Explanation of Model

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1 Introduction

We optimise by searching for what the best weights for the previous month using linear optimisation (with a shifting window as time progresses). We the implement a decision system to identify if there is a recession. The recession criteria can be optimised manually. A recession is said to occur when the gradient of returns is negative over a fixed number of months (and for a certain percentage of the stocks).

Our parameters are looking back over 2 months if more than 10 stocks are negative lossess then it's a recession.