

Moving_Correlation_Coefficient

September 29, 2021

1 Moving Correlation Coefficient

<https://www.fmlabs.com/reference/default.htm>

```
[1]: import numpy as np
import pandas as pd
import matplotlib.pyplot as plt

import warnings
warnings.filterwarnings("ignore")

# fix_yahoo_finance is used to fetch data
import fix_yahoo_finance as yf
yf.pdr_override()
```

```
[2]: # input
symbol1 = 'AAPL'
symbol2 = 'QQQ'
start = '2017-01-01'
end = '2019-01-01'

# Read data
df1 = yf.download(symbol1,start,end)
df2 = yf.download(symbol2,start,end)

# View Columns
df1.head()
```

```
[*****100%*****] 1 of 1 downloaded
```

```
[*****100%*****] 1 of 1 downloaded
```

```
[2]:
```

	Open	High	Low	Close	Adj Close	\
Date						
2017-01-03	115.800003	116.330002	114.760002	116.150002	111.709831	
2017-01-04	115.849998	116.510002	115.750000	116.019997	111.584778	
2017-01-05	115.919998	116.860001	115.809998	116.610001	112.152229	
2017-01-06	116.779999	118.160004	116.470001	117.910004	113.402542	
2017-01-09	117.949997	119.430000	117.940002	118.989998	114.441246	

	Volume
Date	
2017-01-03	28781900
2017-01-04	21118100
2017-01-05	22193600
2017-01-06	31751900
2017-01-09	33561900

```
[3]: df2.head()
```

```
[3]:
```

	Open	High	Low	Close	Adj Close \
Date					
2017-01-03	119.269997	119.989998	118.889999	119.540001	117.254288
2017-01-04	119.669998	120.410004	119.660004	120.190002	117.891861
2017-01-05	120.099998	120.949997	120.099998	120.870003	118.558853
2017-01-06	121.000000	122.250000	120.690002	121.930000	119.598587
2017-01-09	122.029999	122.550003	121.949997	122.330002	119.990944

	Volume
Date	
2017-01-03	22307600
2017-01-04	19749100
2017-01-05	20644300
2017-01-06	24074300
2017-01-09	18748000

```
[4]: cc = df1['Adj Close'].corr(df2['Adj Close'])
```

```
[5]: cc
```

```
[5]: 0.939995127176806
```

```
[6]: df = pd.concat([df1['Adj Close'], df2['Adj Close']],axis=1)
```

```
[7]: df.head()
```

```
[7]:
```

	Adj Close	Adj Close
Date		
2017-01-03	111.709831	117.254288
2017-01-04	111.584778	117.891861
2017-01-05	112.152229	118.558853
2017-01-06	113.402542	119.598587
2017-01-09	114.441246	119.990944

```
[8]: # Rename columns
df.columns = [symbol1,symbol2]
```

```
[9]: df.head()
```

```
[9]:
```

	AAPL	QQQ
Date		
2017-01-03	111.709831	117.254288
2017-01-04	111.584778	117.891861
2017-01-05	112.152229	118.558853
2017-01-06	113.402542	119.598587
2017-01-09	114.441246	119.990944

```
[10]: n = 14
df['M_Cor'] = df['AAPL'].rolling(n).corr(df['QQQ']).rolling(n).mean()
```

```
[11]: df.head(30)
```

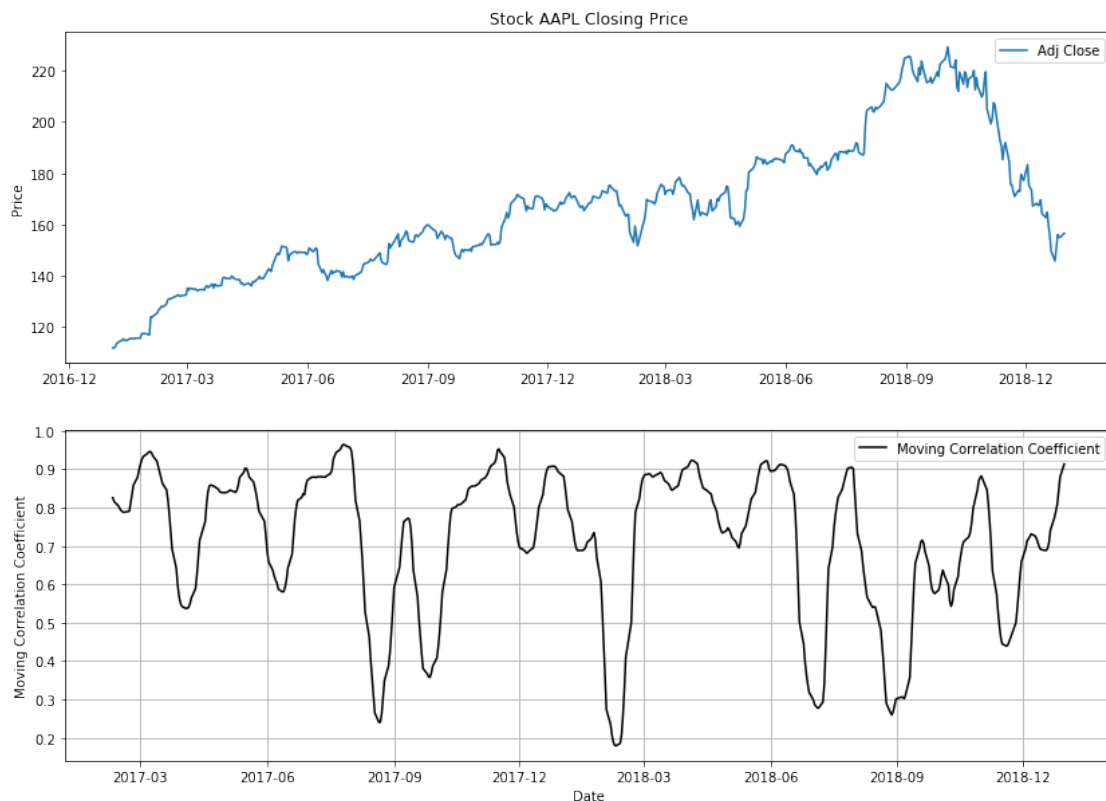
```
[11]:
```

	AAPL	QQQ	M_Cor
Date			
2017-01-03	111.709831	117.254288	NaN
2017-01-04	111.584778	117.891861	NaN
2017-01-05	112.152229	118.558853	NaN
2017-01-06	113.402542	119.598587	NaN
2017-01-09	114.441246	119.990944	NaN
2017-01-10	114.556656	120.255775	NaN
2017-01-11	115.172195	120.579460	NaN
2017-01-12	114.691307	120.393089	NaN
2017-01-13	114.489334	120.805077	NaN
2017-01-17	115.412643	120.442139	NaN
2017-01-18	115.403008	120.687355	NaN
2017-01-19	115.201050	120.628510	NaN
2017-01-20	115.412643	120.893341	NaN
2017-01-23	115.489578	120.991440	NaN
2017-01-24	115.383789	121.805565	NaN
2017-01-25	117.220779	123.031662	NaN
2017-01-26	117.278488	123.159172	NaN
2017-01-27	117.288101	123.394600	NaN
2017-01-30	116.980324	122.433334	NaN
2017-01-31	116.711029	122.188110	NaN
2017-02-01	123.828148	123.031662	NaN
2017-02-02	123.616562	122.923759	NaN
2017-02-03	124.145538	123.276886	NaN
2017-02-06	125.309273	123.424011	NaN
2017-02-07	126.501862	123.875221	NaN
2017-02-08	126.992355	124.081200	NaN
2017-02-09	127.909996	124.532402	0.825150
2017-02-10	127.620224	124.944382	0.814741
2017-02-13	128.750366	125.650620	0.804316
2017-02-14	130.421463	126.072380	0.797225

```
[12]: fig = plt.figure(figsize=(14,10))
ax1 = plt.subplot(2, 1, 1)
ax1.plot(df1['Adj Close'])
ax1.set_title('Stock ' + symbol1 + ' Closing Price')
ax1.set_ylabel('Price')
ax1.legend(loc='best')

ax2 = plt.subplot(2, 1, 2)
ax2.plot(df['M_Cor'], label='Moving Correlation Coefficient', color='black')
ax2.grid()
ax2.legend(loc='best')
ax2.set_ylabel('Moving Correlation Coefficient')
ax2.set_xlabel('Date')
```

```
[12]: Text(0.5,0,'Date')
```



1.1 Candlestick with Moving Correlation Coefficient

```
[13]: from matplotlib import dates as mdates
import datetime as dt
```

```

dfc = df1.copy()
dfc['VolumePositive'] = dfc['Open'] < dfc['Adj Close']
#dfc = dfc.dropna()
dfc = dfc.reset_index()
dfc['Date'] = mdates.date2num(dfc['Date'].astype(dt.date))
dfc.head()

```

```

[13]:
      Date      Open      High      Low      Close  Adj Close  \
0  736332.0  115.800003  116.330002  114.760002  116.150002  111.709831
1  736333.0  115.849998  116.510002  115.750000  116.019997  111.584778
2  736334.0  115.919998  116.860001  115.809998  116.610001  112.152229
3  736335.0  116.779999  118.160004  116.470001  117.910004  113.402542
4  736338.0  117.949997  119.430000  117.940002  118.989998  114.441246

      Volume  VolumePositive
0   28781900             False
1   21118100             False
2   22193600             False
3   31751900             False
4   33561900             False

```

```

[14]: from mpl_finance import candlestick_ohlc

fig = plt.figure(figsize=(14,10))
ax1 = plt.subplot(2, 1, 1)
candlestick_ohlc(ax1,dfc.values, width=0.5, colorup='g', colordown='r', alpha=1.
    ↪0)
ax1.xaxis_date()
ax1.xaxis.set_major_formatter(mdates.DateFormatter('%d-%m-%Y'))
ax1.grid(True, which='both')
ax1.minorticks_on()
ax1v = ax1.twinx()
colors = dfc.VolumePositive.map({True: 'g', False: 'r'})
ax1v.bar(dfc.Date, dfc['Volume'], color=colors, alpha=0.4)
ax1v.axes.yaxis.set_ticklabels([])
ax1v.set_ylim(0, 3*df1.Volume.max())
ax1.set_title('Stock ' + symbol1 + ' Closing Price')
ax1.set_ylabel('Price')

ax2 = plt.subplot(2, 1, 2)
ax2.plot(df['M_Cor'], label='Moving Correlation Coefficient', color='black')
ax2.grid()
ax2.legend(loc='best')
ax2.set_ylabel('Moving Correlation Coefficient')
ax2.set_xlabel('Date')

```

```

[14]: Text(0.5,0,'Date')

```

