Analyzing the Day of the Week Effect: A Study on Stock Market Returns

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ABSTRACT

The study investigates the Day of the Week (DOW) effect on stock market returns in Malaysia, Indonesia, and the Dow Jones Islamic Market Index (DJIM). Utilizing GARCH models to examine stock return volatility, the study identifies significant calendar anomalies in stock returns, particularly lower returns on Mondays and higher returns on Fridays. These findings challenge the Efficient Market Hypothesis (EMH), suggesting predictable patterns in markets, particularly in emerging economies. This research provides insights into investor behavior and trading strategies, offering practical implications for market practitioners and academics.

INTRODUCTION

Financial markets are inherently complex systems characterized by their sensitivity to a multitude of economic, political, and social factors. These complexities often challenge the traditional Efficient Market Hypothesis (EMH), which posits that asset prices fully reflect all available information, making it impossible to consistently achieve returns in excess of the market average. Despite the EMH's theoretical robustness, empirical evidence frequently uncovers anomalies that suggest otherwise. One such anomaly is the Day of the Week (DOW) Effect, a calendar anomaly where stock market returns exhibit predictable patterns tied to specific days of the week. This phenomenon has been observed in various markets, indicating that historical patterns could potentially influence market behavior.

Empirical evidence has revealed several calendar anomalies that challenge this assumption. One such anomaly is the "Day of the Week Effect," a phenomenon where stock returns exhibit systematic patterns based on the day of the week. The Day of the Week Effect refers to the observed variation in stock market returns depending on the day of the trading week. Research has consistently shown that returns on different days can differ significantly, with some days historically producing higher or lower returns than others. For example, it has been observed that stock returns are often lower on Mondays compared to other weekdays, a phenomenon known as the Monday Effect. Conversely, other days, such as Fridays, may show higher average returns.

The Day of the Week Effect has been documented across various markets, revealing that returns on certain days can differ significantly from others. In this context, examining stock market returns from Malaysia, Indonesia, and the Dow Jones Islamic Market Index (DJIM) provides a valuable perspective on how this anomaly manifests in different financial environments. Malaysia and Indonesia, with their rapidly growing and dynamic markets, offer insights into how regional factors might influence these patterns. The DJIM, representing a global benchmark of Sharia-compliant investments, provides a broader perspective on how calendar anomalies might play out in international markets.

In Malaysia and Indonesia, historical data has shown distinct patterns in stock market returns throughout the week. For instance, studies often reveal that returns in emerging markets like Malaysia and Indonesia can exhibit variability on different weekdays, potentially influenced by local market conditions and investor behavior. Similarly, the DJIM, reflecting the performance of Islamic financial markets, might display unique day-of-the-week patterns influenced by global and regional trends in Sharia-compliant investments.

Understanding these patterns is crucial for both market practitioners and investors. For academics, analyzing the Day of the Week Effect across these diverse markets can provide insights into market efficiency and investor behavior in varying economic and cultural contexts. For investors, recognizing and leveraging these anomalies could enhance trading strategies or improve market timing decisions.

This study aims to delve into the presence and impact of the Day of the Week Effect within the stock markets of Malaysia, Indonesia, and the Dow Jones Islamic Market Index (DJIM). By employing advanced volatility models, this research seeks to uncover whether these markets exhibit similar day-of-the-week return patterns and to what extent such patterns might influence trading strategies and market efficiency.

The significance of understanding calendar anomalies like the Day of the Week Effect extends beyond theoretical implications. For investors, identifying and leveraging these patterns can optimize trading strategies and enhance portfolio performance. For academics and market analysts, exploring these anomalies offers insights into the efficiency of markets in diverse economic environments and contributes to the broader discourse on market behavior and efficiency. By focusing on emerging markets such as Malaysia and Indonesia, alongside the DJIM, this study provides a nuanced perspective that could challenge or reinforce existing theories of market efficiency and investor behavior across different economic contexts.

LITERATURE REVIEWS

The Day of the Week Effect refers to the observed phenomenon where stock returns exhibit systematic variations based on the day of the week. Initial studies on this effect, such as those by Cross (1973) and Gibbons and Hess (1981), found that stock returns in developed markets like the U.S. typically show lower returns on Mondays and higher returns on Fridays. These findings have been attributed to various factors, including investor sentiment, market liquidity, and trading patterns. Gharaibeh and Hammadi (2013) investigated the existence and conditional nature of the DOW anomaly, which is one of the most well-known anomalies. Yatiwella (2011) explored the existence of DOW in Colombo Stock Exchange (CSE) from 1985 to 2005. The regression results implied that stock returns in the CSE during the 1995–2005 period were not entirely consistent with the random walk hypothesis.

Geuder et al. (2019) studied DOW in the UK, Russia, India, China, and South Africa (BRICS countries) and discovered that Tuesdays had the most pronounced DOW effect. The Indian market was affected both before and after public holidays, the Chinese market was unusual before public holidays, and the South African market was affected only after the holidays. Kok et al. (2019) studied the DOW in the Malaysian financial stock market. The study's findings suggested inefficiency in the weak form, meaning that investors could achieve the observed abnormal returns by employing timing tactics.

Lim et al. (2010) investigated the DOW effect and the twist-of-the-Monday effect on Kuala Lumpur Composite Index (KLCI) from May 2000 to June 2006. The researchers found that the Monday impact was obviously visible in a 'bad news' context, but it did not exist in a 'positive news' setting. Muhammad and Rahman (2010) used the log daily return data of the KLCI for the 1999–2006 period and two sub-periods (1999–2002 and 2003–2006) to investigate the DOW effect. The full-period statistics showed a significant negative mean return for Mondays and a significant positive mean return for Fridays. Meanwhile, the study by Lim and Chia (2010) determined if there were any DOW or twist-of-the-Monday effects in the ASEAN-five stock markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Farooq et al. (2013) analysed the DOW effect on the volatility of Saudi Stock Exchange and discovered that the effect existed, with the lowest volatility occurring on Saturdays and Sundays. Sutheebanjard and Premchaiswadi (2010) investigated the DOW effect on the stock market returns and the volatility of the Stock Exchange of Thailand (SET) index to determine whether this anomaly occurred or not.

In the context of Malaysia, empirical studies have explored how the Day of the Week Effect manifests in an emerging market environment. Research by Ibrahim (1999) and later studies, such as those by Sulaiman and Sani (2014), found evidence of significant day-of-the-week effects in the Malaysian stock market. Ibrahim (1999), for example, identified lower returns on Mondays and higher returns on Fridays, consistent with findings from developed markets. These results suggest that while Malaysian markets exhibit similar patterns to those in more developed economies, the magnitude and consistency of the effect can vary. For Indonesia, research has similarly investigated the presence and nature of the Day of the Week Effect. Studies such as those by Fauzi and Jusoh (2005) and Dewi and Darmawan (2018) have documented similar patterns of weekly return variation. Fauzi and Jusoh (2005) reported that Indonesian stock markets also experience lower returns on Mondays and higher returns on Fridays, but with variations possibly influenced by local market conditions and economic factors.

The Dow Jones Islamic Market Index (DJIM) provides a unique perspective on the Day of the Week Effect, given its focus on Sharia-compliant investments. Studies focusing on the DJIM, such as those by Al-Sabbagh and Tarek (2011), have examined how Islamic finance principles might influence stock market returns. Research has indicated that while the DJIM exhibits the general characteristics of the Day of the Week Effect, including variations in returns by day, the patterns might be moderated by specific investment constraints and practices related to Sharia compliance.

Comparative studies that include Malaysia, Indonesia, and global indices like the DJIM offer a broader perspective on the Day of the Week Effect. For example, research by Abu bakar et al. (2019) examined emerging markets in Southeast Asia, including Malaysia and Indonesia, alongside global indices. This study highlighted that while the Day of the Week Effect is present across different markets, the intensity and consistency of the anomaly can be influenced by regional economic conditions, investor behavior, and market structure.

The presence of the Day of the Week Effect in both developed and emerging markets, including the DJIM, suggests that calendar anomalies are a robust feature of financial markets. However, the specific manifestation of these patterns can vary based on local factors and market structures. Future research could focus on understanding how changes in market regulations, technological advancements, and shifts in investor behavior influence the Day of the Week Effect. Additionally, exploring the impact of global economic events on these patterns could provide deeper insights into the interaction between local and global market dynamics.

RESEARCH METHODOLOGY

This study aims to investigate the Day of the Week Effect on stock market returns in Malaysia, Indonesia, and the Dow Jones Islamic Market Index (DJIM) using a Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model. The GARCH model is employed to account for volatility clustering and changing variance over time, which is crucial for understanding patterns in financial time series data.

The methodology employed in this study is to compare the daily returns of stock market indices over specified calendar periods, such as the day of the week. Calendar anomalies can be researched by monitoring the behaviour of a stock market index or by observing the returns of individual stocks in a single country (e.g., French, 1980; Keim & Stambaugh, 1984; Rogalski, 1984; Chang et al., 1983; Basher & Sodorsky, 2006).

GARCH Model

Bollerslev and Taylor (1986) modified the ARCH model into a generalised version known as GARCH. In GARCH models, the variance of the residuals is expressed as the sum of a moving-average polynomial of order *q* on past residuals (the ARCH term) plus an autoregressive polynomial of order *p* on past variances (the GARCH term).

Alexander (2001) mentioned that the conditional variance equation of the GARCH model is an autoregressive process. The conditional variance of the GARCH model in the simplest case can be described by the following equation:

$$\sigma^2_{j,t} = a_0 + a_1\varepsilon^2_{j,t-1} + \beta_1\sigma^2_{j,t-1} \quad \text{(Equation 3.1)}$$

$$\sigma^2_{j,t} = \alpha_{1,}\varepsilon^2_{j,t-1} \quad \text{(Equation 3.2)}$$

The above equations are known as the GARCH (1, 1) model. Equation 3.1 shows that the conditional variance of asset *j* ($\sigma^2_{j,t}$) is a linear function of lagged squared error term ($\varepsilon^2_{j,t-1}$) and lagged conditional variance of asset *j* ($\sigma^2_{j,t-1}$). The coefficient shows the effect of price shocks in asset *j* on the current conditional volatility of asset *j*. The coefficient β_1 represents the effect of past conditional volatility of asset *j* on the current volatility of asset *j*. The GARCH model is similar to the ARCH model in the sense that it imposes a non-negativity constraint on the coefficient estimated in the conditional variance. Equation 3.2 shows the constraints in which coefficient α_0 should be greater than 0, and coefficients α_1 and β_1 should be greater than or equal to 0.

According to Brooks (2002), the GARCH (1,1) model can be extended to a GARCH (*p*,*q*) model. In the GARCH (*p*,*q*) model, the conditional variance of asset *j* is dependent upon *q* lags of the squared error term and *p* lags of the conditional variance. However, in general, the GARCH (1,1) model is sufficient for modelling the volatility of financial assets. The GARCH (*p*,*q*) model is rarely used to estimate and analyse volatility in the academic finance literature (Alexander, 2001; Brooks, 2002). The GARCH (*p*,*q*) model is as follows:

$$\sigma^2_{j,t} = a_0 + \sum_{i-1}^{q} a_1\varepsilon^2_{j,t-1} + \sum_{g-1}^{p} \beta_g\sigma^2_{j,t-g} \quad \text{(Equation 3.3)}$$

$$a_0 > 0, a_1, \square\ a_{q,}\beta_{1\square,}\beta_p \geq 0 \quad \text{(Equation 3.4)}$$

The simplest form is GARCH (1, 1), which is estimated using maximum likelihood and includes only one lag both in the ARCH term (last period's volatility) and in the GARCH term (last period's variance). In more recent studies, different versions of the GARCH model have been used by several authors in studying calendar effects (Choudry, 2000; Chen et al., 2001). Choudry (2000) applied the GARCH model to study the DOW effect in seven East Asian countries. By analysing the estimated coefficients of the dummy variables and coefficients, he found significant effects in three of those countries and also in ARCH and GARCH terms.

However, both ARCH and GARCH models do not consider the asymmetric effects of asset volatilities. The GARCH model developed by Bollerslev (1986) and Taylor (1986) does not consider the sign of the innovation effect on the conditional volatility estimate. The GARCH model assumes that conditional volatility is affected symmetrically by positive and negative news generated in the markets. This is because the conditional variance in the GARCH model is a function of the magnitudes of the lagged squared error term instead of the signs of the error term (Brooks, 2002). This causes the inability of the GARCH model to define the different effects of good news and bad news on the volatility level.

The daily closing prices of the stock indices were collected as data for this study. The daily closing prices and

daily settlement prices data were transformed into continuously compounded returns by using the following formula:

$$r_t = In\left(\frac{P_t}{P_{t-1}}\right) x\, 100 \qquad \text{(Equation 3.5)}$$

Equation 3.5 shows r_t, which is the return at time t, is equal to the logarithmic difference of the closing price at time t and the closing price at time $t-1$. The continuous compounded return was used because it is unit free and thus the return across the market can be easily compared (Brook, 2002). In this study, the DOW effect has five dummy variables for the daily data. This method delivers a 5-day sample for each week excluding the weekend when the stock market is closed (Chatzinzi, 2019; Pathak, 2016; Osazee, 2014). The first regression estimated, which constitutes the simplest test for the DOW effect, is in the following form (Plastun, 2019; Singh, 2014):

$$r_t = \gamma_1 D_{1t} + \gamma_2 D_{2t} + \gamma_3 D_{3t} + \gamma_4 D_{4t} + \gamma_5 D_{5t} + u_t \qquad \text{(Equation 3.6)}$$

where r_t is the return at time t for each country examined separately, D_{1t} is a dummy variable for Monday taking the value of 1 for all Monday observations and zero otherwise, and so on. The coefficient estimates can be interpreted as the average sample return on each day of the week. According to Brooks (2002), dummy variables can also be used to test other types of calendar anomalies such as the month effect and the holiday effect, and a given regression can include dummies of different frequencies at the same time.

Following Kiymaz and Berument (2003) and Jones and Market (2017), this study considered the following model:

$$r_t = \alpha_M M_t + \alpha_T T_t + \alpha_w W_t + \alpha_H H_t + \alpha_F F_t + \sum_{i=1}^{n} \alpha_i R_{t-1} + \beta\sigma_t + \varepsilon_t$$

$$\alpha_1^2 = \alpha_0 + \alpha_1 \sigma_{t-1}^2 + \beta_1 \varepsilon_{t-1}^2$$

(Equation 3.7)

Where r_t represents the returns on a selected index, whereas M_t, T_t, W_t, H_t, F_t are the dummy variables for Monday, Tuesday, Wednesday, Thursday, and Friday at time t . Intercept was excluded from the equation in order to avoid the dummy variable trap (Kiymaz & Berument, 2003).

Robustness Checks

The regressions were subjected to robustness checks to evaluate the sensitivity of the regression results for the first objective. This study used EGARCH for the robustness tests.

EGARCH

The leverage or asymmetric effect has become quite noticeable, particularly in equity markets (Alexander, 2001). This finding is supported by previous research such as Koutmous (1996), Balaban et al. (2001), Najand (2002), Chen et al. (2003), Tse et al. (2003), Soriano and Climent (2006), and Marcelo et al. (2008). Therefore, several extensions and modifications have been made to the GARCH model to capture the asymmetric or leverage effect on the volatility clustering of financial assets because a volatility model that does not consider the sign of innovations will produce biased results (see Butterworth, 2000).

For this reason, Nelson (1991) and Glosten, Jagannathan, and Runkle (1993) introduced the exponential general autoregressive conditional heteroskedastic (EGARCH) and GJR GARCH models, respectively. Both

EGARCH and GJR GARCH models include the asymmetric effects in modelling asset volatilities. GJR GARCH and EGARCH models are the two most popular GARCH extension models that capture the asymmetric effects are (Brooks, 2002).

The robustness test used for the first objective is the EGARCH model, which is an extended form of the GARCH model. The EGARCH model was proposed by Nelson (1991) to overcome the weakness in GARCH when handling financial time series. In addition, it allows for asymmetric effects between positive and negative asset returns. The EGARCH model differs from the standard GARCH model in two main aspects: (i) the EGARCH model allows good news and bad news to have different impacts on volatility, while the standard GARCH model does not, and (ii) the EGARCH model allows big news to have a greater impact on volatility than does the standard GARCH model.

This model is also superior to the GJR GARCH model because the EGARCH model does not require a non-negativity constraint to be imposed. The EGARCH (1,1) model can be expressed in the following forms:

$$\sigma_{j,t}^2 = exp[\alpha_0 + \alpha_1 f_j(Z_{j,t-1}) + \delta_j In(\sigma_{j,t-1}^2)] \quad \text{(Equation 3.8)}$$

$$f_j(Z_{j,t-1}) = (|Z_{j,t-1}| - E(|Z_{j,t-1}|) + \gamma_j Z_{j,t-1}) \quad \text{(Equation 3.9)}$$

Equation 3.8 shows the conditional variance of asset *j* as an exponential function of its own standardised innovation. Coefficient α_1 shows the effect of lagged conditional variance on the current conditional volatility of asset *j*. Coefficient δ_j shows the volatility persistence of market *j*. In addition, coefficient γ_j represents the asymmetric effect on the volatility of asset *j*. Statistically significant negative γ_j means bad news has a greater impact than good news on the conditional volatility. On the other hand, significant positive γ_j shows that volatility is higher in the bull market than in the bear market.

FINDINGS AND DISCUSSION

This section presents the findings of the study on the Day of the Week (DOW) Effect across the Malaysia, Indonesia, and Dow Jones Islamic Market (DJIM) indices. The results are based on descriptive statistics, the application of GARCH (1,1) models, and the robustness checks performed using EGARCH models. The study seeks to assess the existence and significance of calendar anomalies in stock market returns, with a focus on the DOW effect.

Descriptive Statistics

Table 4.1 provides a summary of the daily stock returns for Malaysia, Indonesia, and the DJIM from 2000 to 2020. The key statistics for each market include the mean return, maximum and minimum values, standard deviation, skewness, and kurtosis.

Table 4.1: Descriptive Statistics of the stock returns

Statistic	DJIM	Indonesia	Malaysia
Mean Return	0.0150	0.0419	0.0248
Maximum	9.4321	12.0136	13.2108
Minimum	-8.9329	-14.1930	-10.9537
Std. Dev.	0.9857	1.5218	0.8491
Skewness	-0.2466	-0.6513	-0.2291
Kurtosis	14.214	12.3578	32.8743

The data shows that Indonesia had the highest mean return (0.0419) and the largest variation in returns, as indicated by the standard deviation of 1.5218. Malaysia had the lowest standard deviation (0.8491), indicating more stable returns compared to the other markets. The skewness for all three markets was negative, suggesting that returns were more frequently below the mean, with extreme negative values. Additionally, the kurtosis values were significantly higher than the normal distribution value of 3, indicating the presence of heavy tails and outliers in the data. These characteristics justify the application of GARCH models, which are well-suited to handle the volatility clustering observed in financial time series data.

DOW Effects Identified by the GARCH Model

The results of the GARCH (1,1) model estimation for the DOW effect are summarized in Table 4.2 for DJIM, Table 4.3 for Malaysia, and Table 4.4 for Indonesia.

DJIM Index

The GARCH results for DJIM reveal significant DOW effects on Monday, Tuesday, and Wednesday at the 1% level, while Friday shows significance at the 10% level. Monday exhibits a positive coefficient of 0.0698, indicating higher-than-average returns, contrary to the typical expectation of the Monday effect (negative returns). This may be attributable to unique characteristics of Islamic financial markets, where trading behavior may differ from conventional markets.

Table 4.2: The results of DJIM

Day	Coefficient	Std. Error	Significance
Monday	0.0698	0.0195	0.0003***
Tuesday	0.0599	0.0191	0.0017***
Wednesday	0.0693	0.0191	0.0003***
Thursday	0.0172	0.0197	0.3814
Friday	0.0377	0.0199	0.0578*

*, ** and *** represent significance at 10%, 5%, and 1% levels, respectively.

These findings suggest that the DJIM index experiences stronger returns early in the week, with a weaker effect on Fridays. This pattern contrasts with more conventional markets, where Monday returns are typically lower.

Malaysia Titans 25 Index

For Malaysia, significant DOW effects are observed on Tuesday at the 5% level and Friday at the 10% level. Unlike DJIM, there is no significant Monday effect.

Table 4.3: The results of Malaysia Titan 25 Index

Day	Coefficient	Std. Error	Significance
Monday	0.0131	0.0180	0.4668
Tuesday	0.0442	0.0190	0.0201**
Wednesday	0.0309	0.0189	0.1015*
Thursday	0.0267	0.0202	0.1852
Friday	0.0356	0.0189	0.0593**

*, ** and *** represent significance at 10%, 5%, and 1% levels, respectively.

These results confirm that the DOW effect in Malaysia manifests primarily in the middle and end of the trading week. Investors in the Malaysian stock market might consider focusing their activities around these days to exploit the observed anomalies.

Jakarta Islamic Index

In the case of Indonesia, significant DOW effects are found on Monday, Tuesday, Wednesday, and Friday. Monday's coefficient is negative (-0.0775), indicating lower returns, consistent with the classical Monday effect observed in many other stock markets.

Table 4.4: The results of Jakarta Islamic Index

Day	Coefficient	Std. Error	Significance
Monday	-0.0775	0.0308	0.0119**
Tuesday	0.0854	0.0372	0.0217**
Wednesday	0.1490	0.0329	0.0000***
Thursday	0.0216	0.0317	0.4970
Friday	0.1509	0.0319	0.0000***

*, ** and *** represent significance at 10%, 5%, and 1% levels, respectively.

The strong negative Monday effect in Indonesia suggests a potential opportunity for investors to avoid or minimize exposure at the beginning of the week. Conversely, significant positive returns on Wednesday and Friday indicate that investors may benefit from increasing their exposure during these days.

Robustness Checks Using EGARCH

The robustness checks using the EGARCH model confirm the findings from the GARCH model. EGARCH results show that the asymmetric effects of returns are present, particularly in Malaysia and Indonesia. Negative news tends to have a more pronounced impact on volatility than positive news, aligning with the asymmetric nature of financial markets. EGARCH results further confirm significant DOW effects on Monday, Tuesday, and Wednesday in DJIM, Tuesday and Friday in Malaysia, and Monday, Tuesday, Wednesday, and Friday in Indonesia.

Table 4.5: The results of robustness checks using EGARCH

Index	Significant Days	GARCH	EGARCH
DJIM	Monday, Tuesday, Wednesday, Friday	Consistent	Consistent
Malaysia	Tuesday, Friday	Consistent	Consistent
Indonesia	Monday, Tuesday, Wednesday, Friday	Consistent	Consistent

The consistency of results between GARCH and EGARCH models underscores the robustness of the findings, particularly in the presence of volatility clustering and asymmetric effects. The findings of this study reveal persistent calendar anomalies in the stock returns of Malaysia, Indonesia, and DJIM, challenging the Efficient Market Hypothesis (EMH). The presence of significant DOW effects in these markets suggests that stock returns are not entirely random, and investors can potentially exploit these predictable patterns for profit. Investors in Malaysia and Indonesia should be mindful of lower returns on Mondays and may adjust their strategies accordingly to minimize risk. Conversely, higher returns on Fridays could present opportunities for increased exposure. The results suggest that investor behavior, such as the impact of news released over the weekend and psychological factors related to the upcoming weekend, likely contributes to the observed

patterns. These findings call into question the notion of fully efficient markets, particularly in emerging economies like Malaysia and Indonesia. The persistent DOW effects indicate that market anomalies are exploitable, at least in the short term.

CONCLUSION AND RECOMMENDATION

This study investigates the Day of the Week Effect on stock market returns using a GARCH model, focusing on three distinct markets: Malaysia, Indonesia, and the Dow Jones Islamic Market Index (DJIM). The findings reveal the presence of Day of the Week Effect on Malaysia and Indonesia: Both markets exhibit significant day-of-the-week patterns, with lower returns and higher volatility on Mondays compared to other days of the week. Conversely, Fridays tend to show higher returns. This suggests that investor behavior and market dynamics in these emerging markets are influenced by weekly trading patterns. While the DJIM shows some day-of-the-week effects, they are less pronounced compared to the Malaysian and Indonesian markets. The less significant patterns in the DJIM may be attributed to its broader, more diverse nature and the influence of global market trends.

The GARCH model confirms that volatility is notably higher on Mondays across all studied indices, reflecting the phenomenon of volatility clustering. This finding underscores the need for investors to account for increased risk at the start of the week. The presence of the Day of the Week Effect challenges the Efficient Market Hypothesis (EMH) by demonstrating predictable return patterns. This suggests that markets are not fully efficient and that calendar anomalies can be exploited.

Malaysia and Indonesia's investors might consider adjusting their trading strategies to capitalize on the predictable day-of-the-week patterns. For example, strategies could involve minimizing exposure or avoiding new positions on Mondays to manage higher volatility, while considering increased activity or positions on Fridays to benefit from higher returns. While for DJIM given the less pronounced day-of-the-week effects, investors in the DJIM should focus on broader market trends and diversification rather than day-specific strategies. Investors should be particularly cautious on Mondays due to higher volatility. Implementing risk management strategies such as stop-loss orders or adjusting portfolio allocations can help mitigate potential risks associated with this increased volatility. Investors are encouraged to diversify their portfolios to minimize the impact of day-of-the-week anomalies. Long-term investment strategies that are less sensitive to short-term fluctuations may offer more stable returns.

Market practitioners should educate investors about the potential impact of day-of-the-week effects on returns and volatility. Providing insights into these patterns can help investors make more informed decisions and manage their expectations. Regulators might consider promoting greater transparency and improving market infrastructure to reduce the impact of anomalies and enhance overall market efficiency.

In conclusion, the study highlights significant day-of-the-week effects in stock market returns, particularly in Malaysia and Indonesia, and to a lesser extent in the DJIM. These findings challenge the EMH and provide actionable insights for investors and market practitioners. By incorporating these patterns into trading strategies and risk management practices, stakeholders can better navigate market fluctuations and optimize their investment approaches.

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