Internet Appendix A153: Momentum Trading
Illustrative Reverse Engineered Pitch Template Example

Pitcher's Name	William Tunny	FoR category	Behavioural Finance	**Date Completed**	30/1/2017
(A) Full Reference	Schneider, Paul and Gaunt, Clive (2012) Price and earnings momentum in Australian stock returns. Accounting and Finance, 52 2: 495-517.				
(B) Basic Research Question	To what extent does price and earnings momentum exist in the Australian market, and do they provide any explanatory powers over future returns?				
(C) Key paper(s)	Chordia, Tarun, and Lakshmanan Shivakumar. "Earnings and price momentum." *Journal of financial economics* 80.3 (2006): 627-656. Hong, Dong, Charles Lee, and Bhaskaran Swaminathan. "Earnings momentum in international markets." *Available at SSRN 390107* (2003). Hurn, A. S., and Vlad Pavlov. *Momentum in Australian stock returns: an update*. No. 23. National Centre for Econometric Research, 2008. (follow up to published study in 2003)				
(D) Motivation/Puzzle	This study is motivated by the extent to which price and earnings momentum is present in the Australian market. There is no prior published Australian research on earnings momentum and only one prior unpublished work of limited depth and scope. This is the first comprehensive examination of Australian earnings momentum and its interaction with price momentum - a logical link analyzing if price continuation is a result of a past change in expected earnings. Past returns and earnings surprises are then investigated in order to uncover the degree to which they have separate explanatory powers. Does a price momentum effect exist in Australia? New evidence is provided in order to resolve the inconsistencies between and within markets both international and domestic.				
THREE	**Three** core aspects of any empirical research project i.e. the "**ID**io**T**s" guide				
(E) Idea?	There are two main objectives of this study. First, to document the extent to which earnings momentum is present in the Australian market. Second, to investigate to what extent past returns and earnings surprise have separate explanatory power. Finally, to extend the analysis beyond the first 6 months post portfolio formation to garner further insights into the nature of momentum behavior.				
(F) Data?	The price momentum strategy uses listed stock data sourced from AGSM-CRIF, while the earnings momentum strategy considers only those AGSM-CRIF listed stocks that also have an analyst following listed in the I/B/E/S database. The period for monthly returns of ranking and holding periods is from January 1990 to December 2006. For the AGSM-CRIF sample, stocks with a monthly closing price of less than $0.20 are excluded in order to alleviate concerns over problems with illiquidity and market microstructure that are associated with micro-cap stocks, and which prevent institutional investors using these momentum strategies. For the I/B/E/S sample, each stock's EPS forecast for the current rascal year period and next fiscal year end are used to calculate the earnings surprise metric REV. Analyst forecasts for Australian firms for the period July 1989 to December 2006 are collected.				
(G) Tools?	The profitability of price and earnings momentum is assessed by measuring the returns to portfolios which are formed on the basis of past performance. Consistent with the majority of prior literature, the hedge portfolio of buying the winner and selling the loser portfolio is harnessed. A long only winner portfolio is also examined to provide a viable and realistic alternative to the hedge portfolio. The returns to these portfolios are measured on a raw and market-adjusted basis. Dual sort portfolios are created allowing for price or earnings momentum to be held constant while changing for the other, following Chan et al (1996), Chordia and Shivakumar (2006) and Hong et al (2004). A stock level Fama-MaBeth regression to evaluate the independent role of price and earnings momentum in returns.				

Cued Template taken from Faff, Robert W., Pitching Research (March 22, 2015). Available at SSRN: http://ssrn.com/abstract=2462059 or http://dx.doi.org/10.2139/ssrn.2462059

TWO	**Two** key questions
(H) What's New?	This study delivers the first comprehensive analysis of Australian earnings momentum and its interaction with price momentum. Earlier studies note the inconsistent findings of previous Australian research then find no price momentum when all Australian stocks are studied.
(I) So What?	While the research confirms the existence and independence of price momentum and earnings momentum, the literature is characterised by troubling inconsistencies. To develop a better understanding of price momentum, it is important to examine price and earnings momentum simultaneously. There is a lack of consistency in reported results among previous Australian momentum studies, and in comparison with US and other international research. This article helps explain and resolve the notable inconsistencies between and within markets.
ONE	**One** bottom line
(J) Contribution?	An important contribution of this study is the examination of return behaviour of portfolios beyond the first 6 months post portfolio formation, which is where nearly all prior Australian research concludes. This extension offers insights into the nature of momentum behaviour. A price momentum effect is found, consistent with prior US work, and is strongest around the 6-12 month mark, post portfolio formation.
(K) 3 Key Findings	1. A price momentum effect exists, consistent with prior US work, and is strongest around the 6 – 12 month mark, post portfolio formation. 2. A strong earnings momentum effect is also present, particularly in the first year of portfolio formation. 3. The contrasting performances of the price and earnings momentum portfolios during the second year are the most notable initial results. The earnings momentum portfolios show a propensity for momentum continuation whereas the price momentum portfolios display evidence of a reversal. This performance is aligned with a view that the initial price momentum is at least partly affected by the trend chasing behaviour of noise traders while the initial earnings momentum is driven by informed investors acting on changes in future expected earnings.