

BANGOR UNIVERSITY

Bangor Business School

ASB 3309 – Behavioural Finance

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Coursework Assignment 2019/20

This assignment counts 30% towards the overall mark for the module.

Summary

The assignment comprises the following core stages:

1. Select a popular technical trading strategy.
2. Use your chosen strategy to identify promising investment opportunities.
3. Conduct trades on at least 10 different stocks using Bangor Business School's [Global Trading Platform](#) during the trading period 3rd February to 13th March 2020.
4. Review your overall performance after the trading period ends on 13th March 2020.
5. Produce a 1,000 word report documenting your approach and evaluating your performance, including a discussion regarding the implications of your experience with respect to the Weak-form Efficient Market Hypothesis (EMH).

The deadline for the final report is Friday 3rd April 2020.

Detailed Requirements

According to the Weak-form Efficient Market Hypothesis (EMH), it should not be possible to profit systematically by trading on information from past price movements. Many investment practitioners, however, claim that it is possible to systematically generate excess returns using technical trading strategies (see, for example, [John Murphy's Ten Laws of Technical Trading](#)).

For the assignment, I would like you to put this to the test: try your best to generate excess investment returns by actively applying a technical trading strategy. Specifically, the assignment comprises of the following core stages:

1. Conduct a search for popular technical stock trading strategies (e.g., based on [moving averages](#), [moving average crossovers](#), [breakouts](#), etc.), and identify **one** strategy which you believe to be promising in terms of its potential for yielding excess returns. [This brief guide to technical trading strategies may be useful to start your search](#).
2. Apply your strategy to identify promising investment opportunities. The [StockCharts.com](#) is recommended for this, as it allows you to observe a broad selection of technical indicators. Ensure that you take screenshots of all relevant charts; some of these may be used for illustration within your final report.
3. Implement your selected trades using Bangor Business School's Stocktrak Global Trading Platform. You must conduct trades on at least 10 different stocks.
 - a. Navigate to <https://bangor.stocktrak.com>
 - b. Register for an ASB3309/4433 Assignment account:
 - **If you do not already have log-in details**, click "REGISTER NOW" at the top-right corner of the screen. Select "ASB3309/4433 Behavioural Finance Assignment". Continue to populate the registration form, making sure to provide your Bangor University email address. Click register to complete the process.
 - **If you already have log-in details**, sign-in to your account then click the "DASHBOARD" drop-down menu and select "View and Join Challenges". Click "Find New Contest", then next to "ASB3309/4433 Behavioural Finance Assignment" click "Join".
 - c. Navigate to "DASHBOARD" and ensure that "Select Portfolio" is set to "ASB3309 Behavioural Finance Assignment" each time you log-in.
 - d. Use the "MAKE A TRADE" menu to lookup and trade the stocks chosen in part 2 above. For further guidance on making a trade, navigate through the "TUTORIAL VIDEOS" menu.

4. The trading period will end on Friday 13th March 2020. After this time, you will no longer be able to implement trades, and your portfolio value will be fixed. You do not need to liquidate your positions at the end of the trading period. We will review the class' performance in the second workshop during the week commencing 16th March.
5. Produce a final report, and submit electronically by Friday 3rd April 2020.

Guidelines for the final report

Produce a final report which includes:

- a) A brief explanation of your chosen technical trading strategy, as well as an illustration of how you implemented the strategy using an example of a trade that you made. [300 words]
- b) An evaluation of your overall performance. [300 words]
- c) A critical discussion of what your trading performance suggests about the validity of the Weak-form Efficient Market Hypothesis (EMH). [400 words]

Word Limit: 1,000 words +/- 10%

Deadline for the final report: Friday 3rd April 2020.

Your report should demonstrate evidence of reading and research beyond the material delivered in lectures. It is important that you draw on insights from relevant and appropriate academic papers and practitioner sources, and references to all sources used **MUST** be included. A selection of recommended readings to get you started is provided below. A minimum of five references to academic sources is expected. All references made to academic papers must adhere to the following guidelines:

<http://www.bangor.ac.uk/library/help/documents/harvardreferencingguide.pdf>

An **electronic copy** of your final report must be submitted through the Turnitin software on Blackboard. Click on the 'assignments' link on the Blackboard site for the module, and follow the instructions. No hard copy submission is required.

Further Information and Advice

- You must trade at least 10 different stocks, however you may buy/sell any particular stock multiple times, and at any time during the trading period (3rd February to 13th March 2020). Short-selling is also permitted.
- The maximum number of trades you can make during the trading period is 300.

- You are given a notional balance of £250,000 to trade with. There is no limit on the size of each trade. You may wish to vary your stake (trade size) according to your level of confidence, investing more when you have higher confidence that the investment will pay-off.
- Bear in mind that the trading period will last for approximately 5 ½ weeks, and therefore you should seek to implement a short to medium-term trading strategy.
- Marks will be based on competency in the execution of your trading strategy, and the standard of your final report. The report will be judged on the criteria outlined within the undergraduate student handbook.

Recommended Reading (available on Blackboard)

Malkiel, B. G. (2003). The efficient market hypothesis and its critics. *Journal of Economic Perspectives*, 17(1), 59-82.

Menkhoff, L. (2010). The use of technical analysis by fund managers: International evidence. *Journal of Banking & Finance*, 34(11), 2573-2586.

Urquhart, A., Gebka, B., & Hudson, R. (2015). How exactly do markets adapt? Evidence from the moving average rule in three developed markets. *Journal of International Financial Markets, Institutions and Money*, 38, 127-147.

Hoffmann, A. O., & Shefrin, H. (2014). Technical analysis and individual investors. *Journal of Economic Behavior & Organization*, 107, 487-511.