

Independent Study Title	RESIDUAL MOMENTUM WITH LIQUIDITY FACTOR
Author	Miss Sakulporn Chaiyaraj
Degree	Master of Science (Finance)
Major Field/Faculty/University	Master of Science Program in Finance (International Program) Faculty of Commerce and Accountancy Thammasat University
Independent Study Advisor	Associate Professor Pantisa Pavabutr, Ph.D.
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ABSTRACT

This paper investigates the effectiveness of residual momentum trading strategy on two exchanges in Thailand, the Stock Exchange of Thailand main board (SET), and the market for alternative investment (MAI) using data during January 2001 - December 2014. The residual momentum is a process of obtaining the residual terms from the factor models and ranking them into winner and loser groups, then creating the portfolio of buying winners and selling losers to earn residual momentum returns. The paper examines the performance of the residual terms which are obtained from Fama and French factor models. The paper finds that on an average of each holding period, taking long position on high residual term stocks and short the low ones has consistently outperformed market returns. The residual momentum is robust even after controlling for liquidity factor in a four factor model. The paper finds that the size of residuals are positively correlated with price to book and turnover and negatively correlated with size

Keywords: Residual Momentums