartiko (2021) found a positive and significant relationship between ROE and stock prices for IDX-listed mining companies during the COVID-19 pandemic. Similarly, Fikri and Nanu (2021) reported that ROE significantly affected stock prices of LQ45 index companies on the IDX. Alswalmeh and Dali (2019) also found a significant relationship between ROE and banking sector index returns on the Amman Stock Exchange.

In summary, the literature highlights diverse findings regarding the impact of fundamental financial ratios on stock returns across different markets and periods, with mixed results emerging during the COVID-19 pandemic. This study aims to address the gap by examining the effects of fundamental factor analysis on the returns of blue-chip stocks in Malaysia, specifically in the aftermath of the pandemic.

METHODOLOGY

This study adopts a quantitative research design to analyze the fundamental factors influencing blue-chip stock returns. The data are presented in numerical form, utilizing secondary data on the dividend payout ratio (DPR), debt-to-equity ratio (D/E), net profit margin (NPM), price-to-earnings ratio (P/E), price-to-book ratio (P/B), and return on equity (ROE). These factors are analyzed to assess their impact on the returns of Malaysian blue-chip stocks in the post-COVID-19 period (2020–2022, annually). The data for the selected blue-chip stocks were sourced from Investing.com and the respective companies' annual reports.

A secondary data collection method was employed, and the data were structured into a panel dataset consisting of 90 observations (30 blue-chip stocks over three years). Panel data

analysis was conducted using EViews 12 statistical software to analyze the dataset and generate the results.

Econometric Model

$$R_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 NPM_{it} + \beta_3 P/E_{it} + \beta_4 P/B_{it} + \beta_5 D/E_{it} + \beta_6 ROE_{it} + e_{it}$$

Where:

R = Return of blue chip stocks at period

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Coefficient of the independent variables to be estimated

DPR = Dividend payout ratio

NPM = Net profit margin

P/E = Price to earnings ratio

P/B = Price to book ratio

D/E = Debt to equity

ROE = Return on equity

it = number of companies from 2020 until 2021

e = error terms

Return of blue chip stocks

$$Return\ of\ stock = \frac{(Share\ Price_t\ -\ Share\ Price_{t-1}) + D_t}{Share\ Price_{t-1}}$$

Dividend Payout Ratio (DPR)

$$DPR = \frac{Dividend\ per\ Share}{Eearning\ per\ Share}$$

Net Profit Margin (NPM)

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Total Sales}}$$

Price to Earnings (P/E) Ratio

$$Price\ to\ Earnings\ Ratio = \frac{Share\ Price}{Earning\ per\ Share}$$

Price to Book (P/B) Ratio

$$Price\ to\ Book\ Ratio = \frac{Share\ Price}{Share\ Book\ Value}$$

Debt to Equity (D/E) Ratio

$$Debt\ to\ Equity = \frac{Total\ Debt}{Equity}$$

Return on Equity (ROE)

$$ROE = \frac{Net\ profit}{Equity}\ x\ 100\%$$

RESULT AND DISCUSSION

Descriptive Analysis

Mean	0.086889	19.81000	22.66156	4.747889	19.31167	98.61511	2.792667
Median	0.060000	10.18500	17.51000	1.760000	15.19000	54.93000	0.965000
Maximum	2.230000	201.5300	167.1100	58.46000	63.71000	3420.330	12.51000
Minimum	-0.690000	-15.61000	-87.90000	0.320000	-46.40000	-207.7900	0.060000
Std. Dev.	0.334690	34.02366	29.65454	10.08813	18.90389	357.5626	3.399495
Skewness	3.005411	3.577127	0.707644	4.292205	0.251832	9.047711	1.305289
Kurtosis	21.06307	16.91475	10.43262	21.43612	4.422896	84.63335	3.190162
Jarque-Bera	1359.016	918.0135	214.6758	1550.935	8.543659	26217.93	25.69229
Probability	0.000000	0.000000	0.000000	0.000000	0.013956	0.000000	0.000003
Sum	7.820000	1782.900	2039.540	427.3100	1738.050	8875.360	251.3400
Sum Sq. Dev.	9.969529	103027.3	78265.85	9057.567	31804.78	11378741	1028.534
Observations	90	90	90	90	90	90	90

Table 2: Result of descriptive analysis

From the table above, it shows the results of descriptive analysis for the dependent variable and independent variables conducted on 30 blue chip stocks in Malaysia from year 2020 until 2022. It describes the data such as mean, standard deviation, minimum, maximum, and total observations in this study. There are 90 observations in this study. The average value for the return on equity (ROE), price to earnings ratio (PE), price to book ratio (PB), net profit margin (NPM), dividend payout ratio (DPR), debt to equity (DE), and stock return (SR) are 19.81, 22.6156, 4.747889, 19.31167, 98.61511, 2.792667, and 0.086889 respectively.

Then, 2.23 is the stock return maximum value. For the maximum value of independent variables, ROE is 201.53, PE is 167.11, PB is 58.46, NPM is 63.71, DPR is 3420.33, and DE is 12.51. While for the minimum value of dependent and independent variables are SR=-0.69, ROE=-15.61, PE= -87.9, PB=0.32, NPM=-46.4, DPR=-207.79, and DE=0.06 respectively.

Besides, the value standard deviation for stock return, ROE, PE, NPM, DPR, DE are 0.334690, 34.02366, 29.65454, 10.08813, 18.90389, 357.5626 and 3.399495 respectively.

Chow Test

Test of Effects	Statistic	Degree of freedom (d.f.)	p-value
Cross-Section Chi-Square	65.364908	29	0.0001

Table 3: Summary of Chow Test result

Based on the result of the Chow Test, the probability shows a value of 0.0001 which is smaller than the significance level of 5% or 0.05. So, it can be said that the null hypothesis (use POLS model) will be rejected, and the model will follow fixed effect but not common effect.

Lagrange Multiplier Test

Method	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	10.15070 (0.0014)	0.004548 (0.9462)	10.15525 (0.0014)

Table 4: Summary of LM Test result

Breusch-Pagan Lagrange Multiplier test is employed to decide whether random effect model or POLS model is suitable for using. According to the results of LM Test run by Eviws12, it shows that the probability value (0.0014) is less than 0.05 significance level. Then, H0 (using the POLS model) will be rejected. Therefore, random effect model will be used.

Hausman Test

Test Summary	Chi-Square Statistic	Chi-Square d.f.	p-value
Cross-Section random	48.365371	6	0.0000

Table 5: Summary of Hausman Test result

Since the Chow Test and Breusch-Pagan Lagrange Multiplier Test rejected the use of the POLS model, then Hausman Test was conducted. By conducting the Hausman Test, it will help to choose whether to use the random effect model or the fixed effect model. The result from the table above reveals that its p-value (0.000) is less than 5% or 0.05 significance level and means that the null hypothesis will be rejected. So, the fixed effect model will be used. Then, overall testing shows that the fixed effect model is the most suitable to be used in this study compared to using POLS and REM.

Correlation Analysis

	SR	**ROE**	**PE**	**PB**	**NPM**	**DE**	**DPR**
SR	1.000000	-0.093012	0.178387	0.069449	-0.054010	0.028409	-0.054031
ROE	-0.093012	1.000000	0.132141	0.483366	0.235491	0.301763	-0.037485
PE	0.178387	0.132141	1.000000	0.331028	-0.036540	-0.083719	-0.337631
PB	0.069449	0.483366	0.331028	1.000000	-0.70963	0.002407	-0.020021
NPM	-0.054010	0.235491	-0.036540	-0.070963	1.000000	0.233108	-0.126277
DE	0.028409	0.301763	-0.083719	0.002407	0.233108	1.000000	-0.065897
DPR	-0.054031	-0.037485	-0.337631	-0.020021	-0.126277	-0.065897	1.000000

Table 6: Result of Correlation Matrix Test

The result of the correlation matrix test is shown in the table above. If the number of correlations between independent variables < 0.80, there will be no multicollinearity issue. The result above shows that SR-ROE: r (-0.093012 < 0.8), SR-PE: r (0.178387 < 0.8), SR-PB: r (0.069449 < 0.8), SR-NPM: r (-0.054010 < 0.8), SR-DE: r (0.028409 < 0.8), and SR-DPR: r (-0.054031 < 0.8). Since the independent variables ROE, PE, PB, NPM, DE, and DPR have a correlation value less than 0.8 or 80%, it can be concluded that ROE, PE, PB, NPM, DE, and DPR does not show multicollinearity.

Variance Inflation Factor (VIF)

	ROE	**PE**	**PB**	**NPM**	**DE**	**DPR**
VIF	1.5789	1.3014	1.5322	1.1517	1.1711	1.1723

Table 7: VIF result

The table above shows the result of each independent variable variance inflation factor (VIF) value. If the value of VIF is more than ten, it means that serious multicollinearity problems occur. While if VIF value is equal to one, it means that the independent variables are not correlated. Based on the results from the table above, each independent variable VIF was not greater than ten and closer to one. So, it can be said that no serious multicollinearity problem occurs, and all the independent variables are less correlated among each other.

Heteroskedasticity Test
Panel Cross-Section

	Value	d.f.	p-value
Likelihood ratio	167.1634	30	0.0000

Table 8: Result of panel Cross-section Heteroskedasticity LR Test

Based on the result of the panel cross-section heteroskedasticity test above, the value of likelihood ratio is 167.1634 and has a probability of 0.0000 less than 0.05 significance level. Then, H0 will not be rejected and indicates that the regression model is heteroskedasticity. Heteroskedasticity will cause the standard errors to be biased. Then, it is assumed that the errors are both independent and identically distributed under OLS. When a heteroskedasticity problem is detected or exists, the robust standard errors method is preferred and will be used in solving this problem.

Panel Period

	Value	d.f.	p-value
Likelihood ratio	36.46914	30	0.1931

Table 9: Panel Period Heteroskedasticity LR Test

According to the result of panel period heteroskedasticity LR Test, the likelihood ratio value is 36.46914 and has a probability of 0.1931 that is less than 0.05 or 5% significance level. So, it can be concluded that the H0 will not be rejected and there will be no heteroskedasticity in the test period.

Hypothesis Testing (Analysis of Panel Data Regression)
Fixed Effect Model (FEM) Test

FEM	
Variable	**Coefficient**
Constant (C)	-0.771671
ROE	-0.012374
PE	-0.002180
PB	0.126124
NPM	0.000152
DPR	-0.000151
DE	0.199319

Table 10: Result of FEM coefficient value

Based on the table above, the regression equation is:
SR = 0.771761 - 0.0012374*ROE_{it} - 0.001752*PE_{it} + 0.126124*PB_{it} - 0.000152*NPM_{it} + 0.199319*DE_{it} - 0.000151*DPR_{it} + e_{it}

The coefficient value of constant value for the regression equation above is -0.771761. It means that the stock return is -0.771761 if all the independent variables are constant (0). For ROE variable, its coefficient value is -0.0012374. It means that there is a negative relationship between ROE and stock return. For price to earnings ratio (PE), the coefficient of -0.001752 indicates that there is a negative relationship between PE and share prices. For price to book ratio (PB), the coefficient value is 0.126124, there is a positive relationship. The coefficient of -0.000152 indicates a negative relationship between net profit margin (NPM) and stock returns. For DE, the coefficient value is 0.199319, this positive regression coefficient means there is a positive relationship. The coefficient value of dividend payout ratio (DPR) is -0.000151. This negative regression coefficient indicates that there is a negative relationship.

T-test

FEM		
Variable	t-Statistic	Prob.
Constant (C)	-3.105110	0.0030
ROE	-2.611532	0.0116
PE	-0.803925	0.4250
PB	5.820917	0.0000
NPM	0.024032	0.9809
DPR	2.464337	0.0169
DE	-1.154827	0.2532

Table 11: Summary of T-test

Based on the results of partial test calculations obtained, the t-count value of return on equity (ROE) is smaller than its t-table value (-2.611523 < -1.662354) but the probability value (0.0116) less than 0.05, and H0 will be rejected. This means that ROE is having a significant relationship with stock returns. The test results show that the value of t-count for the price to earnings ratio (PE) > t-table value (-0.803925 > -1.662354) and the probability value > 0.05 also (0.4250 > 0.05), then H0 will not be rejected. This indicates that PE has no significant relationship with stock returns. The test results for price to book ratio (PB) show that the value of t-count > t-table value (5.820917 > -1.662354) and its probability value < 0.05 (0.0000 < 0.05), then will reject H0. It indicates that there is a significant relationship between PB and stock returns. The test results show that the value of t-count for the net profit margin (NPM) is > t-table value (0.024032 > -1.662354) but the probability value > 0.05 also (0.9809 > 0.05), then H0 will not be rejected. It can be said that NPM has no significant relationship with stock returns. The test results show that the t-count value for the debt to equity ratio (DE) > t-table value (2.464337 > -1.662354) but the probability value is smaller than 0.05 also (0.0169 < 0.05), then H0 will be rejected. This means that DE has a significant relationship with stock returns. The test results show that the t-count value for the dividend payout ratio (DPR) is greater than t-table value (-1.154827 > -1.662354) but the probability value is greater than 0.05 also (0.2532 > 0.05), then H0 will not be rejected. This indicates that PE has no significant relationship with stock returns.

F-test

FEM	
F-statistic	1.1853954
Prob (F-statistic)	0.020147

Table 12: F test

According to the results above, the calculated F value is 1.853954 while the value of F table with 5 % significance level is 2.209911. Then, F count (1.853953) < F table (2.209911) and the probability value is smaller than the significance level of 0.05 (0.020147 < 0.05). So, the H0 will be rejected and accept H1. It means that at least one independent variables will affect the dependent variable significantly.

CONCLUSION

In conclusion, this study found that return on equity (ROE) has a negative and significant relationship with the returns of Malaysian blue-chip stocks. This indicates that an increase in ROE corresponds to a decrease in stock returns and vice versa. Additionally, ROE significantly influences blue-chip stock returns. The results also demonstrate that the price-to-book ratio (P/B) and debt-to-equity ratio (D/E) positively and significantly affect the returns of blue-chip stocks in Malaysia, suggesting that as P/B and D/E increase, stock returns also increase. Conversely, the price-to-earnings ratio (P/E), dividend payout ratio (DPR), and net profit margin (NPM) were found to have a negative and insignificant relationship with stock returns, indicating that these factors do not significantly influence the returns of Malaysian blue-chip stocks post-COVID-19. These findings align with prior research.

The research objectives were reasonably achieved, as the study successfully identified the effects of fundamental factors on blue-chip stock returns in Malaysia after the COVID-19 outbreak, despite certain limitations. This research marks a starting point for further exploration into how fundamental factors influence stock returns, especially in the context of post-pandemic economic conditions. It is hoped that the findings will encourage additional research in this area.

The study has some limitations. First, it exclusively relies on fundamental factor analysis to determine stock returns, neglecting technical analysis methods such as historical price patterns, market trends, and market indicators. Second, the study focuses on a relatively short time frame, analyzing data only from 2020 to 2022, which may limit the generalizability of the findings.

For investors, it is recommended to consider the effects of selected fundamental factors before making investment decisions in Malaysian blue-chip stocks. This study highlights the importance of focusing on P/B and D/E ratios, as these factors show a positive and significant relationship with stock returns. Future researchers are encouraged to expand the scope of the study by including more companies to provide a broader understanding of the relationship between fundamental factors and stock returns.

Publicly listed companies are advised to efficiently manage and utilize their assets to improve financial performance, which could positively affect stock returns. This research also provides valuable insights for portfolio managers and investors who rely on fundamental analysis for investment decisions, especially in the post-COVID-19 context.

Furthermore, the findings have policy implications for financial authorities and regulators in Malaysia. Understanding the impact of fundamental factors on stock returns can assist policymakers in formulating regulations that foster better comprehension of these factors and their implications for the market.

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