FROM THE *Managing Editor*

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In view of the heavy weighting to equities by Australian superannuation funds, it is not too surprising that many of the papers in this issue of JASSA focus on strategies and techniques for enhancing the profitability of trading equities, both within developed and emerging markets. Different aspects of momentum trading are considered, as well as an analysis of the Pitroski F-Score and the potential for profitable trading using analytics software to evaluate news events.

First, the paper by Angel Zhong, Manapon Limkriangkrai and Philip Gray examines seasonality in momentum profits. Noting that momentum trading generates economically and statistically significant profits in Australia and around the world, the authors document a distinct turn-of-the-year effect and strong quarterly effects. They suggest that there is anecdotal evidence that tax-loss selling and window dressing by institutional investors contribute to these patterns, which have only existed during the past 20 years following the introduction of the superannuation guarantee system (SGS) in 1992. While the authors indicate that it is difficult to attribute the profitability of momentum trading in the past 20 years entirely to the introduction of the SGS and the resulting boom in the managed funds industry, they believe further research may shed light on how the increasing prominence of institutional investors contributes to the momentum phenomenon.

Continuing on the same theme, but focusing on evidence from international market indices, Graham Bornholt and Mirela Malin provide a simple technique to modify momentum strategies to yield larger profits. The authors use past long-term returns to split the conventional momentum strategy into strong and weak components. Their analysis shows that the early-stage momentum strategy consistently produces larger profits than both the late-stage momentum strategy and the pure momentum strategy. While the early-stage strategy provides relatively small improvements over pure momentum in the developed markets case, the early-stage strategy performs exceptionally well for the emerging markets. Bornholt and Malin indicate that given the widespread interest in momentum strategies, this early-stage momentum approach should be of interest to both practitioners and researchers.

Next, the paper by Lee Smales highlights the significant increase in the availability of news and the growth in financial market participants' use of news analytics software to evaluate news events. It explores the effectiveness of this software and whether it is possible to trade profitably using such measures. Based on a sample of 33 highly liquid S&P/ASX 50 stocks, Smales indicates that while the relationship between news sentiment and returns is in the expected direction, with negative news producing negative returns and vice-versa, this relationship is insignificant and it would not be possible for market participants to consistently generate excess returns using a news-sentiment-based strategy once transaction costs are incurred, i.e. market efficiency holds. He notes, however, that this does not necessarily mean that investors able to trade at a greater speed than the 30-second intervals used in this study, or at very low transaction costs, will not be able to benefit from such strategies.

Charles E Hyde undertakes an analysis of the Piotroski F-score to determine whether the F-score signal can discriminate between high- and low-return stocks in emerging markets. His key finding is that, consistent with evidence from both developed and emerging market country studies, stocks with a high F-score earn a significant return premium over stocks with a low F-score. This positive premium is robust across both countries and time. Hyde indicates that the premium attached to high F-score stocks is unrelated to the size, value and momentum premiums. He suggests that the usual explanation for the power of the F-score (i.e. investor neglect of high F-score stocks) is therefore incomplete because big cap and high-momentum stocks are typically the most heavily scrutinised stocks in the market.

With banks' reputational problems being accentuated since the global financial crisis, Ameeta Jain, Monica Keneley and Dianne Thomson investigate management perceptions of these reputational issues through interviews with senior bank officials. Respondents identified the key factors which have contributed to the poor public view of banks as: profits; fees and charges; executive salaries; reactions to changes in monetary policy; and media and political commentary. The authors note that a focus on building customer and public relations, targeting initiatives which encourage community engagement and building greater rapport with bank customers (such as fee reductions), has been successful in increasing individual customer satisfaction.

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