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

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ABSTRACT

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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.

Relate