

**TIME-OF-THE-MONTH EFFECT IN THE TRADING/SERVICES
SECTOR OF THE KUALA LUMPUR STOCK EXCHANGE**

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ABSTRACT

Numerous studies have reported the existence of calendar anomalies in stock returns. In this study, we investigate the calendar anomalies of forty stocks of the trading/services sector in the Kuala Lumpur Stock Exchange (KLSE) over the period of 3 January 1995 to 2 November 2000. The calendar anomalies such as the pre-holiday effect, half-monthly effect, and time-of-the-month effect are examined. The parametric and nonparametric tests are used in this study for testing the existence of calendar anomalies. Nonparametric tests are resorted to when the assumption of normality is not satisfied.

The results of this study indicate that there is no persistent pre-holiday, half-monthly effect and time-of-the-month effect in the Malaysian stock market for the trading/services sector. This is perfectly consistent with the notion of market efficiency. Further analysis is carried out for two subperiods, namely 3 January 1995 to 30 June 1997 and 1 July 1997 to 2 November 2000, in order to test for the persistence and consistence of any calendar anomalies in KLSE. This study reports that the pre-holiday effect is more apparent during the first subperiod of the study. We also notice that the pre-holiday effect is more pronounced among small companies than the large companies in the whole period and first subperiod. In addition, this study shows no obvious relationship between the firm size and the other two effects, namely half-monthly effect and time-of-the-month effect.

CONTENTS

	Page
ACKNOWLEDGEMENTS	i
ABSTRACT	ii
CONTENTS	iii
LIST OF TABLES	v
CHAPTER 1 INTRODUCTION	1
1.1 Introduction	1
1.2 The Efficient Market Hypothesis	2
1.3 Stock Market Anomalies	4
1.4 The Kuala Lumpur Stock Exchange: A Brief Overview	7
1.5 Research Objective	8
1.6 Format of Report	9
CHAPTER 2 LITERATURE REVIEW	11
2.1 Evidence on the Pre-Holiday Effect	12
2.2 Evidence on the Half-Monthly Effect	18
2.3 Evidence on the Time-of-the-Month Effect	22
CHAPTER 3 DATA AND METHODOLOGY	23
3.1 Data	23
3.2 Methodology	26
3.2.1 Test for Normality	30
3.2.2 Test for Equality of Variances	31
3.2.3 Hypothesis Tests	33
3.2.3.1 Parametric Tests	33
3.2.3.2 Nonparametric Tests	42
3.3 Statistical Programs	45

	Page
CHAPTER 4 EMPIRICAL RESULTS FOR CALENDAR ANOMALIES	46
4.1 The Pre-Holiday Effect for Whole Period: 3 January 1995 to 2 November 2000	46
4.2 The Pre-Holiday Effect for Subperiod 1: 3 January 1995 to 30 June 1997	53
4.3 The Pre-Holiday Effect for Subperiod 2: 1 July 1997 to 2 November 2000	60
4.4 The Half-Monthly Effect for Whole Period: 3 January 1995 to 2 November 2000	66
4.5 The Half-Monthly Effect for Subperiod 1: 3 January 1995 to 30 June 1997	73
4.6 The Half-Monthly Effect for Subperiod 2: 1 July 1997 to 2 November 2000	79
4.7 The Time-of-the-Month Effect for Whole Period: 3 January 1995 to 2 November 2000	86
4.8 The Time-of-the-Month Effect for Subperiod 1: 3 January 1995 to 30 June 1997	93
4.9 The Time-of-the-Month Effect for Subperiod 2: 1 July 1997 to 2 November 2000	99
 CHAPTER 5 CONCLUSION AND DISCUSSION	 106
 REFERENCES	 111
 APPENDIX A - Summary of Forty Trading/Services Stocks and Their Market Capitalization	
 APPENDIX B - Closing Prices of Stocks Listed in the Trading/ Services Sector Selected for Analysis	

LIST OF TABLES

	Page
Table 1: Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of Pre-Holiday and the Other Trading Days of Whole Period: Jan. 1995 to Nov. 2000	49
Table 2: Descriptive Statistics of Returns of Pre-Holiday and the Other Trading Days for Whole Period: Jan. 1995 to Nov. 2000	50
Table 3: Tests of Equality of Mean Returns of Pre-Holiday and the Other Trading Days for Whole Period: Jan. 1995 to Nov. 2000	51
Table 4: Tests of Equality of Mean Returns of Pre-Holiday and the Other Trading Days for Whole Period: Jan. 1995 to Nov. 2000 Controlling for the Month-of-the-Year Effect	52
Table 5: Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of Pre-Holiday and the Other Trading Days of Subperiod 1: Jan. 1995 to Jun. 1997	56
Table 6: Descriptive Statistics of Returns of Pre-Holiday and the Other Trading Days for Subperiod 1: Jan. 1995 to Jun. 1997	57
Table 7: Tests of Equality of Mean Returns of Pre-Holiday and the Other Trading Days for Subperiod 1: Jan. 1995 to Jun. 1997	58
Table 8: Tests of Equality of Mean Returns of Pre-Holiday and the Other Trading Days for Subperiod 1: Jan. 1995 to Jun. 1997 Controlling for the Month-of-the-Year Effect	59
Table 9: Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of Pre-Holiday and the Other Trading Days of Subperiod 2: Jul. 1997 to Nov. 2000	62

	Page
Table 10: Descriptive Statistics of Returns of Pre-Holiday and the Other Trading Days for Subperiod 2: Jul. 1997 to Nov. 2000	63
Table 11: Tests of Equality of Mean Returns of Pre-Holiday and the Other Trading Days for Subperiod 2: Jul. 1997 to Nov. 2000	64
Table 12: Tests of Equality of Mean Returns of Pre-Holiday and the Other Trading Days for Subperiod 2: Jul. 1997 to Nov. 2000 Controlling for the Month-of-the-Year Effect	65
Table 13: Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of the First and Second Halves of a Month of Whole Period: Jan. 1995 to Nov. 2000	69
Table 14: Descriptive Statistics of Returns of the First and Second Halves of a Month for Whole Period: Jan. 1995 to Nov. 2000	70
Table 15: Tests of Equality of Mean Returns of the First and Second Halves of a Month for Whole Period: Jan. 1995 to Nov. 2000	71
Table 16: Tests of Equality of Mean Returns of the First and Second Halves of a Month for Whole Period: Jan. 1995 to Nov. 2000 Controlling for the Month-of-the-Year Effect	72
Table 17: Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of the First and Second Halves of a Month of Subperiod 1: Jan. 1995 to Jun. 1997	75
Table 18: Descriptive Statistics of Returns of the First and Second Halves of a Month for Subperiod 1: Jan. 1995 to Jun. 1997	76
Table 19: Tests of Equality of Mean Returns of the First and Second Halves of a Month for Subperiod 1: Jan. 1995 to Jun. 1997	77
Table 20: Tests of Equality of Mean Returns of the First and Second Halves of a Month for Subperiod 1: Jan. 1995 to Jun. 1997 Controlling for the Month-of-the-Year Effect	78

Table 21:	Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of the First and Second Halves of a Month of Subperiod 2: Jul. 1997 to Nov. 2000	82
Table 22:	Descriptive Statistics of Returns of the First and Second Halves of a Month for Subperiod 2: Jul. 1997 to Nov. 2000	83
Table 23:	Tests of Equality of Mean Returns of the First and Second Halves of a Month for Subperiod 2: Jul. 1997 to Nov. 2000	84
Table 24:	Tests of Equality of Mean Returns of the First and Second Halves of a Month for Subperiod 2: Jul. 1997 to Nov. 2000 Controlling for the Month-of-the-Year Effect	85
Table 25:	Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of Time-of-the-Month Effect of Whole Period: Jan. 1995 to Nov. 2000	89
Table 26:	Descriptive Statistics of Returns of Time-of-the-Month Effect for Whole Period: Jan. 1995 to Nov. 2000	90
Table 27:	Tests of Equality of Mean Returns for Time-of-the-Month Effect for Whole Period: Jan. 1995 to Nov. 2000	91
Table 28:	Tests of Equality of Mean Returns for Time-of-the-Month Effect for Whole Period: Jan. 1995 to Nov. 2000 Controlling for the Month-of-the-Year Effect	92
Table 29:	Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of Time-of-the-Month Effect of Subperiod 1: Jan. 1995 to Jun. 1997	95
Table 30:	Descriptive Statistics of Returns of Time-of-the-Month Effect for Subperiod 1: Jan. 1995 to Jun. 1997	96
Table 31:	Tests of Equality of Mean Returns for Time-of-the-Month Effect for Subperiod 1: Jan. 1995 to Jun. 1997	97
Table 32:	Tests of Equality of Mean Returns for Time-of-the-Month Effect for Subperiod 1: Jan. 1995 to Jun. 1997 Controlling for the Month-of-the-Year Effect	98

	Page
Table 33: Results of Kolmogorov-Smirnov Test for Normality and Levene Test for Equality of Variances for Returns of Time-of-the-Month Effect of Subperiod 2: Jul. 1997 to Nov. 2000	102
Table 34: Descriptive Statistics of Returns of Time-of-the-Month Effect for Subperiod 2: Jul. 1997 to Nov. 2000	103
Table 35: Tests of Equality of Mean Returns for Time-of-the-Month Effect for Subperiod 2: Jul. 1997 to Nov. 2000	104
Table 36: Tests of Equality of Mean Returns for Time-of-the-Month Effect for Subperiod 2: Jul. 1997 to Nov. 2000 Controlling for the Month-of-the-Year Effect	105