

# **Stock returns on Bucharest Stock Exchange during the second half of February**

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## **Introduction**

In the last decades, the presence of intra-month calendar anomalies, such as the turn-of-the-month effect, semi-month effect or third-of-the-month effect was revealed on several financial markets. Several explanations were formulated:

- the standardization of some essential payments (salaries, dividends, interest, and principal payments associated to various types of debts etc.);
- announcements about the macroeconomic situation or about the performances of companies that are scheduled to certain within-month time intervals;
- the tax-loss selling, and the window dressing practices etc.

This paper approaches, for the period January 2017 - August 2023, the behavior of stock returns from Bucharest Stock Exchange (BSE) during the second half of December. The last month of the year has some particularities that could affect the returns from within-month time intervals. There are two important public holidays: Christmas and New Year's Eve that could

influence the investors' mood. We study the stock returns from the whole second half of December but also for two components of this time interval: the third and the fourth quarters of the month.

The period investigated was characterized by significant turbulences. Some of them (the COVID-19 pandemic, the Russian invasion of Ukraine, the global energy crisis etc.) were caused by external factors, while others came from domestic circumstances (political instability, the acceleration of inflation, the Initial Public Offering for S.P.E.E.H. HIDROELECTRICA S.A., one of the most important Romanian companies etc.).

### **Data and methodology**

This investigation employs closing values of eight major indexes from BSE: BET, BET-BK, BET-FI, BET-NG, BET-TR, BET-XT, BET-XT-TR and ROTX. For each index, logarithmic returns are computed. The Augmented Dickey – Fuller unit root tests are used to study the returns stationarity.

To reveal the presence of abnormal returns we employ regressions with dummy variables associated to three time intervals within December: the second half, the third and the fourth quarters. We investigate the serial correlation and the heteroskedasticity of residuals using Breusch-Godfrey Lagrange multiplier and White's heteroskedasticity tests. To correct the serial correlation and the heteroskedasticity we employ Newey-West methodology.

## **Empirical Results**

For all the regressions, Newey-West corrections were necessary.

In the case of second half of December we found abnormal negative returns only for BET-NG index (an index that reflects stock prices from the energy sector).

For the two components of the second half of December the results of regressions indicate, for seven indexes, abnormal negative returns during the third quarter, while the eighth index (BET-FI, an index that reflects stock prices from the investment sector) displayed abnormal positive returns during the fourth quarter of December.

## **Conclusions**

The abnormal negative returns for the second half of December that occurred on BET-NG index could be explained by the global energy crisis impact.

The abnormal negative returns of seven indexes during the third quarter of December could be linked to the worries about stock prices evolution at the end of the year. Such worries could be amplified by circumstances such as the COVID-19 pandemic or the Russian invasion of Ukraine.

The abnormal positive returns of BET-FI index during the fourth quarter of December could be explained by some opportunities of investment (including the Initial Public Offering for HIDROELECTRICA).