

Hostel No. : 3

“Y” : It refers to next day price behaviour of the given financial instrument where

0: refers to next day to be bearish(prices falling and market opening price > Market closing price)

1: refers to next day to be bullish (prices rising and market opening price < Market closing price)

Reason for deciding this:

On backtesting of the same logic, Out of 10000 data points about 9490 points gave same value as “Y”.

Developing of the Model:

In the technical analysis, price is supreme and prices are driven by psychology of participants in it.

We worked on simple candlestick chart pattern where we trained our model with the logic that if Today Market opening price < Market closing price, next day too market will be forming a bullish candle and thus, give 1 as output. Similarly, If Today Market opening price > Market closing price, next day is also expected to have similar price behaviour and this behaviour will continue until some specific price levels known as Support and Resistance aren't reached.

Also, we had accounted for situation which gives reversal signal like doji candle, where the market is indecisive and most probably will change the trend.

So, we have assumed a linear combination of both the above factors for modelling.

Results of backtesting:

50.75%