

Returns to Technical Trading on the S&P 500 Using Fundamental Variables Since 1871

Karl David Boulware*[†]

First Draft: August 2007
This Draft: November 2013

Abstract

We test for weak-form efficiency of the efficient-market hypothesis by comparing the profitability of rule-based investment strategies versus a buy-and-hold portfolio. Buy and sell signals on the S&P 500 Index are generated annually using simple moving averages on price, the price-to-earnings ratio, the dividend yield, the 10 year Treasury bond yield, and Tobin's q . We rank each strategy by expected return and the standard deviation of expected return and find the buy-and-hold strategy dominates rule-based portfolios after controlling for transaction costs. (*JEL* G14, G11)

Keywords: S&P 500, efficient market hypothesis, weak-form efficiency, technical analysis.

*Karl David Boulware, Department of Economics, Finance, and Legal Studies, University of Alabama, kdboulware@gmail.com.

[†]I thank Charles Becker, Brad Daughdrill, Paul Dudenhefer, Hamilton Fout, Srinidhi Kanuri, Lori Leachman, Amos C. Peters, Arlie O. Petters, Edward Tower, Tetyana Shvydko, and Ejindu Ume for helpful discussions, comments, and suggestions.