ABSTRACT
This paper divides two parts. First, we use co-integration to examine whether the transaction information about institutional investors in the Taiwan stock market can be used to forecast stock price. The daily data of Taiwan stocks held by institutional investors and stock price is from September 2002 to August 2007. Second, some arbitrage strategies are constructed to test the return in short, intermediate, and long horizons. Furthermore, we try to find the cause of momentum profit by ANOVA test. The main empirical findings are summarized as follow. We find that only transaction information about foreign investors can be used to forecast stock price. In short-term, the investors in the Taiwan stock market should adopt contrarian strategies, and momentum strategies should be adopted in long-term. Turnover rate is a factor of reversal. For winner stocks, contrarian strategies should be used in short-term and momentum strategies in long-term. However, for loser stocks, momentum strategies can capture profit all the time. Whatever the turnover is high or low, contrarian strategies should be used in short-term and momentum strategies in long-term. Finally, we find that the profit is resulting from autocovariance.

Keywords: institutional investor; information efficiency; momentum strategy

REFERENCES


