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# The profitability of daily stock market indices trades based on neural network predictions: case study for the S&P 500, the DAX, the TOPIX and the FTSE in the period 1965-1999

Teo Jasic & Douglas Wood

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the series (S&P 500 and DAX) are confirmed as random using conventional tests. The out-of-sample prediction performance of neural networks is evaluated using RMSE, NMSE, MAE and sign and direction change statistics against a benchmark linear autoregressive model. Significant information advantage is confirmed by the Pesaran-Timmermann test. Finally, it is shown that buy and sell signals derived from neural network predictions are significantly different from unconditional one-day mean return and are likely to provide significant net profits for plausible decision rules and transaction cost assumptions.

## Notes

§The results and interpretations in this article are the author's alone and do not necessarily reflect the position of Accenture.

## Additional information

### Notes on contributors

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