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Momentum and crash sensitivity

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*Highlights (for review)

Highlights: Momentum and Crash Sensitivity

- The paper proposes a risk-based explanation of the momentum anomaly on equity markets
- Regressing the momentum strategy return on the return of a self-financing portfolio going long (short) in stocks with high (low) crash sensitivity in the USA from 1963 to 2012 reduces the momentum effect from a highly statistically significant 11.94% p.a. to an insignificant 1.84% p.a
- We find additional supportive out-of sample evidence for our risk-based momentum explanation in a sample of 23 international equity markets