ABSTRACT

Stock returns and the influencing factors had been widely studied in many countries for a long time. Some researchers suggest there is holiday effect, which will induce the abnormal stock returns on pre-holidays (Kim & Park 1994 US stock market), some found there is reserve size impact, when size decreased, the return increased (Robert A. Ariel 1990)

In contrast, there are also augments according to the market efficiency theory. Which insist the stock prices be adjusted to the infusion of new information, the movement has no trend and therefore, regardless the holiday effects.

There are some studies in Thailand had been conducted to study the stock price behavior of SET according the market efficiency theory. Panadda Dtanralertpab (1978) & Chamman Monglolkasem (1978) found the previous price changes are useless in predicting future price or return changes. The sequence of the stock prices is independent. Jane Prasitlumkun (1983) & Piyawadi (1991) in contrast, found the sequence of the stock prices is dependent.

However, there is no study have been done in concern of the holiday effect and stock returns in SET. Thus, this research is aimed to identify whether Thai stock market is consistent with market efficient theory. To prove whether the holiday effect exist, if so, further more, to disclosure the relationship between
Firm Size and the Holiday Effect, to identify the relationships between the Holiday Effect and the Stock returns.

This study was conducted on the base of SET index from 1993 to 1999. Holiday will be focused on Songkhan and New Year’s day since they provoke the longest holiday during a year and thus, it might induce the important influence to stock returns. The t-statistic is used to disclose the relationship between holiday effect and stock returns. The F-statistic is conducted to test the firm size impact on holiday effect.

The results of this research indicated that, overall there is NO holiday effect exists in Thai stock market was found by analyzing the mean return on ordinary day and mean return on pre-holiday as a whole. Small holiday effect was presented when further analyzing across the size decile portfolio: There is pre-NewYear’s day effect found in portfolio 3; both pre-Songkhan’s day effect & pre-NewYear’s day effect presented only in portfolio 8. There is Size impact, means, and different firm response differently to holidays across size portfolio but such a impact does NOT have systematic pattern. Therefore. The Thai stock market performance follows the market efficiency theory.

The conclusion of this study may be used as significant references for all stock sectors, to better develop the performance of police maker, to help the investors’ decision making, to provide the evidence for academic researchers in their studying.