

**BEHAVIOUR OF TRADING AND NON-TRADING STOCK RETURNS IN THE  
MALAYSIAN STOCK MARKET**

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## **ABSTRACT**

This study examines the stock returns and volatilities of trading and non-trading day for seven KLSE indices from January 3, 1994 to November 26, 1999. Six return series are computed. They are the overnight, open to close, morning, afternoon, close to close and open to open series. There is consistently positive overnight return throughout Monday to Friday. The weekend effect or Monday effect is significantly positive. The returns of the morning, open to close, close to close series are negative particularly on Monday, Tuesday and Thursday. Except for Monday, other weekdays have positive afternoon return.

Mean and variance return are significantly different between overnight and open to close series as well as between morning and afternoon series. However, they are insignificant between close to close and open to open return.

This study also examines the stock return and volatilities over 3 sub-periods. Sub-period 1 is from January 3, 1994 to December 31, 1996. Sub-period 2 is from January 3, 1997 to August 28, 1998 while sub-period 3 is from September 2, 1998 to November 26, 1999. The overnight return is significantly positive in sub-period 1. It turns negative in sub-period 2 and reverses to positive in sub-period 3. Weekend effect is only significant in sub-period 3. The morning, open to close and close to close returns are significantly negative in sub-period 2. The afternoon return is significantly positive in sub-periods 1 and 3. Equality of mean is rejected between sub-periods 1 and 2, 2 and 3 as well as 1 and 3 respectively. As for volatility, it is insignificantly different between sub-periods 1 and 2, 2 and 3 as well as 1 and 3 respectively.

## CONTENTS

	Page
ACKNOWLEDGEMENT	i
ABSTRACT	ii
CONTENTS	iii
LIST OF TABLES	v
<b>CHAPTER 1: INTRODUCTION</b>	<b>1</b>
1.1 The Kuala Lumpur Stock Exchange (KLSE)	1
1.2 Significance of this study and Research Objectives	2
1.3 Framework of this study	3
<b>CHAPTER 2: LITERATURE REVIEW</b>	<b>4</b>
2.1 Minute by minute interval	4
2.2 Fifteen minutes interval	5
2.3 Other intradaily interval	8
<b>CHAPTER 3: DATA AND METHODOLOGY</b>	<b>14</b>
3.1 Data	14
3.2 Methodology	14
3.2.1 Mean Return	14
3.2.2 Standard deviation of return or volatility	16
3.2.3 Skewness	17
3.2.4 Kurtosis	17
3.2.5 Statistical tests	18
<b>CHAPTER 4: RESEARCH RESULTS</b>	<b>29</b>
4.1 Behaviour of Trading and Non-trading returns for Seven KLSE indices	29
4.1.1 The mean return for seven KLSE indices by weekday	29
4.1.2 The return volatility for seven KLSE indices by weekday	38
4.1.3 Kurtosis and Skewness	40

	Page
4.2 Testing the Existence of Weekday, Overnight, Weekend and Daily Effect	40
4.2.1 Weekday Effect	41
4.2.2 Overnight Effect	45
4.2.3 Weekend Effect	46
4.2.4 Daily Effect	46
4.3 Testing of Homogeneity across Trading and Non-Trading Returns	47
4.3.1 Homogeneity between Close to Open and Open to Close Returns	47
4.3.2 Homogeneity between Morning and Afternoon Trading Returns	48
4.3.3 Homogeneity between Close to Close and Open to Open Returns	51
4.3.3 Homogeneity among All Returns for each Weekday	51
4.4 Behaviour of Seven KLSE Indices by Sub-Periods	53
4.5 Testing Homogeneity of Each Return Series between Sub-Periods	64
4.5.1 Testing Homogeneity for Composite Index between Sub-Periods	64
4.5.2 Testing Homogeneity for Emas Index between Sub-Periods	66
4.5.3 Testing Homogeneity for Industrial Index between Sub-Periods	68
4.5.4 Testing Homogeneity for Finance Index between Sub-Periods	70
4.5.5 Testing Homogeneity for Property Index between Sub-Periods	72
4.5.6 Testing Homogeneity for Plantation Index between Sub-Periods	74
4.5.7 Testing Homogeneity for Mining Index between Sub-Periods	76
<b>CHAPTER 5: SUMMARY AND CONCLUSIONS</b>	78
5.1 Summary and Conclusion	78
5.2 Recommendations For Future Research	83
<b>BIBLIOGRAPHY</b>	84

## **LIST OF TABLES**

Table	Page
1 Summary Statistics for Seven KLSE Indices	30
2 Testing the Existence of Weekday, Overnight, Weekend and Daily Effects	42
3 Testing Equality of Mean and Volatility for Seven Indices	49
4A Behaviour of Composite Index by Sub-Periods	54
4B Behaviour of Emas Index by Sub-Periods	56
4C Behaviour of Industrial Index by Sub-Periods	57
4D Behaviour of Finance Index by Sub-Periods	59
4E Behaviour of Property Index by Sub-Periods	60
4F Behaviour of Plantation Index by Sub-Periods	62
4G Behaviour of Mining Index by Sub-Periods	63
5A Testing Equality of Mean Return and Volatility for Composite Index between Sub-Periods	65
5B Testing Equality of Mean Return and Volatility for Emas Index between Sub-Periods	67
5C Testing Equality of Mean Return and Volatility for Industrial Index between Sub-Periods	69
5D Testing Equality of Mean Return and Volatility for Finance Index between Sub-Periods	71

	Page
5E Testing Equality of Mean Return and Volatility for Property Index between Sub-Periods	73
5F Testing Equality of Mean Return and Volatility for Plantation Index between Sub-Periods	75
5G Testing Equality of Mean Return and Volatility for Mining Index between Sub-Periods	77