ABSTRACT

The commodity markets have a unique cyclic investment characteristic, fundamentally driven by economic interconnectedness through global and local correlations. Such a market provides a dynamic opportunity for industry professionals to leverage their industry knowledge to create a system that can profitably navigate the various market conditions. The assessment of various trading strategies is the first step in formulating such a system. This report undertakes to empirically investigate the moving average technical analysis operating tool, through the quantitative assessment of historical data, to compare the performance of the trading strategy against that of the traditional buy and hold strategy for mining companies in the Johannesburg Stock Exchange (JSE) over a 10- year period from 2007 -2017.

The moving average is the most algebraic of the technical analysis operating tools and therefore the most amenable to quantitative assessment. The report provides a comprehensive overview of the topics of technical and fundamental analysis, as well as a review on the fundamental performances of the companies over the study period. This is followed by the comparison of the results attained from the moving average strategy to those of the traditional buy and hold strategy over the study period.

The study reveals that the performance of the moving average strategy varies depending on the parameters of the moving average and stock price resolution. The combination of parameters yield variable performances in comparison with the buy and hold strategy and do not reveal any particular trend. The study however does confirm that, unlike the buy and hold strategy, the moving average strategy does not require favourable market conditions in order to yield positive results, instead only requiring volatile share price action.