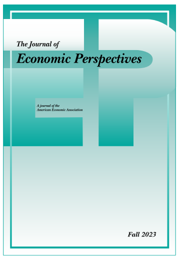

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Anomalies: A Mean-Reverting Walk Down Wall Street

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Abstract

Stock prices do appear to be somewhat predictable. In particular, if one takes a long-term perspective (3-7 years) or examines individual securities that have experienced extreme price movements, then stock returns display significant negative serial correlation, in other words, prices are mean reverting. This column reviews some of this evidence.

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