

Empirical Evidence on Calendar Anomalies in Trading and Non-Trading Day Returns in Indian Stock Market¹

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Abstract

This study investigates the existence of calendar anomalies in Indian stock market by taking a sample of 14 Nifty Sectoral Indices and Nifty 50 Index. The existence of calendar anomalies is studied by considering Trading day (Open to Close) and Non- Trading (Close to Open) day returns. The calendar anomalies considered for the study are namely Day-of-the-week, Week-of-the-month effect, Half-monthly effect, Month-of-the-year effect, Turn-of-the-month effect, Half-yearly effect and Turn-of-the-Year effect. From the results of GARCH (1,1) model, it is revealed that there is volatility clustering in return series. Further, the study suggest that in case of non-trading day best time for investor to take advantage of calendar anomaly is to buy on Tuesday and sell on Wednesday of first week of October, December and June. Higher returns are seen in second half of the year. This study will provide valuable insihts for investors and fund managers.

JEL Code : G13, G14, G41,

Keywords : Trading; Seasonality; Abnormal Returns; Calendar Anomalies; GARCH; NSE; India

I. Introduction

THE STOCK MARKET is said to be efficient if the stock prices reflect all the available information. Efficient market theory says that no investor can create abnormal returns as all investors are exposed to available information. (Fama, 1970) introduced three forms of market efficiency i.e. weak form, semi strong form and strong form. But there can be a situation which is contradictory to the notion of efficient market hypothesis. If in any market,

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Annexure I
Data period for Nifty50 index and 14 sectoral indices

Sr. No.	Index	Start Date	End Date
1	Nifty 50	02-01-1996	28-04-2023
2	Nifty Auto	05-10-2011	28-04-2023
3	Nifty Bank	10-06-2005	28-04-2023
4	Nifty Consumer Durables	10-08-2021	28-04-2023
5	Nifty Financial Services	28-02-2012	28-04-2023
6	Nifty FMCG	01-02-2011	28-04-2023
7	Nifty Health Care	01-01-2021	28-04-2023
8	Nifty IT	26-08-2003	28-04-2023
9	Nifty Media	04-10-2011	28-04-2023
10	Nifty Metal	04-10-2011	28-04-2023
11	Nifty Oil & Gas	10-08-2021	28-04-2023
12	Nifty Pharma	01-02-2011	28-04-2023
13	Nifty Private Bank	15-03-2016	28-04-2023
14	Nifty PSU	01-02-2011	28-04-2023
15	Nifty Realty	20-07-2010	28-04-2023

Source: Self Constructed