



VESAK HOLIDAY EFFECT ON GLOBAL STOCK MARKETS

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CHAPTER 1

INTRODUCTION

1.0 Introduction

Holiday and celebration is usually connected to the cultural and religion around the world. Human behavior tend to react for during any event and celebration. For this reason, the decision making of one person also affected in every situation such as investment decision and purchasing behavior and many more. During every big event, we tend to see purchasing behaviour of a certain good tend to be very high and thus making the price of a certain good became higher. Taking from the theory of demand and supply (economic), we can say that if the demand is more than the supply, the price became higher, this theory can be related in the trading of stock market. But before we go through the relationship between holiday and stock market, first we look at the term holiday itself. Certain holiday (religious) only celebrated in particular country and continent which has the most of its follower. So, if we talk about one (major) holiday, we must divided the country based on continent, cultural and geographically in order to observe the human behaviour and the price trend of stock market on that particular country. Vesak celebration is mainly celebrated by the Buddhist community worldwide. It is a holiday for celebrating the birthday of Gautama Buddha who is a spiritual leader and teacher whose life serves as the foundation of the Buddhist religion. This holiday mostly took part in the month of May every year and the highest follower of this religion is in Asia and the highest population was in China.

Stock return, as we know, it was a gain or a loss of a certain security in a particular period. The return consist of the income and the capital gain relatively on investment, and it is usually quoted as percentage. The general rule in investment is the more risk we take, the greater potential for higher return and losses. Taking the information from holiday, we can say that the investor tend to react differently and can make the return on stock vary upon the pre-during-post of the certain holiday. This anomaly has been well documented in the

previous study. Yet in this study, the researcher will have some amendment upon the previous evidence where the researcher will put an additional element which comprises the behavioral perspective such as culture, geography, and population. Due to this idea, this research will have the data of stock market return from countries available divided into five continent which we know that in every each of this continent, the human behavioral and cultural is different from the other. In this study, the researcher will highlight the Vesak holiday celebration as a medium of measurement whether it is effected the stock market return in all this five different continent or only in the continent which the population of Budhhist follower is high.

1.1 Problem Statement

Since in the 1990, growing evidence of stock market behaviour anomalies have been well documented in leading finance journals. These anomalies challenge the validity of theoretical, practical, and policy perspective of finance based on modern finance paradigm. The cost of unclear theory, practice, and policy are impacting negatively the investors, the firms, and the financial markets globally.

Previous studies on the anomalies of efficient markets have provided a collection of empirical proofs that there are certain deviations in the movement of stock prices from what can be expected if the efficient market hypothesis (EMH) holds. A market is efficient when the price reflects all relevant information in the market, under the assumptions that the investors are rational and have homogenous expectations and that given this equilibrium between price and information, it is impossible for investors to persistently gain abnormal returns (Fama, 1970). In reality, however, some events are able to trigger under and over reactions, causing shifts in stock prices that enable abnormal returns to be earned, indicating market inefficiency and thus a hole in the EMH (Stulz and Williamson, 2003). The occurrence of various events that can trigger abnormal returns during different calendar and timeframe have been popularly investigated by finance researchers and practically influence the investment strategies of professional and non-professional investors.

examination of the roles of geography, religion, and culture in the theoretical lenses of behavioral finance. The validity of the current research ideas are empirically validated based on stock markets performance across the globe.

1.2 Objective

In this paper, there are several objectives that tried to be completed. The following objective must be taken into consideration to ensure that the findings are in line with key intention of conducting this research.

Below are the objective deemed fundamental in fulfilling the true purpose of this research:

1. To determine the relationship between Stock market and the vesak holiday.
2. To determine the relationship between stock market and cultural perspective.
3. To determine the relationship between stock market and the geographical perspective.

1.3 SCOPE OF STUDY

This research study will be focusing on stock return in every country in five continent and the religious holiday which is Buddhist (Vesak day) and also the cultural perspective. As we know, the Buddhist follower is high populated in Asia Pacific continent thus the result is expected to be significant on that area, still, the researcher need to foresee the idea of religious holiday wether it is effected in other continent and also the idea of cultural perspective of a certain country will played a major role on how their investment will give impact to them stock return (performance).

The data will be taken based on weekly data from the stock return in every market from five continent from the period of 2000 to 2017. The purpose of determining the

The researcher always experience with this limitation. In completing this study, time and financial constraint has become one of the major factors that limits development of details investigation. As a student, there are lots of other responsibilities to be fulfilled other than spending most of the times on his research. Even professors and experts are considered devoting most of their life time to solve one single problem statement. Therefore, the insufficient amount of time constraint the researcher to further investigate the deep knowledge of the gap study.

1.5.3 Generalizability

This research study only use one religious celebration out of many of them in the world. This findings thus cannot be generalized to all of the benchmark in the world due to small size as compared to the actual number.

1.6 SIGNIFICANCE OF STUDY

This research could provide some information on the use of Holiday anomaly (Vesak) towards stock market return that will include the big and small spender. Among these group are:

1.6.1 Researcher

As we know, the research is important to the researcher himself. It is conducted based on the sole interest of the researcher, which is to find the effect of Holiday (Vesak) and behavioral perspective towards stock market return. The researcher also wishes to add some information that had been missed from the previous research that had been made.