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Calendar Anomalies In The Malaysian Stock Market

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CALENDAR ANOMALIES IN THE MALAYSIAN STOCK MARKET

Summary

This study examines the calendar anomalies in the Malaysian stock market. Using various generalized autoregressive conditional heteroskedasticity models; this study reveals the different anomaly patterns in this market for before, during and after the Asian financial crisis periods. Among other important findings, the evidence of negative Monday returns in post-crisis period is consistent with the related literature. However, this study finds no evidence of a January effect or any other monthly seasonality. The current empirical findings on the mean returns and their volatility in the Malaysian stock market could be useful in designing trading strategies and drawing investment decisions. For instance, as there appears to be no month-of-the-year effect, long-term investors may adopt the buy-and-hold strategy in the Malaysia stock market to obtain normal returns. In contrast, to obtain abnormal profit, investors have to deliberately looking for short-run misaligned price due to varying market volatility based on the finding of day-of-the-week effect. Besides, investors can use the day-of-the-week effect information to avoid and reduce the risk when investing in the Malaysian stock market. Further analysis using EGARCH and TGARCH models uncovered that asymmetrical market reactions on the positive and negative news, rendering doubts on the appropriateness of the previous research that employed GARCH and GARCH-M models in their analysis of calendar anomalies as the later two models assume asymmetrical market reactions.