ABSTRACT

The current increase of awareness of wealth management has caused the prevalence of investment knowledge and the continuous growth of the stock market in Taiwan, and stock trading has become the most popular investment channel for the public. Stock investors, no doubt, are eager to grasp the market one step ahead of others so as to correctly predict trends and thus achieve a higher return on investment. In actuality, rather than making profit, most investors are more likely to suffer losses in the stock market, mainly due to the lack of effective and reliable methodology when making investment decisions. The focus of this paper is to investigate and verify whether technical analysis enables profit-making in the Taiwanese stock market. The research focuses on the stock market in Taiwan and has established principles for using KD indicators for decision-making in stock trading. The weekly statistics of companies listed on the Taiwan Stock Exchange (TWSE) and GreTai Securities Market (GTSM) during the period from November 2012 to May 2013 were studied and analyzed. The weekly KD values were used as the basis for determining the golden cross and dead cross. For the golden cross, the KD values are all less than or equal to 40. Additionally, the K line passes through the D line in an upward curve. For the dead cross, the KD values are all greater than or equal to 60. The K line, contrarily, runs through the D line in a downward curve. Using the KD indicators of the stock selection tools provided by Yuanta Securities, this research attempted to identify stocks meeting the 9KD criteria. A total of 5 stocks have been selected for trading. The respective return rates were all greater than 5%, with an average return rate of 7.33%.

Keywords: Stock, Technical Analysis, KD Indicator, Golden Cross, Dead Cross