

Technical, Fundamental, and Combined Information for Separating Winners from Losers

Hong-Yi Chen
National Central University, Taiwan
fnhchen@ncu.edu.tw

Cheng-Few Lee
Rutgers University, USA
lee@business.rutgers.edu

Wei K. Shih
Bates White Economic Consulting, USA
wkshih@gmail.com

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Abstract

The main purpose of this paper is to jointly use fundamental and technical information to improve the technical momentum strategy. We examine how fundamental accounting information can be used to supplement the technical information, such as past returns and past trading volume data, by investors to separate momentum winners from losers. Previous research has shown that the technical momentum strategy based on the past winners and losers in terms of cumulative returns, generates significantly positive returns in the subsequent periods. This paper proposes a unified framework of incorporating the fundamental indicators FSCORE (Piotroski 2000) and GSCORE (Mohanram 2005) into the technical momentum strategy. We have developed three hypotheses to test whether combined momentum strategy outperform the technical momentum strategy or not. From the empirical results of these three hypotheses, we conclude that the combined momentum strategy outperforms technical momentum strategy by generating significantly larger returns for both growth and value stocks.

Keywords: Fundamental Analysis, Financial Statement Analysis, Momentum Strategies, Value Investing, Growth Investing, Trading Volume, Technical Analysis

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