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Magic Formula Investing and The Swedish Stock Market

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(2018) NEKH02 20172
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Abstract
The purpose of this paper is to contribute to the existing research within the subject of the Magic Formula. The investment strategy will be tested on historical data for companies on the Stockholm stock exchange during the period 2007-04-01 to 2017-03-31. The return will be benchmarked against OMXS30 as an indicator of the market return. In addition to comparisons between the return of the Magic Formula and the market return, risk involved in the investments has also been considered through the use of the Sharpe ratio, CAPM and Fama and French's Three-Factor Model. The Magic Formula portfolio had an average yearly return of 21,25 %, compared to the market return of 5,22 %. Considering the taken risk, the Magic Formula had a Sharpe ratio... (More)

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Details | BibTeX

author	Strömberg, Oskar LU and Gustavsson, Oscar LU
supervisor	Hans Byström LU
organization	Department of Economics
course	NEKH02 20172
year	2018
type	M2 - Bachelor Degree
subject	Business and Economics
keywords	Magic Formula, Efficient Market Hypothesis, Fama and French three-factor model, CAPM, Swedish stock market
language	English
id	8932178
date added to LUP	2018-02-02 14:48:26
date last changed	2018-02-02 14:48:26

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