Trading Rule: DifferenceRegression

Contents

1 Rule Description

This trading rules regresses the 1-day price changes seen historical against the prior day's % change of the research series.

2 Rule Parameters

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

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

3 Equation

Below is the equation which governs how this specific trading rule calculates a trading position.

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

where:
z_t is the portfolio allocation at time t
R_t: Research value at time t
P_{t-1}: Price value at time $t-1$
k_1: Difference coefficient
k_2: Constant 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