HACKATHON ENDS AT 3PM

MAIN GOAL: Use market regimes and aggressive/defensive macro-sensitive strategies enhanced with fundamental surprises to get the highest risk-adjusted return & avoid large drawdowns

1. Find regimes
   1. What model to use?
   2. How many regimes?
2. What strategies to use
   1. In each regime
3. EPS prediction
4. Portfolio construction

5 7 14 20 30

Duffie singleton model

We understand what we model – small mid cap

Idio – small, mid

Sys – larga

2000 – 2010 FAANG (mag 7)

Value-mom

Growth

Judgemtn under – daniel canamen (rational of mom)

False negative and false positive (minimize WORST outcome)

Develop weighting scheme for risk contribution

Use volatility to determine weighting scheme

Momentum on small-cap

EPS on mid-cap

Sector identification using permno

Presentation:

Concentration risk – portfolio level, (factor, int rate, that hit our portfolio,

Industry level (20% of portfolio, factor loading, PCA

Sector level (

Alpha loading

Saint pertrberg parodox – double down when youre down

Load up when profit (double down when youre winning)

Dump when losing

Risk management- Risk limit – diversification, hard limit

Minimize red

Red is loss

Green is profit

Black, blue - neutral

A graph with numbers and a blue dot

Description automatically generated

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Description automatically generated

There is much more value in trying to predict small caps stocks earnings surprises rather than mid-cap -> predict earnings surprise for small cap stocks and hold them for 3 months