

# Spanish Stock Returns: Where is the Weather Effect?

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## Abstract

Psychological studies support the existence of an influence of weather on mood. Saunders (1993) and Hirshleifer and Shumway (2001) argue that the weather could affect the behaviour of market traders and, therefore, it should be reflected in the stock returns. This paper investigates the possible relation between weather and market index returns in the context of the Spanish market. In 1989, this market changed its open outcry trading system into a computerised and decentralised trading system. Therefore, it is possible to check the influence of weather variables (sunshine hours and humidity levels) on index returns in an open outcry trading system, and to compare it with a screen traded environment. The empirical evidence indicates that, independently of the trading system, there is no influence of weather on stock prices. Thus, these findings do not contest the notion of efficient markets.

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