

## **Abstract**

This thesis examines a behavioral finance topic, the effect of weather on stock returns. The research was performed with the aim to verify formerly published results of various weather variables like sunshine, precipitation or temperature influencing stock markets. For the analysis Ordinary Least Squares regressions were implemented to investigate the relationships of stock returns and weather variables proposed in the previous literature as well as other market efficiency effects, a Monday and a January effect. In addition, GARCH model was carried out to check the influence of weather conditions on stock return volatility. Data used for the analysis consists of 24 emerging and 23 developed markets worldwide in the period 2006–2017. The results are not in support of the theory of weather affecting market trading which corresponds to the market efficiency theory. There seems to be no difference between the developed and emerging countries, not even countries' land area plays a role. However, in the thesis repeatedly appears significant evidence of the presence of the Monday effect.

## **Keywords**

Behavioral finance, Weather effect, Market efficiency, Anomaly, GARCH