



Predictive Relationship: Change Regression

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1 Trading Strategy Description

A regression-type approach that directly calculates allocation from research level.

2 Rule Parameters

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

Parameter Name	Default Value	Description	Symbol
Change Coefficient	0.1	Multiplier for regression.	k_1
Constant Coefficient	0.1	Initial constant for regression.	k_2

3 Equation

Below are the equations which govern how this specific trading rule calculates a trading position.

$$z_t = k_1 \left(\frac{R_t}{R_{t-1}} - 1 \right) + k_2 \quad (1)$$

with:

z_t : is the portfolio allocation at time t

R_t : Research value at time t

R_{t-1} : Research value at time $t - 1$

k_1 : level coefficient

k_2 : static coefficient

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>