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Time series momentum and moving average trading rules

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Abstra

We com erage (MA) tradi ese rules are cl ls occur at points th als only require p ules frequent s perform best out ularity with investor

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Notes

[1] This is different to Jegadeesh and Titman's (1993) momentum anomaly which focuses on cross f it was among t declined during th lue to its returns b tum strategy

[2] Other owski (2013) show yo series mom or 'absolute momen

[3] These ectional moment period is 1.51% c e correlation between

[4] We tha

[5] MA examples include Brock et al. (1992) for the US and Ratner and Leal (1999) for Asian and Latin American markets. The TSMOM paper of Moskowitz et al. (2012) is also based on equity indices/futures contracts on these indices. A MA exception is Lo et al. (2000) who consider US stocks from different size quintiles.

[6] The results of Neely et al. (2014) suggest another explanation. They find technical trading rules complement predictions based on fundamental factors.

[7] We thank an anonymous referee for highlighting this point.

[8] We do not attempt to contribute to the literature that considers more sophisticated ways of defining and implementing moving average rule trading strategies (e.g. Hong and Satchell 2015). Rather, we apply basic MA and TSMOM rules that have been widely used in the literature. This allows us to compare and contrast these rules without the suggestion of us tilting the test in the favour of one particular rule by considering a specification that is favourable to it.

[9] We are grateful to Henry C. Stern for explaining the equations and discussion in this section to us.

[10] We present results for the 50-day look-back period as it is in between the shortest (10 days) and longest (200 days) look-back periods. Results for the other look-back periods a

[11] We th cenarios separate

[12] For ex 0-day look-back rul ble 3 is 22 days transaction costs tion costs, which

[13] See D

[14] Each

[15] The ir

[16] We th

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