The effect of GST announcement on stock market volatility: evidence from intraday data

By: Haron, R; Razali, N; Nymjo, S; Salami Mansurat

Abstract

Purpose The purpose of this paper is to examine the effect of GST announcements (pre and post) on Malaysian stock market index. This study also utilises intraday data to look into intraday market volatility post GST announcement. Design/methodology/approach Both daily closing prices and intraday data of different frequencies are used to capture the extent of stock market volatility as well as the subsided period of the volatility. The period of study ranges from June 2009 to November 2016 and empirical estimation is based on the GARCH (1, 1) model for the pre- and post-GST announcements. Findings Persistent market volatility in the post-GST announcement is empirically recorded and the volatility is higher in the post-GST announcement than the pre-GST announcement. This demonstrates the unwillingness and reaction of the market towards the tax policy implementation. Market expectation on GST implementation towards the increase in the cost of living following the increase in the prices of goods and services in Malaysia is empirically supported in the post-GST announcement. Practical implications - The finding on this study is consistent with the expectation of the market that GST implementation will increase the price of the goods and services and hence increase the cost of living. This is supported by a noticeable increase in the stock market volatility in the post-GST announcement. Although GST announcement could be classified as a scheduled announcement, unwillingness to accept the policy prevails as shown by the increase in the stock market volatility. Originality/value The effects of Asian and global financial crisis are the major focus of past studies on stock market volatility, whereas this study examines and highlights the effect of the GST announcement on stock market volatility and the use of intraday data to further examine the nature of the volatility.

Keywords

Author Keywords: GARCH; Stock Market; Volatility; GST; Scheduled announcement

KeyWords Plus: US Macroeconomic News; Asymmetric Volatility; Price Volatility; Crude Oil; Spillovers; Exchange; Impact; Return; Shocks; Risk

Author Information

Reprint Address: Haron, R (reprint author)

IJUM Inst Islamic Banking & Finance, Kuala Lumpur; Malaysia.

Addresses:

[1] IJUM Inst Islamic Banking & Finance, Kuala Lumpur; Malaysia

E-Mail Addresses: hrzalii@iium.edu.my

Publisher

EMERALD GROUP PUBLISHING LTD, HOWARD HOUSE, WAGON LANE, BINGLEY BD16 1WA, WYORKSHIRE, ENGLAND

Categories / Classification

Research Areas: Business & Economics

Web of Science Categories: Management

See more data fields

Cited References: 76

Showing 30 of 76 View All in Cited References page

1. Short Run Stock Overreaction: Evidence from Bursa Malaysia

By: Adim, S. Z; Ali, Neri; Nazir, A. M.; et al.


[Show additional data]

2. Macroeconomic uncertainty and conditional stock-price volatility in frontier African markets Evidence from Ghana

By: Aderi, Charles K. D.

JOURNAL OF RISK FINANCE Volume: 10 Issue: 3 Special Issue: SI Pages: 333-348 Published: 2008

Times Cited: 9

Times Cited: 9
3. Modelling petroleum future price volatility: analysing asymmetry and persistency of shocks
   By: Alem, Fardous, Ward, Bert D., Hu, Bading
   OPEC ENERGY REVIEW Volume: 36 Issue: 1 Pages: 1-24 Published: MAR 2012

4. The impact of risk and uncertainty on expected returns
   By: Andersen, Evan W.; Ghysels, Eric; Juegens, Jennifer L.
   JOURNAL OF FINANCIAL ECONOMICS Volume: 94 Issue: 2 Pages: 233-268 Published: NOV 2009

5. 10 retailers’ tobacco licences suspended for selling cigarettes to minors
   By: [Anonymous].
   Channel NewsAsia Published: 2013

6. Risk contagion among international stock markets
   By: Asgharian, Hessein, Nossman, Marcus
   JOURNAL OF INTERNATIONAL MONEY AND FINANCE Volume: 30 Issue: 1 Pages: 22-38 Published: FEB 2011

7. Title: [not available]
   Group Author(s): Bank Negara Malaysia Economic Development
   Bank Negara Malaysia Economic Development Report Published: 2015 accessed 15 April 2018

8. Title: [not available]
   By: Basher SA
   ENERGY ECONOMICS Volume: 54 Pages: 235 Published: 2016

9. The effect of macroeconomic news on beliefs and preferences: Evidence from the options market
   By: Beber, Alessandro, Brandt, Michael W.

10. Can information be locked up? Informed trading ahead of macro-news announcements
    By: Bernile, Genaro, Hu, Jianfeng, Tang, Yukhua
    JOURNAL OF FINANCIAL ECONOMICS Volume: 121 Issue: 3 Pages: 496-520 Published: SEP 2016

11. Return and volatility linkages between oil prices and the Lebanese stock market in crisis periods
    By: Boun, Elie
    ENERGY Volume: 89 Pages: 365-371 Published: SEP 2015

12. Speculators, commodities and cross-market linkages
    By: Buyukshin, Bahattr, Rebe, Michell A.
    JOURNAL OF INTERNATIONAL MONEY AND FINANCE Volume: 42 Special Issue: SI Pages: 38-70 Published: APR 2014

13. Volatility linkages between energy and agricultural commodity prices
    By: Câmara, Breno Lopes, Schulz, Franziska
    ENERGY ECONOMICS Volume: 54 Pages: 180-203 Published: FEB 2016

14. Explaining international stock correlations with CPI fluctuations and market volatility
    By: Cai, Yifei, Chen, Ray, Neuber, Li Dan.
    JOURNAL OF BANKING & FINANCE Volume: 33 Issue: 11 Special Issue: SI Pages: 2326-2335 Published: NOV 2008

15. Post-earnings announcement abnormal return in the Chinese equity market
    By: Cameron, Trung
    JOURNAL OF INTERNATIONAL FINANCIAL MARKETS INSTITUTIONS & MONEY Volume: 21 Issue: 5 Pages: 637-661 Published: DEC 2011

16. Stock market predictability Non-synchronous trading or inefficient markets? Evidence from the national stock exchange of India
    By: Camilleri, Silve, Green, Christopher
    STUDIES IN ECONOMICS AND FINANCE Volume: 31 Issue: 4 Pages: 354- Published: 2014

17. Volatility and covariation of financial assets: A high-frequency analysis
    By: Cartea, Almav, Karayampas, Dimitri
    JOURNAL OF BANKING & FINANCE Volume: 35 Issue: 12 Pages: 3319-3334 Published: DEC 2011

18. Exploring the role of the realized return distribution in the formation of the implied volatility smile
    By: Chalamandaris, Georgios, Rompilois, Leonidas S.
    JOURNAL OF BANKING & FINANCE Volume: 36 Issue: 4 Pages: 1028-1044 Published: APR 2012

19. Crude oil hedging strategies using dynamic multivariate GARCH
    By: Chang, Chia-Lin, Moleker, Michael, Tansuchat, Reengchak
    ENERGY ECONOMICS Volume: 33 Issue: 5 Pages: 912-923 Published: SEP 2011
20. Large shocks in the volatility of the Dow Jones Industrial Average index: 1928-2013
   By: Charles, Amelie; Dame, Olivier
   JOURNAL OF BANKING & FINANCE Volume: 43 Pages: 188-189 Published: JUN 2014
   Times Cited: 25

21. What does financial volatility tell us about macroeconomic fluctuations?
   By: Chauvet, Marcelle; Senyuz, Zeynep; Yeldas, Emre
   JOURNAL OF ECONOMIC DYNAMICS & CONTROL Volume: 52 Pages: 340-360 Published: MAR 2015
   Times Cited: 11

22. News announcements and price discovery in foreign exchange spot and futures markets
   By: Chen, Yu-Lun; Gau, Yin-Feng
   JOURNAL OF BANKING & FINANCE Volume: 34 Issue: 7 Special Issue: 51 Pages: 1628-1636 Published: JUL 2010
   Times Cited: 71

23. Exchange rate volatility and UK imports from developing countries: The effect of the global financial crisis
   By: Chudry, Tauqiq; Harasen, Syed S.
   JOURNAL OF INTERNATIONAL FINANCIAL MARKETS INSTITUTIONS & MONEY Volume: 33 Pages: 83-101 Published: NOV 2015
   Times Cited: 9

24. Asymmetric effects of federal funds target rate changes on S&P100 stock returns, volatilities and correlations
   By: Chulia, Helen; Martens, Martin; van Dijk, Dick
   JOURNAL OF BANKING & FINANCE Volume: 34 Issue: 4 Special Issue: 51 Pages: 834-839 Published: APR 2010
   Times Cited: 81

25. Modeling volatility using state space models with heavy tailed distributions
   By: de Pinho, Frank M.; Franco, Glaura C.; Silva, Ralph S.
   MATHEMATICS AND COMPUTERS IN SIMULATION Volume: 113 Pages: 108-127 Published: JAN 2016
   Times Cited: 6

26. Title: [not available]
   By: Ebrill, I.P.
   The Modern VAT Published: 2001
   Publisher: International Monetary Fund
   Times Cited: 168

27. Intraday jumps and US macroeconomic news announcements
   By: Evans, Kevin P.
   JOURNAL OF BANKING & FINANCE Volume: 35 Issue: 10 Pages: 2511-2527 Published: OCT 2011
   Times Cited: 42

28. What has driven oil prices since 2007? A structural change perspective
   By: Fan, Ying; Xu, Jin-Hua
   ENERGY ECONOMICS Volume: 33 Issue: 6 Pages: 1082-1094 Published: NOV 2011
   Times Cited: 71

29. How do oil price shocks affect consumer prices?
   By: Gao, Lijing; Kim, Hyeongwoo; Saba, Richard
   ENERGY ECONOMICS Volume: 45 Pages: 313-323 Published: SEP 2014
   Times Cited: 16

30. On the persistence and volatility in European, American and Asian stocks bull and bear markets
   By: Gil-Alana, Luis A.; Shittu, Olanrewaju I.; Yaya, OlaOluwa S.
   JOURNAL OF INTERNATIONAL MONEY AND FINANCE Volume: 40 Pages: 148-162 Published: FEB 2014
   Times Cited: 12