

Abstract

Pakistan is one of the developing countries and has investors like individual and companies living in an unpredictable international market nature investing such as the long-term portfolio investment diversification and expects return of their portfolio investment. This research has examined the impact of economic indicators (Inflation, Interest and Exchange) on international financial diversification for long term and therefore measure risk and return. Hence, the unit root test is applied here with the help of Augmented Ducky Filler (ADF) Model and after checking stationary data regression has been Applying and the finding of this study shows the economic indicators influence the Pakistani investors' portfolio investment in international financial diversification for long term. Additionally, in the sharp performance measure (SHP), it is perceived in the USA stock market the high risk and high return is observed for Pakistani investor's portfolio investment and high risk and low stock return from both countries UK and KSA. Besides, UAE contains the low risk but high return for the investment. The research after a careful analysis has recommended to Pakistani investor to take portfolio investment decision for diversification of risk and can invest in USA and UAE because these countries are more attractive to invest for long term.

Purpose: The purpose of this study to present empirical knowledge and provide key findings to Pakistani investors regarding the economic indicator to impact on investor's portfolio investment return in term of international financial diversification in foreign countries stock and bond for long term.

Methodology: This research has quantitative methodology used and four countries (USA, UK, KSA and UAE) were selected as sample size. The data collection is from official websites of the concerned countries from 2009 to 2018 with help of secondary source. The multiple regression and Sharp performance measure techniques were used for the data analysis with help of SPSS tool.

Research Limitation – This study has focused on Pakistani investors trading experience with four foreign countries (USA, UK, KSA and UAE) because these are the most trading countries for portfolio investment. The future researcher can further explore the study about other factors like political risk, technologically and legal impact on international financial diversification for long term.

Originality/ Value – This is the first study in this research area in Pakistan; the study is determined and examined the economic indicator's impact on Pakistani investor's portfolio investment in foreign countries stock and bond for long term. Therefore, this research area is helped the Pakistani (individual and companies) investors in international portfolio investment decision.

Keyword: International financial diversification, economic indicators, portfolio investment, multiple regression and Sharp performance measure.

Paper type: Thesis