

**Date of the event:**

On Thursday, 27th October 2011  
From 01:00 PM to 2:00 PM

**Location:**

Luxembourg School of Finance  
University of Luxembourg  
4 Rue Albert Borschette  
2<sup>nd</sup> Floor  
Modigliani Miller Auditorium (E02-003)  
L-1246 Luxembourg

**Registrations:**

- Free seminar (with lunch included)
- Registrations by email before October 24th, 2011
- At the following address : [lsf-events@uni.lu](mailto:lsf-events@uni.lu)

**Information:**

Ms Martine Zenner  
Tel : +352 46 66 44 6335

<http://www.lsf.lu/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following  
lunch seminar:

***Decomposing Short-Term  
Return Reversal***

*By Ernst Schaumburg  
Federal Reserve Bank of New York, USA*

**Thursday, 27<sup>th</sup> October 2011  
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## ***Decomposing Short-Term Return Reversal***

***By Ernst Schaumburg***

The **L**uxembourg **S**chool of **F**inance

Is pleased to invite you to the

**LSF Seminar**

The profit to a standard short-term return reversal strategy can be decomposed analytically into four components related to (1) across-industry return momentum; (2) within-industry variation in expected returns; (3) underreaction to within-industry cash flow news; (4) and a residual. Only the residual component, which isolates reaction to recent "non-fundamental" price changes, is significant and positive in the data. A simple short-term return reversal trading strategy designed to capture the residual component generates a highly significant risk-adjusted return three times the size of the standard reversal strategy during our 1982-2009 sampling period. Our results suggest that short-term return reversal is pervasive, much greater than previously documented, and associated with investor sentiment (on the short side) and liquidity shocks (on the long side).

