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Report: Project 06 – Manual Strategy

CS7646: ML4T - Spring 2019

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Part 1: Technical Indicators

Technical analysis assumes that there is information in historical price and volume data that we can discover and exploit in advance of the market while fundamental analysis assumes there is information in fundamental data, like earnings, that can be exploited and traded upon in advance of the market. Technical indicators are statistics calculated from price and volume data that can be used to understand investment portfolio. In this project, different technical indicators are explored in order to build a trading strategy to outperform the benchmark strategy (buy and hold long term).

Simple moving average (SMA), Bollinger Bands and momentum are the indicators of choice in this report. The three indicators are all calculated from stock price. In this session, will be explained what they are, how to calculate them and demonstrated their relationship with stock price with the prices of a stock JPM. If we know how the market will move each day, it is easy to apply an optimal trading strategy to g. Finally, we will build our manual strategy in part 3 with

rules that utilizes our chosen indicators.

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