The Halloween Effect and Japanese Equity Prices: Myth or Exploitable Anomaly

Published: 17 August 2005

Volume 10, pages 319–334, (2003) Cite this article

Asia-Pacific Financial Markets

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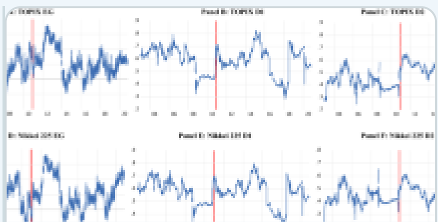
Abstract

Bouman and Jacobsen (*American Economic Review* **92**(5), 1618–1635, 2002) examine monthly stock returns for major world stock markets and conclude that returns are significantly lower during the May–October periods versus the November–April periods in 36 of 37 markets examined. They argue that, in general, the Halloween strategy outperforms the buy and hold strategy thereby casting doubt on the validity of the efficient market paradigm. More recently, Maberly and Pierce (*Econ Journal Watch* **1**(1), 29–46, 2004) re-examine the evidence for U.S. equity prices and conclude that Bouman and Jacobsen's results are not robust to alternative model specifications. Extending prior research, this paper examines the robustness of the Halloween strategy to alternative model specifications for Japanese equity prices. The Halloween effect is concentrated in

the period prior to the introduction of Nikkei 225 index futures in September 1986. After the internationalization of Japanese financial markets in the mid-1980s, the Halloween effect disappears.



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JEL classification: G14, G15

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Cite this article

Maberly, E.D., Pierce, R.M. The Halloween Effect and Japanese Equity Prices: Myth or Exploitable Anomaly. *Asia-Pacific Finan Markets* **10**, 319–334 (2003). https://doi.org/10.1007/s10690-005-4240-0

Published
17 August 2005

Issue date
December 2003

DOI
https://doi.org/10.1007/s10690-005-4240-0

Keywords

bull versus bear markets
efficient markets
money flows
Japanese stock market
market anomalies
trading rules