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THE ISSUE OF RETURN REVERSALS AND MOMENTUM ON THE BUCHAREST STOCK EXCHANGE

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ABSTRACT. One of the most influential financial paradigms of the last century is the Efficient Market Hypotheses (EMH) formulated by Eugene Fama (1965) and described by the random walk and martingale models. However, during the last decades many so-called “market anomalies” have been uncovered one of which is the so-called reversal and momentum effect. The present article tests the reversal and momentum hypothesis on the Bucharest Stock Exchange. Our main conclusion is that on this market the reversal phenomenon cannot be demonstrated on these intervals and rather the momentum effect can be documented and exploited through momentum strategies.

JEL Classification: C12, C14, G14

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