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Earnings Momentum Shifts and Stock Price Movements for Flyer Fund Stocks

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Flyer Fund Short Term Momentum Strategies: The Case for Earnings Growth

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Study Objective:

To determine if Flyer Fund stock prices co-vary with earnings growth

Research Approach:

- Univariate regression analysis
- Time period: 3Q 2011 – 3Q 2013
- Sample size: 30 stocks

Model Specification:

$$CQGP_{it} = a + b(CQGE_{it})$$

where

a, b = intercept, slope coefficient

CQGP = Compound Quarterly Growth Rate in Price

CQGE = Compound Quarterly Growth Rate in Earnings

i = ith stock

T = (1) 4 Quarters, (2) 8 Quarters

Hypothesis:

There is a direct relationship with between compound quarterly growth in earnings (CQGE) and price (CQGP):
 $b > 0$

Conclusion:

For both regressions, $b > 0$ and statistically significant, indicating price and gross earnings co-vary together. More data points are necessary in order to reduce small sample bias.

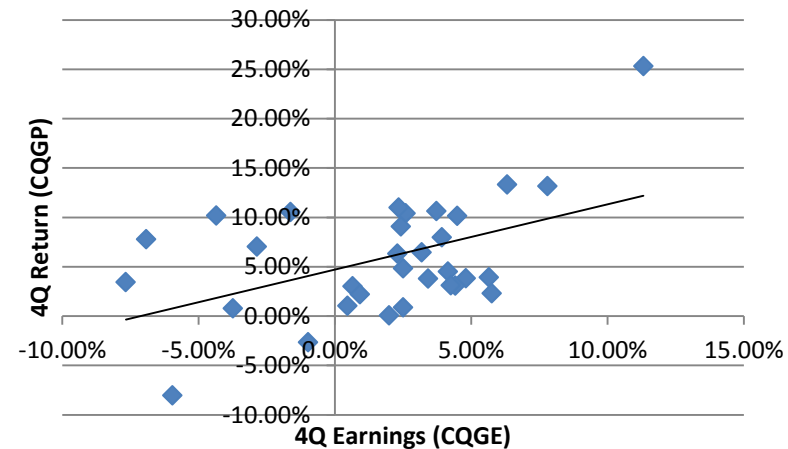
4 Quarter Regression

Intercept(a):	0.0471
Slope(b):	0.6606
T-Stat:	2.9864
R ² :	0.2292

8 Quarter Regression

Intercept(a):	0.0453
Slope(b):	0.7858
T-Stat:	5.8150
R ² :	0.3609

4Q CQGP to 4Q CQGE



8Q CQGP to 8Q CQGE

