

Assume I have a stock "X". What is the formula for calculating the 11 month return as of December 1 for a momentum strategy?

Reasoned about 11-month momentum return for 10 seconds ▼

In most momentum-strategy contexts, an "11-month return as of December 1" means the cumulative percentage change in the stock's price over the prior 11 months—typically measured from (close of) January 1 through (close of) November 30. The standard formula looks like this:

$$\text{11-Month Return on Dec 1} = \frac{P_X(\text{Nov 30})}{P_X(\text{Jan 1})} - 1,$$

where:

- $P_X(\text{Nov 30})$  is the price of stock  $X$  at the close of November 30.
- $P_X(\text{Jan 1})$  is the price of stock  $X$  at the close of (or the opening on) January 1.
- Subtracting 1 (or equivalently subtracting  $P_X(\text{Jan 1})$  in the numerator) converts the price ratio into a percentage gain or loss.

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## Notes on Implementation in Momentum Strategies

### 1. Monthly Data Conventions

- Academic momentum studies often use **month-end data** (e.g., the CRSP database in the U.S.). In that setup, you'd likely use:

$$\frac{P_X(\text{Last Trading Day of Nov})}{P_X(\text{Last Trading Day of Dec (previous year)})} - 1.$$

- This still represents roughly 11 full months of return (from the end of December to the end of November).

### 2. Skipping the Most Recent Month

- A common variant in momentum research is the "12/1" approach, sometimes called "12 minus 1," which **measures 12-month returns but skips the most recent month** (to mitigate certain microstructure or bid-ask bounce issues). For example, if you wanted a 12-month lookback that ends 1 month prior to December 1, you might measure from the end of December of the prior year to the end of October, thus skipping November. That is a stylistic choice used in many academic papers (e.g., Jegadeesh and Titman, 1993), but it's not strictly required.

### 3. Definition Flexibility

- In practice, momentum traders sometimes shift these dates slightly depending on data availability, rebalancing schedules, or whether a holiday shifts month-end pricing. The essential concept is that you measure the stock's cumulative return over the **intended lookback window** and then rank all stocks in your "universe" by that return to pick winners or losers.

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### Bottom Line:

For an 11-month lookback ending right before December 1, you typically compute

$$\frac{\text{Price on Nov 30}}{\text{Price on Jan 1}} - 1,$$

thereby capturing how much stock  $X$  appreciated (or depreciated) from early January up to the close of November.