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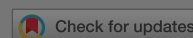
Research Papers

Time series momentum and moving average trading rules

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Abstract

We compare and contrast time series momentum (TSMOM) and moving average (MA) trading rules so as to better understand the sources of their profitability. These rules are closely related; however, there are important differences. TSMOM signals occur at points that coincide with a MA direction change, whereas MA buy (sell) signals only require price to move above (below) a MA. Our empirical results show MA rules frequently... perform best out... ...ularity with investors...

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Acknowledgements

Notes

[1] This is different to Jegadeesh and Titman's ([1993](#)) momentum anomaly which focuses on cross-sectional return comparisons. Here, an asset would be purchased if it was among those with the strongest past returns, even if the asset's price had declined during the evaluation period and the relative out-performance was simply due to its returns being less negative than its peers. In contrast, a time series momentum strategy would not buy this asset until it had positive past returns.

[2] Other papers also find support for time series momentum. Baltas and Kosowski ([2013](#)) show volatility estimators can be used to improve the performance of time series momentum strategies and Antonacci ([2013](#)) shows time series momentum or 'absolute momentum' as they call it has value as a stand-alone or overlay strategy.

[3] These results are not inconsistent. The average monthly return on cross-sectional momentum winner stocks (from Ken French's website) over the 1963–2011 period is 1.51% compared to 0.88% for the CRSP value-weighted index. However, the correlation between these two series is 0.85.

[4] We thank Ken French for making these data available on his website.

[5] MA exa... ...[1999](#)) for Asian an... ...[012](#)) is also based o... ...is Lo et al. ([200](#)...

[6] The res... ...echnical trading ...

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

Relate