



HOW REWARDING IS TECHNICAL ANALYSIS

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ABSTRACT

In today stock market world, many researchers had anticipated to come upfront to voice their own ideology base on several detail research on the efficiency or the credibility of technical analysis in confirming a substantial return from an investment. Those studies comprise the efficient market hypothesis, technical trading rule, technical indicators, the confirmation signal of price action, profitability and many more that are related. The results from those study have found that technical analysis do much or less give a significant impact in generating return.

In order to see the significant return generated by the technical analysis, the previous researcher used the daily return of Singapore Straits Times Index (STTI). This study has adopted the weekly Kuala Lumpur Composite Index (KLCI) with the period comprising from June 6th 2002 till June 30th 2007. This constitutes a sample size of 365 weeks. The data was used to examine the significant of technical indicators in generating positive return. This study was then preceded by calculating the weekly return. The returns are then compiled in order to get the average return. Base by only the positive sign from the buy signal and the negative sign from the sell signal, this study has proven the effectiveness of technical analysis. The results were the strengthen with the use of t-test to add more to the significant of the technical indicators signal that are generated by applying one trend follower (Moving Average) and one key momentum indicator or counter trend (Relative Strength Index). The study found that there is an existence of significant in return generate by technical indicators.