(CALENDAR EFFECTS IN NEW YORK STOCK MARKET)

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Abstract

In this paper examines the calendar effects in New York stock market, particularly month of the year effect (January effect) and day of the week effect (Monday effects). Unlike other empirical works suggest expanding the model to cover several main effects. By doing so we find that the January effect is not the only effect, and it cannot be rejected that the effect from selected years are so powerful that it can affect the empirical findings. When evaluating the significance of calendar effects, such as those associated with Monday and January, it is necessary to control for all possible calendar effects to avoid spurious results. Also contributes to the discussion of calendar effects and their significance. It derives a test for calendar specific anomalies, which control for the full space of possible calendar effects. My findings are that calendar effects are not significant in January effect and Monday effect, and it is primarily October result that exhibits the significant anomalies by use regression analysis. A regression analysis was conducted to identify the important variables in the future. To this end it will refer to an empirical analysis based on the New York stock index for the January 1997 to January 2007 period. In recent years it seems that the calendar effects have diminished except in small cap stock indices.

CHAPTER 1

INTRODUCTION

This chapter will discuss about the background of the study. It consists of the problem statement, objectives of the study, the significance of the study, scope of the study and the limitation of the study in doing this project paper.

1.1 BACKGROUND OF THE STUDY

This history of New York Stock Exchange (NYSE) can be traced back to the days of the revolution. Before the American Revolution, there was no reason for there to be a stock exchange market in the colonies, simply because all of finances were handled in London. The history of the American Revolution has changed the scene. It is because of the Revolutionary War all ties to British financial markets were completely cut. History was made in Philadelphia in 1790, when a stock exchange was formed. The first shares in the stock market came from the first three banks in North America: the Bank of North America (1781), Bank of New York (1784), and the First Bank of the United States (1791). These stock shares were issued to pay off war debts of the Continental Congress under the first Secretary of Treasury, Alexander Hamilton. Later in 1792 a group of 24 New York stock brokers formed an association named the New York Stock and Exchange Board, which is now known as the New York Stock Exchange, Incorporated..