



School of Business and Management

Master's Degree in Strategic Finance and Business Analytics

Master's Thesis

Title of the thesis

Sami Kohvakka, 2019

Supervisor: Eero Pätäri D.Sc. (Econ.)

2nd examiner: Some Examiner D.Sc. (Econ.)

ABSTRACT

Author: Sami Kohvakka
Title: Title of the thesis
Year: 2019
Faculty: School of Business and Management
Major: Strategic Finance and Business Analytics
Master's Thesis: Lappeenranta University of Technology
16 pages, 3 figures, 1 table, and 2 appendices.
Examiners: Professor Eero Pätäri
Research Fellow N.N.
Keywords: pairs trading, stock markets

This is my abstract.

TIIVISTELMÄ

Tekijä:	Sami Kohvakka
Otsikko:	Tutkielman otsikko suomeksi
Vuosi:	2019
Tiedekunta:	School of Business and Management
Pääaine:	Strateginen rahoitus ja liiketoiminta-analytiikka
Pro gradu -tutkielma:	Lappeenrannan teknillinen yliopisto 16 sivua, 3 kuvaa, 1 taulukko ja 2 liitettä.
Tarkastajat:	Professori Eero Pätäri Tutkijaopettaja N.N.
Hakusanat:	parikaupankäynti

Tämä on tiivistelmä.

PREFACE

I wish to thank my supervisor

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Finally, thank you to

Lappeenranta, October 3, 2019

Sami Kohvakka

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ABBREVIATIONS AND SYMBOLS

CAPM Capital Asset Pricing Model

B&S Black & Scholes

1 Introduction

1.1 Background

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1.2 Objectives and Restrictions

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1.3 Theoretical background

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1.4 Structure of the Thesis

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2 Literature review

Focardi, Fabozzi, and Mitov 2016 inserts citation and adds it to bibliography.

According to Huck and Afawubo (2015) pairs trading strategies can be grouped to three categories:

- The minimum distance approaches
- Multi-Criteria Decision Methods
- The modelling of mean reversion

Another way to cite using biblatex is (Huck 2010).

L^AT_EX is great for formulas too - this is an inline formula: $\mathbf{y} = X\beta + \epsilon$

And this is an equation:

$$E(R_i) = R_f + \beta_i(E(R_m) - R_f) \tag{1}$$

3 Methodology and Data

3.1 Data

Historical Finnish stock prices were fetched from Nasdaq Nordic database. Lorem ipsum dolor sit amet, consectetur adipisicing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat. Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur. Excepteur sint occaecat cupidatat non

3.2 Methodology

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Some random table from wikibooks

Table 1. Table header

Team	P	W	D	L	F	A	Pts
Manchester United	6	4	0	2	10	5	12
Celtic	6	3	0	3	8	9	9
Benfica	6	2	1	3	7	8	7
FC Copenhagen	6	2	1	3	5	8	7

4 Discussion

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4.1 Future Work

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5 Conclusions

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This is a sample image (the one from cover page). Notice that the caption is inserted to the list of figures automatically.



Figure 1. LUT logo

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- Focardi, Sergio M., Frank J. Fabozzi, and Ivan K. Mitov (2016). "A New Approach to Statistical Arbitrage: Strategies Based on Dynamic Factor Models of Prices and Their Performance". In: *Journal of Banking & Finance* 65, pp. 134–155. ISSN: 0378-4266. DOI: 10.1016/j.jbankfin.2015.10.005. URL: <http://www.sciencedirect.com/science/article/pii/S0378426615002824> (visited on 02/10/2019).
- Huck, Nicolas (2010). "Pairs Trading and Outranking: The Multi-Step-Ahead Forecasting Case". In: *European Journal of Operational Research* 207.3, pp. 1702–1716. ISSN: 0377-2217. DOI: 10.1016/j.ejor.2010.06.043. URL: <http://www.sciencedirect.com/science/article/pii/S0377221710004820> (visited on 02/10/2019).
- Huck, Nicolas and Komivi Afawubo (2015). "Pairs Trading and Selection Methods: Is Coin-Integration Superior?" In: *Applied Economics* 47.6, pp. 599–613.

Appendix 1. How to add appendices

Write your text or add your images between `\section` and `\sectionend`.

Appendix 2. Python sample

```
1 import numpy as np
2 def fun(param):
3     return param
4
5 fun("hello")
```