

## **Abstract**

This paper studies whether financial ratios can predict stock return and change of indexes PX and PX-TR in Prague Stock Exchange for the period from 2008 to 2014. We select price to earnings ratio (PE), market to book ratio (MB), dividend yield (DY) and size of the company (S) as the explanatory variables because of its common application in investment practice. The obtained results indicate that above mentioned ratios have some predictive power, where the PE and MB ratios demonstrate the strongest relationship with the explained variables.