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Can technical oscillators outperform the buy and hold strategy?

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Abstract

This study compares returns from the traditional buy and hold (B&H) strategy to well-known technical trading strategies (DJI, FTSE, Nikkei, etc.) and whether technical trading strategies can outperform the B&H strategy. The results show that technical trading strategies can be the best performing strategy for five of the six years (2000-2009), which outperforms the B&H strategy. The RSI and MACD indicators occur during the period.

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Notes

¹ See, for example, Malkiel ([2003](#)).

² These technical tools formulations will be described later in this article.

³ This oscillator was developed by Gerald Appel in the 1960s. In 1973, Appel found a giant corporation to manage investments of clients' funds. He developed the MACD oscillator and wrote more than 15 books and dozens of articles on the topic of investment strategies, systems for trading on the capital market and others.

⁴ The stochastic oscillator was developed by George Lane in the 1960s.

⁵ The RSI was developed by J. Welles Wilder in 1978.

⁶ For each day that the change was upward, that is, that the closing rate was higher than on the previous day.

⁷ The PSAR was developed by J. Welles Wilder in the late 1970s.

⁸ Japanese candlesticks are thought to have been developed in the seventeenth century by Japanese traders for trading on the rice market. The Japanese candlestick chart is composed of candlesticks that represent price movements over a certain period. Each candlestick consists of a vertical line (wick) and a rectangular body. The type of candlestick is determined by the opening and closing prices. If the closing price is higher than the opening price, the candlestick is green (bullish). If the closing price is lower than the opening price, the candlestick is red (bearish). The wick represents the highest and lowest prices traded during the period. The body represents the opening and closing prices. The candlestick chart is a popular technical analysis tool used by traders to identify trends and potential trading opportunities.



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