

BACK TO THE FUTURE - A BEHAVIORAL PERSPECTIVE ON TECHNICAL ANALYSIS INTO PIGS COUNTRIES

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ABSTRACT

In this paper, we investigate the possible presence of the behavioral phenomenon in the stock markets of some members of the European Union who are historically known as PIGS (Portugal, Italy, Greece and Spain). We used technical analyses methods and rules to explain behavioral phenomenon in the examined stock markets. We use different types of moving average technical rules. We perform some further analyses and tests. In our further analyses, we apply standard t-tests in combination with bootstrap methodology under the GARCH (1,1) null model. Overall, the results obtained in the paper show that our technical strategies (buy and hold) “win” the market and that there is a presence of European phenomenon in the PIGS stock markets. In addition, we document significant excess returns for moving average trading strategies and reject the weak-form efficient market hypothesis of Fama (1965).

Keywords: Behavioral Finance, GARCH(1,1) Technical Analysis, Bootstrap, Matlab, PIGS.

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