

Selecting Firms and Industries

Considerations:

- **Diversity:** We should ensure the portfolio represents a mix of industries to minimize industry-specific risk.
- **Market Capitalization:**
 - Include a balance of large-cap, mid-cap, and small-cap firms.
 - Focus on liquid stocks to ensure realistic trading.
- **Industry Representation:**
 - Identify industries with consistent data availability and relevance to your trading strategy (e.g., tech for growth-focused strategies, utilities for stability).
 - Use a classification system like GICS (Global Industry Classification Standard) to choose industries.

How to Do This:

- **Top Market Movers:** we can use indices like S&P 500, Nasdaq-100, or Russell 2000 as a starting point.
- **Sector Diversity:**
 - Example sectors: Technology, Healthcare, Financials, Consumer Goods, Energy, Industrials, etc.
- **Historical Performance:** Favor firms with rich historical data (at least 5–10 years).

Preferred Selection:

1. Technology: AAPL, MSFT, NVDA
2. Financials: JPM, BAC, GS
3. Healthcare: PFE, MRK, TMO
4. Energy: XOM, CVX
5. Consumer Goods: KO, PG, WMT
6. Industrials: BA, CAT

Time Horizon:

- **5 Years:** This captures bull, bear, and neutral markets, offering diverse conditions for testing strategies and balances modern relevance with statistical robustness.