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Seasonality, risk and return in daily COMEX gold and silver data 1982–2002

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Abstract

This study examines seasonality in the conditional and unconditional mean and variance of daily gold and silver contracts over the 1982–2002 periods. Using COMEX cash and futures data, we find that the evidence is weak for the mean but strong for the variance. There appears to be a negative Monday effect in both gold and silver, across cash and futures markets. Within a GARCH framework we find that the Monday seasonal does not disappear, indicating that it is not a risk-related artefact, the Monday dummy in the variance equations being significant also. No evidence of an ARCH-in-Mean effect is found.

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Notes

[1] See, for example, the research quoted in Keim (1983).

[2] Previous versions of this study used a simple trim of the top and bottom 2.5% of data. The results are not significantly different.

[3] We also analysed a continual series constructed by simply rolling to the nearest month when the contract expired. The results from this were qualitatively similar to the results presented here.

[4] The question remains open, given our dataset, as to whether this daily seasonal in variance is a weekend or Monday issue. According to Cross (1973) and French (1980) the Monday effect is Friday close to Monday close data. However, Rogalski (1984) and Harris (1986) state that a weekend effect if evident is returns examined from Friday close to Monday opening. The consensus evidence for equities is for a weekend effect.