Preface

The stock market and ups and downs of index or stock prices always gain the attraction from several sides. It is the matter of wonder how stock prices move and hence several attempts have been made by many researchers to estimate or forecast the stock prices. There are many methods of forecasting stock prices. Traditionally fundamental analysis and technical analysis were used for this purpose. Fundamental analysis is related with the intrinsic value of the stock. It involves analysis of company’s financial statements, profitability, capital structure, dividend policy, industry specific factors etc. Technical analysts advocates that all financial and market information is already reflected in the stock prices. Therefore, prices can only be predicted with the relative forces of demand and supply. Thus it is very much related to price and volume data. As time passed, researchers evolved many more new analysis techniques, one of them being calendar anomalies. Calendar anomalies are based on the concept that history repeats itself. It states that it is possible to make excess or abnormal returns using past prices’ data. There are chances of earning excess returns at a particular time of the day, day of the week, week or half of the month, month of the year, quarter of the year, before or after holidays etc.

The present study is aimed at finding out the existence of calendar anomalies in the Indian stock market through the use of econometric techniques. It was decided to take up four effects to be tested namely day of the week effect, month of the year effect, monthly effect and quarterly effect. With these four objectives and accordingly four hypotheses, data for BSE and NSE indices were collected and tested using time series econometric techniques such as stationarity, dummy variable regression model, serial correlation, ARIMA modeling, heteroskedasticity and ARCH/GARCH etc. As the names suggest, their application involved the use of econometric software Eviews.

The present research work is divided into six chapters. The first chapter Introduction contains the general introduction of stock exchanges and seasonality of stock markets. Thereafter importance of seasonality, possible factors behind seasonality, various seasonal effects, detailed research methodology including
introduction to samples i.e. BSE and NSE indices have been elaborated. Second chapter *Review of Literature* contains the review of work already done on the study of seasonal stock market behaviour or calendar anomalies across the world. It was tried to incorporate pioneer studies along with concurrent ones. Third chapter *Tests of Stationarity* inaugurates the analysis section with the use of several econometric tests and techniques for determining the stationarity of data series. Stationarity of data series is a pre-requisite to use time series econometric techniques. In fourth chapter *Seasonality in BSE & NSE*, a detailed explanation of applying all the econometric techniques has been given and their results have been presented. Tabular presentations for various tests and procedures for all the four effects tested have been given. It was also attempted to find out whether there is any change in seasonal patterns in Indian stock markets over the years.

Further, an opinion survey has also been conducted in order to find out general awareness about seasonality in stock markets among market participants. The analysis and empirical findings have been presented in the fifth chapter *Opinion Survey*. The sixth chapter *Summary of Findings and Conclusions* contains the summary of all the chapters and findings. A summarized presentation has been given there for the confirmation or rejection of all the four effects tested for all the indices of BSE and NSE. It was also attempted to justify the present research on the basis of three criteria namely reliability, validity and ability to generalize.

Researcher expects that the present study will be helpful for equity analysts, fund or portfolio managers and individual investors in understanding the seasonal stock market behaviour and accordingly plan their investment timings in order to earn abnormal or excess returns. It may also enlighten the path for future researchers in analyzing stock prices behaviour, explaining risk-return relationship and forecasting stock prices.

*(Shilpa Lodha)*