

THE DAY OF THE WEEK EFFECT ON STOCK MARKET VOLATILITY IN SRI LANKA

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1. Introduction

This study examines the impact of the day of the week listed on the Colombo Stock Exchange (CSE) between 2017 and 2023. The influence of daily seasonality on two particular industries is examined, considering daily stock price behaviour with the weak form of the Efficient Market Hypothesis (EMH). The aim of the study is to examine daily volatility in the ASPI and two sector price indices while determining if it aligns with the weak-form EMH.

2. Research Methodology

Using a quantitative, empirical methodology, this study examines the impact of the day of the week on the Colombo Stock Exchange (CSE) between 2017 and 2023. To find abnormalities historical stock data is methodically examined using Ordinary Least Squares (OLS) regression. Day-of-the-week price changes are evaluated and tested for using volatility measurements like mean returns.

3. Findings and Discussion

Weekdays had no discernible impact on volatility for the ASPI, banking, insurance, or textile and footwear industries. However, during the COVID-19 waves, there was a noticeable change in volatility tendencies. During the sample period, the day-of-the-week effect was influenced by outside variables such as calendar effects, holidays, and trade volumes.

4. Conclusion and Implications

We discover that within the sample period, Volatility has no significance for any of the weekdays in the ASPI, banking, insurance, or footwear and textile sectors. These trends, however, alter with subsequent pandemic waves.

Keywords: Colombo stock exchange, Day of the week effect, Efficient market hypothesis, Volatility, Pandemic impact, Seasonality