

# What's Momentum Investing?



## Momentum Investing Principles

Make friends with the trend

Establish clear rules for:

- Selecting stocks or funds to invest in
- Entering long trades
- Entering short trades
- Setting stop loss levels
- Exiting long trades
- Exiting short trades

Follow your rules strictly without deviating

Eliminate emotions

Don't predict where the market will go

Ignore: market pundits, newsletters, cable TV, crazy uncles, or knowledgeable friends

Expectancy =

$$\text{Win rate} \times \text{Average win percent} - \text{Lose rate} \times \text{Average lose percent}$$

QQQ Trades using 50-Day 200-Day crossovers

Trade	Entry date	Long/Short	Entry \$	Exit date	Exit \$	Long		Short	
						Gain %	Loss %	Gain %	Loss %
1	03/01/2000	Long	\$94.75	06/01/2000	\$80.09		-15.47%		
2	07/01/2000	Long	\$90.00	04/04/2000	\$101.94	13.26%			
3	07/06/2000	Long	\$93.69	27/07/2000	\$91.88		-1.93%		
4	17/08/2000	Long	\$95.75	08/09/2000	\$95.13		-0.65%		
5	22/09/2000	Short	\$92.94	18/01/2001	\$66.56			28.38%	
6	02/02/2001	Short	\$92.94	25/04/2001	\$45.10			26.73%	
7	13/06/2001	Short	\$44.55	23/10/2001	\$34.63			22.27%	
8	16/01/2002	Short	\$38.78	08/03/2002	\$38.67			0.28%	
9	13/03/2002	Short	\$37.08	19/08/2002	\$25.30			31.77%	
10	27/08/2002	Short	\$24.37	15/10/2002	\$23.56			3.32%	
11	19/12/2002	Short	\$25.06	06/01/2003	\$26.32				-1.25%
12	17/01/2003	Short	\$25.31	24/01/2003	\$24.82			1.94%	
13	12/02/2003	Short	\$23.82	28/02/2003	\$25.16				-5.63%
14	13/03/2003	Long	\$25.62	05/08/2003	\$30.21	17.92%			
15	15/08/2003	Long	\$31.17	18/11/2003	\$33.88	8.69%			
16	24/11/2003	Long	\$35.18	09/12/2003	\$34.43		-2.13%		
17	11/12/2003	Long	\$35.30	15/12/2003	\$34.78		-1.47%		
18	18/12/2003	Long	\$35.56	04/02/2004	\$36.33	2.17%			
19	06/02/2004	Long	\$37.13	23/02/2004	\$36.45		-1.83%		
20	02/04/2004	Long	\$37.10	15/04/2004	\$36.15		-2.56%		
21	22/04/2004	Long	\$36.92	29/04/2004	\$35.64		-3.47%		
22	25/05/2004	Long	\$35.96	08/07/2004	\$35.70		-0.72%		
23	21/07/2004	Short	\$34.40	09/09/2004	\$34.59		-0.55%		
	09/11/2004	Long	\$37.92	04/01/2005	\$38.78	2.27%			
Compound return							81.45%		

QQQ Trades using 20-Day high and low closes

Trade	Entry date	Long/Short	Entry \$	Exit date	Exit \$	Long		Short	
						Gain %	Loss %	Gain %	Loss %
1	29/10/1999	Long	\$65.75	06/01/2000	\$80.09	21.82%			
2	07/02/2000	Long	\$98.50	15/03/2000	\$102.88	4.44%			
3	13/04/2000	Short	\$88.00	01/05/2000	\$95.63				-8.66%
4	23/05/2000	Short	\$74.81	01/06/2000	\$87.38				-16.79%
5	02/06/2000	Long	\$93.63	27/07/2000	\$91.88		-1.87%		
6	28/07/2000	Short	\$86.88	17/08/2000	\$95.75				-10.22%
7	24/08/2000	Long	\$98.56	08/09/2000	\$95.13		-1.97%		
8	18/09/2000	Short	\$89.88	11/12/2000	\$74.38			17.25%	
9	19/12/2000	Short	\$59.13	18/01/2001	\$66.56				-12.58%
10	18/01/2001	Long	\$66.56	02/02/2001	\$61.55		-7.53%		
11	09/02/2001	Short	\$56.40	12/04/2001	\$42.80				24.11%
12	18/04/2001	Long	\$45.55	14/05/2001	\$44.82		-1.60%		
13	21/05/2001	Long	\$51.05	14/06/2001	\$42.25		-17.24%		
14	14/06/2001	Short	\$42.25	02/08/2001	\$43.91				-3.93%
15	15/08/2001	Short	\$39.10	11/10/2001	\$34.70				11.25%
16	06/11/2001	Long	\$38.19	20/12/2001	\$38.79	1.57%			
17	18/01/2002	Short	\$38.59	04/03/2002	\$37.15				3.73%
18	08/03/2002	Long	\$38.67	20/03/2002	\$36.06		-6.75%		
19	02/04/2002	Short	\$35.09	14/05/2002	\$32.57				10.67%
20	11/06/2002	Short	\$27.46	15/08/2002	\$24.53				10.67%
21	19/08/2002	Long	\$25.30	03/09/2002	\$22.64		-10.51%		
22	19/09/2002	Short	\$21.58	11/10/2002	\$22.22				-2.97%
23	15/10/2002	Long	\$23.56	09/12/2002	\$25.22			7.05%	
24	13/12/2002	Short	\$25.04	06/01/2003	\$26.32				-5.11%
25	10/01/2003	Long	\$27.10	21/01/2003	\$25.03		-7.64%		
26	07/02/2003	Short	\$23.81	18/02/2003	\$25.25				-6.05%
27	13/03/2003	Long	\$25.62	31/03/2003	\$25.25		-1.44%		
28	22/04/2003	Long	\$27.43	19/05/2003	\$27.69		0.95%		
29	27/05/2003	Long	\$29.10	25/06/2003	\$29.52		1.44%		
30	07/07/2003	Long	\$31.89	21/07/2003	\$30.88		-3.17%		
31	05/08/2003	Short	\$30.21	18/08/2003	\$31.97				-5.83%
32	19/08/2003	Long	\$32.37	25/09/2003	\$32.79		1.30%		
33	30/09/2003	Short	\$32.42	07/10/2003	\$34.65				-6.88%
34	29/12/2003	Long	\$36.44	28/01/2004	\$37.10		1.81%		
35	04/02/2004	Short	\$36.33	29/03/2004	\$35.79				1.49%
36	05/04/2004	Long	\$37.45	20/04/2004	\$35.68		-4.73%		
37	30/04/2004	Short	\$34.77	25/05/2004	\$35.96				-0.64%
38	27/05/2004	Long	\$36.42	08/07/2004	\$35.70		-1.98%		
39	14/07/2004	Short	\$35.19	20/08/2004	\$34.01				3.35%
40	02/09/2004	Long	\$34.78	27/09/2004	\$34.50		-0.81%		
41	01/10/2004	Long	\$36.10	20/12/2004	\$39.20		8.59%		
Compound return							-29.32%		