Technical Manual

**Trading Strategy Reports**

**2015**

**Revisions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Rev. | Date | Author | Description | Approved by |
| v.1.0 | 27/03/12 | Nimrod Eshed | Originally written by Christos and refreshed to the standard BLU document version |  |
|  |  |  |  |  |

[1 Introduction 4](#_Toc331067852)

[2 Usage 4](#_Toc331067853)

[2.1 Command Syntax 4](#_Toc331067854)

[2.2 Example 4](#_Toc331067855)

[2.3 Results 5](#_Toc331067856)

# Introduction

To investigate thoroughly whether a particular combination of instruments (i.e. potential trade) is interesting or not, we typically employ “Trading Strategy”. This particular tool allows for historical backtesting and determines the individual characteristics of each potential trade.

However, on a daily basis we have to assess a few thousand combinations. Using “Trading Strategy” for every single one of them is a slow, manual process. Therefore, there is a need for a much faster tool which will examine all meaningful combinations and screen automatically for interesting ones according to criteria specified by the end-user. These combinations will be later thoroughly analysed using the “Trading Strategy”.

To meet this requirement, we have developed a tool which is simple to execute through the command prompt and scans automatically through thousands of combinations. We store the results for all combinations on a daily basis. Furthermore, the tool is quite flexible in allowing different criteria to be used for screening.

# Usage

## Command Syntax

Running the daily reports is a single-command procedure. The syntax of that command is given below:

REPORT(’datafile’,’BBtickers’,’reportdirfile’,’screendir’)

where

* datafile is the file that contains the daily JPM data (including the full path),
* BBtickers is a text file that contains the tickers for those data only whose source is going to be Bloomberg,
* reportdirfile is a simple text file that contains the directories with the reports which we are going to run and
* screendir is the directory where the screened results are going to be stored.

## Example

An example of usage is shown below,

REPORT(’H:\JPM2.xls’,’H:\BBtickers.txt’,’H:\BBVOL.txt’,’H:’)

Effectively, this is the only required input by the end-user for the reports to run.

## Results

Assume that we would like to use JPM data apart from JPMSWSF1 whose source will be Bloomberg. Then create the BBtickers.txt file with JPMSWSF1 in it.

The BBVOL.txt file contains the directories of the reports as below:

X:\Data\REPORTS\1y\_slope\_vs\_future\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 0.1 1 1

X:\Data\REPORTS\3m\_slope\_vs\_future\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 0.1 1 1

X:\Data\REPORTS\6m\_slope\_vs\_future\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 0.1 1 1

X:\Data\REPORTS\2y\_slope\_vs\_future\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 0.1 1 1

X:\Data\REPORTS\3y\_slope\_vs\_future\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 0.1 1 1

X:\Data\REPORTS\Vega\_fly\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 4.0 0 1

X:\Data\REPORTS\Listed\_OTC\ 1 0.7 0.3 0.7 0.3 2.0 0.7 2.0 2.0 0.0 0 1

X:\Data\REPORTS\1y\_fwd\_swapFly\ 1 0.8 0.2 0.8 0.2 2.5 0.8 2.0 2.0 0.0 1 1

Each report is on a different line. For each report we can specify different filtering criteria which will be used for the automatic screening.

1. screen reports or not
2. residual percentile upper limit
3. residual percentile lower limit
4. CIX percentile upper limit
5. CIX percentile lower limit
6. z-score lower limit
7. R2 lower limit
8. T-stat1 lower limit
9. T-stat2 lower limit
10. absolute residual lower limit
11. carry: take only positive carry if this criterion is set to 1, otherwise accept all
12. printout: print screened combinations if this criterion is set to 1, otherwise do not print.

All combinations included in each report are assessed and their outcome is stored in the report file, irrespective of the filtering criteria. The screened results are also automatically saved in a separate file for each set of reports (located in the screendir folder. Note that a separate subfolder is created on a daily basis). Finally, depending on the printout criterion the screened combinations are sent automatically to printer.