





► Checking and transforming data



- ▶ Checking and transforming data
- ▶ Regression



Independent
Variables



Dependent Variables



Independent
Variables



Dependent Variables

Regression

— Stock A
— Stock B



Regression

— Stock A
— Stock B

*Independent
Variable*

*Dependent
Variable*



Statistical Arbitrage

— Stock A
— Stock B

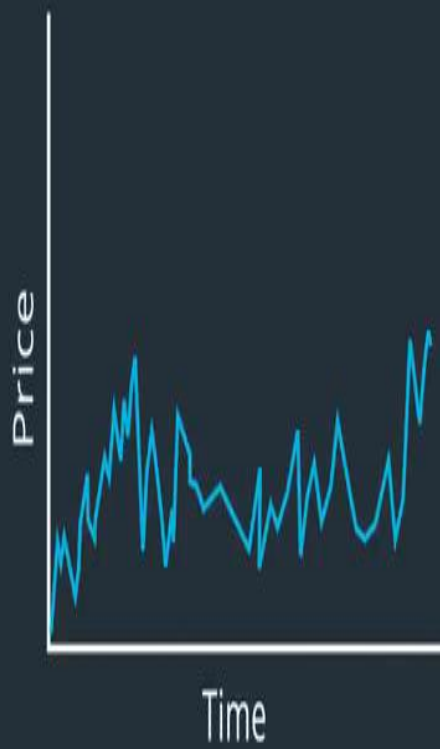


Signal

Noise

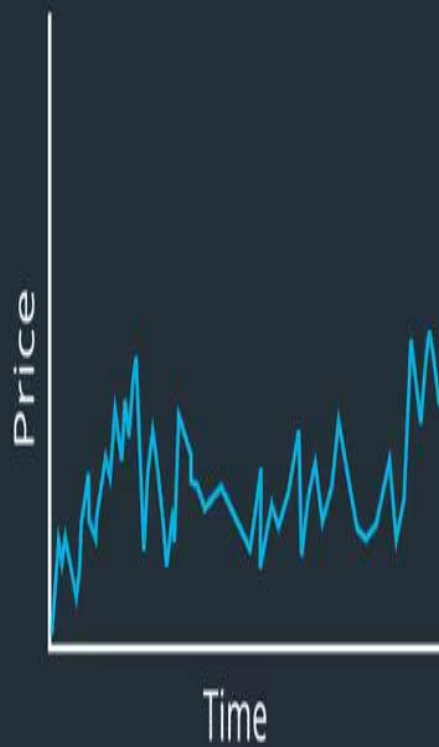
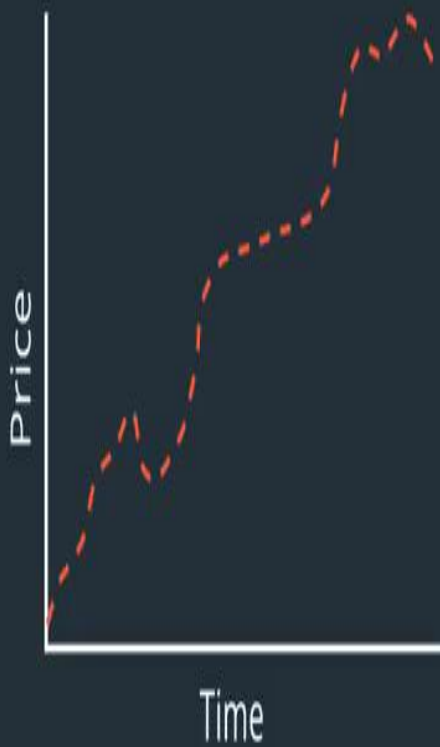
$$\frac{\text{Signal}}{\text{Noise}}$$

Signal + *Noise*



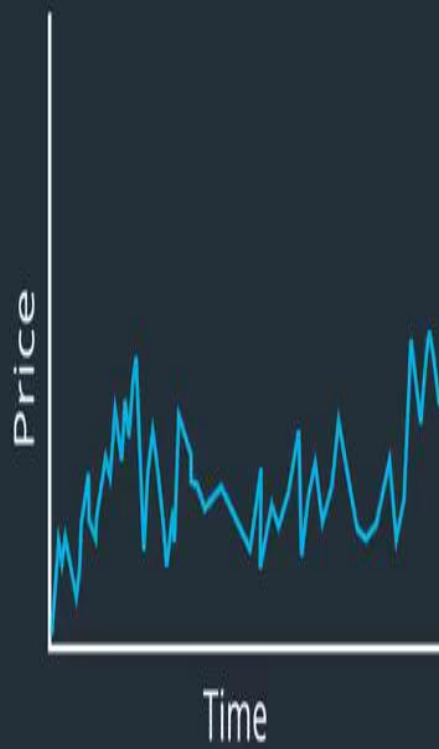
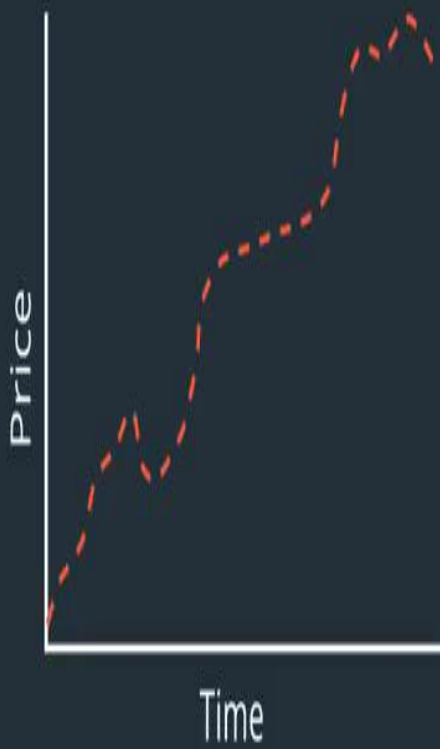
$$\frac{\text{Signal}}{\text{Noise}}$$

$$\text{Signal} + \text{Noise} = \text{Actual Stock Price}$$



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$$\text{Signal} + \text{Noise} = \text{Actual Stock Price}$$

