Applied Financial Economics ›

Volume 20, 2010 - Issue 21

121 Views | 4 CrossRef citations to date | 0 Altmetric

Original Articles

Trading rules and stock returns: some further short run evidence from the Hang Seng 1997–2008

J. Andrew Coutts

Pages 1667-1672 | Published online: 15 Oct 2010

Cite this article https://doi.org/10.1080/09603107.2010.524613

Abstract

This article re-examines the work of Coutts and Cheung (2000), who investigated the applicability and validity of trading rules in the Hang Seng Index (HSI) on the Hong Kong Stock Exchange (HKSE) for the period January 1985 through June 1997, and for two subsamples of equal length, partitioned from the whole sample. They concluded that the moving average oscillator and the trading range break-out rules, appeared to be present, to varying extents, for all three data samples, although the Trading Range Break-out rule was by far the strongest. However, their striking conclusion was that these rules were statistically significant over much shorter data periods than used in previous studies. They also suggested that because there is a tendency for potentially ‘profitable’ trading rules, once documented to cease existing, and consequently further research concerning the HSI was required in years hence. It is in this spirit that we

replicate the work of Coutts and Cheung, and conclude that these once potentially short-term 'profitable' trading rules, are now defunct, which leads us to suggest the validity of 'profitable' trading rules, released to the 'public information set' via academic journals.

Acknowledgements

The author thanks an anonymous referee for a thorough and rigorous report, and, in addition, Professor Mark Taylor for further comments.

Notes

[1] See for example, Fifield et al. (2008).

[2] Unlike Coutts and Cheung (2000), we do not consider 'transaction costs' (for further information, see McGuinness (1997)), as none of our trading rules appear to offer abnormal returns before we even consider transaction costs.

[3] Coutts and Cheung (2000) suggest that it was at Chicago whilst undertaking this intensive research, Neiderhoffer first 'discovered', but failed to report the trading rules, which he later exploited.

Related research

People also read
Recommended articles
Cited by
4

Information for

Authors
R&D professionals
Editors
Librarians
Societies

Open access

Overview
Open journals
Open Select
Dove Medical Press
F1000Research

Opportunities

Reprints and e-prints
Advertising solutions
Accelerated publication
Corporate access solutions

Help and information

Help and contact
Newsroom
All journals
Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy
Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG