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# Price to Earnings Growth (PEG) Predicting Future Returns Better than the Price to Earnings (PE) Ratio

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**Abstract :** This study aims to provide empirical evidence regarding the ability of Price to Earnings Ratio and PEG Ratio in predicting future stock returns issuers. The samples used in this study are stocks that go into LQ45. The main contribution is to assign empirical evidence if the PEG Ratio can provide optimum return compared to Price to Earnings Ratio. This study used a sample of the entire company into the group LQ45 with the period of observation. The data used is limited to the financial statements of a company incorporated in LQ45 period July 2013-July 2014, using the financial statements and the position of the company's closing stock price at the end of 2010 as a reference benchmark for the growth of the company's stock price compared to the closing price of 2013. This study found that the method of PEG Ratio can outperform the method of PE ratio in predicting future returns on the stock portfolio of LQ45.

**Keywords :** price to earnings growth, price to earnings ratio, future returns, stock price
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