

# McGinley Dynamic & Parabolic SAR Trading Strategy

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# Strategy

- **McGinley Dynamic (MCGD):** A market-adaptive line used as a primary trend filter.
  - If Price > McGinley → Bullish Regime (Longs only).
  - If Price < McGinley → Bearish Regime (Shorts only).
- **Parabolic SAR (PSAR):** A momentum indicator that provides entry signals.
  - Buy Signal: When PSAR dots flip from above the price to below it.
  - Short Signal: When PSAR dots flip from below the price to above it.
- **Execution Logic:** A trade is only executed when a PSAR signal occurs that aligns with the current regime defined by the McGinley Dynamic

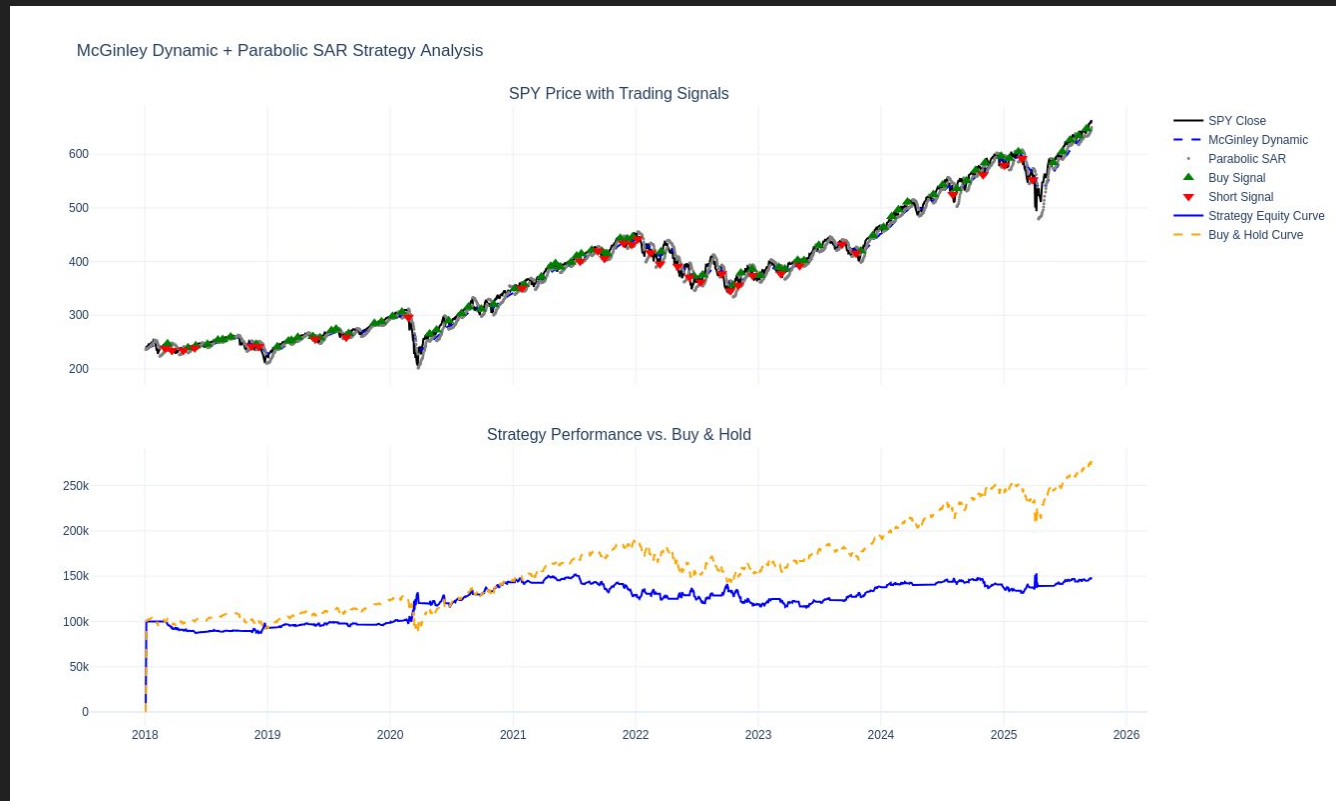
# Performance & Results

## Key Metrics:

- Strategy Return: +48.67%
- Buy & Hold Return: +177.22%
- Sharpe Ratio: 0.40
- Max Drawdown: -24.52%

## Observation:

- The strategy was profitable but underperformed a simple buy-and-hold approach. The low Sharpe Ratio suggests returns did not justify the risk taken.



# Analysis & Future Improvements

## Analysis

- The dual-indicator filter was too conservative for a strong bull market, causing missed opportunities.
- The system often entered trends late and exited prematurely.
- The drawdown of -24.52% shows the filter did not prevent significant downturns.

## Future Improvements

- Optimize indicator parameters for SPY.
- Enhance exit logic with an ATR trailing stop-loss.
- Test on more volatile, trend-driven assets.