

Factor Momentum Everywhere

ChatGPT

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1 Data

The study uses data from various countries including the United States, Europe, Pacific (Australia, Hong Kong, Japan, New Zealand, Singapore), Canada, Sweden, and Israel. The timeframe of the study is not explicitly mentioned, but it covers a long look-back period of five years and includes factors that can be constructed beginning in the 1960s.

2 Summary

In this article, the authors explore the concept of factor momentum in equity markets and provide further analysis on its significance for investors. They demonstrate that individual factors can be effectively timed based on their past performance, with a time series momentum trading strategy generating excess performance for the majority of factors. The authors compare the time series factor momentum (TSFM) strategy to a cross-sectional factor momentum (CSFM) strategy and find that TSFM provides a more accurate measure of expected factor returns. They also investigate the turnover and transaction costs associated with factor momentum and find that its outperformance persists even when considering these factors. Additionally, the authors document the presence of factor momentum in international equity markets for the first time. The authors' overall TSFM strategy combines all individual factor time series momentum strategies into a single portfolio, which earns an annualized average return of 12.0%. The TSFM strategy consistently outperforms the equal-weighted portfolio of raw factors and generates a highly significant alpha even after controlling for the average of untimed factors. The authors also discuss the alternative approach of cross-sectional factor momentum (CSFM) and compare its performance to TSFM. They find that CSFM has similar behavior to TSFM, with slightly inferior Sharpe ratios and slightly smaller alphas. The authors further compare factor momentum to other forms of momentum, such as stock-level momentum, short-term stock reversal, and industry momentum. The authors provide additional context through various exhibits, including the risk-adjusted performance of CSFM and a visual comparison of different momentum strategies. They also analyze the correlation between different momentum

strategies and investigate the role of various momentum strategies in a broader portfolio that includes other common investment factors. The authors find that TSFM tends to outperform and account for the returns to other momentum strategies and investment factors. They also discuss the implementability of momentum strategies, considering turnover and transaction costs. Finally, the authors demonstrate that their main findings regarding factor momentum hold true in international equity markets as well. The article also includes a list of relevant references for further reading.