



# Return momentum and global portfolio allocations

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## Abstract

In this paper, we report the first empirical tests concerning the international investment strategies of a panel of investment houses from 1982 through 1999. The previously untapped data for this study comes from surveys published in the *Financial Report*, a confidential newsletter purchased by *The Economist Newspaper*, in 1989. In the surveys, the investment houses recommend portfolio allocations among equity, bonds, and cash, as well as equity holdings across six country categories.

We test whether changes in these portfolio weights are consistent with the notion of momentum trading. That is, we test whether the recommended weights change in response to relative asset return performance in previous periods. We find evidence of momentum trading for strategic asset allocations to equities and cash as well as evidence of momentum trading for country-specific, or tactical, equity allocations. In addition, we find the results differ conditional upon the recommended weights to bonds. Specifically, investment houses that recommend a lower percentage to bonds, on average, are more likely to engage in momentum trading for equities. We find no evidence that changes in portfolio weights are consistent with changes in value-investing variables or with changes in macroeconomic variables.

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## Keywords

Momentum trading; Investment houses; Strategic asset allocation; Equity allocation by country

## JEL classification

G11; G14

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