

Bahria Institute of Management and Computer Sciences
Department of Management Sciences

Final Project Approval Sheet
Viva-Voce Examination

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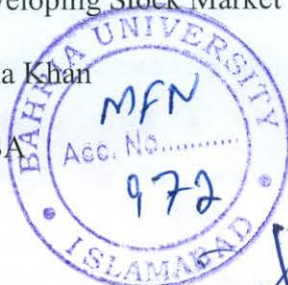
Topic of Research: “Days of the Week Effect in Stock Return: Evidence from Developing Stock Market of Pakistan”

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ABSTRACT

This paper provides evidence for the presence of the negative Monday effect and positive Wednesday effect in returns denominated in local currency in the sample for the period July 1997 to September 2004. The observed daily patterns in local currency shows a pattern of higher returns around the middle of the **week** i.e Tuesday and then Wednesday, a lower pattern towards the end of the **week** i.e Thursday and then Friday, and a negative pattern on the beginning of the week that is Monday.

The objective of the study is to provide the insights of the days of week effect to the investors so that they can plan their investment strategies accordingly. If the effect of Monday is low they will purchase the stocks and the days on which they will be getting higher return they can sell and can earn profits. This will minimize their risks. The null hypothesis is of an equal returns across the days of the week, which is not accepted in the research project.

In the research the standard Ordinary Least Squares (OLS) methodology is applied by regressing the returns on five daily dummy variables.

The research finds the negative Monday effect and positive Wednesday effect during the week but in Karachi stock exchange it was found through our research that the effect of days of the week is not statistically

significant. So it is concluded that the investors can hardly plan their strategies.

For further researches it may be recommended in the end that rather the number of years should be increased to have more accurate results or by doing the research with the combining the stock market volatility as well using models like ARCH or GARCH that can help in generating more accurate results and giving a more clear look to the investors.

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