CHAPTER 5

RECOMMENDATIONS AND CONCLUSION

5.1 Overview of The Research

Technical trading techniques, namely Japanese candlestick chart and moving average have produced significant positive returns in this study and the results proved that these trading techniques are superior in stock investment over buy-and-hold strategy. Japanese candlestick chart also showed higher returns on average compared to both buy-and-hold strategy and moving average either when it is applied for securities under sectors or boards classification. The profit margin gained from moving average is lower compared to that from Japanese candlestick chart.

The results also imply that moving average is the most volatile trading technique while Japanese candlestick chart is the most stable and reliable in stock analysis. However, the impact of volatility of the trading techniques is different among sectors and between boards.

A comparison of returns for each trading techniques by using statistical tests shows that there is a difference in returns obtained among the trading techniques. It illustrated that different trading techniques generated different levels of return for securities under boards or sectors classification. Furthermore, based on the number of securities that generate highest return, it is apparent that returns obtained under Japanese candlestick chart are relatively higher compared to buy-and-hold strategy and moving average.

5.2 Limitations of The Study

1. The securities chosen for this study are not adequately selected from each listing board and sector. Some sectors have to be ignored in the analysis due to insufficient sample size.

2. Payment for the purchase and proceed from the sale are assumed to be made on the same day of the transaction. However, in real market trading environment, settlement of the payment or proceed is made only after a few days.

3. The performance of stock market dropped drastically from June 1997 to September 1998 due to the economic crisis that hit around middle of 1997. Buy-and-hold strategy may convey a different result should the period of study be divided into two sub-periods. The first study period is from July 1995 until June 1997. The second study period starts from September 1998, where capital control was imposed, until June 2000.

4. Japanese candlestick chart patterns are subject to the interpretation of the user and it requires experience to discover which candlestick combinations work best in the market trading.

5. Another drawback of the study is the use of high, low, opening and closing prices in technical trading. An investor may have to wait for the close to get a valid trading signal or may have to try and anticipate what the close will be and initiate the trading action a few minutes prior to the close. The same scenario applies to the opening price where an investor may have to wait for the next day's opening before placing an order.

5.3 Suggestions For Future Research

Future research could derive from a greater variety of securities and over a longer period of time in order to provide a convincing analysis on the performance of the trading techniques. In addition, future test can also look at the comparison of other technical trading techniques such as the relative strength index, point and figure chart, stochastic oscillators with Japanese candlestick chart. Real time tick data may be recommended in the use of technical trading techniques rather than waiting for the close of the day to get a trade signal. The trade signal that promises a higher profit may come earlier.