ABNORMAL RETURNS AT CALENDAR TURNING POINTS AT THE MALAYSIAN EXCHANGE

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In recent years overwhelming evidence has been documented on the existence of abnormal stock returns. These anomalies tend to occur at turning points in time. Although these artificial moments have little impact on economy, investors may deem them important and behave accordingly and consequently the notion that stock returns are random as claimed by the Efficient Market Hypothesis may be questioned. The primary objective of this paper is to investigate the January effect for a few indices at the Main Board of the Malaysian Exchange. The results broadly support similar evidence documented for many countries as the January effect appears to be present in our data set. Since there is no capital gain tax in Malaysia, the tax-loss selling hypothesis cannot explain the January effect. Instead, the anomaly may be attributed to the market integration hypothesis since the January effect is also a worldwide phenomenon.

Keywords: anomalies, tax-loss selling hypothesis.