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# Forecasting stock index futures returns with mixed-frequency sentiment

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## Abstract

*Using the data in Chinese financial market, mixed-frequency stock index futures sentiment and mixed-frequency stock index sentiment are constructed according to MIDAS Model. We test whether mixed-frequency stock index futures sentiment and mixed-frequency stock index sentiment have predictive power on stock index futures returns. The empirical results show that mixed-frequency stock index futures sentiment factors have more predictive power than mixed-frequency stock index sentiment factors and Fama-French three factors. In out-sample forecast, we show that sentiment trading strategy provides a more positive returns than time series momentum trading strategy and passive long positions.*

**Keywords:** Stock index futures sentiment; Stock index sentiment; Mixed-frequency; MIDAS Model;

## 1 Introduction

Recently, more and more analyses have discussed sentiment factors can affect returns in futures markets. This paper test whether mixed-frequency sentiment factors have more power in predicting stock index futures returns by daily, weekly, monthly frequencies. We find that mixed-frequency stock index futures sentiment and mixed-frequency stock index sentiment have predictive power significantly in-sample test. In out-sample forecast, we find sentiment trading strategies has a statistically significant return, a annualized return of 80% and annualized Sharpe ratio of 1.75.

Why might sentiment factors help to forecast movements in returns? Some researches of the sentiment-returns

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