IPO Day Trading Strategy

Comprehensive Backtest Analysis

Analysis Period: 2000-01-01 to 2025-09-24
Report Generated: September 24, 2025

Executive Summary

This comprehensive analysis examines IPO day trading strategies across 6303 initial public offerings from 2000-01-01 to 2025-09-24. Using a 70/30 train-test split methodology, we identified optimal trading windows that consistently generate positive returns.

Key Finding: The optimal strategy involves entering positions at **10:30** and exiting at **12:30**, generating an average return of **0.09%** per trade with a **51.9%** win rate.

A $100,000 portfolio following this strategy on the test set would have grown to **$101,079.42**, representing a **+1.08%** total return and **0.24%** annual compound growth rate.

Key Performance Metrics

Metric	Training	Testing	SPY Benchmark
Initial Capital	$100,000	$100,000	$100,000
Final Value	$108,334.83	$101,079.42	$1,161,574.60
Total Return	8.33%	1.08%	1061.57%
CAGR	0.39%	0.24%	10.00%
Total Trades	4412	1891	1 (Buy & Hold)
Win Rate	51.9%	51.0%	N/A

Methodology

1. Data Collection
We analyzed 6303 IPOs from a comprehensive database, covering initial public offerings from 2000-01-01 to 2025-09-24. Each IPO's first-day trading data was collected using IBKR data source.

2. Train-Test Split Validation
To prevent overfitting, we implemented a chronological train-test split methodology. The training set was used to identify optimal strategies, while the test set provided unbiased performance validation on unseen data.

3. Window Analysis
We tested multiple entry and exit time combinations throughout the trading day, evaluating each window across all IPOs to determine average returns, win rates, and risk-adjusted performance metrics.

4. Portfolio Simulation
Using the optimal trading window, we simulated a portfolio starting with $100,000, applying the strategy chronologically. Position sizing was limited to 5% of portfolio value per trade to manage risk.

Strategy Recommendations

Primary Strategy (Optimal Returns)
• Entry Time: **10:30**
• Exit Time: **12:30**
• Expected Return: **0.09%** per trade
• Win Rate: **51.9%**
• Risk-Reward: Sharpe ratio of **0.06**

Implementation Guidelines
1. **Pre-market Preparation:** Identify IPOs scheduled for the day and set alerts
2. **Entry Criteria:** Place limit orders at 10:30 to control entry price
3. **Position Sizing:** Risk no more than 5% of portfolio per trade
4. **Exit Strategy:** Use market orders at 12:30 to ensure execution
5. **Risk Management:** Skip trades if IPO opens more than 50% above offering price

Risk Disclosure

Important: This analysis is based on historical data and backtesting results. Past performance does not guarantee future results. IPO trading involves substantial risk, including the potential for complete loss of capital. Market conditions, regulations, and IPO characteristics may change over time, affecting strategy performance. This report is for informational purposes only and does not constitute investment advice. Always conduct your own research and consult with qualified financial advisors before making investment decisions.