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Evolution of historical prices in momentum investing

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Abstract

We find that the acceleration and deceleration patterns of historical prices are predictive of future expected returns in momentum investing in the U.S. equity market from 1962 to 2014. Winners with accelerated historical price increases deliver higher future expected returns and losers with accelerated historical price decreases perform more poorly in the future. Hence, the profit from buying past accelerated winners and shorting past accelerated losers is significantly higher than the momentum profit by 51.47%. Such profit cannot be subsumed by certain characteristics that have been considered to explain

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