

# Behavior of Stock Attributes on Religious Holidays

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## *Abstract*

*This paper studies the intraday patterns of stock attributes on religious holidays for a sample of stocks listed on both NYSE and NASDAQ. Psychologists have long argued that, lunar cycles and sunshine influence people's mood and judgment.<sup>1</sup> In the same way, religious and secular holidays affect mood, which in turn influence human behavior. Finance researchers have extended this body of research to ascertain the behavioral influences on stock attributes. Hirshleifer and Shumway (2003) document a significant positive relation between sunshine and stock returns. They attribute this finding to the fact that sunshine induces optimistic behavior. Furthermore, Dichev and Janes (2001), and Yuan, Zheng and Zhu (2006) show that stock returns are significantly higher on days around a new moon than on days around a full moon.*

*Fields (1934) finds that stock returns on trading days before religious and secular closed-market holidays are significantly higher than returns on other trading days. In addition, Frieder and Subrahmanyam (2004) study the impact of Jewish holidays on stock attributes. They find that on Yom Kippur, a solemn day of atonement, both trading volume and average returns fall while on Rosh Hashanah, a holiday of merry making, average returns rise but trading volume declines. Loughran and Schultz (2004) add support to the findings of Frieder and Subrahmanyam by documenting that trading volume in firms located in cities with high Jewish concentrations falls on Yom Kippur.*

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<sup>1</sup> See Tasso and Miller (1976); Eagles (1994); Tietjen and Kripke (1994); and Rind (1996).

*The studies on Jewish holidays do not address the impact these holidays have on bid-ask spreads. Since both trading volume and stock returns behave differently on these exchange-open religious holidays, it is possible bid-ask spread, which is a major component of trading costs, is different as well. In addition previous studies do not address other religious holidays where the stock markets remain open. Hence, further research in this regard is in order. In particular, we study the intraday spreads, return, volume, and volatility patterns of stocks on Jewish holidays as well as other exchange-open holidays. Furthermore, we compare bid-ask spreads and volatility before and after these exchange-open holidays.*

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