

## **ABSTRACT**

This research article intended to establish the influence of momentum effect on stock performance of firms listed in Kenya. Nairobi Securities Exchange (NSE) is the most robust securities market in Eastern and Central Africa and among the best performing in the African continent. Despite this, there is still a lot to be desired in terms of upholding the efficient market hypothesis. Stocks here do not always uphold this theory despite the fact that the NSE is among the few African exchanges that are not weak form efficient. This study looked at all the listed firms in the NSE for the period between January 2004 to December 2015. The research was based on the efficient market hypothesis and behavioral finance theories. Descriptive research design was used and target population was all the listed firms in the NSE. Secondary data was used in the analysis where the researcher used market prices and risk free interest rates. These were obtained from the data vendors at the NSE and website of Central Bank of Kenya. Caharts four factor model was used in the analysis and hypothesis was tested using 0.05 level of significance. The researcher conducted diagnostic tests such as normality, linearity and collinearity tests. Missing values in the data collected were corrected by the use of linear interpolation. The diagnostic tests showed that the data was good for analysis. Z test results showed that the momentum effect was statistically significant at 0.0165. The model was also statistically significant showing that the momentum effect influenced the returns for NSE at about 25.8%. the null hypothesis was therefore rejected. It was concluded that NSE stocks over the span of 12 years studied demonstrated momentum effect. Future researchers would be advised to study the momentum effect on a shorter span like 12 months where they are working with weekly prices. The researcher would also recommend future scholars to do a regional comparative study.