I Use monthly stock data for an index.

I calculate excess monthly returns with continuous compounding.

En bild som visar Teckensnitt, diagram, symbol, vit

Automatiskt genererad beskrivning

Pt = closing value of index on last trading day in month t

Pt-1= closing value of index on last trading day in month t-1

Regression 1

En bild som visar Teckensnitt, typografi, kalligrafi, vit

Automatiskt genererad beskrivning

rt (dependent variable) = continuously compounded index return in month t,

St = dummy variable for the Halloween effect. Gets a value of 1 if month t lies in the November-April period and 0 in October-May.

α 1= coefficient estimate for the Halloween effect

γ = intercept

Regression 2

En bild som visar Teckensnitt, text, vit, kalligrafi

Automatiskt genererad beskrivning

rt (dependent variable) = continuously compounded index return in month t,

α 1= coefficient estimate for the Halloween effect

𝑆*t*adj = adjusted dummy variable for the Halloween effect. Value 0 May-October and January, 1 in other months.

α 2= coefficient estimate for the January effect

Jant = dummy variable for the January effect. Value 1 in January, 0 in other months.

γ = intercept