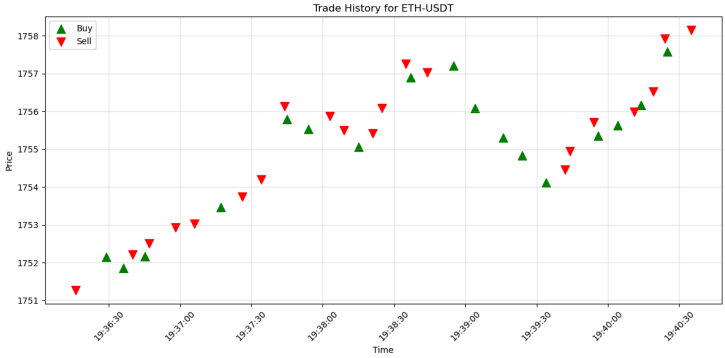
Why I Believe In My Strategy

In accordance with the requirements stated, of incorporating indicators for volatility, trends, and risk management for inventory, this strategy aims to engage in profitable market making based on trends while taking into account overexposure and volatility.



As seen in above image (obtained alongside status in my code), also available on the submitted GitHub repo, my strategy is able to fundamentally “buy low, sell high”. The narrowing of the spread during divergences when in the direction favoured by current inventory overexposure, ensures a long term balance between profit and inventory management.
Unfortunately creativity is subjective so I don’t think I can safely assert having displayed my creativity here.

Fol. is the explanation of my strategy I gave on in the submitted 2 minute video.

My Strategy:

My basic strategy was to consider divergences between market trends and current prices, and then while taking into account my current inventory position, attempt to balance it when appropriate, while using NATR to defend against volatility.

The algorithm boils down to the following steps:

1. Obtain reference price, inventory ratio, current and previous RSI values, current and previous price values, and NATR.
2. Define spreads, widening them based on NATR.
3. Detect divergences between price and RSI changes.
4. Consider inventory imbalance and divergence, and accordingly narrow spreads.
5. Place orders.

I would like to pre-emptively address a couple of questions that may occur on seeing the code.

Currently, the parameters such as spreads are largely arbitrary, since I was unable to backtest my algorithm.

Some decisions in the code were made for the sake of simplicity, such as not adding more cases for different inventory ratios, and comparing against only the immediately prior values of RSI and price instead of a moving average.

A modification to the format_status method I made which, in my opinion is conducive to the understanding of the strategy's performance, was to create a plot whenever the status command was used in Hummingbot, that would display trades made, giving insight beyond the basic P&L figure.