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# The lunar moon festival and the dark side of the moon

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## Abstract

We propose and adduce evidence for a new seasonal anomaly associated with the Lunar Moon Festival (LMF) in East Asian economies. While the LMF effect bears some resemblance to the festivity and vacation anomalies, it is mainly driven by nostalgia, historically negative associations, the full moon and uncertainty about future harvest prospects. This negative sentiment and associated increase in risk and loss aversion are responsible for reducing share turnover, return volatility and stock returns over a 2-week period. The LMF effect is the strongest for China, Taiwan and South Korea where it is not only celebrated as a public or cultural holiday but it also impacts on neighbouring stock markets where overseas Chinese investors possess significant resources. Robustness checks demonstrate that it has a distinctive and more pronounced impact than competing seasonal effects associated with lunar phases and the summer vacations.

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