

Investor sentiment, technical trading rules, and stock returns in China's stock markets^{*}

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Abstract

Using a comprehensive database compiled of detailed analysts' prediction of Shanghai Stock Exchange Composite Index, this study examines the relation between predictions made by financial analysts and signals generated from technical trading rules. In addition, we study returns generated from the two sources. We find that analysts' predication has a low correlation with the signals generated from popular technical rules. The results validate the information content of the financial disclosure made by the listed companies. Furthermore, we document significant, both statistically and economically, returns from the trading strategies based on analysts' prediction and technical rules. Higher profits can be generated by combining the signals generated from analysts' sentiment index and technical trading rules.

JEL classification: G14; G15;

Keywords: Technical analysis; trading rules; investor sentiment;

^{*} All remaining errors are my own.

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