InferTrade

PREDICTIVE RESEARCH TOOLS

Predictive Relationship: Simple Moving Averages

Contents

1 Trading Strategy Description

These representations have the position dependent on comparing two moving average windows one is short and the other is Long when the short window average length L_1 is greater than the long one average length L_2 so the model will go for the long position and when the short L_1 is less than the long one L_2, the position will be short

2 Rule Parameters

Below is a table summarizing the parameters specific to this trading rule.

Parameter Name	Default Value	Description	Symbol
Long Window size	10	This is the number of time steps over which exponential contributions are sourced	L_2
Short Window Size	5	This is the decay factor that reduces older contributions from the price series	L_1

3 Equation

$$\sum_{n}^{L_2} p_{t-n} \tag{1}$$

$$\sum_{n}^{L_1} p_{t-n} \tag{2}$$

$$z_t = \begin{cases} 1, & \text{if } equ.2 > equ.1 \\ 0, & \text{if } equ.1 > equ.2 \end{cases}$$

where p_t is the price at time t,

4 Glossary

- **Bullish:** Positive outlook on the market. Expectation of positive returns.
- **Bearish:** Negative outlook on the market. Expectation of negative returns.
- **Allocation:** The allocation is the fractional amount of the portfolios value used to determine the size of the trading position.
- **Parameter:** Value used by the trading rule in the calculation for trading position
- **Trading Rule:** Strategy to determine when to buy, hold or sell a position.

Further Links

1. InferTrade: `https://www.infertrade.com`
2. Privacy Policy/Legal notice: `https://www.infertrade.com/privacy-policy`
3. InferStat Ltd: `https://www.inferstat.com`