Seasonality in the Cross Section of Factor Premia

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Abstract

This study examines the seasonality effect in the cross section of factor premia representing a broad set of stock market strategies. Using cross-sectional and time-series tests, we investigated the cross-sectional seasonality of market, value, size, momentum, quality, and low-risk premia within a sample of 24 international equity markets for the years 1986-2016. We provide convincing evidence that the factors with the highest (lowest) mean returns in the same calendar months in the past continue to overperform (underperform) in seven of the studied countries: Denmark, Finland, France, Israel, Spain, Sweden, and the United States. Furthermore, when the factors in multiple countries are considered, the past same-month returns display strong predictive power for future size and low-risk premia.

***Keywords*:** seasonal anomalies, calendar anomalies, factor premium, asset pricing, value, momentum, size, quality, low-volatility, international equity markets, market efficiency, return predictability.

***JEL Codes*:** G11, G12, G14, G15.

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