

DAY OF THE WEEK EFFECT AND PRE HOLIDAY
EFFECT IN COLOMBO STOCK EXCHANGE



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Abstract

This study examines the stock anomalies especially day of the week effect and pre-holiday effect in the Colombo stock exchange. Normally people assume that the distribution of stock returns is identical for the whole day of the week but practically situation is not like that. A common occurrence in which stock prices tend to be negative Friday through Monday. This is the tendency of stock prices to fall over the weekend. First objective of the study is to identify whether there is Monday effect in the Colombo Stock Market. Second objective of this is to understand whether the pre-holiday return is higher than the post holiday return or not. For the purpose of this study, data on all share price Index and Milanka price index are used for the last five-year period from 1/10/2000 to 30/09/2005. The whole period is divided into samples taking every year separately. Ordinary least square method of regression is used for the analyzing of data. These results indicate that there is no significant holiday effect presence in the CSE and to some extent there is Monday effect in the CSE.

The first chapter of this study discusses about the overall review of this research study. The second chapter describes the various theories relating to this topic and also some alternative theories. The Third chapter of this study is to give the readers a clear understanding of the methodologies that are used in this study and their relevance to the objective of this study. The fourth chapter is the data presentation and analysis of Colombo stock exchange and secondary data sources from CSE had been used as the method of data collection to do this study. Ordinary Least Square method and sample calculations were used to analyze the collected data in this chapter. I used Ms excel worksheet to do calculation work. The final chapter of the study includes the conclusions of this research study then limitation and directions for further study.

CONTENTS

Page No

CHAPTER ONE

1 Introduction

1.1	Introduction of the study	1
1.2	Problem Identification	2
1.3	Objectives of the study	2
1.4	Hypothesis	3
1.5	Methodology	3
1.6	Organization of the study	4

CHAPTER TWO

2 Literature Review

2.1	Introduction	5
2.2	Introduction to Stock Market	5
2.3	Stock Market Indices	6
2.4	Efficient Market Hypothesis	10
2.5	Stock Market Anomalies	11
2.6	Prior Studies	16
2.6.1	Supporting evidence including under the day of the week effect	14
2.6.2	Supporting evidence including under the pre holiday effect	19

CHAPTER THREE

3 Methodology

3.1	Introduction	25
3.2	Data Collection	25
3.2.1	Population	26
3.2.2	Sample	26
3.3	Model	26
3.3.1	Return	26
3.3.2	Ordinary Latest Square Method	28

CHAPTER FOUR

4 Data Presentation and Analysis

4.1	Introduction	31
4.2	Day of week effect using simple method	31
4.3	Analysis for Monday effect	35
4.4	Results of the day of the week effect	36
4.5	Holiday effect using simple calculation	39
4.6	Analysis of holiday effect using OLS model	42

CHAPTER FIVE

5 Conclusion and Recommendation

5.1	Introduction	47
5.2	Conclusion and Recommendation	47
5.3	Limitation	49
5.4	Directions for future study	49

REFERENCES	50
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APPENDIXES

LIST OF TABLE

4.1	Return of Last five years for the all share price index	28
4.2	Daily Return for Last five Years from Milanka Price Index	29
4.3	Simple Calculation for the last five years separately for the all Share Price Index	33
4.4	Simple Calculation for the last five years separately for the Milanka Price Index	33
4.5	Results of Regression model for all shares price index for one year	34
4.6	Results of Regression model for Milanka Price Index	35
4.7	Calculation of the Shear price index for the period of five years	36
4.8	Calculation Milanka Price Index for the period of five years	37