ABSTRACT

Calendar anomalies, specifically Day of the Week (DoW) effect, have attracted considerable attention by academicians and practitioners during the last decades. This study investigates the existence of DoW effect in 13 emerging stock markets by utilizing an observation period of 12 years. Whereas the findings of the study reveal the presence of negative Monday effects for Indonesia, Malaysia, and Thailand; positive Monday returns are found in South Africa contrary to expectations. Furthermore; positive Friday returns are observed in 9 of the markets belonging to Argentina, Brazil, Bulgaria, Indonesia, Malaysia, Romania, Thailand, Tunisia, and Turkey. Additional results document the presence of positive Wednesday and Thursday returns for most of the markets analyzed.

Keywords: Daily Returns, Day of the Week Effect (DoW), Emerging Stock Markets, Negative Effects, Positive Effects

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1. INTRODUCTION

Stock market anomalies, specifically Day of the Week (DoW) effect, have been rigorously probed in financial literature focusing on both emerging and developed markets. Preliminary works regarding this issue date back to first decades of the 20th century. The pioneering work of Fields (1931) investigates the existence of speculative operations during the sixteen-year period between 1915 and 1930 on Dow-Jones daily average of industrials by comparing the Saturday index with the arithmetic mean of Friday and Monday indices. However, the study could not reach any clear-cut conclusion on the relationship between stock price movements and days of the week.

The preliminary study of Fama (1970) adds to the development of theoretical and empirical literature on the Efficient Market Hypothesis (EMH), which states that security prices fully reflect all available information at any time. Thus, same average returns should be expected on all trading days of the week leaving no chance for stock market investors to experience abnormal returns. Contrarily, a wide array of studies investigates the existence of DoW effect; whereby, certain days of the week can demonstrate varying distributions in terms of mean returns.

The purpose of this study is to evaluate the presence of DoW effect in selected emerging markets during an observation period of 12 years. Accordingly, the paper is structured as follows; the following section provides recent empirical literature on developing market indices. Then, information regarding the methodology and model utilized is provided. Empirical findings are revealed in the subsequent section. Lastly, concluding remarks are provided together with theoretical and practical implications.

2. LITERATURE REVIEW

Due to the existence of vast amount of studies with respect to market anomalies concerning the relationship between week days and stock returns, this study mainly focuses on recent ones conducted in emerging markets making up the sample of the below empirical analysis. Even though DoW effect has been found out to exist in various security exchanges, the findings differ as to the significance of the returns on trading days. Basher and Sadorsky (2006) use different models to evaluate the existence of DoW effect on 21 emerging stock markets during the period between December 1992 and October 2003. The controversial results document that even though majority of the markets do not demonstrate the evidence of all week days on market returns, the countries; namely, Philippines, Pakistan, and Taiwan show this anomaly for certain days of the week in all 5 models performed. Furthermore, negative Monday and positive Friday effects are demonstrated for Turkey providing results in favor of the traditional weekend effect. Another cross country study that focuses on East Asian financial markets during the period between January 1998 and October 2003 documents the presence of DoW effect on most of the selected markets. Some of the findings indicate negative Monday returns for China, Indonesia, Malaysia, Japan, Singapore, South Korea and Thailand. Additionally, whereas highest Friday returns are demonstrated by Singapore and
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