

Online Appendix for
"The Momentum Effect in Country-Level Stock Market Anomalies"

Adam Zaremba
Poznan University of Economics and Business
adam.zaremba@ue.poznan.pl

This version: February 21, 2017

Table A1. Anomalies investigated in the study.

The below table provides more information about all of the 40 individual anomalies examined in this study. “ID” is the running number and “Abbr.” is the abbreviation that identifies the strategies mentioned in the paper. The general rules for construction are explained in the section on data sources and research methods.

ID	Abbr.	Anomaly	Description	Stock-level key reference papers	Key reference for country-level parallels	Calculation details
				<i>Value</i>		
1	BM	Book-to-market ratio	Stocks of companies with high book-to-market ratio companies with low price-to-earnings ratio.	Rosenberg <i>et al.</i> (1985)	Macedo (1995), Asness, <i>et al.</i> (1997)	The approach applied by Rosenberg <i>et al.</i> (1985) was closely followed.
2	EP	Earnings-to-price ratio	Stocks of companies with high earnings-to-price ratios outperform firms with low high earnings-to-price ratios.	Basu (1983)	Macedo (1995), Kim (2012)	We closely follow the approach in Basu (1983).
3	DY	Dividendyield	Stocks of firms with high dividend yields outperform firms with low dividend yields.	Litzenberger and Ramaswamy (1979)	Macedo (1995)	We closely follow the approach of Litzenberger and Ramaswamy (1979).
4	CFP	Cash flow-to-price ratio	Stocks of firms with high cash flow-to-price ratios outperform firms with low cash flow-to-price ratios.	Lakonishok <i>et al.</i> (1994)	Macedo (1995)	We closely follow the approach of Lakonishok <i>et al.</i> (1994).
5	EBEV	EBITDA-to-EV ratio	Firms with high EBITDA-to-EV ratios outperform firms with low BITDA-to-EV ratios.	Loughran and Wellman (2011)	-	We rank markets based on their ratios of EBITDA aggregated over the past 4 quarters to EV.
6	EBP	EBITDA-to-price ratio	Firms with high EBITDA-to-price ratios outperform firms with low EBITDA-to-price ratios.	Mesale (2008)	-	We rank markets based on their ratios of EBITDA aggregated over the past 4 quarters to market capitalization.
7	SEV	Sales-to-EV ratio	Stocks of firms with high sales-to-EV ratios outperform firms with low sales-to-EV ratios.	Toniato et al. (2013)	-	We rank markets based on their ratios of aggregated sales over the past 4 quarters to enterprise value.

8 SP	Sales-to-price ratio	Stocks of firms with high sales-to-price ratios outperform firms with low sales-to-price ratios.	Barbee et al. (1996), Lewellen (2014)	-	We rank markets based on ratios of their aggregated sales over the past 4 quarters to total market capitalization.
9 BMSmall	Size-enhanced book-to-market ratio	The book-to-market effect is stronger across small stocks.	Israel and Moskowitz (2013)	-	First, we sort markets on size as characterized in anomalies (4) and determine the median. Second, we rank the below-median markets on book to market ratio, as characterized in anomaly (1), in month $t-4$.
<i>Momentum</i>					
10 StMom	Short-term momentum	Stocks of firms that outperformed over the past 6 months continue to outperform over the next month.	Jegadeesh and Titman (1993)	Asness <i>et al.</i> (1997), Bhojraj and Swaminathan (2006), Balvers and Wu (2006)	Formation period returns are computed as the cumulative return in months $t-6$ to $t-1$ (one month holding period).
11 StdMom	Standard momentum	Past-year winners outperform past-year losers	Fama and French (2008)	Asness <i>et al.</i> (1997), Bhojraj and Swaminathan (2006), Balvers and Wu (2006)	Formation period returns are computed as the cumulative return in months $t-12$ to $t-2$.
12 IntMom	Intermediate momentum	Intermediate returns (i.e., in months $t-12$ to $t-7$) cause momentum.	Novy-Marx (2012)	-	Formation period returns are computed as the cumulative return in months $t-12$ to $t-7$.
13 MomIvol	Idiosyncratic volatility-enhanced momentum	Momentum is stronger among stocks with high idiosyncratic volatility.	Jiang <i>et al.</i> (2005)	-	First, we sort markets on the idiosyncratic volatility as characterized in anomaly (36) and determine the median. Second, we rank the above-median markets on their cumulative returns in months $t-12$ to $t-2$.
14 CapMom	Size-enhanced momentum	Momentum is stronger among small firms.	Zhang(2006)	-	Markets are ranked separately on their past performance in months $t-12$ to $t-2$ and on capitalization; afterwards, portfolios are formed based on the average of both rankings.
15 MomTratio	Turnover ratio-enhanced momentum	Momentum is stronger across liquid stocks.	Lee and Swaminathan (2000)	-	Firstly, we sort markets on the turnover ratio as characterized in anomaly (38) and determine the median. Secondly, we rank the above-median markets on their cumulative returns in months $t-12$ to $t-2$.

16 MomTurn	Turnover - enhanced momentum	Momentum is stronger among liquid stocks.	Lee and Swaminathan (2000)	-	Firstly, we sort markets on the turnover as characterized in anomaly (39) and determine the median. Secondly, we rank the above-median markets on their cumulative returns in months $t-12$ to $t-2$.
17 MomBM	Book-to-market ratio-enhanced momentum	Momentum is stronger among companies with high book-to-market ratios.	Asness (1997), Daniel and Titman (1999), Sagi and Seasholes (2007)	-	Firstly, we sort markets on the book-to-market ratio as characterized in anomaly (1) and determine the median. Secondly, we rank the above-median markets on their cumulative returns in months $t-12$ to $t-2$.
<i>Reversal</i>					
18 StRev	Short-term reversal	Firms with the highest (lowest) returns in the previous month exhibit return reversal.	Lehmann (1990)	-	Markets are ranked based on their raw returns in the previous month.
19 LtRev	Long-term reversal	Firms with high (low) returns in the previous 3 to 5 years exhibit return reversal.	DeBondt and Thaler (1985)	Balvers and Wu (2006)	We rank markets based on their cumulative returns over months $t-60$ to $t-13$.
<i>Skewness</i>					
20 Skew	Skewness	Firms with high skewness of their return distributions underperform firms with low skewness.	Kraus and Litzenberger (1976), Harvey and Siddique (2000)	Harvey (2000)	We rank markets based on their past 24-months skewness of the return distribution
<i>Quality</i>					
21 ROA	Return on assets	Firms with high return on assets outperform firms with low return on assets.	Kogan and Papanikolaou (2013)	Zaremba (2015b)	We rank markets based on their returns on assets in the past 4 quarters.
22 ROE	Return on equity	Firms with high return on equity outperform firms with low return on equity.	Haugen and Baker (1996)	-	We rank markets based on their returns on equity in the past 4 quarters.
23 GM	Gross margin	Firms with high gross margins outperform firms with low gross margins.	Lev and Thiagarajan (1993), Abarbanell and Bushee (1997)	-	We rank markets based on their gross margins in the past 4 quarters.
24 GMChange	Change in gross margin	Change in gross margin positively predicts returns.	Piotroski (2000)	-	We sort the markets on the absolute change in gross margin, as characterized in anomaly (24), from month $t-7$ to $t-4$.

25 AD	Assets-to-debt ratio	Stocks of firms with high asset-to-debt ratios outperform firms with low asset-to-debt ratios.	Barbee et al. (1996), George and Hwang (2010), van de Maele and Jallet (2015)	Zaremba (2015b)	We rank markets based on their most recent assets-to-debt-ratios.
26 ED	EBITDA-to-debt ratio	Stocks of firms with high EBITDA-to-debt ratios outperform firms with low EBITDA-to-debt ratios.	Barbee et al. (1996), George and Hwang (2010), van de Maele and Jallet (2015)		We rank markets based on their most recent EBITDA-debt-ratio (EBITDA measure over the past 4 quarters).
27 Cash	Cash holdings	Firms with high cash-to-assets ratios outperform firms with low cash-to-assets ratios.	Palazzo (2012)	Zaremba (2015b)	We rank markets based on their cash-to-assets ratios in the most recent quarter.
28 AG	Assets growth	Total asset growth negatively predicts returns	Cooper <i>et al.</i> (2008)	-	We rank markets on total assets change over the past 12 months.
<i>Volatility</i>					
29 Beta	Low beta	Markets with low beta outperform markets with high beta.	Frazzini and Pedersen (2014)	-	We rank markets on the coefficient of the regression of their returns on returns of the global market portfolio, <i>i.e.</i> , capitalization-weighted portfolio of all of the stock-market indices, calculated for months $t-24$ to $t-1$.
30 SD	Low volatility	Stocks with low return volatility outperform firms with high volatility.	Blitz and van Vliet (2007), Baker <i>et al.</i> (2011)	Zaremba and Konieczka (2015)	We rank markets based on their standard deviation of returns in the past 24 months.
31 VaR	Value atrisk	Stocks with high value at risk (VaR) outperform stocks with low VaR.	Bali and Cakici (2004)	Zaremba and Konieczka (2015)	We closely follow the approach of Bali and Cakici (2004).
32 IdVol	Idiosyncratic volatility	Stocks with high/low idiosyncratic volatility outperform firms with low/high idiosyncratic volatility.	Merton (1987), Malkiel and Xu (2002), Ang <i>et al.</i> (2006, 2009)	Hueng and Yau (2013), Umutlu (2015)	We rank markets based on their idiosyncratic volatility relative to market risk based on returns in the past 24 months.
<i>Liquidity</i>					
33 TR	Turnover ratio	Firms with high ratios of trading volume to capitalization underperform firms with low ratios.	Datar <i>et al.</i> (1998), Easley <i>et al.</i> (2002)	Zaremba (2015b)	We rank markets based on their average ratio of total market capitalization to turnover over the past 12 months.
34 Turn	Trading volume	Firms with high dollar trading volume underperform firms with low volume.	Brennan <i>et al.</i> (1998)	-	We rank markets based on their total dollar trading volume in the past 12 months.

35 Cap	Size	Firms with high total market capitalization underperform firms with low total market capitalization.	Banz (1981)	Kepler and Traub (1993), Asness <i>et al.</i> (1997), Kepler and Encinosa (2011)	We rank markets based on their total market capitalization.
<i>Issuance</i>					
36 Iss	Issuance	Average returns are negatively related to annual stock issuance.	Daniel and Titman (2006), Fama and French (2008), Pontiff and Woodgate (2008)	Zaremba and Okoń (2015)	We rank markets based on the ratio of the total value of shares issued over the previous 6 months to total market capitalization.
<i>Seasonal effects</i>					
37 SeasMom	Seasonality momentum	Stocks tend to have high (low) returns in the same calendar month in consecutive years.	Heston and Sadka (2008)	-	We rank markets on the average return in months $t-60$, $t-48$, $t-36$, $t-24$ and $t-12$, <i>i.e.</i> , in analogous calendar months over the last 5 years.
38 OtherJan	The other January effect	Performance in January positively predicts performance during the rest of the year.	Cooper <i>et al.</i> (2006)	-	We rank markets on their past returns in the most recent January.
<i>Combinations</i>					
39 TR&skew	Double-ranking of turnover ratio and skewness	Skewness combined with turnover ratio is positively related to future returns.	-	Zaremba (2015c)	We closely follow the approach of Zaremba (2015c).
40 EP&skew	Double-ranking of earnings-to-price ratio and skewness	Skewness combined with earnings-to-price ratio is positively related to future returns.	-	Zaremba (2015c)	We closely follow the approach of Zaremba (2015c).

Table A2. Performance of capitalization-weighted country-level strategies.

The table presents the performance of capitalization-weighted zero-investment portfolios based on country-level strategies. R is the mean monthly return, SR is the annualized Sharpe ratio, α_{CAPM} and α_{4F} are intercepted from the country-level CAPM and the US stock-level four-factor model, respectively. "Gross" and "Net" approaches refer to the adjustment for taxes on dividends. The means, standard deviations and intercepts are expressed in percentage terms. The numbers in brackets are *t*-statistics based on bootstrap standard errors and the significance at the 10% level is given in bold characters. *, ** and *** indicate values significantly different from zero at the 10%, 5%, and 1% levels, respectively. The symbols of the strategies are explained in the Online Appendix.

	Gross returns							Net returns						
	R	<i>t</i> -stat	aCAPM	<i>t</i> -stat	a4F	<i>t</i> -stat	SR	R	<i>t</i> -stat	aCAPM	<i>t</i> -stat	a4F	<i>t</i> -stat	SR
	<i>Value</i>													
BM	-0.29	(-0.50)	-0.27	(-0.52)	-0.18	(-0.31)	-0.12	-0.02	(0.00)	0.03	(0.04)	-0.05	(-0.06)	-0.01
EP	1.03**	(2.43)	0.99**	(2.21)	0.88*	(1.96)	0.50	1.18**	(2.50)	1.06**	(2.26)	1.03**	(2.25)	0.61
DY	0.46	(1.13)	0.54	(1.38)	0.48	(1.11)	0.26	-0.07	(-0.20)	0.09	(0.20)	-0.06	(-0.16)	-0.04
CFP	1.29***	(2.68)	1.18***	(2.67)	1.14**	(2.43)	0.66	1.19**	(2.16)	1.00**	(2.04)	1.03**	(1.99)	0.57
EBEV	1.65***	(4.04)	1.55***	(3.99)	1.61***	(3.98)	0.88	1.12**	(2.28)	0.81*	(1.86)	1.01**	(2.15)	0.56
EBP	1.52***	(3.54)	1.46***	(3.78)	1.32***	(3.30)	0.82	1.29***	(2.89)	1.12***	(2.66)	1.13**	(2.57)	0.70
SEV	0.51	(1.27)	0.44	(1.00)	0.49	(1.07)	0.26	0.82**	(2.14)	0.65	(1.52)	0.66	(1.51)	0.46
SP	-0.09	(-0.19)	-0.17	(-0.47)	-0.15	(-0.39)	-0.05	0.35	(0.89)	0.20	(0.45)	0.17	(0.38)	0.20
BMSmall	0.60	(0.01)	0.55	(1.02)	0.32	(0.61)	0.28	0.44	(0.84)	0.39	(0.77)	0.19	(0.39)	0.21
	<i>Momentum</i>													
StMom	-0.76	(-1.38)	-0.72	(-1.35)	-0.78	(-1.48)	-0.31	-1.21**	(-2.26)	-1.15**	(-2.14)	-1.18**	(-2.28)	-0.54
LtMom	-0.40	(-0.58)	-0.41	(-0.74)	-0.61	(-1.19)	-0.18	-0.65	(-1.07)	-0.68	(-1.26)	-0.76	(-1.46)	-0.30
IntMom	0.25	(0.60)	0.23	(0.48)	0.04	(0.04)	0.11	0.07	(0.25)	-0.02	(-0.03)	-0.04	(-0.15)	0.03
MomIvol	-0.23	(0.00)	-0.21	(0.70)	-0.47	(0.30)	-0.12	-0.29	(-0.72)	-0.28	(0.67)	-0.52	(0.04)	-0.15
MomSmall	0.11	(0.41)	0.18	(0.54)	-0.09	(-0.25)	0.07	-0.04	-0.06	0.07	(0.18)	-0.12	(-0.32)	-0.02
MomTratio	-0.07	(0.00)	-0.05	(-0.15)	-0.11	(-0.21)	-0.04	-0.28	(-0.87)	-0.28	(-0.24)	-0.34	(-0.78)	-0.17
Mom Turn	-0.28	(-1.06)	-0.27	(-0.78)	-0.35	(-1.05)	-0.20	-0.44	(-1.41)	-0.44	(-1.22)	-0.52	(-1.52)	-0.30
MomBM	0.59	(1.31)	0.58	(1.30)	0.58	(1.30)	0.33	0.63	(1.53)	0.63	(1.44)	0.63	(1.45)	0.37
	<i>Reversal</i>													
StRev	-0.43	(-0.74)	-0.42	(-0.71)	-0.56	(-0.98)	-0.17	-0.34	(-0.55)	-0.29	(-0.44)	-0.37	(-0.58)	-0.13
LtRev	-1.06*	(-1.76)	-0.77*	(-1.66)	-1.00*	(-1.87)	-0.51	-1.03*	(-1.69)	-0.77	(-1.63)	-1.00*	(-1.88)	-0.49
	<i>Skewness</i>													
Skew	-1.37***	(-3.35)	-1.39***	(-3.03)	-1.34***	(-2.89)	-0.69	-1.08***	(-2.64)	-1.09**	(-2.34)	-1.21***	(-2.60)	-0.56

<i>Quality</i>														
ROA	0.17	(0.43)	0.09	(0.23)	-0.02	(-0.04)	0.07	0.13	(0.29)	-0.14	(-0.21)	-0.07	(-0.12)	0.05
ROE	0.65	(1.36)	0.64	(1.39)	0.55	(1.09)	0.30	0.41	(0.79)	0.27	(0.55)	0.30	(0.54)	0.18
GM	0.10	(0.20)	0.27	(0.61)	0.24	(0.47)	0.05	0.05	(0.11)	0.21	(0.47)	0.21	(0.40)	0.03
GMChange	0.13	(0.46)	0.12	(0.48)	0.08	(0.35)	0.12	-0.21	(-0.75)	-0.25	(-0.79)	-0.38	(-1.21)	-0.18
AD	-0.41	(-0.90)	-0.43	(-0.89)	-0.36	(-0.71)	-0.20	-0.13	(-0.34)	-0.15	(-0.29)	-0.14	(-0.27)	-0.07
ED	0.83	(1.68)	0.67	(1.50)	0.87*	(1.80)	0.38	0.88	(1.59)	0.50	(1.09)	0.81	(1.58)	0.42
Cash	0.25	(0.52)	0.25	(0.57)	0.22	(0.50)	0.12	0.55	(1.14)	0.62	(1.27)	0.56	(1.19)	0.29
AG	0.07	(1.59)	0.01	(0.09)	0.02	(0.08)	0.03	0.15	(0.79)	0.06	(0.14)	-0.05	(-0.06)	0.07
DYChange	-0.27	(-0.72)	-0.29	(-0.82)	-0.17	(-0.48)	-0.18	-0.17	(-0.42)	-0.18	(-0.49)	-0.14	(-0.41)	-0.13
<i>Volatility</i>														
Beta	-0.19	(-0.35)	-0.42	(-1.13)	-0.22	(-0.56)	-0.10	0.29	(0.89)	0.16	(0.50)	0.26	(0.74)	0.17
SD	0.47	(1.09)	0.15	(0.35)	0.27	(0.52)	0.21	0.71*	(1.68)	0.32	(0.75)	0.42	(0.85)	0.34
VaR	0.98*	(1.83)	0.78*	(1.72)	0.80	(1.61)	0.42	1.40***	(2.88)	1.14**	(2.48)	1.20**	(2.35)	0.63
Ivol	0.39	(0.94)	0.09	(0.21)	0.20	(0.36)	0.18	0.63	(1.51)	0.25	(0.60)	0.35	(0.69)	0.31
<i>Liquidity</i>														
TR	-0.56	(-1.12)	-0.31	(-1.05)	-0.52	(-1.44)	-0.36	-1.05**	(-2.23)	-0.72**	(-2.46)	-0.88**	(-2.36)	-0.70
Turn	-1.62***	(-2.74)	-1.61***	(-2.74)	-1.59***	(-2.69)	-0.62	-1.05	(-1.53)	-0.97	(-1.45)	-1.09	(-1.52)	-0.37
Cap	-0.10	(-0.28)	-0.26	(-0.70)	-0.10	(-0.30)	0.05	-0.27	(-0.59)	0.02	(0.01)	0.14	(0.31)	0.18
<i>Issuance</i>														
Iss	-0.93*	(-1.96)	-0.74	(-1.54)	-1.01*	(-1.89)	-0.42	-1.29**	(-2.30)	-0.93**	(-1.97)	-1.14**	(-2.13)	-0.60
<i>Seasonal effects</i>														
otherjan	0.05	(0.10)	0.13	(0.34)	0.08	(0.20)	0.03	-0.02	(-0.13)	-0.02	(-0.08)	-0.05	(-0.09)	-0.01
seasmom	0.26	(0.76)	0.24	(0.82)	0.22	(0.71)	0.22	0.24	(0.64)	0.22	(0.75)	0.20	(0.61)	0.19
<i>Combinations</i>														
TR&skew	0.77*	(1.79)	0.55	(1.42)	0.70	(1.62)	0.42	1.10**	(2.52)	0.82**	(2.08)	1.01**	(2.32)	0.64
EP&skew	1.06***	(2.72)	1.04**	(2.28)	0.97**	(2.05)	0.53	1.05***	(2.81)	1.02**	(2.33)	1.01**	(2.23)	0.56

Table A3. The performance of composite value-weighted country-level strategies.

The table presents the performance of value-weighted portfolios of the strategies based on 16 selected country-level anomalies that are described in the Results section. R is the mean monthly return, Vol is the standard deviation of monthly returns, SR is the annualized Sharpe ratio, α_{CAPM} and α_{4F} are intercepted from the country-level CAPM and the US stock-level four-factor model, respectively. "Gross" and "Net" approaches refer to the adjustment for taxes on dividends. The means, standard deviations and intercepts are expressed in percentage terms. The numbers in brackets are t -statistics based on bootstrap standard errors and the significance at the 10% level is given in bold characters. *, ** and *** indicate values significantly different from zero at the 10%, 5% and 1% levels, respectively.

	R	t -stat	Vol	SR	α_{CAPM}	t -stat	α_{4F}	t -stat
Gross returns	0.93***	(5.09)	2.84	1.14	0.86***	(4.73)	0.80***	(4.36)
Net returns	0.92***	(4.33)	2.98	1.07	0.87***	(4.23)	0.80***	(3.76)

Table A4. Returns on portfolios of country-level strategies formed on their past performance. The table presents the performance of value-weighted portfolios of country-level strategies formed on the past performance. "Low" denotes markets with the lowest past returns and "High" with the highest returns. "Gross" and "Net" approaches refer to the adjustment for taxes on dividends. The mean, standard deviations and intercepts are expressed in percentage terms. The numbers in brackets are *t*-statistics based on bootstrap standard errors and the significance at the 10% level is given in bold characters. *, ** and *** indicate values significantly different from zero at the 10%, 5%, and 1% levels, respectively. The Sharpe ratios are based on the annualized values. MR is the *p*-value from the MR (Patton and Timmerman 2010) test.

	Low	Middle	High	MR	Low	Middle	High	MR
	<u>Gross returns approach</u>				<u>Net returns approach</u>			
	<i>3-month sorting period</i>							
Mean	0.24 (1.06)	0.71*** (4.89)	0.77*** (4.24)	15.6	0.71** (2.13)	0.99*** (3.81)	0.97*** (3.24)	28.9
Volatility	2.68	2.13	2.50		4.45	3.67	4.49	
Sharpe ratio	0.31	1.15	1.06		0.55	0.94	0.74	
	<i>6-month sorting period</i>							
Mean	0.35 (1.56)	0.58*** (3.76)	0.76*** (4.19)	1.3**	0.73** (2.37)	0.95*** (3.60)	0.85*** (3.03)	36.0
Volatility	2.63	2.29	2.36		4.00	3.72	4.52	
Sharpe ratio	0.47	0.88	1.12		0.63	0.89	0.65	
	<i>9-month sorting period</i>							
Mean	0.43** (2.01)	0.60*** (3.89)	0.73*** (3.84)	6.2*	0.74** (2.28)	1.33*** (5.29)	0.68** (2.24)	97.2
Volatility	2.62	2.10	2.52		3.97	3.57	4.47	
Sharpe ratio	0.57	0.99	1.00		0.64	1.29	0.53	
	<i>12-month sorting period</i>							
Mean	0.43** (2.01)	0.60*** (3.89)	0.73*** (3.84)	8.7*	0.88*** (3.20)	0.99*** (3.41)	0.77*** (2.62)	61.6
Volatility	2.62	2.10	2.52		3.48	3.87	4.31	
Sharpe ratio	0.57	0.99	1.00		0.88	0.89	0.62	

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