

RISK MANAGEMENT ON THE CAPITAL MARKET AND USE OF MULTI-FACTORIAL MODELS FOR ESTIMATING THE STOCKS RETURN

Adelina-Monica Moraru¹

The Bucharest University of Economic Studies, Bucharest, Romania

Abstract

In the last period, the study of the risk and the return of stocks continues to be a very important area of research due to the increasing attention that the investors give to the trend of the capital market.

The scope of this paper is to identify the significant determinants of the return of stocks, but also the modelling of the capital market risk. Taking into consideration the previous researches, we identified some microeconomic and macroeconomic factors which can change the return of stocks. As respects the macroeconomic determinants, we took into consideration the interest rate, the inflation rate, the contagion effect and the exchange rate. In addition to this, we used as microeconomic factors the return on equity rate, the return on assets rate, and some other indicators as price earnings ratio, price to book value, the financial leverage, the illiquidity, the market capitalisation and the trading volume. Also, this paper presents a method of risk modelling for the romanian capital market, in order to identify the impact of the historical volatility on the present volatility and the speed of the volatility absorption.

Keywords: rentability, risk, volatility, macroeconomic factors, microeconomic factors

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¹Corresponding author, **Adelina- Monica Moraru** - moraru.adelina.m@gmail.com