S&P Effect and Investment Classification

by

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Abstract:

S&P effect refers to the turbulence of price movement exhibited by the stocks that have been newly added to S&P 500 index. In previous paper, positive intermediate-period return is documented, while few touch the price reversal in the six-day period following the effective day.

In this paper, we first demonstrate the price reversal being significant which sheds light on lucrative short selling profit. Second, based on empirical evidence, we propose 8 explaining features and later we knock down to two best ones. In the end, we utilise SVM (support vector machine) to non-parametrically construct classification region.

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