

**Is the Karachi Stock Exchange efficient?**

**Empirical testing of Existence of Moharram effect on Cement sector of  
Pakistan.**

**By**

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# Dedication

*To my loving Parents,  
My always supporting siblings,  
And my teachers who were always there for me,  
Without whom none of my success would be possible.*

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## Abstract

This study will notice the Karachi Stock Exchange efficiency by investigating one of the calendar anomaly the “Moharram Effect” on 10 listed companies of Cement sector, by taking data of market index and stock prices of thirteen years from 2000 to 2013. In other countries there have been many researches done on different calendar anomalies like the most popular “The January Effect”. After presenting the theory of efficient market by Fama (1965) many researches have been conducted dealing with degree of market efficiency and the reasons against it. The ground of studying evidence of market contradictions has been set through the theory of efficient market. In Iranian research Javad Azimi, Mahmoud Moein Adin, Hossein Torkamanzadeh, Mohammad Bagher Farahdoust (2012) found positive significance of Moharram Effect on abnormal returns in their Tehran stock market, which is against the theory of market efficiency where extra return cannot be earned.

This study has collectively insignificant effect of Moharram on the stock returns of selected companies in Cement sector. However individual years have shown some positive and negative significance of abnormal returns which negates the theory of efficient market. Event study has been used to investigate the Moharram effect by taking 9<sup>th</sup> and 10<sup>th</sup> of Moharram as an event date, according to the Islamic Calendar. T test is used for checking the Significance/Insignificance.