



ELSEVIER

Available online at www.sciencedirect.com

SCIENCE @ DIRECT®

Research in International Business and Finance 18 (2004) 51–57

RESEARCH IN
INTERNATIONAL
BUSINESS
AND
FINANCE

www.elsevier.com/locate/ribaf

The day-of-the-week effect in foreign exchange markets: multi-currency evidence[☆]

Nobuyoshi Yamori^{a,*}, Yutaka Kurihara^{b,1}

^a Graduate School of Economics, Nagoya University, Nagoya 464-8601, Japan

^b School of Economics, Aichi University, Toyohashi 441-8522, Japan

Received 25 September 2003; received in revised form 1 December 2003; accepted 10 December 2003

Abstract

To investigate to what extent transaction mechanism matters, we examine the daily returns of 29 foreign exchange rates in the New York market. This paper finds that the day-of-the-week effect existed in the 1980s for some, not all, currencies. The fact that the day-of-the-week effect existed for *only some* currencies suggests that the US transaction mechanism alone cannot explain the anomaly. Furthermore, this paper finds that the day-of-the-week effect disappears for almost all currencies in the 1990s. This latter result is consistent with previous studies on anomalies in the stock markets.

© 2004 Elsevier B.V. All rights reserved.

JEL classification: F31; G14; G15

Keywords: Anomaly; Day-of-the-week effect; Foreign exchange market

1. Introduction

Following French (1980), numerous studies have confirmed day-of-the-week effects, such as the Monday effect.² However, no complete explanation of these day-of-the-week effects

[☆] This paper was written while the first author was visiting the Center for Pacific Basin Monetary and Economic Studies, the Federal Reserve Bank of San Francisco.

* Corresponding author. Tel.: +81-52-789-4935; fax: +81-52-789-4924.

E-mail addresses: yamori@soec.nagoya-u.ac.jp (N. Yamori), kurihara@aichi-u.ac.jp (Y. Kurihara).

¹ Co-corresponding author. Tel.: +81-532-47-4111; fax: +81-532-47-4197.

² Kato (1990) investigated the day-of-the-week effects in Japanese equity markets. Aggarwal and Rivoli (1989) have investigated the seasonal and day-of-the-week effects in four emerging stock markets. Vetter and Wingender (1996) investigated the January effect in stock markets. See Yamori (1998).

has been presented so far.³ Therefore, further research efforts investigating the anomalies in various markets surely help us to understand the cause of the anomalies. For example, if the settlement procedure in the US stock market causes the observed anomaly, other US asset markets or non-US stock markets may show different anomalies. So, it is natural to investigate the anomalies in other markets.

Although foreign currency markets are as important as stock markets for portfolio investment, the anomalies have received relatively little attention in studies of exchange rate behavior. One of the few stylized factors is that that returns on several foreign currencies to an American investor are generally high on Monday and Wednesday and low on Tuesday and Friday. This was first found by McFarland et al. (1982) and have been confirmed by Jaffe and Westerfield (1985), So (1987), and Cornett et al. (1995).

In this paper, expanding the investigation of the day-of-the-week effect in foreign currency markets, we test the significance of such effect in 29 foreign currencies markets. That is, we test day-of-the-week effects for 15 European currencies, 2 Oceanic currencies, 4 American Continental currencies, 7 Asian currencies, and 1 African currency. It is notable that, as we use price data in the New York foreign exchange market, the transaction or clearing system is basically the same across the currencies. If we find that there are anomalies regarding only some currencies, the US settlement mechanism or US information release timings are not the sole cause of the anomalies. The anomalies may be attributed to the different quantity and quality of the information on issuing countries.

Furthermore, by dividing the sample into two sub-periods (i.e. the 1980s and the 1990s), our investigation provides some evidence regarding the relationship between the currency market efficiency and the financial developments. As Hiraki and Maberly (2003) pointed out, the day-of-the-week return patterns are not stationary but dynamic, and related to market microstructure. Therefore, as the globalization of financial markets has been accelerated since the late 1980s, it is particularly interesting to investigate the evolution of the day-of-the-week effect in world currency markets.

This paper is structured as follows. Section 2 explains our data. Section 3 shows the results. The last section contains our conclusions.

2. Data

We employ daily exchange rates of 29 currencies against the US dollar. Namely, our sample consists of: (a) 15 European currencies: Austria (Shilling), Belgium (Franc), Denmark (Krone), Finland (Markka), France (Franc), Germany (Mark), Greece (Drachma), Ireland (Pound), Italy (Lira), Netherlands (Guilder), Portugal (Escude), Spain (Peseta), Sweden (Krona), Swiss (Franc), and United Kingdom (Pound); (b) 2 Oceanic currencies: Australia (Dollar), New Zealand (Dollar); (c) 4 North, Middle, and South American currencies: Brazil (Real), Canada (Dollar), Chile (Peso), and Mexico (Peso); and (d) 7 Asia currencies: India

³ Lankonishok and Levi (1982) attributed the effect to the time lags between trading and settlement. Lankonishok and Marberly (1990), and Kamara (1995) found that individuals tend to increase trading on Monday. Damodaran (1989) documented that firms tend to report bad news on Fridays and suggests that the delayed release of information of bad news on Friday may cause the negative Monday effect.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات