on the American Stock Market: Can the EVA fundamental analysis increase the returns to a hedge-portfolio strategy with stocks sorted after book-to-market valuation.

Abstract [en]

In this paper, the popular fundamental analysis model Economic Value Added® applied on the American Stock Market: Can the EVA® fundamental analysis increase the returns to a hedge-portfolio strategy with stocks sorted after book-to-market valuation and size?

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the same way but without the Economic Value Added® analysis only managed to score returns equaling 2.3%, adding evidence in favor of the Economic Value Added® analysis. The Economic Value Added also showed a better risk-profile than the benchmark portfolio, measured as the Modigliani Risk-Adjusted Performance over the entire period, further acknowledging the abnormal returns. However, the Economic Value Added® sample portfolios were unevenly distributed regarding the number of stocks, foremost in the short-sold part for some years, mitigating the test as strong evidence in favor of the Economic Value Added® analysis. An independent samples t-test also did not reject the null hypothesis. Despite the mixed results of the test, the strength in the specification of sample and choice of method leads us to conclude that the Economic Value Added® seems like a moderately effective tool for identifying mispriced stocks.

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- Novak, Jiri, PhD
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