Trading with Momentum

REVIEW

CODE REVIEW

HISTORY

Meets Specifications

Your project meets all the requirements on the first submission, well done! 👍

You showed a good understanding of the concepts of this project and implemented all the functions perfectly. I am looking forward to your next submissions in the nanodegree! :-)

Market Data

✓

The function `resample_prices` computes the monthly prices.

Your function correctly resamples the prices, good work!

Another way to implement this by using the `resample` function:

```
    return close_prices.resample(freq).last()
```

✓

The function `compute_log_returns` computes the log returns from the prices.

You correctly calculated the log returns!

Log returns are usually easier to handle as we can simply sum single period log returns if we want to calculate a multi period return.

✓

The function `shift_returns` computes the shifted returns.

Portfolio

✓

The function `get_top_n` selects the `top_n` number of the top performing stocks.

✓

The function `portfolio_returns` calculates the projected returns.

Statistical Tests

✓

The function `analyze_alpha` calculates the t-value and p-value.

Good work calculating the t-value and p-value, and not forgetting that p-value has to be halved as we are doing a 1-sided t-test.

✓

The student correctly identifies the p-value they got. The student indicates what the p-value indicates about their signal.

Your conclusion is correct: the p-value is greater than alpha so the test doesn't show that the trading signal has a statistically significant non-zero return.

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