AN INVESTIGATION OF INTRADAY RETURNS

ON THE KLSE STOCKS

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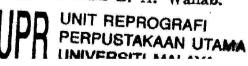
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ABSTRACT

This empirical study examines the intraday returns and risk behavior of KLSE stocks using the COMPOSITE, EMAS and SECONDBOARD Indices. The period of study is confined to the year 1994. The results of this study suggest that when the intraday market return volatility is plotted against the time of day, it follows a double U-shape pattern with the larger U-shape curve meeting the smaller U-shape curve at 3.30 p.m. This distinct feature differs from United States which exhibits one U-shape pattern only. The analysis also suggests no particular benefit of employing an intraday "buy and hold" strategy because the low returns are not sufficient to cover the round trip transaction cost. The study also discovers that price reversals of the stocks of the smaller size companies do not differ much from the larger size company. In addition, the intraday returns of the Second Board component stocks do not differ significantly with the Main Board component stocks.

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