



**INVESTOR IRRATIONAL TRADING
BEHAVIOUR IN MALAYSIAN STOCK MARKET:
DAY OF THE WEEK EFFECT**

**JECILEE PULCHERIA
2016351391**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TEKNOLOGI MARA
KOTA KINABALU, SABAH**

DECEMBER 2019

ACKNOWLEDGEMENT

I would like to express a message of thanks to my dissertation supervisor Dr. Jasman Tuyon for providing valuable guidance, supervision and mentoring as well as encouragement for carrying out research for the topic “Investor Irrational Trading Behaviour in Malaysian Stock Market: Day of The Week Effect”. I also wish to thank to Associate Professor Dr. Imbarine Bujang for providing valuable comments and guidance for my research study.

The most importantly, I wish to thank to God, my family and friends for strength and motivation to complete this report.

TABLE OF CONTENTS

DECLARATION OF ORIGINAL WORK	ii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xi
 CHAPTER ONE: INTRODUCTION	 1
1.1 Motivation	1
1.2 Research Background	2
1.2.1 Overview of Malaysian Stock Market	2
1.2.2 Stock Market Anomalies – Day of the week effect	4
1.3 Problem Statement	6
1.4 Research Questions	7
1.5 Research Objectives	7
1.6 Significance Of Study	7
1.7 Scope And Limitations Of Study	8
1.8 Organization Of The Dissertation	8
 CHAPTER TWO: LITERATURE REVIEW	 10
2.1 Introduction	10
2.2 Underpinning Theories	10
2.2.1 Bounded Rational	10
2.2.2 Prospect Theory	11
2.2.3 Adaptive Market Hypothesis	12
2.3 Empirical Evidence	13
2.3.1 Day Of The Week Effect On Stock Return	13
2.3.1.1 International Evidence	13
2.3.1.2 Malaysia Evidence	15

2.3.2	Day Of Week Effect On Stock Volume	17
2.3.3	Psychology Perspective On The Day Of Week Effect	17
2.4	Conceptual Framework	19
2.5	Hypothesis Development	19
CHAPTER THREE: RESEARCH METHODOLOGY		32
3.1	Introduction	32
3.2	Data	32
3.3	Empirical Model	33
3.4	Estimation Procedure	34
3.4.1	Descriptive Statistic	34
3.4.2	Unit Root Test	35
3.4.3	Time Series Regression Analysis	35
CHAPTER FOUR: ANALYSIS AND FINDING		38
4.1	Introduction	38
4.2	Descriptive Statistic Test	38
4.2.1	Big Stock	38
4.2.2	Medium Stock	39
4.2.3	Small Stock Index	40
4.3	Unit Root Test	40
4.4	Time Series Regression	41
4.5	Conclusion	43
CHAPTER FIVE: DISCUSSION		44
5.1	Introduction	44
5.2	Discussion Of Main Finding	44
CHAPTER SIX: CONCLUSION AND RECOMENDATION		48
6.1	Conclusion	48
6.2	Contribution	49
6.3	Recommendation	49

ABSTRACT

This study analyses the day of week effect on Malaysia Stock Market for three different market capitalization in FTSE Bursa Malaysia indices series: FTSE Bursa Malaysia KLCI Index (Large Cap), FTSE Bursa Malaysia Mid 70 index (Medium Cap) and FTSE Bursa Malaysia Small Cap Index. Using the most recent data from 23rd November 2009 – 31st December 2018, this study employs OLS method to investigate the effect in Malaysia. It was found that the Monday effect with negative return only presence on FTSE Bursa Malaysia Mid 70 index and FTSE Bursa Malaysia Small Cap Index.

Keywords: Day of the week effect, stock return, Large cap, Medium cap, Small Cap