Libyan International Medical University
Faculty of Business Administration

Department of Finance and Bank Management
Graduation Project

Holiday Effects and Stock Returns: Further Evidence From Bursa Malaysia

By: **Shahed Alzanati**

Supervised By: Dr. Hani Rohuma

Co-supervisor: Dr. Sabri Elkrghli

Examiner: Dr. Yousef Algomati

How to cite this research paper:

Alzanati Shahed, Elkrghli Sabri & Rhouma Hani(2022), “Holiday Effects and Stock Returns: Further Evidence From Bursa ”, Faculty Research Volume, Faculty of Business Administration, Libyan International Medical University, 2(3), pp. 1-16.

Presentation Outline

- Introduction
- Literature Review
- Methodology
- Result
- Conclusion
- Research Limitation
- Recommendation

Introduction

- **Malaysia has unique holiday system { multi culture and religion }**

- **Several approved federal holidays {**Aidiladha, Aidilfitri, Christmas, Chinese New Year, Deepavali

Introduction

- **Research Problem**
  - There is direct impact of the stock market on investor decisions (Chan et al.,1996)
  - It's worth examining whether there is a holiday effect on Bursa Malaysia,
  - A lot of focus on the calendar effect (Hassam, 2010; Dodd and Gakhovich, 2011)
  - The religious effect on financial markets has received less attention
  - The research aims to investigate and test whether there is an impact of the religion holiday effect in Bursa Malaysia during the study period from 1 December 2010 to 30 December 2016.

Introduction

Research Objectives

1. To determine whether the monthly stock returns for the Eid al-Adha holiday are higher than the monthly stock returns in other months in Bursa Malaysia during the study period.
2. To determine whether the monthly stock returns for the Eid al-Fitr holiday are higher than the monthly stock returns in other months in Bursa Malaysia during the study period.
3. To determine whether the monthly stock returns for the Chinese New Year holiday are higher than the monthly stock returns in other months in Bursa Malaysia during the study period.
4. To determine whether the monthly stock returns for the Diwali holiday are higher than the monthly stock returns in other months in Bursa Malaysia during the study period.
5. To determine whether the monthly stock returns for Christmas are higher than the monthly stock returns in other months in Bursa Malaysia during the study period.

Literature Review

literature review used in the study consisted of different researchers views on the effect of holidays on the Bursa Malaysia stock market.

	Studies supported the existence of the holiday effect	**Studies against the presence of the holiday effect**
Eid al-Adha	(Hassan and Sarker ,2018) (Chowdhury and Mostari ,2015)	(Ali et al.,2017) (Har and Chih ,2016)
Eid al-Fitr	(Ali et al.,2017)	(Mc gowan and Jakob ,2010) (Har and Chih ,2016)
Chinese New Year	,(Dodd and Gakhovich ,2011) (Yuan and Gupta ,2014) (Mc Guinness and Harris 2011) , (Har and Chih ,2016)	(Sasikirono and Meidiaswati ,2017)
Diwali	(Har and Chih ,2016)	(Potharla and Ram ,2013) (Chowdhury and hasan, 2009)
Christmas	(Yuan and Gupta ,2014) (Worthington and Marrett ,2009)	(Har and Chih ,2016) , (Chowdhury and hasan, 2009)

RESEARCH HYPOTHESES

H_1: there are significant differences in the monthly stock returns on the Eid al-Adha holiday in Bursa Malaysia over the study period.

H_2: there are significant differences in the monthly stock returns on the Eid al-Fitr holiday in Bursa Malaysia over the study period.

H_3: there are significant differences in the monthly stock returns on the Chinese New Year holiday in Bursa Malaysia over the study period.

H_4: there are significant differences in the monthly stock returns on the Diwali holiday in Bursa Malaysia over the study period.

H_5: there are significant differences in the monthly stock returns on the Christmas holiday in Bursa Malaysia over the study period.

Research Methodology /1

Data

The quantitative documentary data of this study has been collected from the listed companies in Bursa Malaysia over the study period from 1 January 2010 to 30 December 2016. The monthly data was obtained mainly from the database of the Taiwan Economic Journal (TEJ).

Number of Stocks in Portfolio

	Number of Stocks in Portfolio	
	Start Jan/2010	End Dec/2016
Portfolio	486	634

Research Methodology /2

- **Data Analysis**

The collected data has been analysed using the SPSS software, by regressing the excess monthly returns of the portfolio on the monthly returns of the CAPM factor (MRP) with dummy variables.

$$(\boldsymbol{R_x} - \boldsymbol{R_f}) = \boldsymbol{a} + \boldsymbol{b_{x,m}}.\boldsymbol{MRP_t} + \boldsymbol{d_{x,D}}$$

Result

Table 1 Durbin-Watson Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig.
1	0.833[a]	0.695	0.667	0.0229	2.075	0.000

a. Predictors: (Constant), MRP, Eid-Aladaha, Lunar N Y , Eid_Fiter, Xmes, Diwali

b. Dependent Variable: Portfolio Excess return

Result

Table 2 Holiday Effect Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.005	0.003		1.490	0.140
	MRP	1.215	0.093	0.841	13.001	0.000
	Eid-Aladaha	0.006	0.009	0.044	0.661	0.510
	Eid_Fiter	0.005	0.009	0.039	0.597	0.552
	Christmas Day	**-.028**	**0.009**	**-0.192**	**-2.945**	**0.004**
	Diwali	-0.011	0.009	-0.074	-1.127	0.263
	Chinese New Year	-0.005	0.009	-0.033	-0.509	0.612

Result

Result Summary

This section covers the statistical side of investigating the holiday effect on Bursa over the examination period from 1 January 2010 to 31 December 2016. After using the Durbin-Watson test and the OLS regression, the results indicate that there is only a negative holiday effect on Christmas Day in Bursa Malaysia over the examination period.

Conclusion

literature review used in the study consisted of different researchers views on the effect of holidays on the Bursa Malaysia stock market.

	Studies supported the existence of the holiday effect	Studies against the presence of the holiday effect	Researcher Result (5/2022)
Eid al-Adha	(Hassan and Sarker ,2018) (Chowdhury and Mostari ,2015)	(Ali et al.,2017) (Har and Chih ,2016)	**No effect**
Eid al-Fitr	(Ali et al.,2017)	(Mc gowan and Jakob ,2010) (Har and Chih ,2016)	**No effect**
Chinese New Year	,(Dodd and Gakhovich ,2011) (Yuan and Gupta ,2014) (Mc Guinness and Harris 2011) , (Har and Chih ,2016)	(Sasikirono and Meidiaswati ,2017)	**No effect**
Diwali	(Har and Chih ,2016)	(Potharla and Ram ,2013) (Chowdhury and hasan, 2009)	No effect
Christmas	(Yuan and Gupta ,2014) (Worthington and Marrett ,2009)	(Har and Chih ,2016) , (Chowdhury and hasan , 2009)	**Existing of negative holiday affect**

Limitation

- the examination period in this study is limited (2010 -206) , Unfortunately, a longer study period would have been better
- Researcher used only quantitative analysis; nevertheless, both quantitative and qualitative investigations would be desirable.

Recommendation

1. The study results should not be used to make any investment decisions since such decisions should be made after careful research and consultation with industry experts and brokers.

2. Because the holiday effect was a moderate model for usage and application in Bursa Malaysia during the research examination phase, it is required to reconsider its use by investors in Bursa Malaysia.

Thank You

Any Questions?