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Daily News & Analysis

Thursday, November 17, 2005 11:17:00 PM

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Here's a hot tip: For day-traders, Mondays spell profits

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MUBMAI: Here's a hot tip: If you are a day-trader, you might be luckier on Mondays than any other day of the week. Here's another: Avoid Thursdays. Investing on Thursdays could often be injurious to your daily takehome.

Over the last one year, when the markets have been on fire and the indices gained nearly 40-50%, depending on which one (Sensex or Nifty) you want to believe, making money intra-day was fairly easy. There was money to be made on most days. Now that the market is already on a high perch, a little bit of statistical support may help more than consulting astrologers. According to a study done by DNA Money, the average daily return given by both these indices was the highest on Mondays. Significantly more.

During the period from November 1 last year to November 14 this year, the Sensex returned an average of 0.38% on Mondays and the Nifty around 0.39%. On the flip side, Thursdays were bleak. The average return on Thursdays has been the lowest in both the cases.

The Sensex returned 0.021% on Thursdays and the Nifty 0.034%. The overall average daily returns for the Sensex have been 0.161% and for the Nifty 0.144%. The average daily returns on Mondays are almost four times the average on the other four days the market is open. For the Nifty, this is almost five times. This effect is known as the day-of-the-week effect, according to which the average daily return of the market is different for different days.

As far as volatility is concerned, for the Sensex, evidence from the last year suggests that returns are most volatile on Friday. Volatility on Thursday is the second highest. Combine this with the fact that average returns have been the lowest on Thursday and this does not make the situation very encouraging for daily investors. For the Nifty, the volatility is highest on Thursday, and the average daily returns are also lowest on Thursdays.

The Indian evidence on day-of-the-week returns stands in sharp contrast to what happens in the global stockmarkets. Syed A. Basher and Perry Sadorsky of York University, in a research paper titled "Day-of-the-week effects in emerging stockmarkets", say: "Published research for the United States and Canada finds that daily stockmarket returns tend to be lower on Mondays and higher on Fridays." This is because companies tend to release unfavourable news over the weekend, which is then reflected in stock prices when the markets open on Mondays. In India, companies have apparently not learnt this trick yet.

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