

## **The Return Predictability of Disposition Investor's Unrealized Gain**

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In this paper we test whether investor's propensity to hold losers too long and sell winners too soon which is called disposition effect generates momentum in the Japanese stock market or not. Using share-ownership data included in financial statements and constructing a new unrealized gain measure, we find that individuals show the strongest disposition effect and their unrealized gain predicts the future stock return in the positive direction when we control some effects on the unrealized gain. This is consistent with Grinblatt and Han (2005)'s theoretical predication that disposition effect drives momentum.

Keyword : Behavioral Finance, Disposition Effect, Momentum