

## ABSTRACT

The study investigated the effects of macro and non-macro variables on hotel stock returns in the emerging Sri Lankan Stock Market, using monthly data from September 1991 to December 2005. All the data were collected on monthly basis and they were supplied by various secondary sources. The study used 08 hotel companies out of 37 hotel companies in the Colombo Stock Exchange. Two multivariate regressions were run using four macro variables and fourteen non-macro variables for each individual stocks. The null hypothesis which states that money supply, exchange rate, treasury bill rate, inflation and all other non-macro variables combinely do not bring any impact on hotel stock returns was rejected at 0.15 level of significance in seven hotel companies, except one company. The hotel stock returns mainly appeared to have on inverse relation with money supply and treasury bill rate and a positive impact with exchange rate. Thus, Sri Lankan hotel stock returns were more sensitive to general macro variables. Non macro variables that could significantly affect Sri Lankan hotel stock returns encompass Asian financial crisis, terrorists attacks and political events. The empirical findings of this study may be used as valuable information for local and global stock investors who seek and investment opportunity in the hospitality industry and policy makers could make their decision, in a more effective and accurate way.