TREND-ANTICIPATING VERSUS TREND-FOLLOWING

Adrian ZOICAŞ-IENCIU[a,*], Fănuța POP[b]

[a),b)] Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Romania

Please cite this article as:

Zoicaş-Ienciu, A. and Pop, F., 2017. Trend-anticipating versus trend-following. *Review of Economic Studies and Research Virgil Madgearu,* 10(2), pp.211-220.
doi: 10.24193/RVM.2017.10.17.

Article History:

Received: 25 August 2017
Accepted: 8 October 2017

Abstract: *This paper evaluates the impact of trading timing on trend-following performance for equity market indices across: (1) an ideal framework where investors successfully anticipate one-day-ahead signals and (2) a realistic framework with delayed transaction prices and cautious investors. We show that trend-following profits reduce significantly under the realistic trading timing. This bias is persistent, holds when controlling for trading costs, interests, and risk, being more pronounced for the emerging markets. Indirectly, the finding suggests that trend-anticipating tends to outperform trend-following as a trading strategy.*

Key words: *technical analysis; trading timing; moving averages*
JEL Classification: *G11; G12; G14*

* Corresponding author. *E-mail address:* adrian_ienciu@yahoo.com.

References

1. Bajgrowicz, P., and Scaillet, O., 2012. Technical trading revisited: False discoveries, persistence tests, and trading costs. *Journal of Financial Economics*, 106(3), pp.473-491.
2. Bessembinder, H. and Chan, K., 1998. Market efficiency and the returns to technical analysis. *Financial Management,* 27, pp.5-17.
3. Brock, W., Lakonishok, J. and LeBaron, B., 1992. Simple technical trading rules and the stochastic properties of stock returns. *Journal of Finance*, 47, pp.1731-1764.
4. Han, Y., Yang, K. and Zhou, G., 2013. A new anomaly: The cross-sectional profitability of technical analysis. *Journal of Financial and Quantitative Analysis*, 48(5), pp.1433-1466.
5. Marshall, B.R., Cahan, R.H. and Cahan, J.M., 2008. Does intraday technical analysis in the U.S. equity market have value? *Journal of Empirical Finance*, 15(2), pp.199-210.
6. Ready, J.M., 2002. Profits from technical trading rules. *Financial Management*, 31(3), pp.43-61.
7. Shynkevich, A., 2017. Two tales of return predictability: The case of Asia-Pacific equity markets. *Journal of Forecasting*, 36(3), pp.257-272.
8. Sullivan, R., Timmermann, A. and White, H., 1999. Data-snooping, technical trading rule performance, and the bootstrap. *Journal of Finance*, 54(5), pp.1647-1691.