

Accepted Manuscript

Title: Risk, Return, and Liquidity during Ramadan: Evidence from Indonesian and Malaysian Stock Markets

Authors: Ya-Wen Lai, Atif Windawati

PII: S0275-5319(16)30329-4

DOI: <http://dx.doi.org/doi:10.1016/j.ribaf.2017.04.054>

Reference: RIBAF 670

To appear in: *Research in International Business and Finance*

Received date: 6-10-2016

Accepted date: 28-4-2017



Please cite this article as: Lai, Ya-Wen, Windawati, Atif, Risk, Return, and Liquidity during Ramadan: Evidence from Indonesian and Malaysian Stock Markets. *Research in International Business and Finance* <http://dx.doi.org/10.1016/j.ribaf.2017.04.054>

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**Risk, Return, and Liquidity during Ramadan: Evidence from Indonesian and Malaysian
Stock Markets**

Ya-Wen Lai^{a*} and Atif Windawati^a

^a *Department of Finance, National Formosa University, No.64, Wunhua Rd., Huwei*

Township, Yunlin County 632, Taiwan

Corresponding author. Tel: +886-5-6315769 E-mail address: yawenlai15@gmail.com

ABSTRACT

Indonesia and Malaysia are common in religion; however, the two countries have different developments in their equity markets. This study investigates the risk, return, and liquidity during Ramadan for the Indonesia and Malaysia stock markets. We find that the volatility is higher around Ramadan for the Indonesia stock market, while displays dynamic patterns in different phases around the month of Ramadan for Malaysia. Despite the changing risk during Ramadan, the risk-adjusted return remains unchanged. Furthermore, this study finds that the liquidity in most stock index markets of the two countries is higher around Ramadan. These findings support the notion that Ramadan affects investors' risk-taking attitude and facilitates the trade in stocks.

Keywords: Ramadan effect; Volatility; Liquidity; Indonesia stock market; Malaysia stock market.

JEL Classification: G12; G14

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