Revisiting Monthly Effect in the Chinese Stock Market

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ABSTRACT

Abstract

Many empirical studies have documented that returns on stocks in January are significantly larger than those in any other calendar month. This study uses stochastic dominance theory, which is distribution-free, to examine whether the monthly effect exists in the Chinese Stock Market. The main results indicate that the March returns in the smallest portfolio dominate the March returns for all other portfolios. Similarly, March returns in all portfolios are superior to non-March returns. These findings in an important emerging market are obviously different from that in the most developed markets. Our results also indicate that allocating part of investors' assets in risk-free assets is useful in distinguishing returns among months.

JEL classification: G10; G14
Keywords: Monthly Effect, Stochastic Dominance Theory, Efficient Set

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