



OPPORTUNITY

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Economic Snapshot December 2019

<p>MAIN INDICES NEWS</p> <ul style="list-style-type: none">• All-Share Index YTD: Opened 51,264 and currently around 55,184 (excluding the effect of dividends).• USD/ZAR @ 18 October: R14.79/\$• South Africa 10Y Government Bond yield: 8.42% <p>(Data: Moneyweb; Google finance; http://www.worldgovernmentbonds.com)</p>	<p>LOCAL HIGHLIGHTS & LOWLIGHTS</p> <ul style="list-style-type: none">- Loadshedding reached level 6 for the first time, paving the way for an economic contraction. Some mines halted production completely.- SAA speculated to collapse- Agricultural production contracted 3.6%, marking the 3rd consecutive contraction period. <p>GLOBAL EVENTS OF NOTE</p> <ul style="list-style-type: none">- US/China trade-talks ongoing, with concessions on currency and intellectual property rights being reached a positive sign.- Donald Trump to face two charges of impeachment
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FOCUSED COMMENTARY: Calendar anomalies

With Christmas around the corner and 2019 winding down, we have some significant dates that affect both society and the economy during this time of year. We have schools closing, the ‘builders’ holiday’ where construction stops on most projects, most companies are practically closed from before Christmas, and then we have the New Year whereafter the economic machine slowly starts turning its cogs again.

The economic ebb-and-flow around these dates don’t just have an observable impact on traded volumes and activity for most industries, but also an effect on sentiment. The same can be said for other periods of the year, where the prevailing mood during certain seasons can also affect markets. Everything being equal, one would not expect market anomalies or strange patterns to emerge year after year, but it does happen. These events are called calendar anomalies, and can roughly be defined as an irregular pattern that is connected to the dates it occurs around. Some interesting calendar anomalies include the day-of-the-week effect, the turn-of-the-month effect, the upcoming January effect, and the holiday effect. You may also have heard the saying “Sell in May and go away”.

The day-of-the-week effect was first observed when researchers started asking if people trade more on Mondays or on Fridays, and if sentiment differs among different trade days. The first behavioural researchers found that Fridays yielded larger returns than Mondays, but nowadays the anomaly is hypothesised to have turned around with Mondays now yielding greater returns than on Fridays when people’s attention starts to dwindle.

Another interesting finding was that strange returns days differed from country to country and culture to culture. For example, a study conducted by Jaffe and Westerfeld compared the day-of-the-week effect in the USA to that of Japan.



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While a pronounced difference between the returns of the various weekdays was found in both countries, the effect was not similar. The USA had large average losses on Mondays, modest average returns on Tuesdays and Thursdays and large positive average returns on Wednesdays and Fridays, while Japan's greatest losses occurred on Tuesdays after small price decreases occurred on Mondays, and the days with the largest positive average returns were Wednesdays and Saturdays during the time when the Japanese bourse was open on Saturdays as well. Locally, a study published in 2008 found a "significant positive Monday effect" for South Africa, and no calendar effects in Egypt, Kenya, Morocco and Tunisia.

I'll conclude with a thought that aligns closely to a riddle I heard as a young boy. The riddler asked "What is the only thing that always disappears when you mention it?" Can you guess the answer? It is 'silence'. The same effect holds for these anomalies. They are often observed retrospectively and may completely disappear once the bigger market tries to devise strategies that profit from them, making the market more efficient in the process.

QUOTE FOR THE MONTH: *"The contrary investor is every human when he resigns momentarily from the herd and thinks for himself."* **Archibald MacLeish**

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