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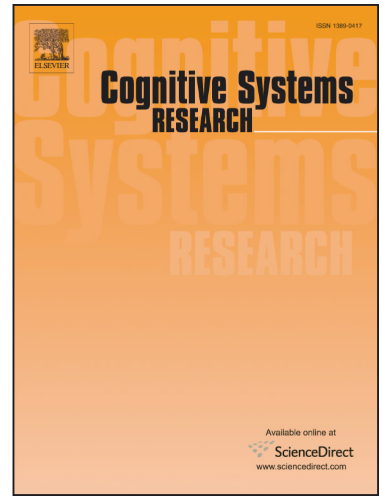

Real time Regression Analysis in Internet of Stock Market Cycles

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Abstract. This paper is bases on the data of fund holding stocks held by equity funds from 2013 to 2017 in China's stock market, empirically analyzing whether the investment behaviors of mutual funds follow value investment that improve fund performance in both bull and bear markets. The research indicates that there exists a significant difference in the correlation between industry concentration and fund performance in the bear and bull markets. Specifically, industry concentration and fund performance is negatively correlated in the bull market and is positively correlated in the bear market. The empirical results indicate that stock market in China demonstrates the phenomenon that "the bear market follows value investment while the bull market ignores value investment" to a certain extent. It is illustrated that fund investment behaviors in the bear market fundamentally meet the standards of value investment and illustrate that mutual funds have a certain ability to extract valuable information. However, fund managers in China tend to concentrate their holdings in a few industries in the bull market with the aim to gain high returns. The excessively concentrated investment strategies not only fail to bring them excess returns, but also reduce their performance. Therefore, fund managers should maintain conservative and prudent investment strategies when constructing portfolios and should not over-concentrate on specific industries.

Keywords: Industry concentration, Fund performance, Bull and bear market, Value investment

1 Introduction

Value investment has been highly praised by numerous investors. From the perspective of information asymmetry (Rajan, 1994) and bounded rationality (Devenow and Welch, 1996), institutional investors have obvious advantages in technological development and information acquisition. They are more possibly to master the laws of stock price and industry income fluctuation than individual investors, thus gaining higher returns. As informed traders with information advantages, fund companies know more about fundamentals of listed companies than general investors in the market, which conducts value investment (Bushee, 2011; Cheng et al., 2016). Therefore, this paper conducts an in-depth research to