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Research Papers

Time series momentum and moving average trading rules

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Notes

¹ This is different to Jegadeesh and Titman’s ([1993](#)) momentum anomaly which focuses on cross section returns among the top and bottom deciles of returns during the prior period. Our strategy is based on the momentum strategy of Jegadeesh and Titman (1993). If it was declined due to its momentum.

² Other papers show you how to use the series for ‘absolute momentum’.

³ These momentum series are sectional. The period is 1.51% correlation between.

⁴ We thank

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

¹¹ We then consider two scenarios separately

¹² For example, the 50-day look-back rule with a 22-day transaction costs which is 0.0001 is more profitable than the 50-day look-back rule with a 22-day transaction costs which is 0.0002. Table 3 is

¹³ See D

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