

ABSTRACT

The Kuala Lumpur Stock Exchange Main Board market efficiency has always been a subject of discussion among the investors. Various related research carried out differed in their findings. Neoh (1990) found that one can earn abnormal profits thru the use of the Moving Average method and went on to question the validity of efficient market in Malaysia. Chia (1984) found that technical analysis cannot be used to obtain abnormal profits as compared to the naive buy-and-hold strategy, and went on to conclude that the Malaysian stock market is efficient. Annuar (1991) concluded that the average market are efficient but there exist pockets of inefficiency. Mansor (1989) found that stocks prices do not move in random therefore rejecting the efficient market hypothesis.

The purpose of this paper is to explore the existence of the month-of-the-year effect among the 32 sampled stocks which are components of the Kuala Lumpur Composite Index. The study will investigate the pattern of seasonality and make inferences on the market efficiency of the main board.