Is there any day-of-the-week effect amid the covid-19 panic in the Malaysian stock market?

ABSTRACT

Using daily data from January 2, 2020 to May 31, 2021, this study empirically examines the day-of-the-week effect in the Malaysian stock market during the coronavirus disease 2019 (COVID-19) outbreak. We also test the impact of the lockdown policy and market sentiment index on the stock market. We resort to ordinary least square regression with generalized autoregressive conditional heteroscedasticity specification. The finding shows that the day-of-the-week effect persisted during the COVID-19 outbreak. Monday’s returns on all selected indices were negative except for the access, certainty, efficiency market. The positive impact of the lockdown policy on Bursa Malaysia is identified after accounting for the day-of-the-week effect. This is due to the market expectation that the lockdown policy can stop the spread of COVID-19, which will lead to recovery. Further analysis uncovers that smaller capitalization stocks benefited more from the government lockdown policy announcements, which come with various stimulus packages that are more favorable to smaller companies. We also find that the United States market sentiment index negatively impacts all indices. This study unlocks and validates the contribution on calendar anomalies’ response during the COVID-19 period for Malaysia. The investment opportunity is available even during the pandemic era, leading to sustainable profit in the long term.