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Valuation Ratios and Stock Returns: Evidence from an Emerging Market

Manas Mayur
Department of Finance & Accounting
Goa Institute of Management
Email: manasmayur@gim.ac.in

Abstract: This study examines how P/E and P/B ratios relate to stock returns using data from 456 top BSE firms (2014–2023). Using a panel regression, it finds that the P/B ratio is a strong and consistent predictor of returns, while P/E shows limited significance. Overall, investors may benefit from focusing on low P/B and relatively high P/E stocks for long-term decisions.

Keywords: Investment, P/E ratio, P/B Ratio, Stock Return, Emerging Market

JEL Classification Number: G10, G11, G14