Contrarian Investment Strategy: a Superior Active portfolio approach

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Abstract

Amongst the foreseen well-known investment strategies, this study tries to test the validity of forming a superior active portfolio based on a contrarian investment strategy. To reach this aim, we have been using monthly stock's close prices of 37 listed-companies in the Iraq stock exchange (ISX) as sample, which was to extend throughout the period between January 2005 to January 2015. The applied method regards to forming an Active portfolio that outperforms the market-index portfolio according to paradoxical expectations for the market performance by using 49 mixed strategies for ranking and holding periods. The principle of forming the Contrarian active portfolio is based on buying the lose stocks in the previous period and selling the winners for that same period, this mechanism iterated to generate return that called contrary return. The produced return tested under statistical and economical significancy in the same time. The major finding is that contrarian returns (After transaction cost) appears in the short-term for Iraq stocks exchange.

Keywords contrarian, overreaction, under-reaction, Winner, Loser, Portfolio

المستخلص

من بين استراتيجيات الاستثمار المعروفة، تحاول هذه الدراسة اختبار صلاحية بناء محفظة نشطة مبنية على استراتيجية الاستثمار المعاكسة . و لتحقيق هذا الهدف ، استخدمنا عينة مكونة من أسعار إغلاق الأسهم الشهرية لـ 37 شركة مدرجة في سوق العراق للأوراق المالية (ISX) ، والتي شملت نتائج أسعار الاغلاق للفترة من يناير 2005 إلى يناير 2015. تضمن أسلوب الدراسة العمل على تشكيل محفظة نشطة تتفوق في الأداء على محفظة مؤشر السوق وفقًا للتوقعات العامة لأداء السوق و باستخدام 49 استراتيجية مختلطة لفترات الترتيب و الاحتفاظ . بالمقابل يقوم مبدأ بناء المحفظة النشطة المعاكسة على شراء الأسهم الخاسرة في الفترة السابقة وبيع مثيلاتها من الرابحة لنفس الفترة ، وتكرر هذه الآلية بشكل شهري لتوليد عائد يسمى العائد المعاكس و من ثم يتم اختبار العائد الناتج وفقًا للمعنوية الإحصائية والاقتصادية على حد سواء. و كان الاستنتاج الرئيسي للدراسة هو أن العوائد المعاكس يظهر معنوية واضحة على المدى القصير بالنسبة لسوق العراق للأوراق المالية.

Introduction

Amongst numerous investing strategies, there are some of it could be utilize to building an active portfolio. The contrarian investment strategy considered as one among well known trading strategies that wide spread across international exchange markets either currency or financial assets markets. In our study, we will cover this strategy in term of forming an active portfolio within Iraq stock exchange market.

Study Problem

The problem behind the current study keen on if there is a possibility to beat market portfolio (index proxy) by a superior active portfolio based on contrarian investment strategy in term of different periods return.

Study hypothesis

According to problem style, the study hypothesis revealed as " there is no possibility to forming contrarian active portfolio could overcome the market portfolio in term of portfolio return"

Study objective

The objective of study summarized as follow:

1 – unveiling the possibility of contrarian trading strategies validity throughout Iraq stock exchange.

2 – possabilty of forming active portfolio based on contrarian trading strategies.

3 – support Iraqi financial market and Iraqi investor with new valid and profitable investment strategy.

Study sample

The study sample covers 37 stocks of listed stocks in the Iraq stock exchange for the period (2005-2015) that consistent with study standard by couniting listed throughout study period and not suffering from merger or stock splitting.

Contrarian investment strategies

Momentum and contrarian strategies are two significant anomalies in economic studies (Vayanos and Woolley, 2013). They aim to overcome market participants by utilizing the expected patterns of security returns. These patterns are based on a various investor reaction and firm-related information that regarding to heuristics and behavioral biases, like conservatism, anchoring, representative, overconfidence etc. (Barberis et al., 1998; Daniel et al., 1998; Griffin and Tversky, 1992). (Odeen, 1998) Find that the investors at a US brokerage house are opposed to realizing losses, and present evidence that is symmetric to

contrarian investment strategies.The contrarian strategy stated that value strategies are profitable, because of investors overweight previous performance, where overbought those with high performance in the past and make it overpriced, in contrast, sell stocks with have worse performance in that past which led to making it underprice. This rational behavior based on exploit crowed feeling drawbacks.

(Isaac Otchere and Jonathan Chan, 2003) asserted that abnormal profits observed in exploiting such strategies should consider adjusting for transaction costs to be economically significant after. Therefore, Hong-Kong's stock market still efficient but in weak form. The study also discovers the possibility of the results to be affected by factors such as bid-ask, size effect, and the day-of-the-week effect. (Ronald Balvers, Yangru Wu, and Erik Gillland, 2000) reveal a meaningfully positive moves of reversion with a half-life of three to three and one-half years. The result was still robust to alternative specifications and data. Moreover, contrarian investment strategies that fully utilize mean-reversion across local indexes beat the buy-and-hold and naive contrarian strategies. Whereas, (Baytas and Cakici, 1999) tested the developed countries' stock markets (US, Canada, Japanese, French, Italia, German, and UK), stated strong evidence for long-term contrarian profits in the period of two and three years in all countries except USA and Canada. In line with that, (Supriya Maheshwari and Raj S Dhankar, 2016) noticed high momentum and contrarian profits within Indian stock market. Besides, they asserted that it is not attributed to biases and errors in return computation method, as mentioned by some literature.

With efficient markets, stock prices indeed reflect all accessible information. Consequently, that makes it impossible to achieve any abnormal profits by trading according to past or prominence information. A severe critic of this suggestion comes from (DeBondt and Thaler 1985), who notice that ultimate prior losers outperform prior winners in the next years for the USA market. In contrast, (Jegadeesh, 1990) and (Lehman, 1990) noticed that contrarian strategies in the US still strong in short-term horizons, meanwhile (Antoniou et al. 2006) prove similar results in the UK Market as well. (Chan, 1988), (Ball and Kothari, 1989) notice that the result may be related to volatile in the equilibrium expected returns.

Consequently, contrarian investment strategies consider as a financial market anomaly. According to (Chan, 1988), a contrarian stock-picking strategy comprises of buying loser stocks and selling winner stocks. Hence, the contrarian point of view is that the past losers going to be the winners in the future. in a nutshell, with a portfolio that is formed by purchasing stocks that lost in past and selling the prior winners, it is possible to gain higher than market returns for the next 3-5 years. That means the contrarian strategy uses the winner-loser portfolio principle.

The cause behind the attractiveness of these strategies is paved by psychologists. Where (Kahneman and Tversky 1982), in their study with psychological experiments, notice that people strive for overreact with dramatic events and uncertain. The overreaction happens when the average returns after the declaration of a series of good news are lower than the average returns after the declaration of a series of bad news (Barberis et al., 1998). In Action, it can be noticeable when money manager David Dreman's negotiates Contrarian Investment

Strategy in his famous book. Academic studies by (Francis Nicholson and Sanjoy Basu) had already begun to confirm value investors' long-standing persuasion that stocks with low P/E multiples suffering from greater risk-adjusted returns. Value strategies could achieve strong returns because they are in contrast to the naive strategies of other investors. These naive strategies perhaps range from predicting based on patterns of prior earnings growth so far into the future, and to explore the trends in stocks price, to overreact for bad and good news, or to merely equating a sound investment with a successful company regardless of price. Nonetheless of the reason, some investors been interested in stocks that was well-performing in the past then buying them, so that this attractive stock goes overpriced. That is the reason behind value strategies produced superior returns, maintained by (Fama and French 1992), that they are primarily riskier. Whereas, the investors in value stocks, like with high book-to-market stocks tend to bear the greater risk with some sort, and compensation for this risk by higher average returns. Also, critics to be used by (De Bondt and Thaler, 1985) (Chan, 1988) and (Ball and Kothari, 1989) to defeat their overreaction story. The testable aspects of the Overreaction Hypothesis include opposite price movements in the direction should meet by extreme movements in stock prices. Where, the more extreme the initial movement, the higher will be the subsequent corrections.

Moreover, (Chan,1988) found only weak support for the Overreaction Hypothesis. After documenting that losers have substantial negative abnormal returns and winners have significant positive abnormal returns in the formation periods. Chan notices that only little abnormal differences in returns appear between winners and losers during the test period. Furthermore, other studies support evidence inconsistent with the Overreaction Hypothesis include (Howe,1986), when stated that investors could buy stocks that have significant declined price trend. In the same time, his findings also show overreaction effect, and finds that a major percentage of the return are caused through contrarian strategy that tend to occur within a short period after the limited initial price increase. (Davidson, 1989) stated that abnormal returns earned in one year are positively related to the abnormal returns earned in the following year. Also, (Pettengill and Jordan's 1990) indicating that the severe reversal effect of gains and losses available by the Overreaction Hypothesis occurs only with large firms. On the other hand, (Kristian Bondo Hansen 2015) argues that even its peculiarity, the contrarians' strategies rely on crowd psychology points to a fundamental diversity of market participants, which still arguments about the wisdom of the financial market crowds. Although the term 'contrarian' begins in the mid-20th century, where Neill first began writing about contrary concept in the early 1920s, the systematic counteracting of the significant tendencies in the market, which was associated with bear trading (short-selling), can be traced back to Joseph de la Vega's Confusion de Confusions from 1688 (Vega, 1996).

To test the overreaction hypothesis, DeBondt and Thaler form investment portfolios of winners and losers. They find that three years after the portfolio formation date, the loser's portfolio has earned about 25% more than the portfolio of previous winners. Therefore, their empirical evidence is in line with the hypothesis of stock market overreaction and that shows substantial weak form market inefficiencies. Moreover, (Dreman and Lufkin,1997) examine the use of the contrarian strategy within an industry. When analyzing the performance of

unfavored and less attractive stocks within an industry, they find that there is regular mispricing of stocks. Dreman and Lufkin's results indicate that the contrarian strategy does not bear the excess risk and therefore concludes that risk is incapable of explaining this mispricing. Also, (Kryzanowski and Zhang,1992) stated that significate gains that coming from exploit of the contrarian investment strategy are restricted to the U.S. financial market and when practice with the Canadian financial market. DeBondt and Thaler methodology does unfavorable outcomes. Indeed, in lieu of finding plausible price reverses. Kryzanowski and Zhangfind noticed that the Canadian financial market shows plausible price persistence trend. (Patricia M. Dechow, Richard G. Sloan, 1997) found unobvious evidence that stock prices reflect naive derive patterns from past trends in earnings and sales growth. They also found that stock prices appear to reflect analysts' biased forecasts of future earnings growth naively.

2.Data and Methodology
2.1 Data

The tested data in this study comprises monthly stocks' close-prices of 37 companies listed in the Iraq Stock Exchange (ISX), represents the continuous trading companies' stocks in the entire tested period. The sample covered the period between January 2005 to January 2015. The close price data collected from the Iraq Stock Exchange website. Alongside, Iraq Stock Exchange index (ISX60) used as a surrogate for Market Portfolio for the tested period. While using a 3-month Treasury Bills rate as the risk-free rate published by Iraqi Central Bank official publications of T -bills auctions and converted to monthly bases observations. The prices converted to a continuously compounded series by using equation (1).

$$r = \ln(P_1) - \ln(P_0) \ \ldots\ldots\ 1$$

Also, for the statistical significate test, the one-sample t-test applied to returns series to find out if the average return of strategy differed from zero statistically. While using zero as an assumption means.

1.2 strategies and Portfolio Formation

The current study is testing contrarian investment throughout forming trading strategies based on different periods of frequent trade. The periods were (1, 3, 6, 9, 12, 24, 36) months, Periods used for ranking, and holding periods, which result (49) different strategies. Each strategy contains matching between ranking and holding period, for instance, (1/12) meaning the strategy with one month ranking period and 12 months for holding period. At the end of each year (t), ranking in descending all the sample stocks based on their rate of return for the preceding period (t-1), which represents the ranking period. Then, picking up the top ten stocks (tercile) with high returns to forming the winner portfolio and hold it for 12 months (as holding period) then calculating its return. Likewise, pecking up the 10 with the lowest return in the ranking period, to forming the loser portfolio. Then hold it along of holding period and calculating its return. This procedure iterates each year along the sample data range to generate a series of returns observations, for each strategy, the average of returns' observation resulting in the rate of return of the strategy.

The contrarian Portfolio includes two sub-portfolios. The winner and loser portfolio return, forming one contrarian portfolio return based on (loser minus winner) return. Because

of the investment contrarian concept, the investor takes an opposite position to the current market trend by buying loser stocks (Long position) and selling winners (short position). Thus, contrarian investor going to form losers' stocks portfolio and makes short-selling for winners' portfolio. In order to test the contrarian portfolio, the study forming portfolios of different trading strategies in order to cover short, medium, and long- term ranking and hold periods. That because more studies precede to current study uncovered contrary investment in Iraq.

2. Result and Discussion

The results of forming contrarian Portfolios Table.1 (Panel A) and (Panel B), It is manifesting that the contrarian strategies return become less and insignificant when ranking and holding period increases. Where all the 49-strategies generated returns except two strategies with long-term ranking and holding periods (24/36) (36/36) achieved losses. That indicates neither long-term ranking period nor the long-term holding period can generate profits if used together. Meanwhile, the remaining 47-strategies achieved a profit, but two only from they were generated significant profits, and they are (1/3) (1/6) strategies. Also, these two strategies have a positive sharp-ratio, that makes them overcome the returns of counterpart market's portfolio in terms of risk-adjusted return, market's portfolio used here as the benchmark.

Table 1 (Panel A) Strategies' Results of contrarian Portfolios

Ranking*		Holding*						
		1	3	6	9	12	24	36
1	Return	0.077574	0.154533	0.127043	0.113896	0.101775	0.107052	0.075795
	T – value**	1.16	2.29	3.38	1.74	1.36	1.61	1.27
	P- Value	0.274	0.048	0.008	0.117	0.206	0.146	0.245
	Volatility	0.2107	0.2135	0.1188	0.2075	0.2363	0.1995	0.1691
	Sharp	0.130871	0.489618	0.648507	0.307931	0.219109	0.285974	0.152544
3	Return	0.022484	0.041033	0.038814	0.030681	0.03802	0.045796	0.016635
	T - value	1.54	1.75	2.39	1.18	1.26	1.61	0.74
	P - Value	0.157	0.114	0.04	0.267	0.241	0.146	0.485
	Volatility	0.0461	0.0741	0.0513	0.082	0.0957	0.1995	0.0639
	Sharp	-0.59688	-0.12101	-0.21804	-0.2356	-0.12519	-0.02107	-0.52215
6	Return	0.016738	0.03735	0.028117	0.021682	0.021571	0.029269	0.005916
	T - value	1.77	2.95	3.07	1.47	1.47	1.55	0.36
	P - Value	0.11	0.016	0.013	0.175	0.176	0.161	0.727
	Volatility	0.02984	0.04	0.02897	0.0466	0.0464	0.0568	0.0461
	Sharp	-1.11469	-0.31626	-0.75537	-0.60768	-0.61269	-0.36498	-0.95627
9	Return	0.014441	0.013091	0.011704	0.008239	0.010295	0.014363	0.008593
	T - value	2.25	1.84	1.98	1	1.16	1.1	0.78
	P - Value	0.051	0.098	0.079	0.342	0.275	0.304	0.462
	Volatility	0.02033	0.02246	0.0187	0.026	0.02799	0.0393	0.0312
	Sharp	-1.74907	-1.64331	-2.04793	-1.60618	-1.41855	-0.90681	-1.32714
Market Portfolio	Return	-0.0505	0.0153	-0.0223	-0.0164	-0.0154	-0.0154	-0.0238
	Volatility	0.1583	0.1489	0.1512	0.0964	0.0752	0.0599	0.0172
	Sharp	-0.6980	-0.3002	-0.5444	-0.7927	-1.0029	-1.2593	-4.8783

* Ranking and Holding Periods in Months.

** significant at 95.0.

Furthermore, Other profitable strategies generate insignificant profits (statistically equal to zero), or it has a negative Sharp-ratio. Even though Strategies like (9/1),(6/6), and (36/1) get significant returns, but they had a sharp-ratio less than market portfolios, which makes market portfolio better in a term of risk-adjusted return. Only the strategy (3/6) has significant returns and overcome it is a peer in the market portfolio return based on risk-adjusted return, but the availability of others with batter Contrarian strategies makes it less critical as an investment decision, besides, it is considered risky.

On the other hand, the market portfolios have shown loss (except one month) with negative sharp-ratios. That back to the Iraq Stock Exchange suffering from significant decline frequently because of unstable economic and political events. Besides that, it has low activity because most of the listed companies from the private sector which have low economic activity and regulation limitations.

Table 1 (Panel B) Strategies' Results of contrarian Portfolios

Ranking*		Holding *						
		1	3	6	9	12	24	36
12	Return	0.009653	0.00558	0.008378	0.004756	0.008291	0.00656	0.002633
	T – value**	1.38	0.85	1.86	0.65	1.16	0.71	0.57
	P- Value	0.201	0.415	0.096	0.535	0.276	0.498	0.587
	Volatility	0.02215	0.02064	0.01426	0.02331	0.02262	0.02598	0.0131
	Sharp	-1.82153	-2.15212	-2.91877	-1.94097	-1.84389	-1.67206	-3.61577
24	Return	0.005769	0.006533	0.006704	0.000715	0.007288	0.006541	-0.00241
	T - value	1.76	1.3	1.21	0.11	1.1	1.06	0.57
	P - Value	0.113	0.23	0.259	0.914	0.302	0.324	0.587
	Volatility	0.01159	0.01507	0.01655	0.01929	0.01981	0.01743	0.0131
	Sharp	-3.81629	-2.88436	-2.61607	-2.55494	-2.15607	-2.49336	-4.00094
36	Return	0.00443	0.003143	0.002414	0.000331	0.005671	0.002947	-0.00446
	T - value	2.46	0.71	0.47	0.06	1.03	0.59	-1
	P - Value	0.036	0.499	0.653	0.954	0.338	0.578	0.365
	Volatility	0.00735	0.01248	0.01452	0.01568	0.01558	0.01327	0.01095
	Sharp	-6.19994	-3.7546	-3.27729	-3.16768	-2.84525	-3.5458	-4.97309
Market Portfolio	Return	-0.0505	0.0153	-0.0223	-0.0164	-0.0154	-0.0154	-0.0238
	Volatility	0.1583	0.1489	0.1512	0.0964	0.0752	0.0599	0.0172
	Sharp	-0.6980	-0.3002	-0.5444	-0.7927	-1.0029	-1.2593	-4.8783

* Ranking and Holding Periods in Months.
** significant at 95.0.

From losers' portfolios side, Table.2 (Panel A), (Panel B). Regardless we test 49 strategies. Only 13 strategies achieved profits. Nonetheless, they were insignificant (Statistically equal to Zero). Also, when the ranking period increases, the returns of strategies die out. Therefore, the strategies with the ranking period, which have (9, 12, 24) months, had only one profitable strategy. Whereas 36 month ranking period strategies unable to achieve any profits. Likewise, when the holding period increased, returns became less and

insignificant among all tested strategies. For instance, note that all strategies with 36 months holding period were suffering losses, but they beat their peer market's portfolios based on risk-adjusted returns. In total, compared to markets' portfolios return, only 16 strategies achieved sharp ratio and that these strategies overwhelmed on markets' portfolios in terms of risk-adjusted return, while they were with a statistically insignificant return.

Table 2 (Panel A) Strategies' Results of Winners' Portfolios

Ranking*		Holding*						
		1	3	6	9	12	24	36
1	Return	0.0631	0.1170	0.1344	0.0998	0.1027	0.0809	0.0823
	T-value**	0.87	2.25	2.05	1.48	1.22	1.96	1.99
	P - Value	0.406	0.051	0.071	0.172	0.252	0.086	0.087
	Volatility	0.2292	0.1642	0.2074	0.2127	0.2655	0.1238	0.1171
	Sharp	0.05724692	0.408037524	0.406710693	0.233972513	0.19861726	0.2493743	0.275913293
3	Return	0.0206	0.0370	0.0456	0.0337	0.0369	0.0235	0.0217
	T - value	0.98	1.41	1.55	1.03	0.97	1.17	1.49
	P - Value	0.355	0.191	0.156	0.331	0.358	0.277	0.18
	Volatility	0.0667	0.0828	0.0932	0.1039	0.1204	0.0603	0.0413
	Sharp	-0.4408	-0.1568129	-0.0468575	-0.1565215	-0.1087495	-0.4400350	-0.6843168
6	Return	0.0231	0.0362	0.0353	0.0290	0.0274	0.0222	0.0192
	T - value	1.61	2.02	2.2	1.69	1.42	1.46	1.77
	P - Value	0.142	0.075	0.056	0.125	0.19	0.181	0.12
	Volatility	0.0454	0.0567	0.0509	0.0543	0.0611	0.0454	0.0307
	Sharp	-0.5916	-0.2441605	-0.2881520	-0.3867884	-0.3695687	-0.6133341	-1.0032263
9	Return	0.0206	0.0207	0.0232	0.0194	0.0196	0.0141	0.0146
	T - value	1.84	1.87	2.04	1.67	1.47	1.36	1.71
	P - Value	0.098	0.095	0.071	0.13	0.176	0.21	0.131
	Volatility	0.0353	0.0351	0.0359	0.0369	0.0421	0.0311	0.02418
	Sharp	-0.8326	-0.8343261	-0.7469942	-0.8283095	-0.7227999	-1.1535765	-1.4634855
Market Portfolio	Return	-0.0505	0.0153	-0.0223	-0.0164	-0.0154	-0.0154	-0.0238
	Volatility	0.1583	0.1489	0.1512	0.0964	0.0752	0.0599	0.0172
	Sharp	-0.6980	-0.3002	-0.5444	-0.7927	-1.0029	-1.2593	-4.8783

* Ranking and Holding Periods in Months.

** significant at 95.0.

The results imply that losers' portfolios return unable to be the source of contrarian strategy profit. Only 16 of 49 strategies with unremarkable returns to make the investors away from such a strategy if the short sale restricted. Noteworthy, the effect of market downward effects on losers' portfolios results, where the losers keep losing by the time for an extended period.

Ranking*		Holding*						
		1	3	6	9	12	24	36
12	Return	0.0161	0.0140	0.0187	0.0140	0.0163	0.0012	0.0038
	T-value**	-0.89	-1.11	-1.16	-1.25	-0.92	0.7	-0.14
	P - Value	0.396	0.295	0.277	0.245	0.383	0.507	0.889
	Volatility	0.02287	0.02402	0.02829	0.02355	0.02777	0.02168	0.02325
	Sharp	-2.46802	-2.43331	-2.13343	-2.51697	-2.09064	-2.05878	-2.20177
24	Return	0.0113	0.0112	0.0115	0.0074	0.0106	0.0050	0.0006
	T - value	-1.58	-0.79	-0.7	-1.06	-0.46	0.2	-0.14
	P - Value	0.149	0.454	0.504	0.319	0.656	0.847	0.889
	Volatility	0.01711	0.01778	0.02074	0.01885	0.02168	0.02199	0.02325
	Sharp	-3.24765	-3.07468	-2.64392	-3.00659	-2.46058	-2.20278	-2.27852
36	Return	0.008	0.006	0.006	0.005	0.008	0.003	0.000
	T - value	-0.8	-0.51	-0.7	-0.91	-0.37	-0.02	-0.6
	P - Value	0.446	0.626	0.504	0.391	0.725	0.987	0.577
	Volatility	0.01623	0.01351	0.01622	0.01593	0.01866	0.01904	0.01729
	Sharp	-3.33014	-3.88101	-3.33161	-3.46191	-2.80898	-2.63245	-3.13549
Market Portfolio	Return	-0.0505	0.0153	-0.0223	-0.0164	-0.0154	-0.0154	-0.0238
	Volatility	0.1583	0.1489	0.1512	0.0964	0.0752	0.0599	0.0172
	Sharp	-0.6980	-0.3002	-0.5444	-0.7927	-1.0029	-1.2593	-4.8783

Table 2 (Panel B) Strategies' Results of Winners' Portfolios

* Ranking and Holding Periods in Months.
** significant at 95.0.

According to the contrarian investment's concept, the winners' Portfolio treated differently to losers' portfolios in terms of the position. Where the investor short-sale the winners' portfolio. Therefore, the holding period for the winner portfolio is a short position (short-selling period). The result of winners' portfolios in Table 3 (Panel A) (Panel B) calculated with a skip to the short-selling transaction cost. The 49-strategies perform profits except one strategy achieving losses, which was (36/36) strategy. That refers to as longer ranking and holding period as the returns shrinking. Hence, the more extended periods' strategy (36/36) achieving loss.

Table 3 (Panel A) Strategies' Results of Losers' Portfolios

Ranking*		Holding*						
		1	3	6	9	12	24	36
1 Month	Return	0.014453	0.037534	-0.00731	0.01413	-0.00096	0.026179	-0.00651
	T-value**	0.56	0.64	-0.19	0.41	-0.04	0.58	-0.16
	P - Value	0.59	0.536	0.854	0.692	0.971	0.58	0.878
	Volatility	0.0817	0.1847	0.1217	0.1091	0.0798	0.1363	0.1155
	Sharp	-0.43509	-0.06749	-0.47091	-0.32878	-0.63856	-0.17477	-0.4893
3 Month	Return	0.001891	0.004017	-0.00682	-0.00306	0.001113	0.02233	-0.0051
	T - value	0.1	0.19	-0.32	-0.19	0.06	0.58	-0.27
	P - Value	0.92	0.851	0.753	0.855	0.955	0.58	0.794
	Volatility	0.0576	0.0656	0.0665	0.0513	0.0608	0.1363	0.0532
	Sharp	-0.83523	-0.70096	-0.85441	-1.03424	-0.80406	-0.203	-1.03577
6 Month	Return	-0.0064	0.001194	-0.00722	-0.00732	-0.00585	0.007114	-0.01328
	T - value	-0.59	0.1	-0.58	-0.68	-0.46	0.54	-0.7
	P - Value	0.569	0.922	0.575	0.511	0.655	0.605	0.506
	Volatility	0.0343	0.0374	0.0392	0.0338	0.04	0.0397	0.0536
	Sharp	-1.64438	-1.30498	-1.4596	-1.69572	-1.3962	-1.08024	-1.18069
9 Month	Return	-0.00616	-0.00762	-0.01148	-0.0112	-0.00928	0.000239	-0.00602
	T - value	-0.66	-0.79	-1.01	-1.16	-0.86	0.03	-0.58
	P - Value	0.527	0.448	0.337	0.275	0.412	0.98	0.583
	Volatility	0.02962	0.03038	0.0358	0.03047	0.0341	0.02819	0.0296
	Sharp	-1.89617	-1.89677	-1.7173	-2.0084	-1.73828	-1.76521	-1.89256
Market Portfolio	Return	-0.0505	0.0153	-0.0223	-0.0164	-0.0154	-0.0154	-0.0238
	Volatility	0.1583	0.1489	0.1512	0.0964	0.0752	0.0599	0.0172
	Sharp	-0.6980	-0.3002	-0.5444	-0.7927	-1.0029	-1.2593	-4.8783

* Ranking and Holding Periods in Months.
** significant at 95.0.

Even though the 48- strategies were profitable, but the generated returns were insignificant (statistically equal to zero). Also, most of the strategies (28 of 49) beat the market's portfolios returns in terms of risk-adjusted returns. Alongside all the strategies which have a one-month ranking period, perform positive sharp-ratio. That implies they overcome market return based on risk-adjusted return. Consequently, they represent a feasible investment choice if treating out of contrarian portfolios. Moreover, the winners' portfolios return contribution significantly compares to losers' portfolios return in boosting contrarians' portfolios in terms of total returns.

Table 3 (Panel B) Strategies' Results of Losers' Portfolios

* Ranking and Holding Periods in Months.
** significant at 95.0.

    The contrarian investment strategies trend refers to the availability of contrarian return in short-term, as shorten the ranking period to 1 month and holding to 3 or 6 months, the profits will be generated even with considering transaction cost (1% of Total deal according to Iraqi authority). In contrast, too long term, profits can be eroding by the time because of portfolios back to their original trend in the ranking period, so that the most extended strategies in terms of ranking and holding period fail to perform profits.

Ranking*		Holding*						
		1	3	6	9	12	24	36
1	Return	-0.00644	-0.00845	-0.01035	-0.00927	-0.00806	0.005366	-0.00119
	T-value**	-0.89	-1.11	-1.16	-1.25	-0.92	0.7	-0.14
	P - Value	0.396	0.295	0.277	0.245	0.383	0.507	0.889
	Volatility	0.02287	0.02402	0.02829	0.02355	0.02777	0.02168	0.02325
	Sharp	-2.46802	-2.43331	-2.13343	-2.51697	-2.09064	-2.05878	-2.20177
2	Return	-0.00557	-0.00467	-0.00483	-0.00667	-0.00335	0.001561	-0.00298
	T - value	-1.58	-0.79	-0.7	-1.06	-0.46	0.2	-0.14
	P - Value	0.149	0.454	0.504	0.319	0.656	0.847	0.889
	Volatility	0.01711	0.01778	0.02074	0.01885	0.02168	0.02199	0.02325
	Sharp	-3.24765	-3.07468	-2.64392	-3.00659	-2.46058	-2.20278	-2.27852
3	Return	-0.00405	-0.00243	-0.00404	-0.00515	-0.00242	-0.00012	-0.00421
	T - value	-0.8	-0.51	-0.7	-0.91	-0.37	-0.02	-0.6
	P - Value	0.446	0.626	0.504	0.391	0.725	0.987	0.577
	Volatility	0.01623	0.01351	0.01622	0.01593	0.01866	0.01904	0.01729
	Sharp	-3.33014	-3.88101	-3.33161	-3.46191	-2.80898	-2.63245	-3.13549
Market Portfolio	Return	-0.0505	0.0153	-0.0223	-0.0164	-0.0154	-0.0154	-0.0238
	Volatility	0.1583	0.1489	0.1512	0.0964	0.0752	0.0599	0.0172
	Sharp	-0.6980	-0.3002	-0.5444	-0.7927	-1.0029	-1.2593	-4.8783

Conclusions

In recent years, the Iraq Stock Exchange suffers frequently declines. The declines affect sectors and often forces the market to downwards. Such events make investors struggle to predict securities returns and market trends when doing their plans. In such a case, the technical analysis

presents a solution throughout trading strategies that depending on the prevailing behavior of market participants. Contrarian investment a well-known strategy among most of the traders around the world and advanced countries. The current study applied this approach in the Iraq stock exchange and found that contrarian investment appears in the short-term for most cases, where portfolios which forming based on last one-month data, achieving profits if held for 3 to 6 months later. In the long-term, the return disappears because the contrarian profits live shortly. Also, winners' portfolios represent the primary source of return in contrarian strategy, and possible used alone to generate desired profits. While the contrarian strategy required for short-selling to be allowed, the Iraqi trading authority restricts it and prevent such behaviors, which makes contrarian strategies useless in trading. Therefore, the Iraqi trading authority ought to revise their regulations and directions in some way to support contrarian trading, because contrarian trading boosting trading then activity among local and foreign investors.

Recommendation

The main finding within current study refers to existing of contrarian investing return, which meaning that such strategy could be utilize to building superior active portfolio in Iraq stock exchange. Therefore, it is better for investors to consider this strategy while forming their portfolios in order to gain more unusual return because this will give them advantage to beat normal return which gained it from market portfolio. On the other hand, contrarian trading required short sale to be allowed, thus the Iraqi authority must regulate it and permit to investor to trading in this way. Besides, the contrarian trading existing will promote and enhance the trading activity of financial market and that is could participate with developing Iraqi financial market in the short run by give triandrous and versatile trading options for investors either they are local or foreigner.

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