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The Other January Effect: international evidence

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Abstract

This paper investigates the predictive power of stock market returns in January for the

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Notes

The impact of outliers is also considered. In particular, we control for the large monthly declines of stock markets in October 1987 and in September 2001. Including an outlier dummy variable does not qualitatively affect the empirical results.

The lagged default spread, which is defined as the difference between the return on a portfolio of corporate bonds and on long-term government bonds, was also considered as a macroeconomic control variable. Since returns on corporate bonds are available for much shorter sample periods for most countries, this variable was omitted from our baseline regression in order to increase the sample length. The empirical findings additionally using the lagged default spread in the shorter sample periods do not affect our main conclusion.

To control for market returns, we use the following variables: market returns, other market returns, and other variables. In January 2001, the market returns were significantly lower than in other periods.

In addition, we consider the robustness of the main findings. The results show that the main findings are robust to different specifications.

In addition, we consider the maximum lag length of the variables. The results show that the maximum lag length is 12 months.



Empirical results on the randomized-bootstrap inference are not reported but are available on request.

Since January returns are included into those regressions, we additionally control for the well-known January Effect. Detailed empirical results are available on request.

Detailed empirical results are available on request.

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