

ABSTRACT

This paper investigates whether the day of the week effect anomaly exists in the Kuala Lumpur Stock Exchange (KLSE) over a period of time from 1994 to 1998 using the Exchange Main Board All-Share Index or the EMAS Index, which incorporates all Main Board Companies.

The analysis of the day of the week effect during the study period is further explored in relation to firm size and economic conditions. In relation to firm size, this paper investigates whether the day of the week effect is persistent for both large and small firms by comparing the daily mean returns of the EMAS Index and the Second Board Index. For the analysis in relation to economic conditions, the study period is divided into two sub-periods that is, January 1994 to June 1997 and July 1997 to December 1998 to differentiate the periods of expansion and contraction for further investigation.

Results indicate the existence of the day of the effect throughout the study period. The lowest return, which is negative, was obtained on Monday and the highest return, which is positive was obtained on Friday. In relation to size, it was found that irrespective of the size of the firm, the day of the week anomaly is found to exist for both the small and large firms during the period from 1994 to 1998. Further investigation reveals that the day of the week effect anomaly is affected by economic conditions whereby the day of the week effect was found to exist during periods of expansion but not during periods of contraction.