

The Predictive Power of “Head-and-Shoulders” Price Patterns in the U.S. Stock Market

[Get access >](#)

Gene Savin, Paul Weller, Jānis Zvingelis

Journal of Financial Econometrics, Volume 5, Issue 2, Spring 2007, Pages 243–265, <https://doi.org/10.1093/jfinec/nbl012>

Published: 27 December 2006 **Article history** ▼

Abstract

We use the pattern recognition algorithm of Lo, Mamaysky, and Wang (2000) with some modifications to determine whether “head-and-shoulders” (HS) price patterns have predictive power for future stock returns. The modifications include the use of filters based on typical price patterns identified by a technical analyst. With data from the S&P 500 and the Russell 2000 over the period 1990–1999 we find little or no support for the profitability of a stand-alone trading strategy. But we do find strong evidence that the pattern had power to predict excess returns. Risk-adjusted excess returns to a trading strategy conditioned on “head-and-shoulders” price patterns are 5–7% per year. Combining the strategy with the market portfolio produces a significant increase in excess return for a fixed level of risk exposure.

Copyright © The Author 2006. Published by Oxford University Press.

Issue Section: [Articles](#)

You do not currently have access to this article.


Sign in

 [Get help with access](#)

Personal account

- Sign in with email/username & password
- Get email alerts

Institutional access

 [Sign in through your institution](#)

- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

[Sign in >](#)

[Register](#)

[Sign in through your institution >](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

The Predictive Power of “Head-and-Shoulders” Price Patterns in the U.S. Stock Market - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

Rental



This article is also available for rental through DeepDyve.