

Does Aligning Trading Days with Global Markets Increase Volume, Foreign Investor Participation and Price Efficiency?

Prof. Miriam Schwartz-Ziv, Chief Economist
Guy Sabbah, Deputy Chief Economist

הרשות לניירות ערך
Israel Securities Authority
سلطة الأوراق المالية

Abstract

Starting from January 5, 2026, the Israel Securities Authority and the Tel Aviv Stock Exchange replaced the Sunday–Thursday trading days with Monday–Friday trading days, thereby aligning the trading days to those of major international stock exchanges. We compare trading activity during the Sundays six months before the reform, to the Fridays after the reform and find that average daily trading volume on the affected trading days increased by 40%-100%, and that the average daily turnover ratio increased by 44%-58% Price efficiency also improved: the average bid-ask spread decreased by 11%. We further show that the reform led to a substantial increase in the participation of foreign investors: their share of trading volume on the affected trading day was 2.5 times higher, increasing from 15.3% (on Sundays) before the reform to 38.2% (on Fridays) afterward. Taken together, our findings indicate that aligning trading days with those of major international markets can substantially increase trading activity, increase foreign investor participation, and improve price efficiency.

1. Background

On January 5, 2026, the Tel Aviv Stock Exchange switched its trading days from Sunday–Thursday (the working days in Israel) to Monday–Friday (the working days followed by most countries, including those with major international stock exchanges). Trading hours from Monday through Thursday remained unchanged, with trading taking place from 10:00 a.m. to 5:30 p.m. Before the reform, Sunday trading took place from 10:00 a.m. to 4:00 p.m., while following the reform, Friday became a shortened trading day, with trading from 10:00 a.m. to 1:50 p.m. The shorter trading hours on Friday are due to the beginning of the weekly Jewish holiday, the Sabbath, which starts on Friday evening.

In 2013, the Saudi Stock Exchange shifted from a Saturday-Wednesday to a Sunday-Thursday trading days following a corresponding change in Saudi Arabia's official workweek. Alsayari and Wickremasinghe (2022), who study this change and compare returns and volatility before and after the reform, find that the days on which volatility and returns peaked changed following the reform. Although the reform increased the overlap with major international markets, the Saudi market remained closed on Fridays and therefore did not achieve full alignment with the Monday-Friday trading days.

Qadan and Aharon (2019) examine an extension of trading hours that occurred in 2013 on the Tel Aviv Stock Exchange and find that longer trading hours increase trading volume particularly of dual-listed stocks. Houston and Ryngaert (1992) examine reductions in NYSE trading days, Saturday closures during 1945-1952 and Wednesday closures in 1968, and find that these closures did not materially change total weekly trading volume or return variance, but instead shifted trading volume and volatility to other days, particularly those following the closure. Similarly, Barclay, Litzenberger, and Warner (1990) study the Tokyo Stock Exchange's reduction in Saturday trading: beginning in August 1986, the exchange moved from being closed on one Saturday per month to being closed on two Saturdays per month. They find that trading volume on Monday through Friday is similar regardless of whether the week includes a Saturday trading day, and that having the exchange open on Saturday generates additional trading volume equal to approximately 40% of the volume on an average weekday.

More recently, in January 2022, the UAE financial exchanges, including the Dubai Financial Market and the Abu Dhabi Securities Exchange, changed their trading days from Sunday–Thursday to Monday–Friday.[1] At the same time, U.S. equity markets are moving toward nearly continuous trading, with the SEC supporting industry efforts to expand trading hours and approving proposals that include overnight trading.[2]

Understanding how greater alignment across markets affects trading patterns and allows investors in different countries and time zones to participate during hours that are convenient for them is therefore particularly important at this point in time.

1 | See https://www.emiratesnbdsecurities.com/en/investor-updates/new-working-week-schedule-of-the-uae-financial-exchanges and https://gulfnews.com/business/markets/uae-weekend-change-stock-markets-to-operate-from-monday-to-friday-starting-next-year-1.84253633

2 | https://www.sec.gov/newsroom/speeches-statements/selway-remarks-sifma-roundtable-012826

We make two main contributions to this literature. First, we examine whether aligning a domestic market's trading days with those of major international markets increases the participation of international investors. Our setting is particularly well suited to addressing this question because we have transaction-level data that allow us to identify whether investors are domestic or foreign and, for the majority of trades, to identify the type of investor behind each trade, including whether the investor is retail or institutional. These data therefore allow us to go beyond documenting changes in aggregate trading volume and examine which investors account for these changes. To our knowledge, we are the first to directly examine whether greater alignment of trading days with international markets succeeds in attracting greater participation by international investors. Second, we examine whether aligning trading days with international markets improves price efficiency. In particular, we examine whether the reform is associated with lower bid–ask spreads. This allows us to assess whether greater alignment affects not only who trades and how much they trade, but also the efficiency with which the market operates.

We first estimate the overall cange in trading activity between the pre- and post-reform periods using the Monday–Thursday trading days, which were common to both periods. Average daily trading volume on these days increased from 3.0 billion NIS before the reform to 4.3 billion NIS afterward, an increase equivalent to 43.3% (4.3/3-1). We then estimate the change in trading activity on the affected trading day by comparing Sundays before the reform with Fridays after the reform. As Figure 1 demonstrates, the average daily trading volume on the affected trading day increased from 1.3 billion NIS on Sundays before the reform to 2.6 billion NIS on Fridays afterward, i.e., a 100% increase. Thus, while trading volume increased throughout the week following the reform, the increase on the day that changed from Sunday to Friday was substantially larger, suggesting that the replacement of Sunday trading with Friday trading led to a meaningful increase in trading activity beyond the overall market-wide trend. After adjusting for the overall increase in trading activity that occurred during the first half of 2026, the increase in trading volume on the affected trading day was 40% {(1+100%)/(1+43%)-1}, suggesting that replacing Sunday trading with Friday trading achieved the goal of increasing trading volume.

We also compare trading volume on the trading days which changed to the unchanged Monday–Thursday trading days: Before the reform, the average trading volume on Sunday was equal to 43.3% of the average daily trading volume on Monday–Thursday of that same week. After the reform, the average trading volume on Friday was 60.5% of the average Monday–Thursday volume. This increase also suggests that the larger increase in trading volume on Fridays is not simply driven by the overall increase in trading activity during the period, but rather is driven by the change in trading days.

This increase is particularly striking because Friday is a shortened trading day, with trading ending at 1:50 p.m., compared with 5:30 p.m. on Monday–Thursday- roughly half the length of a regular trading day, and two hours shorter than Sunday (which ended at 4:00 p.m). Moreover, the Israeli market closes at 8:50 a.m. Eastern Time on Friday, before the U.S. equity market opens at 9:30 a.m. Eastern Time. Thus, despite Friday being both a substantially shorter trading day and the lack of overlap with U.S. trading hours, trading volume on Fridays increased substantially following the reform.

2. Analysis

2.1. Change in Volume

We start by examining whether the change in trading days described above increased trading volume.[3] Trading volume provides a direct measure of market activity and investor participation and is widely used to assess how changes in market design affect trading activity (Karpoff, 1986; Chordia, Subrahmanyam, and Anshuman, 2001). Figure 1 offers perhaps the most direct answer to this question. In Figure 1, we compare trading activity during two periods: (1) the six months preceding the change in trading days (the second half of 2025), and (2) the first six months following the change (the first half of 2026).

During the first period, when trading took place from Sunday through Thursday, we divide the observations into (i) Sundays and (ii) Monday–Thursday. During the second period, when trading took place from Monday through Friday, we divide the observations into (i) Monday–Thursday and (ii) Fridays. We group the trading days in this way to examine whether the shift from Sunday to Friday affected trading activity while controlling for any overall change in trading volume over the sample period. Because Monday–Thursday were trading days both before and after the reform, these days allow us to isolate the effect of replacing Sunday trading with Friday trading from other changes in trading volume that may have occurred over the 12-month period examined (i.e., six months before to six months after the reform).

To obtain clean estimates that are not influenced by unusual events (which often occur on Fridays), we exclude off-market transactions, days on which TASE or major international indexes (MSCI/FTSE/S&P) are rebalanced, and monthly options expiration days. In addition, we excluded Palo Alto shares which were Dual listed on TASE because it was listed in the middle of our sample period (on February 2026) with an extremely high market cap (it is the largest public company in Israel).[4]

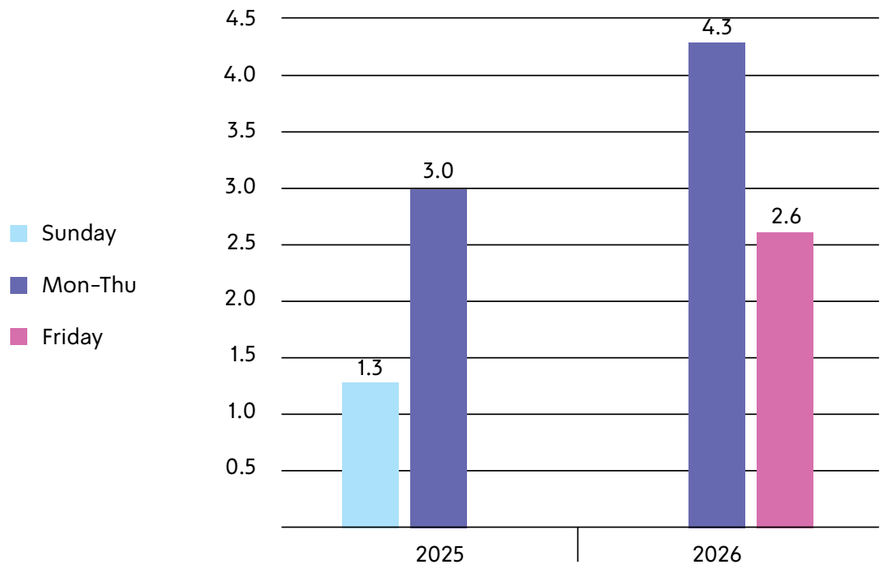


Figure 1. Average Daily Trading Volume, in Billions of NIS, Before and After the Transition from a Sunday–Thursday to a Monday–Friday Trading Days
This figure compares average daily trading volume, in Billions of NIS, of stocks traded on the Tel Aviv Stock Exchange during the six months before the reform (July–December 2025) to Fridays during the six months after the reform (January–June 2026), and the unchanged Monday–Thursday trading days during the post-reform period.

3 | See Table 1 – Appendix of Variables, for more information.

4 | These modifications were made for all analyses.

Figure 2 demonstrates that the pattern documented in Figure 1 is remarkably consistent throughout the sample period. In every month following the reform, average daily trading volume on Fridays substantially exceeded the trading volume on Sundays before the reform, while trading volume on the unchanged Monday–Thursday trading days also increased, indicating that the results are not driven by any single month.

Our findings complement and extend the existing literature on day-of-the-week effects in financial markets. Prior studies document that trading activity varies systematically across the week. For example, Kiymaz and Berument (2003) show that trading volume is generally lower on Fridays than during the middle of the week in major developed markets, including the United States, the United Kingdom, and Canada. Similarly, DellaVigna and Pollet (2009) find that earnings announcements released on Fridays receive less investor attention and generate lower abnormal trading volume than announcements released on other weekdays. These findings imply that moving trading from Sunday to Friday should make it more difficult to increase trading activity and attract international investors. Consistent with the prior literature, we find that Friday trading volume remains lower than Monday–Thursday trading volume by 35%. Nevertheless, Friday trading volume is significantly higher than Sunday trading volume before the reform, despite the fact that Sunday is a working day and had longer trading hours.

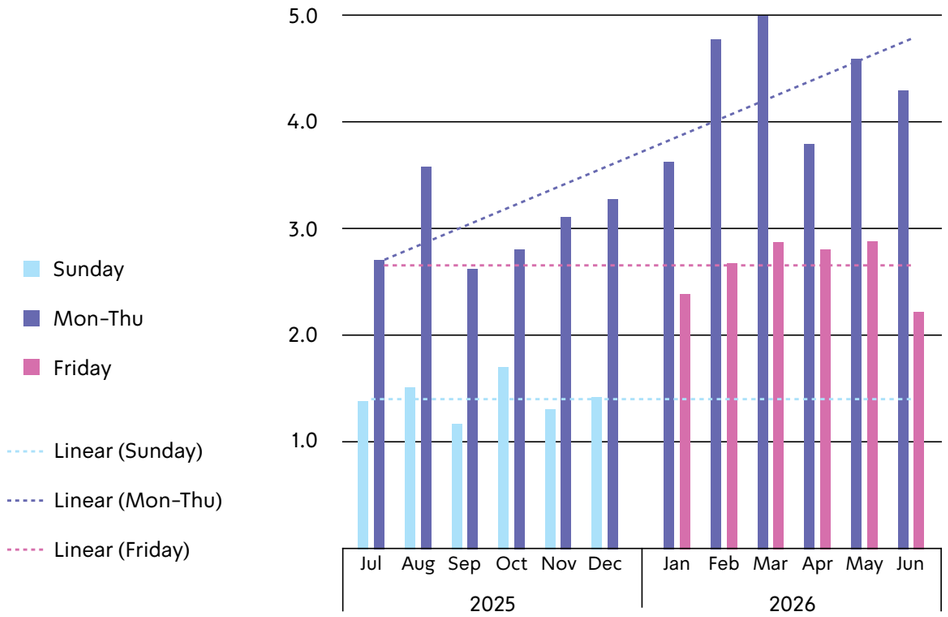


Figure 2. Average Daily Trading Volume (in Billions of NIS), by Month, Before and After the Transition from a Sunday-Thursday to a Monday-Friday Trading days
This figure reports average daily trading volume by month of stocks traded on the Tel Aviv Stock Exchange during the six months before the reform (July—December 2025) to Fridays during the six months after the reform (January—June 2026), and the unchanged Monday-Thursday trading days during the post-reform period. The dashed lines show the fitted linear regression lines for the respective series.

2.2. Change in Daily Turnover Ratio

We next examine the daily turnover ratio[5], a widely used measure of trading activity and market liquidity (Datar, Naik, and Radcliffe, 1998; Lo and Wang, 2000). By scaling daily trading volume by market capitalization, this measure allows us to compare trading activity over time while accounting for changes in the value of listed firms. This is particularly important in our setting because, during the second half of 2025 and the first half of 2026, the Israeli stock market experienced a surge in the value of listed firms (TA -125 index was up 47% during this time).

Figure 3 therefore compares the average daily turnover ratio before and after the reform.
Accordingly, Figure 3 compares the average daily turnover ratio, i.e., for each company, the daily value of its shares traded divided by its market capitalization, before and after the reform. The average daily turnover ratio, across all companies, on the unchanged Monday–Thursday trading days increased from 0.188% before the reform to 0.214% afterward, an increase of approximately 14% {(0.214% – 0.188%)/0.188%}.

The average daily turnover ratio on the affected trading days increased significantly from 0.081% on Sundays before the reform to 0.128% on Fridays afterward, i.e., an increase of 58% {(0.128% – 0.081%)/0.081%}. Thus, after adjusting for the increase in the average daily turnover ratio on the unchanged Monday–Thursday trading days (14%), the increase in the average daily turnover ratio on the affected trading day is equal to 39% {(1+58%)/(1+14%)-1}. These findings indicate that the increase in trading activity following the reform cannot be explained solely by the increase in the market capitalization of the Israeli stock market. [6]

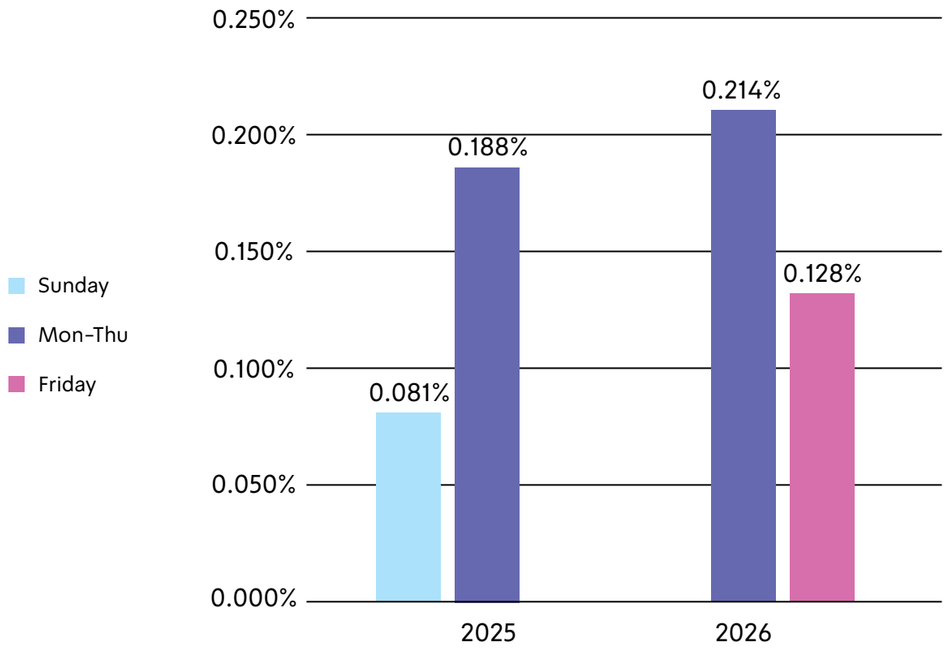


Figure 3. Average Daily Turnover Ratio Before and After the Transition from a Sunday–Thursday to a Monday–Friday Trading days
This figure reports the average daily turnover ratio (daily trading volume divided by market capitalization) of stocks traded on the Tel Aviv Stock Exchange during the six months before the reform (July–December 2025) to Fridays during the six months after the reform (January–June 2026), and the unchanged Monday–Thursday trading days during the post-reform period.

5 | See Table 1 - Appendix of Variables, for more information.

6 | Similar results were obtained across different market segments: Friday turnover ratios remained higher than Sunday turnover ratios both when stocks were divided into dual-listed and domestically listed stocks and when they were divided into /TA-125 constituents and all other stocks.

2.3. Change in Bid-Ask Spreads

We next examine changes in bid—ask spreads following the reform.[7] The bid-ask spread. i.e. the difference between the highest price buyers are willing to pay and the lowest price sellers are willing to accept, is a widely used measure of market liquidity and trading costs. Narrower spreads indicate that investors can trade at a lower cost and are generally associated with better market quality (Amihud and Mendelson, 1986; Bessembinder et al., 2016). Figure 4 compares the average Bid—ask spreads, weighted by market cap, before and after the reform. On the Monday-Thursday trading days that were common to both periods, the average bid-ask spread increased slightly from 0.378% before the reform to 0.391% afterward, i.e., a 1% increase.

In contrast, on the affected trading day, the average bid-ask spread declined from 0.48% on Sundays before the reform to 0.426% on Fridays afterward, a decrease of 0.055 percentage points (0.48%-0.426%), equivalent to a reduction of approximately 11% {(0.48%-0.426%)/0.48%}. Moreover, before the reform, the average Sunday spread was approximately 26.9% ((0.48%-0.378%)/0.378%) wider than the average Monday—Thursday spread. After the reform, the average Friday spread was only approximately 8.6% ((0.426%-0.391%)/0.391%) wider than the average Monday-Thursday spread. Thus, the difference between the affected trading day and the unchanged Monday-Thursday trading days declined from 26.9% to 8.6%, a reduction of approximately 67.8% {(26.9%-8.6%)/26.9%}. Taken together, while the bid-ask spread on the unaffected Monday-Thursday trading days remained essentially stable, the spread was substantially narrower on Fridays after the reform compared to Sundays before the reform, further suggesting that the reform improved market liquidity.

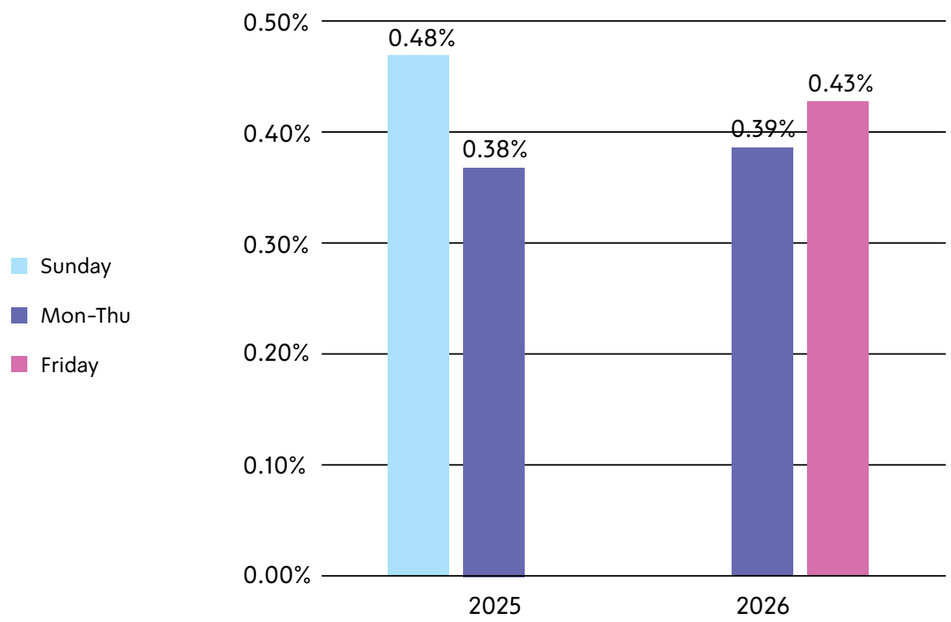


Figure 4. Average Daily Bid-Ask Spread, Weighted by Market Cap, Before and After the Transition from a Sunday—Thursday to a Monday—Friday Trading days
This figure reports the average daily Bid-Ask Spread [8] of stocks traded on the Tel Aviv Stock Exchange, weighted by market cap, on Sundays during the six months before the reform (July—December 2025) to Fridays during the six months after the reform (January—June 2026), and the unchanged Monday—Thursday trading days during the post-reform period.

7 | See Table 1 - Appendix of Variables, for more information.

8 | See table 1 for more details.

In contrast, on the affected trading day, the average bid-ask spread declined from 0.48% on Sundays before the reform to 0.426% on Fridays afterward, a decrease of 0.055 percentage points (0.48%-0.426%), equivalent to a reduction of approximately 11% {(0.48%-0.426%)/0.48%}. Moreover, before the reform, the average Sunday spread was approximately 26.9% {(0.48%-0.378%)/0.378%} wider than the average Monday-Thursday spread. After the reform, the average Friday spread was only approximately 8.6% {(0.426%-0.391%)/0.391%} wider than the average Monday-Thursday spread. Thus, the difference between the affected trading day and the unchanged Monday-Thursday trading days declined from 26.9% to 8.6%, a reduction of approximately 67.8% {(26.9%-8.6%)/26.9%}. Taken together, while the bid-ask spread on the unaffected Monday-Thursday trading days remained essentially stable, the spread was substantially narrower on Fridays after the reform compared to Sundays before the reform, further suggesting that the reform improved market liquidity.

2.4. Change in Foreign Investors' Trading Activity

Perhaps, one of the most interesting questions we address in this study is whether the change in trading days increased the participation of international investors in the Israeli stock market. Figure 5 provides an answer to this question by comparing the composition of trading activity across different types of investors [9] on Sundays before the reform, to Fridays after the reform, and also to the unchanged Monday-Thursday trading days. As Figure 5 demonstrates, the most notable change is the substantial increase in the participation of foreign investors. Prior to the reform, foreign investors accounted for only 15.3% of trading volume on Sundays. Following the reform, their share more than doubled to 38.2% on Fridays. By comparison, foreign investors accounted for 36.3% of trading volume on the unchanged Monday-Thursday trading days before the reform and 36.7% on those trading days after the reform, remaining essentially unchanged.[10] Overall, on a weekly level, the participation of international investors increased by 7.5% (36.8%/34.2%-1), which is non-negligible.

9 | See table 2 for classification of the types of shareholders.

10 | Local institutional investors (pension funds, provident funds, and insurance companies) also accounted for a larger share of trading activity on Fridays than on Sundays, at 12.9% compared with 10.4%. Correspondingly, as the shares of foreign and local institutional investors increased, the share of local private investors and corporations (including proprietary trading firms and hedge funds) declined. Their share on Fridays was approximately half that observed on Sundays and was also slightly lower than their average share on Monday–Thursday.

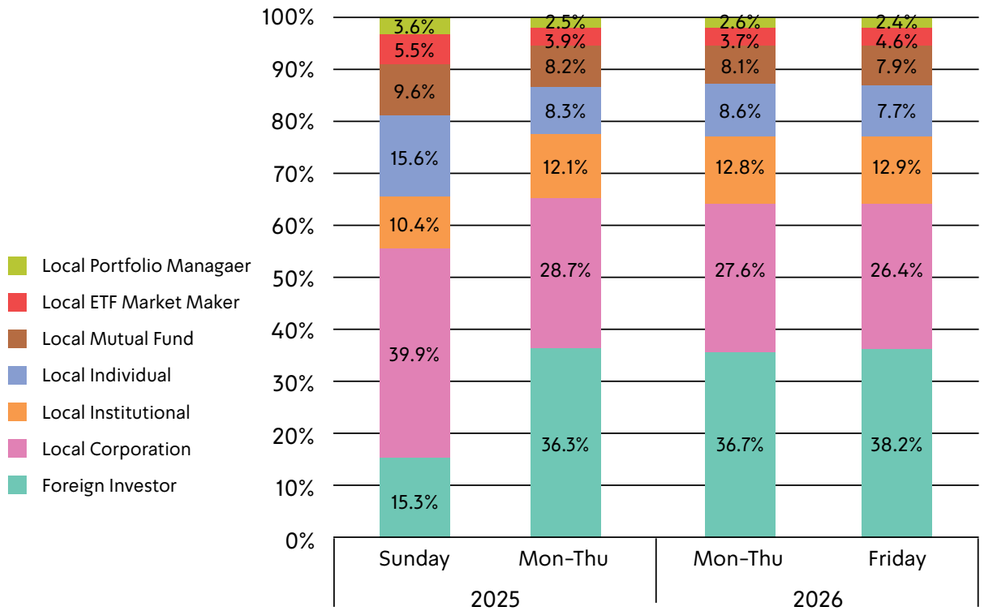


Figure 5. Composition of Trading Volume by Investor Type Before and After the Transition from a Sunday–Thursday to a Monday–Friday Trading days

This figure reports the composition of trading volume by investor type [11] on the Tel Aviv Stock Exchange before and after the transition from a Sunday–Thursday to a Monday–Friday trading days. The figure compares Sundays during the six months before the reform (July–December 2025) to Fridays during the six months after the reform (January–June 2026), and the unchanged Monday–Thursday trading days during the post-reform period.

11 | See table 2 for classification of the types of shareholders.

Our findings complement the literature showing that international investors face frictions when investing abroad. Huang (2015) demonstrates that investors pay less attention to information related to firms' foreign operations, leading to slower incorporation of information into prices. We show that another friction - the lack of alignment in trading days between markets, also affects international investor participation. Aligning the Israeli trading days with those of major international markets substantially increased both trading activity and the participation of foreign investors, suggesting that reducing even relatively simple institutional frictions can improve the accessibility of capital markets.

3. Conclusions

Overall, our findings indicate that aligning trading days with those of major international markets can substantially increase trading activity, improve price efficiency, and increase foreign investor participation. Despite the fact that Friday is a shortened trading day and does not overlap with U.S. trading hours, trading volume increased substantially following the reform. After adjusting for the overall increase in trading activity that occurred during the first half of 2026, trading volume on Fridays After the reform was 57% higher than on Sundays before the reform and turnover ratio was 44% higher. Bid-Ask Spreads were 11% narrower on Fridays compared to Sundays. The participation of international investors in trading was 2.5 times higher on Fridays compared with Sundays, resulting in an overall weekly increase of 7.5% in the period following the reform. These findings suggest that a change in market design that aligns trading days with those of major international markets can have meaningful effects on market activity and foreign investor participation.

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5. Table 1 – Appendix of variables

Variable name	Source	Description
Volume	TASE end of day data	Daily Volume in NIS, at company level.
Turnover Ratio	TASE end of day data	Daily Volume Divided by Market Cap, computed at the company level
Bid-Ask Spread	ISA intraday order level data	Average Daily Spread between the best Bid and Best ask divided by the Mid price {(Ask-Bid)/2}, calculated every 15 seconds at company level
Investor Share	ISA intraday order level data	Classification of order level data provided by TASE members and company reporting to the ISA. The classification of different investors is described in table 2

6. Table 2 – Investor Classification

Name	Definition	Description
Foreign investor	Corporations Incorporated outside of Israel and non-Israeli residents	Includes all types of foreign investors, such as international institutional investors, Hedge Funds, and private investors. Might also include local entities listed abroad
Local Institutional	Israeli Pension Funds, Provident Funds and Insurance companies	Local Pension Funds, Provident Funds and Insurance companies (managing retirement savings). Mostly includes long-term mandatory retirement funds but also includes other investment products managed by these firms and their nostro activity
Local Mutual Fund	Israeli Mutual Funds.	Accounts reported as owned by local Mutual Funds. These funds generally represent retail investors' demand
Local ETF Market Maker	Market makers of Israeli ETFs	Accounts reported as owned by local Mutual Funds. These funds generally represent retail investors' demand
Local Portfolio Manager	Israeli Portfolio Managers	Accounts reported as owned by local ETF market makers. These market makers are formally appointed by ETF managers to provide liquidity for ETFs. As part of their operation they buy/sell shares (and other assets) to offset their position. Hence, they mainly represent the net demand for local ETFs, mostly driven by institutional investors
Local Corporation	Corporations Incorporated in Israel, other than the ones listed above	Accounts reported as managed by Portfolio managers, operating on behalf of their clients Israeli corporations, primarily includes Israeli proprietary investment firms, Hedge funds and other trading firms, as well as other type of corporation (public/private businesses), excluding the ones listed in separate categories above.
Local Individual	Israeli retail investors	Individuals who are Israeli residents (i.e., retail investors)



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