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Day of the week and the cross-section of returns

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ABSTRACT

Long-short anomaly returns are strongly related to the day of the week. Anomalies for which the speculative leg is the short (long) leg experience the highest (lowest) returns on Monday. The opposite pattern is observed on Friday. The effects are large. Monday (Friday) alone accounts for over 100% of returns for all anomalies examined for which the short (long) leg is the speculative leg. Consistent with a mispricing explanation, the pattern is driven by the speculative leg. The observed patterns are consistent with the abundance of evidence in the psychology literature that mood increases on Friday and decreases on Monday.

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G14

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