Finance

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FINANCE ASSIGNMENT Question one Stock market anomaly is used to refer to strange or unusual performances in the stock market. It used in the stock market to refer to situations in which securities or stocks perform in contrast to the expectations of the efficient market. This is usually an indication of either the market inefficiency whereby the market makes more profits or the failure of the existing asset pricing theory.

January effect is related to calendar market anomaly in the financial market in which the prices of the financial security rises during the month of the January. Thus the January effect is characterized by increment in the prices securities which comes after the lower prices at the end of the year. January effect is important because it creates an opportunity for investors to purchase stocks at a lower price before January and sell them when their value increases. This effect is also useful as it indicates the inefficiency in the stocks markets.

Question three

Weekend effect is used to indicate a pattern in which the stock market tends to perform very well on the Fridays and poorly on Mondays. Thus the prices of the securities and volumes are highest on the Fridays and lowest on Mondays. This effect is important because it is used for speculation.

Question four

Apple effect originated from the scenario of the huge surge in the indices figures as a result of the inclusion of the Apple shares in the S&P index. It is used to refer to a market abnormality that result when an attractive company is included or is expected to be included in the index.

Question five

Turn of the year effect is a stock market anomaly used to describe a pattern in which the trading volume and the prices of stock increase in the last week of December and the first two weeks of January. This situation is applied for speculation purposes by stakeholders in the financial markets.

Question six

Size effect is used in the stock market to refer to a market anomaly in which the performance of the small companies based on the market value exceeds those of the large companies. Size effect is useful because it is used to reflect a credit risk premium in the market.

Question seven

Momentum effect is used in the stock markets to refer to a situation in which within a period of 3 to 12 months, the past stock winners will always continue to perform better than the losers. The stock momentum is the force in the stock prices in which stocks with the past strong performances tend to perform well even in the future while those with poor performance history tends to perform poorly even in the future. This phenomenon is useful classifying the stocks in the market.

Question eight

In stock market, the value effect occurs when the firms with the highest payouts in terms of the dividends and those with high earnings - to- price (E/P) ratios will earn high abnormal returns compared to their CAPM. This is used by investors for speculation purposes.

Question nine

Prices and the volume of the Apple shares for the six month period,

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