

Executive Summary

This study analyses the use of accounting based and market based financial ratios. First, I analyze the scientific literature on financial ratios and their predictive abilities towards stock returns, whereby mostly the market based ratios showed significant predictive abilities in earlier studies, with these predictive abilities becoming much smaller in the last two decades. I also compare the predictive abilities of accounting and market based ratios in the Swiss stock market over the last two decades and find that two accounting based ratios can to a very small degree predict future stock returns in the analysed data set.