

# **End-of-the-month effect of Canadian equity and potential window dressing manipulations by fund managers**

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## **ABSTRACT**

In line with the literature on turn-of-the-month effect, we found evidence of persistent end-of-the-month effect in Canadian stock market. Significantly higher returns characterize last trading day of all months, except January.

Dressing up returns prior to the important reporting dates by fund managers was proposed as one of the plausible explanations to the end-of-the-month effect. Using two liquidity proxies (market value and percentage of zero returns) and grouping by different quantiles of these proxies we detected evidence of December window dressing effect among small and illiquid stocks. To control for small minus big market capitalization factor, which predicts higher expected returns for small firms, we utilized three specifications of mean-adjusted (excess) returns.