

THE ANOMALY OF MOMENTUM STRATEGIES' SUPERIOR RETURNS IN FINANCIAL MARKETS: A COMPREHENSIVE LITERATURE REVIEW

Author **Adrian ARMEAN**

Lucian Blaga University of Sibiu , adrian.armean@ulbsibiu.ro [ORCID: 0009-0005-2783-1482](https://orcid.org/0009-0005-2783-1482)

Abstract:

This paper provides a systematic literature review of momentum and contrarian strategies in financial markets, two anomalies that challenge the Efficient Market Hypothesis. The main objective of the study is to synthesise the theoretical and empirical literature explaining the persistence of short-term return continuation and long-term return reversals. The research methodology consists of a qualitative review of seminal and contemporary academic studies, which are classified into two major explanatory frameworks: behavioural finance and risk-based asset pricing theories. The analysis highlights how cognitive biases, investor sentiment, and gradual information diffusion contribute to momentum effects, while alternative explanations emphasise systematic risk exposure, macroeconomic conditions, liquidity risk, and crash vulnerability. In addition, the paper incorporates cross-disciplinary perspectives, including the Fractal Market Hypothesis and cultural finance, to provide a broader understanding of market dynamics. The results of the review indicate that neither behavioural nor risk-based explanations alone offer a complete account of momentum phenomena. The study concludes that an integrated framework combining psychological, structural, and risk-based factors provides a more comprehensive explanation and identifies directions for future research regarding the timing and implementation of contrarian strategies

Keywords: *momentum, contrarian strategies, behavioural finance, Efficient Market Hypothesis, market anomalies*

JEL codes:: *G14, G40, G41*