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Effectiveness of Momentum and Contrarian Strategies: A Systematic Literature Review Across Countries, Models, and Market Conditions

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ABSTRACT

This study synthesizes empirical findings related to the effectiveness of momentum and contrarian investment strategies in various global stock markets during the period 1993-2023. Using a Systematic Literature Review (SLR) approach of 25 peer-reviewed scientific articles, this study analyzes the strategy characteristics, success determinants, and market context that affect the profitability of both approaches. The results show that momentum strategies are superior in the short term, especially in markets with low to medium information efficiency, while contrarian strategies are more effective in the long term, especially in markets with overreaction tendencies and retail investor dominance. The effectiveness of both strategies is highly contextual, depending on market microstructure, macroeconomic conditions, the risk model used, as well as the characteristics of market participants. Recent research trends point to the importance of adaptive strategies, such as volatility-based momentum, switching strategies, as well as the integration of behavioral factors such as investor attention. The study also identifies research gaps in cross-market validation, transaction costs, and response to geopolitical dynamics. The findings provide practical implications for investors and policymakers to develop more resilient and adaptive investment strategies.

INTRODUCTION

Market anomaly phenomena such as momentum and contrarian strategies have long been a major highlight in the finance literature, especially since they challenge the basic postulates in the *Efficient Market Hypothesis* (EMH) introduced by Fama (Fama, 1970). In momentum strategies, investors buy stocks with the best historical performance (*winners*) and sell stocks with the worst performance (*losers*), assuming that the price trend will continue. In contrast, contrarian strategies are based on the principle that markets often overreact to information, so that underperforming stocks will *rebound* and generate positive returns in the long run (Lakonishok et al., 1994).

The theoretical foundation of this strategy can be traced to the classic research by De Bondt & Thaler (1985) who introduced the *overreaction* hypothesis, as well as Jegadeesh & Titman (1993) who found strong evidence of *underreaction* in the US capital market. Since then, dozens of studies have tried to test the efficacy of both strategies across different countries and periods, with results that are not always consistent. For example, Galariotis et al. (2007) show that momentum strategies provide *abnormal returns* in the London market, but cannot be explained by the Fama-French risk model, while contrarian strategies can instead be explained as risk compensation. In contrast, Foster & Kharazi (2008) find that contrarian strategies fail to generate returns in the Iranian market, highlighting the role of local market structure and characteristics in determining strategy effectiveness.

Meanwhile, further research by Barik & Balakrishnan (2022) on the Indian stock market revealed that idiosyncratic volatility has a significant positive relationship with momentum strategy returns, suggesting that non-systematic risk factors have a contribution in explaining this phenomenon. On the other hand, Li et al. (2022) proposed a new indicator named *Consistent Belief Momentum* (CBMOM), which combines short-term investors' belief in price trends with historical returns, and proved to be more effective in detecting the momentum effect in the Chinese stock market, where traditional momentum strategies failed to work.

Complementing these dynamics, Dobrynskaya (2019) introduced a dynamic strategy that combines momentum and contrarian approaches to avoid so-called *momentum crashes*, which is a condition when momentum strategies experience large losses after a market downturn. In addition, institutional approaches also need to be considered, de Haan & Kakes (2011) found that institutional investors in the Netherlands, such as pension funds and insurance companies, are more inclined to implement contrarian strategies during times of market instability, which can serve as a stabilization mechanism for the financial system.

Given the complexity and inconsistency of empirical findings across countries and market contexts, it is necessary to conduct a comprehensive study. Based on this background, this study is formulated to answer two main questions, namely:

1) How have momentum and contrarian strategies performed in different stock markets according to past research?
2) What factors influence the success or failure of both strategies according to empirical evidence across countries and periods?

In line with the above problem formulation, the objectives of this study are:

1) To systematically analyze the empirical findings on the profitability of momentum and contrarian strategies in the academic finance literature.
2) To identify the main factors that influence the effectiveness of both strategies, in terms of systematic risk, investor behavior, market structure, and microstructure aspects.
3) To develop a future research agenda and provide practical recommendations for investors and policy makers.

The scope of this research is limited to empirical studies on momentum and contrarian strategies published in reputable international journals from various countries, covering developed and emerging markets, with a publication time span between 1993 and 2023. This research utilizes the *Systematic Literature Review* (SLR) method with clear inclusion and exclusion criteria, and focuses on articles that test the profitability of the strategies, explain the determinants, and present quantitative analysis based on market data.

With this approach, the study is expected to provide a comprehensive synthesis of the literature, not only explaining the success or failure of momentum and contrarian strategies, but also outlining why and in what contexts they work optimally.

METHODOLOGY

This research uses a *Systematic Literature Review* (SLR) approach to systematically identify, evaluate, and synthesize previous research results relevant to the topic of momentum and contrarian investment strategies. The SLR approach was chosen to ensure objectivity and transparency in the literature review process, as well as to ensure that all information used comes from valid and reliable scientific sources.

Literature Search Strategy

The article search was conducted through a number of credible and internationally indexed academic databases, namely: Scopus, ScienceDirect (Elsevier), Emerald Insight, Wiley Online Library, SpringerLink, and Taylor & Francis for additional reference tracking. To ensure the search results were relevant and focused, a combination of keywords and *Boolean operators* were used, including: ("*momentum strategy*" *OR* "*momentum investing*") *AND* ("*contrarian strategy*" *OR* "*contrarian investing*"*) AND* ("*stock market*" *OR* "*equity market*") *AND* ("*investment performance" OR* "*return*") *AND* ("*risk*" *OR* "*volatility*" *OR* "*market efficiency*"). The search focused on the titles, abstracts and keywords of articles available in *full-text* format and written in English. The publication period was set between 1993 and 2023, to cover the development of contemporary investment strategy theory and practice.

Table 1. Literature Inclusion and Exclusion Criteria

Aspect	Inclusion Criteria	Exclusion Criteria
Document Type	Scientific journal articles that have gone through a peer-review process.	Articles in the form of editorials, opinions, working papers, or have not yet undergone peer review.
Research Topics	Focus on momentum and/or contrarian strategies in the stock market.	Studies that are not relevant to investment strategies or discuss non-stock assets.
Research methods	Using an empirical (quantitative) approach or market data-based studies.	Theoretical or conceptual studies without empirical data.
Market Type	Studies on stock markets (both developed and emerging markets).	Studies on non-stock markets such as bonds, derivatives, or property.
Language	Written in English.	Written in a language other than English.
Accessibility	Available in full-text form.	Only available in abstract or summary form.
Publication Year	Published in the time span from 1993 to 2023.	Published before 1993 or not yet officially published.

Literature Selection Process

The literature selection process in this study was carried out in a gradual and structured manner to ensure that the articles analyzed were truly relevant to the topic of momentum and contrarian investment strategies. The first stage was initial identification, where searches were conducted using a combination of keywords on various leading scientific databases such as Scopus, ScienceDirect, Emerald Insight, Wiley Online Library, SpringerLink, and Taylor & Francis. From this process, a large number of potentially relevant articles were obtained. Next, a *screening of* the titles and abstracts was conducted to evaluate the appropriateness of the topic to the research focus. At this stage, articles that did not explicitly discuss momentum or contrarian strategies in the context of the stock market were eliminated.

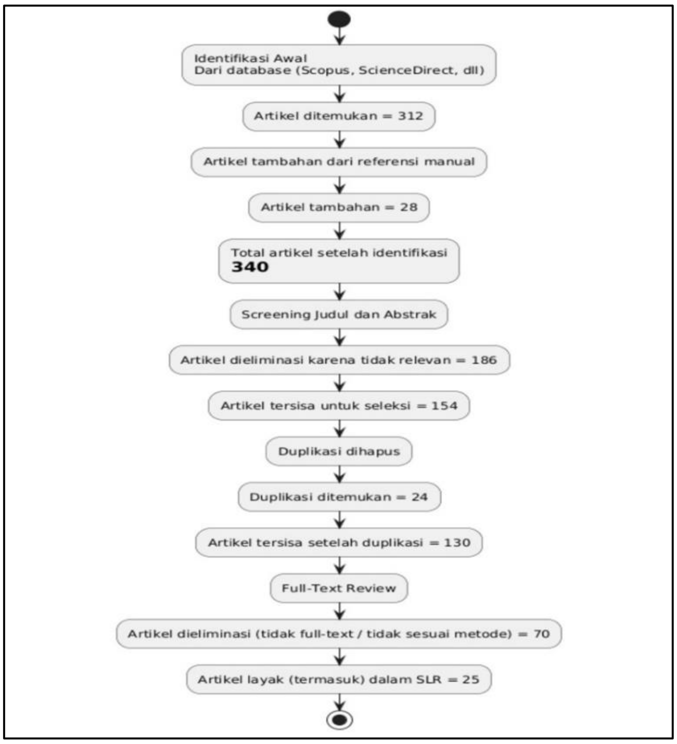

Figure 1: PRISMA-Systematic *Literature Review* (SLR) Diagram

The next step was duplication checking, which involved removing the same articles that appeared in multiple databases. After that, a *full-text review of* the articles that passed the initial *screening* was conducted. At this stage, articles were further analyzed to ensure that they met the inclusion criteria, viz: using quantitative or empirical methods, discussing momentum and/or contrarian strategies, and published in *peer-reviewed* scientific journals. Articles that did not meet these criteria were excluded from the analysis.

This entire selection process was depicted using the PRISMA (*Preferred Reporting Items for Systematic Reviews and Meta-Analyses*) diagrammatic framework, which provides a systematic visualization of the number of articles obtained at each stage. The PRISMA diagram includes four main stages: (1) identification, (2) screening, (3) *eligibility* assessment, and (4) final inclusion in the analysis. From the total articles obtained in the initial stage, only 25 articles were finally declared eligible and included in the literature synthesis process. This PRISMA diagram aims to maintain transparency, replicability and methodological validity of the review process.

Data Analysis Method

The analysis method in this study was conducted in a descriptive qualitative manner, which aimed to evaluate the methodological characteristics, main results, and research context of each article. This analysis was complemented by thematic synthesis to group the study results based on similarities in approach and findings. To support the synthesis, the articles were classified into several main categories, namely: (1) type of strategy studied (momentum, contrarian, or combination), (2) market characteristics (developed, emerging, or frontier), (3) strategy time horizon (short vs. long term), (4) model approach (CAPM, FF3F, FF5F, or *behavioral model*), and (5) supporting variables (volatility, sentiment, investor attention, *bullish/bearish* market conditions). Each article was coded based on these dimensions in the form of a literature matrix, to facilitate systematic synthesis and inference. With this approach, it is expected that the results of the review can provide a comprehensive picture of the trends, effectiveness, and weaknesses of momentum and contrarian investment strategies from various market perspectives and research methodologies.

RESULTS AND DISCUSSION

The synthesis of the 25 scientific articles reviewed shows that momentum and contrarian investment strategies show mixed results depending on market characteristics, investment period, systematic and idiosyncratic risks, and investor behavior conditions. In general, momentum strategies tend to provide significant *abnormal returns* in the short term, as shown by Shen et al. (2005) in their study of various global markets. Similar results were found by Galariotis et al. (2007) in the UK stock market, who concluded that momentum strategies outperform in the short-term horizon, while contrarian strategies become more profitable in the long run.

However, these results are not universal. In the context of the Chinese stock market, studies by Yao (2012) and Shi & Zhou (2017) show that momentum strategies do not generate significant returns, mainly due to the high volatility of information, the dominance of retail investors, and the high intensity of *overreaction* behavior. In contrast, contrarian strategies in the Chinese market performed better, especially in the long period of 24-36 months. Similarly, in Foster & Kharazi's (2008) study of the Iranian market, momentum yielded positive results in the medium term, while contrarian was less effective.

In developed markets such as Australia, Bradrania & Wu (2023) and Ramiah et al. (2011) found that contrarian strategies provide significant returns in the long run, especially in small stocks with high volatility and low valuations. This suggests that contrarian strategies have great potential in relatively efficient markets but still leave room for price anomalies.

Momentum strategies also prove to be more powerful when combined with a risk control approach. Kosc et al. (2019) introduced a *volatility-scaled momentum* strategy, which was shown to generate higher and more stable returns than the conventional momentum strategy. Meanwhile, Barik & Balakrishnan's (2022) study on the Indian market shows that idiosyncratic volatility is an important determinant of the success of momentum strategies, as stocks with high volatility exhibit higher returns, but are riskier.

Research by Li et al. (2022) brought an innovative approach by proposing the *Consistent Belief Momentum* (CBMOM) indicator, which combines investors' perception of price trends with historical data. CBMOM proved to be more effective than traditional momentum indicators in the Chinese market. In addition, Hameed et al. (2023) added an investor attention dimension to the momentum strategy, showing that momentum signals become stronger when investor attention to stocks increases, as measured through *Google Trends* data.

The study by Dobrynskaya (2019) makes an important contribution regarding the *crash* risk of momentum strategies. He shows that momentum returns are highly susceptible to large losses after a *bear* market phase. To overcome this, a dynamic strategy based on *switching* between momentum and contrarian is proven to reduce *downside risk* and increase return stability. This approach is in line with the study by Yu et al. (2019) which states that momentum strategies only work in *bullish* market conditions, while when the market enters a *bearish* phase, momentum loses its effectiveness.

Market participants also influence the success of the strategy. de Haan & Kakes (2011) found that institutional investors in the Netherlands, such as pension funds and insurance companies, prefer contrarian strategies, especially during times of crisis or high volatility. This suggests that financial institutions tend to act as market stabilizers, which can reduce the excessive buying and selling pressure that commonly occurs in the stock market. On the other hand, in more liquid and efficient markets such as the United States, momentum strategies are more effective, especially when supported by indicators such as the *monthly-return rank order* (MRRO) which remains superior even after accounting for transaction costs (Pätäri et al., 2023). In contrast, in *emerging* markets such as China and India, contrarian strategies stand out, especially in small-cap or illiquid stocks. Zhang et al. (2023) and Chui et al. (2023) show that momentum only works in liquid stocks, while illiquid stocks tend to experience reversals.

In the US market, He & Li (2015) show that momentum strategies are profitable in the short term, especially when the market is dominated by momentum traders. In contrast, in Japan (Chou et al., 2007), contrarian strategies show superior performance across almost all time horizons, while momentum is less successful. In other Asian markets such as Hong Kong, Thailand and Malaysia (McInish et al., 2008), the results are more mixed: *winner* stocks tend to experience reversals in favor of contrarian strategies, while *loser* stocks show continued trends in favor of momentum. In China, institutional investors tend to adopt contrarian strategies, especially during *bull* markets (Wen et al., 2021). In contrast, in Germany, institutional and foreign investors tend to pursue momentum, while retail investors are contrarian (Baltzer et al., 2019). This underscores that the local context largely determines the effectiveness of investment strategies. Thus, the results show that there is no one strategy that is absolutely superior, but the success of momentum or contrarian is largely determined by the investment time horizon, the level of market volatility, the risk model used, and the characteristics of investor behavior in each country.

The success or failure of momentum and contrarian strategies is influenced by the complex interaction between market structure and investor behavior. Key factors at play include the dominance of the type of market participants (institutional vs retail), market microstructure (liquidity, volume, *short selling*), time horizon, as well as asymmetric responses to both positive and negative information. For example, momentum tends to succeed when there is *underreaction* in liquid markets, but is vulnerable to *crashes* when many institutions sell simultaneously, as in Germany in 2009. On the other hand, contrarian strategies have proven effective in markets like Japan with collectivist characteristics and complex ownership structures, where profits come from *cross-autocorrelation* between stocks rather than *overreaction*. In China, the dominance of retail investors who easily *overreact* creates opportunities for institutional investors to utilize contrarian strategies consistently.

Research trends in the last decade show a shift from conventional approaches towards more complex and adaptive ones. First, there is an increased attention to multifactor models and risk management in the implementation of momentum strategies. Studies such as Kosc et al. (2019) and Dobrynskaya (2019) highlight the importance of *volatility-adjusted momentum* and *switching strategies* as solutions to the weakness of momentum in the face of market crises. Second, the integration of *behavioral* and psychological variables of investors is becoming increasingly dominant. This can be seen from the development of indicators such as CBMOM and the utilization of alternative data such as *investor attention* (Hameed et al., 2023) which is able to capture non-fundamental dimensions in investment decision making.

The third trend is an increased focus on cross-market validation, especially in *emerging* and *frontier* markets. Research by Vukovic et al. (2023) shows that momentum and contrarian strategies perform differently depending on market structure, liquidity and information disclosure. Momentum strategies are more profitable in *frontier* markets with high *downside* risk, while contrarians are more suitable in markets that exhibit strong *overreaction* and *noise* signals.

Fourth, some studies have begun to consider the response of strategies to macroeconomic conditions and market cycles. Yu et al. (2019), for example, assert that the effectiveness of a strategy is highly dependent on *bullish* or *bearish* market conditions. This has led to the emergence of regime *switching-based* adaptive strategy approaches, which allow investors to change strategies depending on market dynamics.

Fifth, recent trends also point to the need for strategy evaluation taking into account transaction costs, liquidity and market frictions, which were often overlooked in previous studies. While some studies have touched on these aspects to a limited extent, a more applicable approach is still needed for strategies to be realistically implemented in real markets.

Overall, recent research trends show a clear direction towards investment strategies that are more contextual, behavioral data-driven, risk-responsive, and adaptive to market dynamics in both developed and developing countries. This leaves ample room for further research to refine strategy models that focus not only on profitability, but also resilience to long-term market volatility.

Table 2. Strengths and Limitations of Momentum and Contrarian Strategy Studies

No	Author (Year)	Advantages of Study	Study Limitations
1	Kosc et al. (2019)	Combining risk management (volatility scaling) into a momentum strategy; more stable results.	Not tested in a non-European market context; limited global generalizability.
2	Ramiah et al. (2011)	Focus on institutions and crisis market conditions; applicable to the Australian context.	Does not evaluate momentum as a direct comparison; time horizon is relatively short.
3	Shen et al. (2005)	Extensive cross-country coverage (US and non-US); international comparability.	Does not link results to microstructural or behavioral factors.
4	Bradrania & Wu (2023)	Demonstrates the effectiveness of long-term contrarian strategies in developed markets.	Not considering investor behavioral factors in reversal.
5	Yao (2012)	Revealing the weaknesses of momentum strategies in the Chinese market with a behavioral approach.	Did not test alternative strategies or combinations with other risk factors.
6	Yu et al. (2019)	Linking strategy effectiveness to market conditions (bull vs bear).	*Regime-switching*has not been extended to other asset types or countries.
7	Hameed et al. (2023)	Integration of behavioral variables (investor attention) that is innovative and relevant today.	The attention proxy (Google Trends) still needs to be validated; it does not differentiate between retail and institutional.
8	Shi & Zhou (2017)	Provides strong evidence for overreaction and contrarianism in China.	Does not discuss structural market factors or micro investor data.
9	Vukovic et al. (2023)	Extensive coverage: 40 frontier and emerging markets; comprehensively compares two strategies.	Does not take into account exchange rate effects, liquidity frictions, or transaction costs.

No	Author (Year)	Advantages of Study	Study Limitations
10	Galariotis et al. (2007)	Using a multifactor model (FF3F); comparing short-term and long-term strategy returns.	Does not test the effect of sentiment or volatility on strategy performance.
11	Foster & Kharazi (2008)	Focus on emerging markets (Iran); unique insights from a closed market context.	The quality and availability of Iranian market data is limited; generalizability is low.
12	Barik & Balakrishnan (2022)	Examining the relationship between idiosyncratic volatility and momentum; a contribution to multifactor models.	Limited to the Indian market; does not include investor sentiment factors.
13	Li et al. (2022)	Introducing a new indicator (CBMOM) based on investor confidence; an innovative approach.	The study was limited to the Chinese market; there has been no cross-country validation.
14	Dobrynskaya (2019)	Offers a solution to momentum crashes through switching strategies; a dynamic approach.	High complexity for real implementation; not yet tested by many follow-up studies.
15	de Haan & Kakes (2011)	Analyzing institutional strategies based on actual data; contributing to market stability.	Does not examine retail investors; only focuses on the Dutch market.
16	He & Li (2015)	Developing an innovative theoretical model based on stochastic delay differential equations; robust empirical validation with 25 years of S&P 500 data; a solid combination of theoretical and empirical approaches.	Data is limited to the S&P 500 (US) only; it does not take into account transaction costs and trader parameter dynamics.
17	McInish et al. (2008)	An integrated contrarian and momentum approach; involving 7 Asian markets with a weekly horizon; decomposition of profit sources and use of the Fama-French model.	The study period stops in 2000 (less up to date); no transaction cost analysis; potential survivorship bias.
18	Chou et al. (2007)	Comprehensive study of the Japanese market with data from 1975–1997; asymmetric decomposition and robust analysis; strong evidence of the lead-lag effect.	Does not include transaction cost analysis; does not explain the cross-autocorrelation mechanism empirically; does not cover post-1997.
19	Wen et al. (2021)	Using the latest institutional data (2007–2019); showing the contrarian behavior of Chinese institutional	No causality analysis (e.g., IV); does not address institutional investor heterogeneity; does not include post-COVID data.

No	Author (Year)	Advantages of Study	Study Limitations
		investors; predictive analysis of future returns.	
20	Baltzer et al. (2019)	Comprehensive stock ownership data from the German market; revealing behavioral differences between investor groups; analyzing the relationship between momentum crashes and institutional trading.	Focus only on the German market (limited generalizability); short observation period (2005–2012); does not explore investor transaction motives.
21	Han & Li (2017)	Methodological innovation with orthogonal PCA and mARM; complete temporal analysis (short-term momentum, long-term contrarian); relevant for emerging markets (China).	Limitations of global sentiment data; limited generalizability to other markets; potential endogeneity not fully addressed.
22	Pätäri et al. (2023)	Introducing the MRRO indicator as a new non-parametric approach; comprehensive analysis of 42 post-cost strategies; long and robust data (1963–2018).	Focuses solely on the US market; not tested in extreme conditions like a pandemic; does not discuss portfolio rebalancing details.
23	Chae & Kim (2020)	An innovative residual return-based contrarian strategy; modified Lo & MacKinlay method; focused on firm-specific risk and investor overreaction.	Focuses on the Korean market only; does not consider transaction costs; data period until 2014 (not updated with current market conditions).
24	Zhang et al. (2023)	Comprehensive comparison of China vs. the US; using 8 correlation methods and a stable distribution model; robustness test with random portfolios.	Short observation period (2016–2020); small sample size (36 Chinese stocks, 66 US stocks); macroeconomic factors not explicitly included.
25	Chui et al. (2023)	Broad analysis (3,956 stocks, 21 years); testing liquidity as a momentum booster & reversal trigger; using Fama-French & Fama-MacBeth regression models.	The exclusion of microcap stocks may lead to survivorship bias; endogeneity is not fully addressed; and the discussion of high-frequency trading is limited.

Table 3. Comparison of Momentum and Contrarian Strategy Study Results

No	Author (Year)	Market/Country	Strategies Under Review	Period & Sample	Method/Model	Key Findings	Strategy Implications
1	Kosc et al. (2019)	Europe (STOXX Sectors)	Momentum (Volatility-Scaled)	2000–2015, European sectoral index	Risk-adjusted momentum, Sharpe ratio	Volatility-adjusted momentum provides more stable and higher returns.	Momentum strategies need to consider risk management.
2	Ramiah et al. (2011)	Australia	Contrarian	1996–2007, top ASX stock	*Contrarian portfolio, OLS regression*	Significant contrarian in small stocks and during high volatility.	Contrarian strategies are suitable for application in less efficient markets.
3	Shen et al. (2005)	Global	Momentum	1970–2000, global stock index	*Winner-loser portfolios, cross-country test*	Momentum is significant in many countries, but declining in highly efficient markets.	Momentum strategies are effective in markets with low to moderate information efficiency.
4	Bradrania & Wu (2023)	Australia	Contrarian	1991–2019, Australian stocks	*Portfolio sorting, long-term return window*	Contrarian strategies generate positive returns in the long term (1–3 years).	The mean reversion effect is dominant in the Australian stock market.

No	Author (Year)	Market/Country	Strategies Under Review	Period & Sample	Method/Model	Key Findings	Strategy Implications
5	Yao (2012)	China	Momentum	2000–2010, A-shares	*Momentum return analysis, behavioral lens*	Momentum is insignificant due to high noise and retail investor dominance.	The Chinese market requires a market psychology-based approach.
6	*Yu et al. (2019)*	Asia-Pacific	Momentum (market conditions)	1993–2016, 8 Asian countries	*Regime-switching (bull/bear), time-varying returns*	Momentum is only significant during a bullish market. It doesn't work during a bearish market.	Need a dynamic strategy based on market cycles.
7	Hameed et al. (2023)	Global	Momentum + Investor Attention	1990–2019, global stocks	*Google Trends, attention proxy, interaction analysis*	Momentum is stronger as investor attention increases.	Sentiment/attention can be used as a trigger variable for momentum signals.
8	Shi & Zhou (2017)	China	Contrarian (Overreaction)	1995–2015, A-shares	*Long-term reversal portfolios*	Strong evidence of overreaction. Contrarian profits over a 24–36 month horizon.	Contrarian strategies excel in inefficient markets like China.
9	Vukovic et al. (2023)	*Emerging & Frontier Markets*	Momentum & Contrarian	2000–2020, 40 emerging/frontier markets	FF3F, Sharpe, downside risk	Momentum is more profitable in frontier markets, but carries higher risks. Contrarians are more stable.	The choice of strategy needs to be tailored to the local market risk profile.
10	Galariotis et al. (2007)	English (LSE)	Momentum & Contrarian	1964–2005, LSE shares	FF3F, adjusted return models	Momentum works short term; contrarians work long term and risk factors are explained.	A combination of strategies based on investment horizon can optimize returns.

No	Author (Year)	Market/Country	Strategies Under Review	Period & Sample	Method/Model	Key Findings	Strategy Implications
11	Foster & Kharazi (2008)	Iran (TSE)	Momentum & Contrarian	1997–2004, TSE stock	*Portfolio analysis, volume filter*	Momentum works in the medium term; contrarianism is insignificant.	Momentum is suitable for application in emerging markets such as Iran.
12	Barik & Balakrishnan (2022)	India	Momentum + Idiosyncratic Volatility	2002–2018, BSE500	CAPM, FF3F, double sorting	The highest momentum returns are in stocks with high idiosyncratic volatility.	Non-systematic risk can strengthen momentum signals.
13	Li et al. (2022)	China	Momentum (CBMOM)	2000–2020, A-share stocks	CBMOM, FF5F, Fama-MacBeth	CBMOM is effective; conventional momentum is insignificant in China.	Behavioral indicators increase the predictability of momentum strategies.
14	Dobrynskaya (2019)	Global	Momentum & Contrarian (Dynamic)	1927–2015, US & global	*Momentum switching, crash risk indicators*	The momentum-contrarian switching strategy reduces the risk of a momentum crash.	The adaptive approach results in more stable performance over time.
15	de Haan & Kakes (2011)	Dutch	Contrarian (Institutional)	1999–2005, Dutch financial institution	*Portfolio flow, regression analysis*	Pension funds and insurance companies tend to lean towards contrarian strategies, especially during times of market turbulence.	Institutional investors can be a stabilizing force through contrarian strategies.

No	Author (Year)	Market/Country	Strategies Under Review	Period & Sample	Method/Model	Key Findings	Strategy Implications
16	He & Li (2015)	US (S&P 500)	Time Series Momentum (TSM)	1988–2012, S&P 500 stocks	*Stochastic Delay Differential*Equations + Empirical Analysis	TSM profitability depends on the dominance of momentum traders and the time horizon. TSM is effective with a short τ.	Momentum is profitable when the time horizon is short and momentum traders are dominant. Market context is crucial.
17	McInish et al. (2008)	Asia (7 countries)	Contrarian & Short-term Momentum	1990–2000, shares in 7 Asian markets	WRSS, profit decomposition (Lo & MacKinlay), Fama-French 3-factor	*Winner*often experiencing reversals (contrarian); losers show momentum in a particular market.	The strategy depends on liquidity, market structure, and short selling capabilities.
18	Chou et al. (2007)	Japan	Contrarian (short & long term)	1975–1997, common stock on the TSE	Asymmetric decomposition, Fama-French 3-factor, robustness test	Contrarians are always profitable; profits come from the lead-lag effect between stocks, not overreaction.	Contrarian strategies are effective in Japan, especially if they take advantage of cross-autocorrelation.
19	Wen et al. (2021)	China	Contrarian by institutional investors	2007–2019, 84,729 A-share observations	OLS regression (ΔIO vs. return), macro controls, market states interaction	Institutional investors tend to be contrarian, especially during bull markets; they are predictive of future returns.	Institutional investors can stabilize markets and exploit retail investor overreaction.
20	Baltzer et al. (2019)	German	Momentum vs. Contrarian	2005–2012, SHS data of all share ownership	Panel regression, piecewise regression, cross-section and time-series analysis	Institutions & foreigners: momentum; individuals: contrarian. The momentum crash was triggered by institutional selling.	Momentum risk increases during crises. Be wary of crowded trades and crash reversals.

No	Author (Year)	Market/Country	Strategies Under Review	Period & Sample	Method/Model	Key Findings	Strategy Implications
21	Han & Li (2017)	China	Short-term momentum and long-term contrarian based on investor sentiment	1997–2013, all A-shares in Shanghai & Shenzhen	PCA for sentiment index, mARM regression, wild bootstrap	Local investor sentiment predicts short-term positive returns (momentum), but turns contrarian in the long term.	Sentiment-based timing strategies are effective in emerging markets; they are more optimal for small-cap stocks.
22	Pätäri et al. (2023)	United States of America	New indicator-based momentum MRRO vs conventional indicators (PTH, γ, 11M–1M)	1963–2018, non-microcap shares of CRSP (NYSE, AMEX, Nasdaq)	Portfolio sorting (single & double-sort), Sharpe/Information Ratio, Ledoit-Wolf test	MRRO is superior for annual holding periods, stable post-transaction costs and during bear markets.	MRRO is effective for long-term long-only strategies; ideal for institutions that avoid short-selling costs.
23	Chae & Kim (2020)	South Korea	Contrarian based on residual return (firm-specific) vs total return	1987–2014, all non-financial stocks on the Korea Stock Exchange	Modified Lo & MacKinlay decomposition, 3-factor Fama-French regression	The residual contrarian strategy produces the highest weekly profits, primarily from negative autocovariance on winning stocks.	An effective strategy for markets with dominant individual investors; can isolate the effects of overreaction to company-specific information.
24	Zhang et al. (2023)	China & US	Momentum vs Contrarian based on return-volatility correlation	2016–2020, 36 Chinese A-shares, 66 S&P 500 stocks	8 correlation coefficients, Fama-MacBeth regression, stable distribution, portfolio sorting	Effective contrarian in China (return up to 55% pa), limited momentum in the US; strongest Pearson correlation.	Correlation strategies are suitable for less efficient markets such as China; correlation weighting is more effective than capitalization weighting.

No	Author (Year)	Market/Country	Strategies Under Review	Period & Sample	Method/Model	Key Findings	Strategy Implications
25	Chui et al. (2023)	India	Momentum and reversal; the role of liquidity	2000–2021, 3,956 shares on BSE	*Portfolio sorting*, Fama-French & Fama-MacBeth regression, macroeconomic analysis	Significant momentum (10–12% pa) for liquid stocks; strong reversal in illiquid stocks.	Momentum strategies are suitable for liquid stocks; avoid illiquid stocks that are prone to short-term reversals.

Table 4. Identified Research Gaps Related to Momentum and Contrarian Strategies

No	Area of Gap	Gap Description	Implications for Further Research
1	Validation of New Indicators Across Markets	CBMOM(Li et al., 2022)only tested in China, not tested in other developed or emerging markets.	There is a need for replication and validity testing of indicators in ASEAN, Eastern European, and South American countries.
2	Effectiveness of Strategy in Market Regime	Yu et al. (2019)shows that momentum is only effective in bullish markets. Not many studies have examined regime-based strategies.	Further research could develop automated or macroeconomic-based regime switching (bull/bear) strategies.
3	Integration of Behavioral Factors	StudiesHameed et al. (2023)AndLi et al. (2022)starting to attract investor attention, but still limited in scope.	Further exploration with alternative data such as Twitter, Reddit, and financial media sentiment is needed.
4	Momentum Crash Risk	Dobrynskaya (2019)suggest switching, but not many momentum strategies implement real risk-based crash mitigation.	Research can develop momentum models based on risk-adjusted signals (drawdown, volatility).
5	Influence of Investor Structure	The differences in behavior between institutional and retail investors are still minimally studied in developing countries. ((Wen et al., 2021;Baltzer et al., 2019).	Market microstructure studies are needed to compare the reaction of momentum signals between institutional and retail investors.
6	Macroeconomic & Geopolitical Effects	Factors such as interest rates, inflation, and geopolitics are rarely included in investment strategy studies.	It is necessary to analyze the interaction between momentum signals and macro/geopolitical factors such as conflict and pandemics.
7	Transaction Fees & Liquidity	Most of the studies ((Kosc et al., 2019);(Shen et al., 2005);(Barik & Balakrishnan, 2022)does not test the effectiveness of the strategy in terms of net return.	The strategy should be retested by incorporating transaction cost factors and market liquidity effects.
8	Dynamic Combination Strategy Horizon	Not all studies systematically explore the switching between momentum and contrarian (exceptDobrynskaya, 2019).	A hybrid strategy model based on market volatility, economic conditions, or collective sentiment indicators is required.
9	Effectiveness in Frontier Markets	StudiesVukovic et al. (2023)shows unique results in frontier markets, but	Research could focus on risk-based adaptive strategies in frontier

No	Area of Gap	Gap Description	Implications for Further Research
		further research is still limited.	markets with weak infrastructure.
10	Use of Modern Multifactor Models	Some studies still use CAPM or FF3F alone without adopting the Carhart, FF5F, or Liquidity Factor models.	Future studies should adopt contemporary multifactor models to capture more complex risk dimensions.
11	A Theoretical Model Based on Trader Interaction	Most models do not accommodate dynamic interactions between market players over different time horizons.(He & Li, 2015).	Development of a heterogeneous agent model based on horizon trading and switching behavior.
12	Integrated Empirical Approach	Previous studies have separated momentum & contrarian, have not analyzed synergies or conflicts between strategies.(McInish et al., 2008).	Simultaneous exploration of contrarian and momentum strategies within an integrated and adaptive framework is required.
13	Generalization of Profitability Across Countries	Empirical evidence still predominantly focuses on the US and East Asian markets. Other markets, such as Africa, the Middle East, and Latin America, are underrepresented.	Cross-country and cross-financial system replication is needed to ensure generalizability of the results.
14	Contrarian Strategy Profit Sources	In Japan, contrarian strategy profits come from cross-autocorrelation, not overreaction.(Chou et al., 2007)	Similar studies in other markets are needed to identify whether social/corporate structures (e.g. keiretsu) also play a role.

CONCLUSIONS AND SUGGESTIONS

This study concludes that momentum and contrarian investment strategies exhibit effectiveness that is highly dependent on market context, investment period, and the behavior and structure of market participants. Momentum strategies are shown to generate *abnormal returns* in the short term, particularly in markets with low to medium levels of information efficiency. In contrast, contrarian strategies tend to provide more significant returns in the long run, especially in markets dominated by retail investors and prone to overreaction. The results also show that there is no one universally superior strategy, its success is largely determined by the time horizon, market conditions (*bullish* vs *bearish*), the risk model used, and the underlying market microstructure. In addition, recent research trends show a shift towards more adaptive and complex strategies, such as volatility-based momentum, *switching strategies*, and the use of *behavioral* indicators such as investor attention. However, challenges remain, such as the risk of *momentum crashes*, transaction costs, and limited generalizability across markets.

The implications of this review open up important space for future research to validate new indicators such as CBMOM and MRRO in various contexts of developing countries and *frontier* markets, which are still under-researched. In addition, the development of strategies based on market regime changes (*bullish-bearish*) and the integration of alternative data such as social media sentiment or online search could be promising new approaches. Microstructure research is also needed to better understand how momentum and contrarian strategies work in the hands of retail versus institutional investors. On the other hand, the adoption of more modern multifactor models and the exploration of unconventional risks such as *downside* volatility and geopolitical impact will further enrich this dimension of investment strategy analysis.

For investment practitioners and policy makers, the results of this study provide several strategic recommendations. Investors need to tailor the choice of strategy to the characteristics of the local market they are dealing with. Momentum strategies are recommended to be applied to stocks that are liquid within a short horizon, while contrarian strategies are more suitable for small-cap stocks or markets that show *overreaction* tendencies. Strategy implementation should be accompanied by strict risk management to minimize the potential for large losses, especially in the event of a market reversal. Finally, the development of combinative and adaptive strategies that respond to changing market dynamics and investor behavior is seen as the future direction for resilient and sustainable investing.

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