

Simple Moving Average w/ Volatility

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Strategy Idea

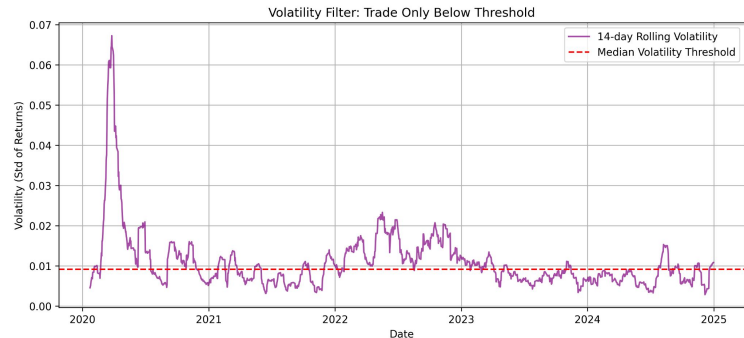
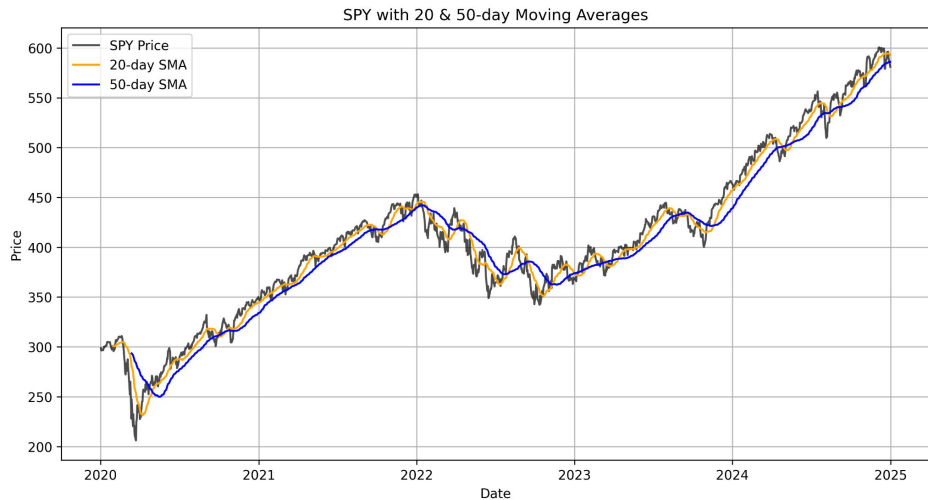
How it works:

Buy if 20 day SMA > 50 day SMA

Sell if 20 day SMA < 50 day SMA

Volatility: if 14-day rolling volatility < median, we can place trades

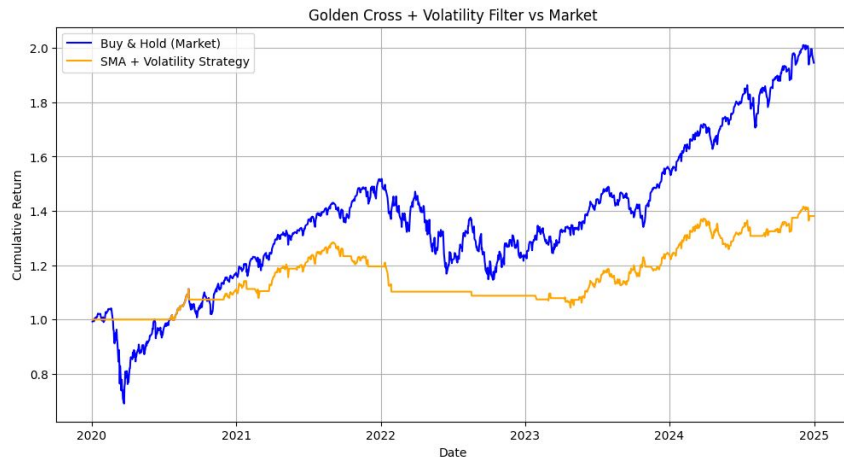
Basically, if volatility is high, we stay out of the market with the idea that trading during more volatile periods is more likely to lose money



Performance vs. Market

Key takeaways:

- Much lower returns than the market over the last 5 years
- Higher sharpe ratio, so this strategy has less risk for the amount of return
- Buying and holding went as low as \$80 on a \$100 investment
- This strategy never dips below the initial investment



=== SMA + Volatility Strategy ===

Final Value: \$138.13

Percent Return: 38.13%

Annualized Sharpe Ratio: 0.80

=== Buy & Hold (Market) ===

Final Value: \$194.58

Percent Return: 94.58%

Annualized Sharpe Ratio: 0.74

Conclusion

- SMA w/ Volatility filter reduces trading in noisy, high-volatility periods.
- Strategy shows improved risk-adjusted returns vs buy & hold.
- Absolute returns are much worse at around $\frac{1}{3}$ of what simply holding returns.