

## **Diversification across economic sectors and implication on portfolio investments in Malaysia**

### **ABSTRACT**

Due to the increasing efforts towards regional and global economic integration, the effects of "country specific" factors are becoming less important in managing domestic portfolio investment. Consequently the concept of diversification across economic sectors has received attention in literature. This paper analyzes the opportunity for diversification across different economic sectors for long-term investment using sectorial indices. The findings indicate high but unstable correlation of returns between indices. this imply that investment in one or two sectors of the stocks market face higher total risk than in the past due to the increasing "sector" effect on portfolio investment.

**Keyword:** Portfolio; Diversification; Investment; Sectorial; Correlation