

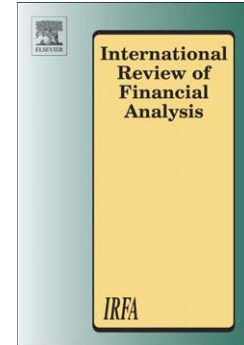
## Accepted Manuscript

Market Ecologies: The Effect of Information on the Interaction and Profitability of Technical Trading Strategies

Antony Jackson, Daniel Ladley

PII: S1057-5219(16)30015-1  
DOI: doi: [10.1016/j.irfa.2016.02.007](https://doi.org/10.1016/j.irfa.2016.02.007)  
Reference: FINANA 953

To appear in: *International Review of Financial Analysis*



Please cite this article as: Jackson, A. & Ladley, D., Market Ecologies: The Effect of Information on the Interaction and Profitability of Technical Trading Strategies, *International Review of Financial Analysis* (2016), doi: [10.1016/j.irfa.2016.02.007](https://doi.org/10.1016/j.irfa.2016.02.007)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Market Ecologies: The Effect of Information on the Interaction and Profitability of Technical Trading Strategies

Antony Jackson\* and Daniel Ladley†

June 4, 2015

## Abstract

Technical trading strategies make profits by identifying and exploiting patterns in market dynamics—patterns generated by the interaction of market participants. Using an agent based model of a financial market populated by individuals using a range of trading rules we show that the presence of technical traders may be beneficial, in some cases reducing volatility and increasing price efficiency. In particular, contrarian traders who base their decisions on high frequency data have the largest positive effect. It is also found that if technical traders condition their actions using ‘real time’ information, they partially emulate arbitrageurs and make positive profits.

**Keywords:** Technical trading rules, artificial market, agent based model, market ecology

**JEL Classification:** C63, G12

---

\*School of Economics, University of East Anglia, United Kingdom. Email address: antony.jackson@uea.ac.uk. Telephone: +44 (0)1603 59 3876.

†Department of Economics, University of Leicester, United Kingdom. Email address: d.ladley@leicester.ac.uk. Telephone: +44 (0)116 252 5285.

Download English Version:

<https://daneshyari.com/en/article/5084522>

Download Persian Version:

<https://daneshyari.com/article/5084522>

[Daneshyari.com](https://daneshyari.com)