



DAY-OF-THE WEEK EFFECTS AND STOCK MARKET VOLATILITY IN
MALAYSIAN STOCK EXCHANGE

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TABLE OF CONTENTS

	Pages
TITLE PAGES	
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	
LIST OF FIGURES	v
LIST OF TABLE	vii
LIST OF ABBREVIATIONS	vii
CHAPTER 1 INTRODUCTION	
1.1 Background of study	1-9
1.2 Problem statement	9-10
1.3 Research objective	10
1.4 Significant of study	11
1.5 Scope of study	12
1.6 Limitation of study	12
1.7 Organization of study	12
CHAPTER 2 THEORY AND LITERATURE REVIEW	
2.1 Theory	
2.1.1 Efficient market hypothesis (EMH)	13

2.1.2 Behavioral finance	13
2.1.3 Market anomalies	14
2.2 Day of the week effects and stock market volatility	17-17
2.3 The Existence Day of the Week Effects in stock market	17-18
2.4 Method used by other researcher in Day of the week effects	18-22
2.5 Summary of Chapter	22-23

CHAPTER 3 DATA AND METHODOLOGY

3.1 Introduction	24
3.2 Type and sources of data	24-25
3.3 Research population and sample	27
3.4 Empirical model	27
3.4.1 Transformation of data	28-29
3.5 Measurement of variable	
3.5.1 Dependent variable	27
3.5.2 Independent variable	28
3.6 Conceptual framework	28
3.7 Hypothesis	29-30
3.8 Estimation procedure for time series data and software used	30-31
3.8.1 Time series analysis	31
3.8.2 Unit root test	31-34
3.8.3 Diagnostic test	35

ABSTRACT

There are many researchers that still debate about the market anomalies specifically in calendar effect anomalies with different results of their analysis. This research paper is designed to study whether there is a day that induces higher stock market return and high volatility. The daily data sample taken for five years start from January 2010 until December 2014. The method that used to measure the return and volatility are Ordinary Least Square and Autoregressive Conditional Heteroscedasticity (ARCH) model respectively. Other test also used to determine the unit root, heteroscedasticity and autocorrelation also in order to avoid the economic problem occur in this study. It is found that day of the week effects exist of in Malaysia whereby there is abnormal return in a particular day for the week.

The results show that Tuesday has significant positive and Monday has significant negative value support the study done by Abidin & Mahmood, (2007) that also done in Malaysian stock exchange. It also found that highest returns occur on Tuesday and lowest returns occur on Monday. These findings contradicted with latest study done by Muhammad and Rahman in 2010 whereby the particular day that have significant impact to day of the week effect is Monday and Friday. However, it supports the findings that Monday has the lowest average return. Positive value found in Tuesday is due to active stock buying in Monday and caused drop in stock price on Tuesday.