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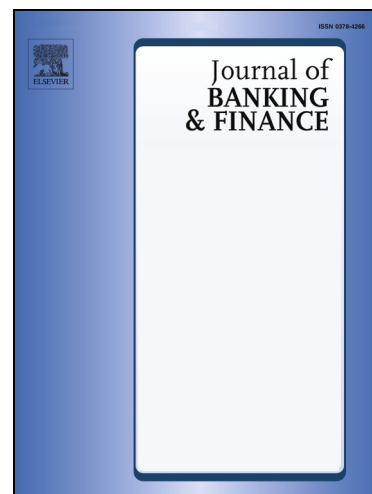
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Reward-risk momentum strategies using classical tempered stable distribution

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Abstract

We implement momentum strategies using reward-risk measures as ranking criteria based on classical tempered stable distribution. Performances and risk characteristics for the alternative portfolios are obtained in various asset classes and markets. The reward-risk momentum strategies with lower volatility levels outperform the traditional momentum strategy regardless of asset class and market. Additionally, the alternative portfolios are not only less riskier in risk measures such as VaR, CVaR and maximum drawdown but also characterized by thinner downside tails. Similar patterns in performance and risk profile are also found at the level of each ranking basket in the reward-risk portfolios. Higher factor-neutral returns achieved by the reward-risk momentum strategies are statistically significant and large portions of the performances are not explained by the Carhart four-factor model.

Keywords: momentum strategy, reward-risk measure, classical tempered stable distribution

Running title: Reward-risk momentum strategies using CTS distribution (or in much shorter form, CTS reward-risk momentum strategies or Reward-risk momentum strategies)

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