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Predicting Tomorrow's Direction of the Swedish Stock Market

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Abstract

This thesis examines the possibility to predict tomorrow's stock market direction with the information we have today. It uses existing market data to create new variables which in turn function as explanatory variables for predicting tomorrow's direction. Different models are tested during different market conditions and the tests have been made on official Swedish stock exchange data. This study examines the predictive performance in financial markets with logistic regression during an 8-year period.

The study finds models with poor discrimation of predictive abilities on the swedish stock index OMXS30. Yet, data indicate that some predictive ability exists during normal and stressed market conditions. Some models achieve to keep a majority of predictions correct in all tested settings.

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