



## **Momentum trading can deliver big profits to investors**

Momentum trading involves buying past winners and selling past losers. It sounds too easy to be worth doing. In a well-functioning stock market, it should be impossible to make consistent profits from such a simple system. But new research reveals large potential gains from momentum trading.

The research appears in the 2008 edition of the ABN AMRO Global Investment Returns Yearbook. The Yearbook is the most comprehensive and authoritative work of its kind. It analyses total returns since 1900 for stocks, bonds, cash, foreign exchange and inflation in 17 major markets, covering North America, Asia, Europe and Africa.

In this year's report the authors--Elroy Dimson, Paul Marsh and Mike Staunton, of London Business School--study all 17 stock markets to update the international evidence on momentum. And in a completely new investigation, they go back to 1900 to see whether momentum worked in a previously unresearched era.

They conclude: "Though costly to implement on a stand-alone basis, all investors need to be acutely aware of momentum. Even if they do not set out to exploit it, momentum is likely to be an important determinant of their performance."

In Chapter 4 of the report, Rolf Elgeti, ABN AMRO's former Head of Equity Strategy, analyses momentum in real estate. He demonstrates that the phenomenon is pervasive in illiquid asset categories. He comments: "In the property market, banks and house-builders contribute to the cyclical nature of real estate, and this exacerbates the momentum effect. Timing is everything in these markets."

Commenting on the full report, now in its ninth year, Robert Bate, Head of European Research at ABN AMRO said: "ABN AMRO's continuing commitment to this collaboration stems from a belief that the global returns database, with its high data integrity and unmatched breadth and historical perspective, creates an opportunity for creative and profitable analysis which is of exceptional interest to a broad range of investors."

The 2008 Yearbook provides a huge range of financial market information. In Chapter 1, the authors analyse the performance of global markets over 2007 and over the first eight years of the decade, highlighting what happened and why. In Chapter 2, they provide a comprehensive update on the long-term record of stocks, bonds, bills, inflation, currencies and risk premia around the world.

There are individual chapters for each country and the world index. The book provides a detailed record of performance from the main asset classes, cumulatively since 1900. For every country there is a statistical summary of long-term risk and return; tables of performance over periods of 10-108 years for ten asset classes and risk premia; graphs of annual and cumulative performance; measures of the dispersion of stock and bond returns over any investment horizon; and cumulative index values from 1900.

**The Synopsis attached to this press release summarises key findings from the Yearbook.**

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### **Notes to Editors:**

#### **ABN AMRO**

Netherlands-based ABN AMRO is a leading international bank with total assets of EUR 1,120.1 bln (as at 30 June 2007). It has more than 4,000 branches in 53 countries, and has a staff of more than 99,000 full-time equivalents worldwide. ABN AMRO was acquired by the Consortium of RBS, Fortis and Santander in October 2007 and its various businesses will be divided among the three banks.

#### **London Business School**

London Business School is the pre-eminent global business school, nurturing talent and advancing knowledge in a multi-

national, multi-cultural environment. Founded in 1965, the School graduated over 800 MBAs, Executive MBAs, Masters in Finance, Sloan Fellows and PhDs from over 70 countries last year. The School's executive education department serves over 6,000 executives on its programmes every year. London Business School is based in the most accessible and international city in the world and has twice been awarded the highest research rating of five-star (5\*), by the Higher Education Funding Council for England, confirming the School as a centre of world-class research in business and management.

### **The Global Investment Returns Yearbook**

The Global Investment Returns Yearbook was launched in 2000. London Business School experts, Elroy Dimson, Paul Marsh and Mike Staunton, have produced it in conjunction with ABN AMRO since then. The study covers 108 years of investment in all the main asset categories in Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland, the UK, the US, and a World index.

### **Obtaining the 2008 Yearbook**

ABN AMRO distributes the Yearbook to its institutional investment clients, journalists and the media. Institutional clients should contact [abnamroresearch@abnamro.com](mailto:abnamroresearch@abnamro.com).

Journalists should contact Aoife Reynolds ([aoife.cliodhna.reynolds@uk.abnamro.com](mailto:aoife.cliodhna.reynolds@uk.abnamro.com)).

London Business School distributes the Yearbook to all other users, who should contact Stefania Uccheddu ([succheddu@london.edu](mailto:succheddu@london.edu)).

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