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Effect of mood variables on investors decision making: an exploration

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Abstract:

This paper is produced to elaborate a study on the relation of the effects of life on the mood of the investors. More specifically, we are trying to understand according to investors **what the factors are that impact their mood and therefore impact their decision to buy or sell in the stock market**. We will try to conduct more than 20 interviews (women and men) in the Moroccan financial market. Namely the Casablanca Stock Exchange and trading rooms during the month of November and December 2018 to explore the Moroccan context and create a model.

Keywords: Decision Making, Morocco, Mood, Behavioral Finance.

Introduction:

Working on the mood of investors at first glance seems more psychological than financial. However, we cannot deny the existence of a large number of works in psychology that have dealt with this subject. However the question may also have its place in behavioral finance. The question of the effect of the mood on the decision-making of the investors in the Moroccan financial market is a subject that has never been treated before. The purpose of this paper is to explore the factors that affect the investor mood in decision making. The idea is to understand the factors that can impact the investors' mood, which will later affect their decision-making in the Moroccan financial market.

A- Literature review:

Several studies specify that mood is a state of general emotion that influences a financial decision. A good mood leads to a good understanding of the information, a good organization and an ease in the resolution of the problems (optimism), (Mickael MANGOT, 2005). (Wright and Bower, 1992), have shown that people in a bad mood attach a probability twice as much to the risk of a serious car accident as optimistic individuals.

According to several macroeconomic studies, researchers link abnormal returns to mood. It can be influenced by several effects like for example the weather effect (D.Hirshleifer & T.Shumay 2003). Both researchers tested the performance of financial markets based on weather conditions. The results showed that there is a difference between the days when the weather is nice and the days which are darker.

The second effect is the moon effect; Dichev & Janes studied the impact of the moon on return. They found gaps between the period of the full moon and the new moon.

Then there is also the weekend effect, in other words the Monday effect. Several psychologists have tried to study this phenomenon and explain that Monday is the day when the mood is bad and therefore the returns are minimal. (Gibbons & Hess 1981) and (P. Alphonse & al).

The holiday effect is one of the most studied effects on the American and European markets by different researchers. We cite the work of (J.Lakonishok & S. Smidt 1988) followed by

those of (P. Brockman and D. Michayluck, 1998) and (Vergin & McGinnis, 1999) who confirm that returns are quite high the day before the holidays. (O. Dodd, A. Gakhovich, 2011) confirm this later.

The last effect is Halloween; "Sell in May, and go away". This is the citation which researchers base this effect because, according to their studies, the greatest returns are realized between the month of November and the month of April. (Jacobsen & Bouman 2002) Where the first theorist who searched about this effect, after (B. Jacobsen & C. Zhang, 2003) and (M. Kaustia & E. Rantapuska, 2014) continue this study by confirming the existence of the Halloween effect.

B- Empirical study:

In order to conclude this research; we are supported by an exploratory qualitative approach and a bridge between theory and practice in order to confront and enrich our proposals from the literature. This was done on semi-directive interviews. tenos?? to specify that this phase.

The objective is to define the mood variables that influence the investors' decision. The choice of our field of study (Moroccan stock market). A few researchers link behavioral finance to the financial markets of emerging countries and Morocco is one of the emerging countries, therefore we chose to choose the field of study. The second reason is that Morocco can be a considerable basis for a study on the African continent.

We therefore have to conduct an exploratory study in the form of semi-structured interviews on the maximum number of investors that we have met and who are 26 in number. We rely on a maintenance guide made by ourselves. The majority of the questions are based on variables from the literature, however, there are other open questions that will allow us to discover new mood variables that align with the Moroccan context.

To conduct our interview, we used a guide. The first part of these questions are dedicated to personal information: age, family situation, number of children and work. Then we ask about the variables that affect the person's mood inside or outside of work.

The interviews were performed by 65% of men and 35% of women with an average age of 29.41 years, 15 are married and 11 are unmarried.

- **Mood:** more than 77% of the respondents confirmed that their mood changes too much. Nadia, 34, married with 1 child: “There are always ups and downs depending on the situations in the workplace or out of work”.

- **Effect of mood on work:** all respondents confirmed that their mood affects their work: "I'm aware that my mood has a significant role in my work. If I'm in a bad mood it could upset my decisions which is unacceptable at home, so I try to create a good mood from waking up to the arrival at work to avoid any problems. Mood is a state that always changes and depends on many things, I try in my work to be as neutral as possible but sometimes situations are needed and the decisions can be wrong. Since I am a person who always looks for the positive side of things, I will speak on the side of good humor, and I will say that the good mood generally plays positively on our work and makes us want to work more and analyze better so I always try to be happy even with a small piece of chocolate".

- **The points that determine the mood change:** most of the respondents tried through their responses to distribute the factors that affect the mood to several categories (general variables, specific variables). "Working conditions impact my mood, the weather has a role on my mood; work stress affects the progress of our work; my state of soul upsets me; this question is very wide for me because it can start from the climate of the day and leave towards the distance of my work, my personal life, even what I am wearing can influence me. I believe that the change of mood depends on the general and specific situations, personal and professional of each of us, especially in this area which for me depends mainly on our good mood and our attachment and love for this work. "

The analysis of the interviews allowed us to identify 4 categories that affect the mood of financial analysts.

I. Calendar events:

- **Weather and mood:** 100% of respondents link their good mood to a sunny day.

“The first thing that determines my mood at the beginning of the day is the climate, if I open the window and the sun says hello the day will start wonderfully, otherwise it does not encourage me to go to work”.

“I was born in summer and that is why I love sunny days, it motivates me and I feel that I am active and I can face any difficulty in front of me; I feel good, inner peace”.

“A sunny day is a day that makes you want to get up early in the morning, and attack it. Personally the climate has a lot of effect on my mood and temperament”.

- **The days of the week and mood:** the majority of respondents think that the good mood comes at the end of the week and Monday is a day where performance is minimal and people are in a bad mood.

“I like Friday more than Monday, so I'm very motivated on Friday”.

“The bad mood starts on Sunday and therefore on Monday and good for the rest”.

“The more the weekend approaches, more I am in a good mood”.

“Monday is often the most feared day, but it ends up passing”.

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- **Holidays and mood:** the financiers are very happy and very active when holidays are approaching. According to them the good mood increases with the approach of the holiday. "It starts with the acceptance of my holiday, once the date is specified, I start to be excited and once it approaches I am in a very good mood;

“Very stressed for the handover, but very relieved to go on vacation for a while, it's excitement I think”.

“Exhausted and at the same time too excited at the idea of rest”.

“Very good and I feel more productive”.

- **The beginning and the end of the month and the mood:** the respondents assume that their mood does not depend on the beginning or the end of month and that it has no impact on the bad and the good mood, except for three people who have linked this point with the salary:

“I am more in a good mood when I receive my salary, it means at the beginning of the month. I feel more active and motivated at work because I say to myself: I will have the right and the means to make me happy after work so I feel zenn”.

“Depressed by the end of the month and then so happy at the beginning of the month”.

“First week of the month, I feel rich and therefore in a good mood”.

“I have no problem with the beginning and end of the month”.

“Indifferent, no change, no difference, no link”.

- The seasons and the mood: In order to have a precise answer for this question we asked our analysts surveyed to specify according to them, the months when they are in good moods and therefore more productive. The majority of respondents indicated that during the spring, they are in a good mood and their performance is quite good.

“Yes, I'm in a good mood rather in spring”.

“ Less good in winter and summer”.

“When I work a lot without taking rest, I feel that everything impacts my mood and I really need a good climate, for me that is spring”.

“I have a preference for the summer-spring seasons”.

“Less desire for work in summer and winter”.

“In Spring and summer, the mood is much better”.

- Ramadan and mood: This question corresponds to the effect of the holy month in the mood of respondents. According to them, work during the holy month shows a decline in bargaining activity and has an effect on decision-making and especially for smokers.

“Negative impact on my mood, work exhausts me more, fatigue and lack of sleep creates bad mood”.

“I am a smoker and this is the period when my performance is not good, I try hard not to make much decision during this period”.

II. Specific and social effects:

- **Sport and mood:** In order to know the relation of sport generally and to the football especially, we were obliged to carry out a set of questions successive to have a clear idea on this point. According to the responses received, only men who have shown interest in this question. However, all women are not interested to football. They present themselves as true supporters and not as spectators, which explains the impact of football matches whether it is a gain or loss on their mood. We tried to specify more in this question, and we asked their point of view of the 2018 World Cup and specifically the three games of Morocco against Spain, Portugal, and Iran. All of our respondents had a feeling of sadness, patriotism, rage and disappointment that had an impact of several days.

"I had a feeling of patriotism, I was disappointed and at the same time proud of their performance because they were real lions, I could not overcome the feeling of frustration".

- **Music and mood:** 70% of respondents confirm that they use music to calm themselves, to motivate themselves and to change their mood. "When the music is sad it saddens me". "Good music makes me happy". "I do not know how, but I feel good when I hear house music". "Relief, relaxation and a zenn feeling". "Music greatly affects my mood: a sad song makes me sad and it usually binds with a sad memory in our lives and a cheerful song cheers me up". "The good music soothes and makes more joyful". "It's my source of motivation".

- **Family and mood:** All respondents mentioned family as the first variable that affects their mood and affect their work in general. They said that good news creates good mood and high returns, yet the bad news creates a bad mood and dramatically reduces returns. This news depends on children and parents.

"I am a human being, and what happens in my family affects my state of mind; In such situations, I have no morale, so obviously my mood is not good and eventually I will not find much pleasure in doing my job. Especially when it comes to my children, my parents or even couples problems. Family problems have a big impact on my mood, I cannot think well, it disturbs and upsets the life of the person. Sad family events affect me a lot and have a great influence on my productivity and my mood. Good news changes behavior and improves performance; it creates joy and gives you a new breath of work. As for sad events, happy

events within the family have an influence. But I would say that their impact is lower than that of sad events.”.

III. Professional effects:

The analysis of our interviews allowed us to identify the effects of internal mood at work:

- **Recognition at work:** It is the motivation that allows a person to work more. According to (Bielby, 1992), it is a stress factor at work. When we asked our analysts to specify the variables that can affect their mood in the workplace, the majority reported the recognition point.

"The thing that can change the mood in my work is recognition, if I provide a great effort that deserves to be rewarded and it is not done then I lose my desire and I will be demotivated and so my mood changes suddenly and there, more concentration. Acknowledging this efforts, impacts the work done and therefore the mood at work because the motivation depends on the level of the integration".

- **Overload in the workplace:** all the interviews confirmed that the overload work strongly affects the mood of each of them and reduces their work performance.

"The type of our work is very stressful and there is always an overload that never stops, it is rated the most stressful job in the world, so when you wake up in the morning knowing that there is an overload at work, you are in a bad mood and so it can falsify your results. You can in this case make a wrong decision at the wrong time”.

- **The distance, the bottling:** the third point mentioned about the working climate is the distance and the traffic jam, according to them this point makes them in a very bad mood from the beginning of the day.

“When you work at 8:30 and you have to wake up at 5am and get out of your house at 6:30 to arrive at 8:30, it annoys you with all the traffic jams that exist in Casablanca, it's horrible”.

- **Work Team:** The last point concerns the homogeneity within the team and the work climate.

"Knowing the nature of our work, it is mandatory to work in a very homogeneous team otherwise it will not be possible to move forward and make gains, the team plays first on our

morale and our mood, knowing that, I am in good company in my job and I look forward to working more".

C- Analysis and discussion:

The study that we carried out allowed us to draw a series of results on the problem of the mood and the effect of its variables on the decision making within the Moroccan Stock Market. Several variables already existing in the literature have been highlighted. The first one concerns the weather; it was mentioned in the literature by (D. Hirshleifer & T. Shumway, 2003). They confirmed through their study that the weather is a mood variable that affects the decision of investors in the markets Financials: "Sunshine is strongly positively correlated with daily stock returns. After controlling for sunshine, other weather conditions such as rain and snow are unrelated to returns. If transactions are assumed to be minor, it is possible to trade profitably on the weather "(D. Hirshleifer, T. Shumway, 2003).

There are other variables mentioned in the literature, namely the weekend effect, or the Monday effect. Several studies have been conducted to validate this variable, and the majority has found that Monday is the day when the yield is very minimal compared to the other days of the week. "The most notable evidence is for Monday's returns" (Gibbons & Hess, 1981).

The literature also supports the holiday effect: "We find evidence of persistently anomalous returns around the turn of the week, around the turn of the month, around the turn of the year and around holidays. The holiday effect accounts for some 30 to 50 % of the total return on the US market in the pre-1987 period "(J. Lakonishok, S. Smidt, 1988). Others have validated that returns in the financial markets are rather high on the eve of the holiday.

"Sell in May, and go away" is a well-known diction in the stock market and explains that the highest returns are between November and April. Several studies were carried out in this sense (Jacobsen & Bouman , 2002) and another deeper with (C.Zhang, 2003) to confirm the existence of this variable named the 'Halloween effect'. In our case, the majority answered that the best work months are between October and May, it can be linked to this Halloween effect. "The result is a clear seasonal pattern: trading volume declines for both individual and institutions significantly during the holiday season" (M. Kaustia, E. Rantapuska, 2014).

A study on one of the largest stock market in the Muslim world showed a drop in performance during Ramadan. A review of trading data shows that this abnormally appears to reflect a decline in trading activity during Ramadan. Evidence of a decline is directly related to the decisions made by investors in Islamic countries, (Fazal J.Seyyed, Abraham MohsenAl-Hajji, 2005). In our case, we found that the Ramadan effect is also related to the smoker, because, according to the answers received, smokers tend to have a bad mood during the holy month because of their addiction to the cigarette (nicotine).

There is also the sport effect, in the Moroccan case; we considered football as the most sport supported by the Moroccan people. We focused on the national team and the 2018 World Cup. We found that all those who confirmed their attachment to football were men. (Edmans & al., 2007) conducted a study on investor reaction to the results of football matches, They saw a drop in returns following the loss of the team in question. Music was also one of the variables observed because all the interviewees confirmed that music affects their mood.

Moroccan culture has its own values and we think it affects our results as well. We are talking here about the belonging of Moroccans to a group whether it is family or work. (Hofstede, 1984) defines collectivist society as "the individual is motivated by group interests. The group may be the family, the clan, the tribe, or some other type of in-group. It will be incomprehensible and irrational to those who assume self-interest in the ultimate motive". (Allali, 2008) continues that "fundamental values animate Moroccan society despite its great diversity. Without taking these values into account, any attempt to understand the relationship between national culture and management in Morocco in a company would be in vain".

This explains the effect that family can have on a person's mood. This was confirmed by the interviewees. For them, the family strongly affects mood change and decision-making at work. In the same way, the team at work also affects mood and therefore decision-making. In our case, we found that team, recognition and overwork at work affect the mood and decision-making within the financial markets.

Conclusion:

This study on the Moroccan case is our first exploration of the Moroccan context, and on the academic front it will allow us to have a more clear idea about Mood variables in Moroccan stock market exchange. Indeed, the main limitation of our work is there are a strict number of the interviewees. Therefore our results need to be subjected to another study so they can be generalized and for that we consider undertaking a quantitative study with a larger population.

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- **Sport and mood:** In order to know the relation of sport generally and to the football especially, we were obliged to carry out a set of questions successive to have a clear idea on this point. According to the responses received, only men who have shown interest in this question. However, all women are not interested to football. They present themselves as true supporters and not as spectators, which explains the impact of football matches whether it is gain or loss on their mood. We tried to specify more in this question, and we asked their point of view in 2018 World Cup and specifically the three games of Morocco against Spain, Portugal, and Iran. All of our respondents had a feeling of sadness, patriotism, rage and disappointment that had an impact of several days.

"I had a feeling of patriotism, I was disappointed and at the same time proud of their performance because they were real lions, I could not overcome the feeling of frustration".

- **Music and mood:** 70% of respondents confirm that they use music to calm themselves, to motivate themselves and to change their mood. ...When the music is sad it saddens me, ... good music makes me happy, ... I do not know how, but I feel good when I hear house music, ... relief, relaxation and zen ... music greatly affects my mood: a sad song makes me sad and it usually binds with a sad memory in our lives and a cheerful song cheers me up. ... The good music soothes and makes more joyful ... It's my source of motivation ».

- **Family and mood:** All respondents mentioned the family as the first variable that affects their mood and affect their work in general. They said that good news creates good mood and high returns, yet the bad news creates a bad mood and dramatically reduces returns. This news depends on children and parents.

"I am a human being, and what happens in my family affects my state of mind; ...In such situations, I have no morale, so obviously my mood is not good and eventually I will not find much pleasure in doing my job. Especially when it comes to my children, my parents or even couples problems... Family problems have a big impact on my mood, I cannot think well, it disturbs and upsets the life of the person...Sad family events affect me a lot and have a great influence on my productivity and my mood. Good news changes behavior and improves performance; it creates joy and gives you a new breath of work. As for sad events, happy events within the family have an influence. But I would say that their impact is lower than that of sad events. "

III. Professional effects:

The analysis of our interviews allowed us to identify the effects of internal mood at work:

- **Recognition at work:** It is the motivation that allows a person to work more. According to (Bielby, 1992), it is a stress factor at work. When we asked our analysts to specify the variables that can affect their mood in the workplace, the majority reported the recognition point.

"The thing that can change the mood in my work is recognition, if I provide a great effort that deserves to be rewarded and it is not done then I lose my desire and I will be demotivated and so my mood changes suddenly and there, more concentration; ...Acknowledging his efforts, his work impacts too much my mood at work because for us our motivation depends on the level of our integration.... "

- **Overload in the workplace:** all the interviews confirmed that the overload work strongly affects the mood of each of them and reduces their work performance.

"The type of our work is very stressful and there is always an overload that never stops, it is rated the most stressful job in the world, so when you wake up in the morning knowing that there is an overload at work, you are in a bad mood and so it can falsify your results. You can in this case make a wrong decision at the wrong time ».

- **The distance, the bottling:** the third point mentioned about the working climate is the distance and the traffic jam, according to them this point makes them in a very bad mood from the beginning of the day.

"When you work at 8:30 and you have to wake up at 5am and get out of your house at 6:30 to arrive at 8:30, it annoys you with all the traffic jams that exist in Casablanca, it's horrible."

- **Work Team:** The last point concerns the homogeneity within the team and the work climate.

"Knowing the nature of our work, it is mandatory to work in a very homogeneous team otherwise it will not be possible to move forward and make gains, the team plays first on our morale and our mood, knowing that, I am in good company in my job and I look forward to working more".

F- Analysis and discussion:

The study that we carried out allowed us to draw a series of results on the problem of the mood and the effect of its variables on the decision making within the Moroccan Stock Market.

Several variables already existing in the literature have been highlighted. The first one concerns the weather; it was mentioned in the literature by (D. Hirshleifer & T. Shumway, 2003). They confirmed through their study that the weather is a mood variable that affects the decision of investors in the markets Financials: "Sunshine is strongly positively correlated with daily stock returns. After controlling for sunshine, other weather conditions such as rain and snow are unrelated to returns. If transactions are assumed to be minor, it is possible to trade profitably on the weather "(D. Hirshleifer, T. Shumway, 2003).

There are other variables mentioned in the literature, namely the weekend effect, or the Monday effect. Several studies have been conducted to validate this variable, and the majority has found that Monday is the day when the yield is very minimal compared to the other days of the week. "The most notable evidence is for Monday's returns" (Gibbons & Hess, 1981).

The literature also supports the holiday effect, "We find evidence of persistently anomalous returns around the turn of the week, around the turn of the month, around the turn of the year and around holidays. The holiday effect accounts for some 30 to 50 percent of the total return on the US market in the pre-1987 period "(J. Lakonishok, S. Smidt, 1988).Others have validated that returns in the financial markets are rather high on the eve of the holiday.

"Sell in may, and go away" is a well-known diction in the stock market and explains that the highest returns are between November and April. Several studies were carried out in this sense (Jacobsen & Bouman , 2002) and another deeper with (C.Zhang, 2003) to confirm the existence of this variable named 'haloween effect'. In our case, the majority answered that the best work months are between October and May. it can be linked to this Haloween effect. "The result is a clear seasonal pattern: trading volume declines for both individual and institutions significantly during the holiday season" (M. Kaustia, E. Rantapuska, 2014).

A study on one of the largest stock market in the Muslim world showed a drop in performance during Ramadan. A review of trading data shows that this anomaly appears to reflect a decline in trading activity during Ramadan. Evidence of a decline is directly related to the decisions made by investors in Islamic countries, (Fazal J.Seyyed, Abraham MohsenAl-Hajji, 2005). In our case, we found that the Ramadan effect is also related to the smoker, because,

according to the answers received, smokers tend to have a bad mood during the holy month because of their addiction to the cigarette (nicotine).

There is also the sport effect, in the Moroccan case; we considered football as the most sport supported by the Moroccan people. We focused on the national team and the 2018 World Cup. We found that all those who confirmed their attachment to football were men. (Edmans & al., 2007) conducted a study on investor reaction to the results of football matches, They saw a drop in returns following the loss of the team in question. Music was also one of the variables observed because all the interviewees confirmed that music affects their mood.

Moroccan culture has its own values and we think it affects our results as well. We are talking here about the belonging of Moroccans to a group whether it is family or work. (Hofstede, 1984) defines collectivist society as "the individual is motivated by group interests. The group may be the family, the clan, the tribe, or some other type of in-group. It will be incomprehensible and irrational to those who assume self-interest in the ultimate motive". (Allali, 2008) continues that "fundamental values animate Moroccan society despite its great diversity. Without taking these values into account, any attempt to understand the relationship between national culture and management in Morocco in a company would be in vain".

This explains the effect that family can have on a person's mood. This was confirmed by the interviewees. For them, the family strongly affects mood change and decision-making at work. In the same way, the team at work also affects mood and therefore decision-making. In our case, we found that team, recognition and overwork at work affect the mood and decision-making within the financial markets.

Conclusion:

This study on the Moroccan case is our first exploration of the Moroccan context, and on the academic front it will allow us to have a more clear idea about Mood variables in Moroccan stock market exchange. Indeed, the main limitation of our work is there are a strict number of the interviewees. Therefore our results need to be subjected to another study so they can be generalized and for that we consider undertaking a quantitative study with a larger population.

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