**Systematic Rotation Through Tariff Volatility**

**Summary**

The strategy systematically rotates into the 3x leveraged long ETF, *SPXL*, when its trading price is above a selected Moving Average (MA) threshold [10, 20, 50, 100, 200] and exits when the price falls below the respective MA. Given the current environment of heightened market volatility, driven by uncertainty surrounding tariff policies introduced by the Trump administration, I conducted a back test of the strategy over a 46-day period, from 19 February 2025 to 25 April 2025, capturing the escalation of trade tensions and associated market reactions. Transaction costs and the average bid-ask spread of SPXL have been incorporated into the back test to reflect realistic trading conditions.

Below are the performance results for the MA20 variant of the strategy, along with a Monte Carlo simulation illustrating the distribution of potential cumulative returns under resampled return scenarios.

**Performance**

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|  | **Strategy** | Passive SPXL | Passive SPX |
| Total Returns | **19.87%** | -33.45% | -10.08% |
| Average Daily Returns | **0.54%** | -0.67% | -0.21% |
| Standard Deviation | **5.62%** | 6.71% | 2.29% |
| Daily Sharpe Ratio | **0.095** | -0.099 | -0.090 |

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**Simulations**

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|  | The Monte Carlo simulation of cumulative returns exhibits a positively skewed distribution, suggesting a greater likelihood of outsized gains relative to losses.  Based on 5,000 simulated paths, the probability of achieving a positive return over the 46-day period is estimated at 68.78%. |

*The backtest and simulation are based on historical data and resampling. Actual future performance may differ*