**UNIVERSITI TEKNOLOGI MARA**

# DAY-OF-THE-WEEK EFFECT ON STOCK RETURN

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## ABSTRACT

This study examines the day-of-the-week effect on stock returns of FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) from 05 March 2007 until 01 July 2016 using Ordinary Latest Square (OLS) method. The findings suggest that there exist the 'Monday effect' and significantly different across the five trading days. This finding is also similarity in other periods. The study using of several diagnostic test such as normality of errors, autocorrelation and heteroskedasticity in order to check for model adequacy. Last but not least, this study may be useful to the investor in order to formulate their strategies of trades timing.


Keywords: Day-of-the-week effect, dummy variable, stock return, Malaysia,

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# CHAPTER ONE
# INTRODUCTION

## 1.1 BACKGROUND OF THE STUDY

Stock markets of a country are considered to be a reflection of state of its economy (Singhania & Anchalia, 2013). Malaysia is one of the developing countries that has a newly industrialized market economy. The market economy of Malaysia is derived from many sectors such as industrial, agricultural, infrastructure and also services sector. These sectors are important in order to increase the economic growth of Malaysia. Stock market index is used as a benchmark of the stock price that will be traded across the world and also as the main indicator to measure the economy of a country.

The most popular stock market in Malaysia is FTSE Bursa Malaysia Kuala Lumpur Composite Index or also known as FBM KLCI. FBM KLCI is one of the indices created to replace the KLCI. The new index was introduced on 6 July 2009, with the opening value taken from the closing value of the old KLCI on 3 July 2009. The FBM KLCI comprises of the largest 30 companies by full market capitalization on Bursa Malaysia's Main Board.

The FBM KLCI adopts an internationally accepted index calculation methodology is able to provide a more investable, tradeable and transparently managed index. The enhanced KLCI will provide a platform for a wider range of investable and appealing opportunities. The constituents will be free float adjusted with only the investable portion included in the index calculation.