

What are algorithmic trading strategies? What are some examples?

Originally Answered: [What has been the most successful algorithmic trading strategy?](#)

Stock Market has witnessed major corrections often, eroding investors wealth.



Nifty has crashed more than -55% in 2008, corrected again in 2015, and even in 2020 due to Corona Virus market went down around -30%. Investors can follow this rule to avoid getting trapped in such crashes.

Rules:

Find **High and Low** of January month every year.

Buy Nifty when monthly close is above **Jan high**.

Exit Nifty when monthly close is below **Jan Low** or else Exit by December.

Example:

JAN 2017.

High was 8672 , Low was 8133.



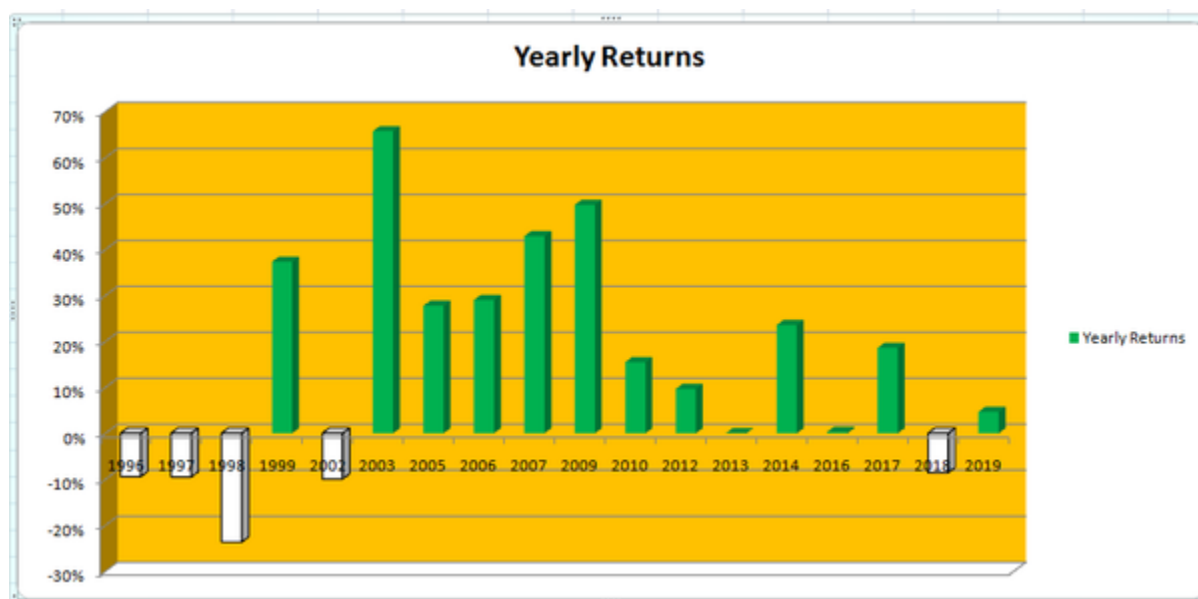
In the month of February 2017, Nifty closed at 8880 which is above the January High of 8672. Hence, we buy with a stop loss of Jan low. Exited by December end at 10531. More than 1000 points trade in one trade.

With this strategy, we completely avoided the biggest crash of year 2008 and 2020. No trades triggered with our rules, as market did not move above January high in these years.

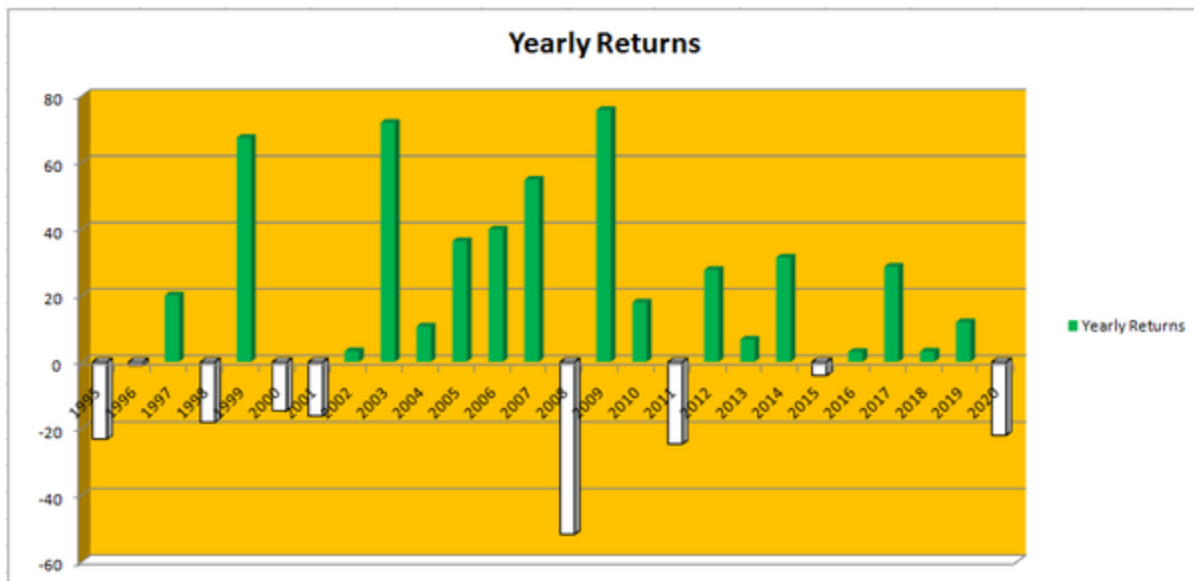
Tested it with 25 years of Historical data. only 5 years were negative, rest all years were positive. This strategy generated 15% average returns every year with least risk.

Trade	Entry Month	Entry	Exit	Exit Month	PnL	PnL %
Long	Feb-96	992.51	899.1	Dec-96	-93.41	-9%
Long	Jun-97	1192.4	1079.4	Dec-97	-113	-9%
Long	Mar-98	1116.9	852.8	Aug-98	-264.1	-24%
Long	Mar-99	1078.05	1480.45	Dec-99	402.4	37%
Long	Jan-02	1142.05	1028.8	May-02	-113.25	-10%
Long	Jun-03	1134.15	1879.75	Dec-03	745.6	66%
Long	Jun-05	2220.6	2836.55	Dec-05	615.95	28%
Long	Feb-06	3074.7	3966.4	Dec-06	891.7	29%
Long	May-07	4295.8	6138.6	Dec-07	1842.8	43%
Long	Apr-09	3473.95	5201.05	Dec-09	1727.1	50%
Long	Jun-10	5312.5	6134.5	Dec-10	822	15%
Long	Feb-12	5385.2	5905.1	Dec-12	519.9	10%
Long	Oct-13	6299.15	6304	Dec-13	4.85	0%
Long	Apr-14	6704.2	8282.7	Dec-14	1578.5	24%
Long	May-16	8160.1	8185.8	Dec-16	25.7	0%
Long	Feb-17	8879.6	10530.7	Dec-17	1651.1	19%
Long	Jul-18	11356.5	10386.6	Oct-18	-969.9	-9%
Long	Mar-19	11623.9	12168.45	Dec-19	544.55	5%
					Total	264%
					Average	15%

Here's the yearly returns of this strategy



whereas the normal buy and hold strategy with Nifty would have generated less than 12% yearly average returns only and that too year like 2008 has given negative returns of more than -50%.



You can apply the same rules with your Mutual funds investments, where when Nifty breaks Jan high, buy mutual funds and if Nifty breaks Jan low, you can exit from your mutual fund holdings and wait until it goes above Jan high levels. You can test this strategy by yourself and checkout the results.