

**SEASONALITY OF VOLATILITY AND RETURNS  
AND THEIR CAUSAL RELATIONSHIP  
IN THE KUALA LUMPUR STOCK EXCHANGE**

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## **ABSTRACT**

The primary objective of this study is to investigate the presence of seasonal variation in stock volatility and trading return across the days of the week and their causal relationship in the Malaysian stock market for period 3 July 1995 to 30 June 2000.

The study revealed that there is no strong evidence to indicate the persistent presence of seasonal variation in stock volatility across the days of the week for the entire sample period and the three sub-periods, which correspond with a stable, declining and rising stock market. This finding does not concur with the previous findings on the existence of seasonal variation in volatility of Malaysian stock market.

The finding from this study reflected a moderate presence of the day-of-the-week effect of the daily stock trading returns in the stock market of Malaysia for the entire sample period and the first sub-period. Nevertheless, the study did not provide sufficient evidence on the persistent presence of the day-of-the-week effect of stock trading returns in a declining or rising markets in the subsequent two sub-periods.

This study reflected that most of the stocks' daily volatility, trading returns and trading volume can be explained by their own lag variables. In addition, the study indicates that the daily volatility of most of the stocks in Malaysia can be explained by the lag variables of trading returns and trading volume. The study also concluded the presence of feedback relationship between daily volatility and trading returns as well as daily volatility and trading volume.

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