Journal of Business School
2018, 1(1):45-66
DOI: 10.29226/TR1001.2018.65
Journal Homepage: https://www.journalbusiness.org

An Analysis of Stock Market Anomalies: Evidence from the Nigerian Stock Exchange

Esther Ikavbo EVBAYIRO-OSAGIE (Ph.D)
Department of Banking and Finance, Faculty of Management Sciences, University of Benin, Benin City, estherasein@yahoo.com, esther.evbayiro-osagie@uniben.edu

Peter O. ERIKI (Ph.D)
Department of Banking and Finance, Faculty of Management Sciences, University of Benin, Benin City, peter.eriki@uniben.edu, eriki51@uniben.edu

Abstract

The study examines stock market anomalies in the Nigerian Stock Market (NSE) by investigating month-of-the-year calendar anomalies, size and value fundamental anomalies and momentum effect within asset pricing models. The study also tests for the statistical significance of profit opportunities in anomalies. The sample size is 139 stocks listed on the NSE for the period 2008 to 2015. The time series pooled multiple regression analysis was employed in the study using calendar dummy, the three-factor model and the four-factor model. In addition, ten portfolios based on market capitalization, price-to-book and price gainers-to-losers' criteria were constructed. The study found that there was no January effect but there was strong evidence of July and August effect on most portfolios formed. The July and August monthly calendar anomalies did not exert a significant influence on all portfolios' excess returns after controlling for size, value and momentum factors. The findings also revealed that momentum effect was statistically significant in influencing the portfolio excess returns of big and small price winners' and losers' portfolios. In the NSE most portfolios constructed had no profit opportunities that are of statistical significance for the period under study. It was recommended that investors and equity portfolio managers should consider buying for their portfolio construction around July and August due to the existence of statistically significant negative returns around those periods. Also, investment fund managers should consider size and value factor as well as momentum factor in the pricing of asset to minimize loss and maximize return.

Keywords: Calendar anomalies, Size and Value effect, Momentum effect, fundamental anomalies, Stock market anomalies