

## Momentum in the Stock Exchange of Thailand

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**Abstract :** Stocks are usually classified according to their characteristics which are unique enough such that the performance of each category can be differentiated from another. The reasons behind such classifications in the financial market are sometimes financial innovation or it can also be because of finding a premium in a group of stocks with similar features. One of the major classifications in stocks market is called momentum strategy. Based on this strategy stocks are classified according to their past performances into past winners and past losers. Momentum in a stock market refers to the idea that stocks will keep moving in the same direction. In other word, stocks with rising prices (past winners stocks) will continue to rise and those stocks with falling prices (past losers stocks) will continue to fall. The performance of this classification has been well documented in numerous studies in different countries. These studies suggest that past winners tend to outperform past losers in the future. However, academic research in this direction has been limited in countries such as Thailand and to the best of our knowledge, there has been no such study in Thailand after the financial crisis of 1997. The significance of this study stems from the fact that Thailand is an open market and has been encouraging foreign investments as one of the means to enhance employment, promote economic development, and technology transfer and the main equity market in Thailand, the Stock Exchange of Thailand is a crucial channel for Foreign Investment inflow into the country. The equity market size in Thailand increased from \$1.72 billion in 1984 to \$133.66 billion in 1993, an increase of over 77 times within a decade. The main contribution of this paper is evidence for size category in the context of the equity market in Thailand. Almost all previous studies have focused solely on large stocks or indices. This paper extends the scope beyond large stocks and indices by including small and tiny stocks as well. Further, since there is a distinct absence of detailed academic research on momentum strategy in the Stock Exchange of Thailand after the crisis, this paper also contributes to the extension of existing literature of the study. This research is also of significance for those researchers who would like to compare the performance of this strategy in different countries and markets. In the Stock Exchange of Thailand, we examined the performance of momentum strategy from 2010 to 2014. Returns on portfolios are calculated on monthly basis. Our results on momentum strategy confirm that there is positive momentum profit in large size stocks whereas there is negative momentum profit in small size stocks during the period of 2010 to 2014. Furthermore, the equal weighted average of momentum profit of both small and large size category do not provide any indication of overall momentum profit.

**Keywords :** momentum strategy, past loser, past winner, stock exchange of Thailand

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