Emerging Markets Finance and Trade ›

Volume 51, 2015 - Issue sup1: Financial and Real Sector Challenges in Emerging Economies

593 Views | 12 CrossRef citations to date | 0 Altmetric

Articles

Momentum in the Chinese Stock Market: Evidence from Stochastic Oscillator Indicators

Yensen Ni, Yi-Ching Liao & Paoyu Huang

Pages S99-S110 | Published online: 31 Mar 2015

Cite this article https://doi.org/10.1080/1540496X.2014.998916 Check for updates

Sample our Economics, Finance, Business & Industry Journals
>> Sign in here to start your access to the latest two volumes for 14 days

Full Article Figures & data References Citations Metrics

Reprints & Permissions Read this article Share

ABSTRACT

We explore whether investors earn profits through the use of stochastic oscillator indicators (SOI) for trading stocks. The results reveal that investors might use momentum strategies when trading constituent stocks of SSE 50 as the overbought trading signals emitted by SOI. We infer that the results might be caused by herding behaviors of Chinese investors since overoptimistic moods are likely to exist as evidenced by the 80 percent trading volume traded by individual investors in the Chinese stock market.

KEY WORDS:

contrarian strategy momentum strategy overreaction hypothesis stochastic oscillator indicators

Notes

1. Stochastic oscillator indicators (SOI) such as K and D values will be explained in detail in a later section.

2. For SOI indicators, such as K and D values, the K values over eighty (below twenty) are regarded as overbought (oversold) zones in accordance with the SOI trading rule. The selling signals are emitted as SOI falls into the overbought zone; buying signals are emitted as the SOI falls into the oversold zone.

3. The overbought zone is set as K value > 80 in general. This study also sets stricter overbought zones such as K > 85 and K > 90. Similarly, the oversold zone is set as K < 20 in general. We also set sticker oversold zones, such as K < 15 and K < 10.

4. The nine-day K and D values often applied in the real world are employed (i.e., N is set as nine in this study). We would also treat RSV = Kfor (4) when no prior K is available, and K= D for (5) when no prior D is available.

5. The five-day MA is regarded as weekly MA whereas the twenty-day MA is deemed as monthly MA because a week is composed of five trading days and a month has about twenty trading days.

6. The holding period returns include the one-, two-, three-, four-, and five-day CARs defined as short-run holding period returns and the ten-, twenty-, thirty-, forty-, and fifty-day CARs defined as long-run holding period returns in this study.

Related research

People also read | Recommended articles | Cited by 12

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