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Halloween Effect in developed stock markets: A historical perspective

Abstract

In this paper, we conduct a comprehensive investigation of the Halloween effect evolution in the US stock market over its entire history as well as in the other developed markets (UK, French, Canadian, German and Japanese). We employ various statistical techniques (average analysis, Student's t-test, ANOVA, and the Mann-Whitney test) and the trading simulation approach to analyse the evolution of the Halloween effect. The results suggest that in the US stock market and other developed markets, the Halloween effect only became detectable in the middle of the 20th century. Recently it is still present in the US stock market and most of the other developed markets, which provides opportunities to build a trading strategy which can beat the market. Therefore, it can be concluded that, in the main, the Halloween effect in the US market and other developed markets is consistent with the Adaptive Market Hypothesis.

Keywords: Calendar anomalies, Halloween effect, Stock market, Efficient market hypothesis