

## **STOCK RETURN SEASONALITY IN THE EMERGING MALAYSIAN MARKET**

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### **ABSTRACT**

This study investigates the existence of seasonality in Malaysia's stock market. The study uses the monthly return data of the Kuala Lumpur Stock Exchange's Composite Index and EMAS (Exchange Main Board All Share) Index. After examining the stationarity of the two returns series, we specify a combined time series and regression model to find the monthly effect in stock returns. The study reveals evidence of the existence of seasonality in stock returns in Malaysia. The coefficients for several months are statistically significant. The average return for December is positive, and it is statistically significant in the case of the Composite Index. A positive December returns rules out the tax-loss selling hypothesis. In Malaysia, there are no capital gain taxes for either resident or non-resident investors. The evidence of seasonality implies that the Malaysia stock market is not informationally efficient. Hence, investors may be able to time their share investments to improve returns.