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DAY-OF-THE-WEEK EFFECTS: EVIDENCE FROM THE CHINESE STOCK MARKETS

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This study examines the day-of-the-week effects in the Hong Kong, Shanghai and Taiwan stock markets. The current findings on the mean returns and their volatility in the stock markets could be useful in designing the trading strategies and drawing investment decisions. Investors can use the day-of-the-week effects information to avoid and reduce the risk when investing in these 3 stock markets. Further analysis using TGARCH model, uncover asymmetrical market reactions on the positive and negative news, rendering doubts on the appropriateness of the previous research that employed the symmetrical GARCH model in their analysis of day-of-the-week effects

Keywords: : Day-of-the-week effects, stock markets, GARCH, TGARCH model, asymmetric

1. INTRODUCTIONS

Day-of-the-week effect is a form of calendar anomaly in stock market returns, in which the average daily returns varies for each day of the week. It is a long-standing phenomenon, which is well-known to academicians and practitioners. Cross (1973), French (1980), Gibbons and Hess (1981), Keim and Stambaugh (1984), Lakonishok and Levi (1982), Rogalski (1984), Solnik and Bousquet (1990), Lucey (2000; 2006), Brooks and Persand (2001), Apolinario et al. (2006) and Basher and Sadorsky (2006), among others, documented that there are differences in distribution of daily stock returns in a week. Generally, it has been empirically found that, while other

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