Trading Rule: Change Regression

Contents

1 Rule 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.

$$z_t = k_1 * (\frac{R_t}{R_{t-1}} - 1) + k_2 \tag{1}$$

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