

**TURN OF THE MONTH EFFECT: EVIDENCE FROM THE  
NAIROBI SECURITIES EXCHANGE**

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**DECLARATION**

This research project report is my original work and has not been submitted for award of a degree in this or any other university.

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## **DEDICATION**

To my late Mother Esther Kwekwe, Father Lazarus Chilumo Kai, wife Hydah, Son Wedner and Daughter Talanta, this project is heartedly dedicated to you. You have been a constant inspiration throughout my educational journey.

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## **ABSTRACT**

This project sought to conduct an empirical study to test the market efficiency of the Nairobi Securities Exchange by investigating if Turn of the Month effect exists at the exchange. In carrying out the study, the days of the month were divided in to two, the Turn of the Month (TOM) which included the last trading day of the month and the first three trading days of the following month. The other trading days of the month were categorized as Rest of the Month (ROM). The 20 share index was used as the sampling frame and the daily indices were used to compute the daily returns. Secondary data was obtained from the NSE data base. Descriptive statistics were computed from the returns and a regression model was run. The results of the study could not confirm the existence of Turn of the Month effect at the NSE. The TOM coefficient was not significant to confirm Turn of Month effect. The results are inconsistent with similar studies carried in the developed economies that found TOM effect to exist confirming that the capital markets were not efficient. It is therefore concluded that there is no TOM effect at the NSE. It is equally recommended that the findings of this study should be used cautiously by the market regulator, NSE, stock brokers, investors and listed companies. The reason being, they could have been influenced by the size of the index used to compute the returns. That no TOM effect was found at NSE is not sufficient to conclude that the market is efficient.

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## **ABBREVIATIONS**

AIMS :	Alternative Investment Market Segment
ANOVA:	Analysis Of Variance
CMA :	Capital Market Authority
CRSP :	Centre for Research for Security Prices
EMH :	Efficient Market Hypothesis
FISMS:	Fixed Income Securities Market Segment
FOMS :	Futures and Options Market Segment
IPO :	Initial Public Offer
KSE :	Karachi Stock Exchange
MIMS :	Main Investment Market Segment
NASI :	Nairobi All Stock Index
NSE :	Nairobi Securities Exchange
NYSE :	New York Stock Exchange
ROM :	Rest of the Month
SPSS :	Statistical Package for Social Science
TOM :	Turn of the month
UK :	United Kingdom
US :	United States