

**TESTING THE EXISTENCE OF JANUARY EFFECT AT
THE NAIROBI STOCK EXCHANGE**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF
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DECLARATION

This research project is my original work and has never been presented for any academic award in any institution of learning.

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This research project has been submitted for examination with my approval as University Supervisor

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ABSTRACT

The objective of the study was to find out whether there exists a January effect at the Nairobi Stock Exchange (NSE). Descriptive research design was used in the study. It involved gathering daily stock prices from the Nairobi Stock Exchange and analyzing the data statistically to determine the existence of the January effect on stock prices at the NSE. The population of interest in the study consisted of fifty two firms listed for equity stocks at the NSE as at December 2010. Their mean returns were used to investigate the existence of January effect at the NSE. The data comprised of the monthly share prices and returns.

Regression analysis of beta co-efficients of the model showed negative co-efficients between the average dependent variable for the months of February through December and an average positive dependent variable for January. This confirmed higher returns in January compared to the other months. Mean returns computed were found to be higher in January compared to the other months. T-statistics analysis carried out also showed positive significant effect between January and the other months and hence confirmed that returns in January were significantly higher compared with the other months. The analysis has clearly indicated that the January effect was present between the period 2001 and 2010 at the NSE. These results are useful in providing evidence of deviation from the efficient markets theory and in drawing conclusions about anomalies at the NSE. It is observed that the January effect patterns in return and volatility might enable investors strategize and take advantage of relatively regular shifts in the market.