

## **Profitability Of Momentum Strategies In Emerging Markets: Evidence From Nairobi Stock Exchange"**

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<http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/54008>

Date: 1996

### **Abstract:**

This paper tests the profitability of momentum strategies in Kenya, an emerging market for the period 1995 to 2007. Analysis revealed that Nairobi Stock Exchange (NSE) exhibit medium term return continuation over the entire sample period and the sub-periods. We used RSS results to evaluate the influence of transaction costs, calendar effects, risk factors and other reported momentum characteristics on momentum profitability. We employ WRSS results to discriminate between the two diametrically opposed causes for the profitability of momentum strategies:. Our results show that, consistent with the evidence elsewhere, momentum is an anomaly; being driven by continuation in the idiosyncratic component of individual-security, rather than by cross-sectional differences in expected return and risks.