

MY TEAM CANNOT HELP YOU MORE. MAKE OTHER CORRECTIONS IF YOU THINK IT IS APPROPRIATE. VERY BAD EDITING ALTHOUGH THE SUBJECT IS GOOD. USE THIS VERSION ONLY AND ASK FOR HELP FROM AN ENGLISH SPEAKING COLLEAGUE. IF I DONT HAVE IN 2 DAYS IT WILL GO BACK

Market Anomalies and Effect on Returns

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Abstract:

The research aims to analyze the market anomalies and their effect on returns in the Indonesian and world major indexes during the period of 2010-2016. The sample period divided into two sub-periods, sub-period 2010-2013 and sub-period 2014-2016 in order to indicate the persistence of month of the year effect.

The sample selection method used in this research is a purposive sampling method also known as a judgmental sampling method of weekly returns from Indonesian indexes and world major indexes based on certain criteria. As the result, the samples that meet the criteria are consisting of 6 Indonesian indexes (BISNIS27, JKSE, KOMPAS100, LQ45, PEFINDO25, SRIKEHATI) and 4 world major indexes (CAC40 from France, DAX from Germany, FTSE100 from England, IBEX35 from Spain).

Ordinary least squares (OLS) and Generalized Autoregressive Conditional Heteroskedasticity (GARCH) (1, 1) model is used to analyze the data. The finding shows that anomaly month of the year effect exists in some of the Indonesian indexes and world major indexes during the research period with various occurrences.

The intensity of month of the year anomalies is diminishing with time. September effects can be found in most of the Indonesian indexes such as JKSE during the first sub-period. January and April effects are found in the later sub-period. For the major world indexes May effect is found in IBEX35 (Spain) in the earlier sub-period and February effect is found in FTSE100 (England) in the later sub-period. The research also indicates that the month of the year effects were more persistent among indexes with smaller market capitalization.

Keywords: Market anomalies, month of the year effect, return, GARCH models.

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research revealed a phenomenon month of the year effect on indexes Indonesia Using the GARCH (1,1) model, however, there were no phenomena month of the year in the sub-period effect by using OLS model.

2. Results in the period 2010 to 2016, using GARCH (1,1) is not found month of the year effect on world major indices. However, using the OLS model, has a positive effect in October on the DAX. In the sub-period 2010 to 2013, the results of the research show the effect of May on IBEX35 index by using GARCH model (1,1). While using the OLS model, the May effect was found on the IBEX35 index and the October effect on the DAX Index. In the sub-period 2014 to 2016, the results of the study showed the effects of February the FTSE100 index d with test GARCH (1,1). However, by using OLS model, no finding of any month of the year.
3. Phenomenon month of the year effect on Indonesia and the world major indices in the sub-period 2010-2013 appear not persistent on the sub-period 2014 – 2016. Some of the effects found in the sub-earlier period seems to disappear in the next sub-period but found effects of other months in the sub-period next. From the output of data, GARCH (1,1) looks better describe the phenomenon of market anomaly month of the year compared with the effect using OLS model. The results show that the Indonesian Capital Market is inefficient compared with some major world capital markets. The Indonesian capital market is inefficient compared to that of the country in Indonesia because of its large market capitalization. From the above conclusions, if investors can take advantage of the phenomenon of effect month of the year to earn more profit, we recommend investors to invest in Indonesia capital market compared to some of the world major capital markets due to the high volatility of the stock price.

Here are some suggestions that researchers can provide for future researchers who will conduct similar research:

1. Researchers are further advised to use analytical testing with different techniques. And compare it with the method that has been used in this research. And give the result which method is better.
2. Further research is expected to examine all of the indices are in Indonesia and test more world major indices in comparing this research so as to provide a broader view.
3. It is expected that the research period undertaken by the researcher can then be extended and use several more sub-periods to be able to compare from sub-period to sub-period and obtain better results.

References: Correct the references according to the sample. Verify that whatever is in the text it is also in the reference list.

Ali F. Darrat, Bin Li, and Richard Chung. "Seasonal Anomalies: A Closer Look at the Johannesburg Stock Exchange". *Contemporary Management Research* Pages 155-168, Vol. 9, No. 2, 2013.

FINAL CORRECTIONS (1): SAWITRI_ASTUTY ARTICLE

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