



PREDICTING BEARISH ENTRIES

SHORTING THE RIGHT WAY

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What is Short Selling?

Short selling is a trading strategy that takes advantage of the decline in the price of a security or stock.

Short selling occurs when a security is borrowed and sold at the market price. Traders then buy back the securities at a presumably lower price to profit.





PROS

- High profits
- Little initial capital required
- Leverage

CONS

- Potential for losses
- Short squeeze
- Going against general direction





Can we lower our risk?

YES, BY BEING ABLE TO ACCURATELY
PREDICT GOOD ENTRY POINTS.



WE CAN PREDICT

84%

ACCURACY BACKTESTING
BEARISH ENTRIES

Technical Indicators

MOMENTUM

Identify when the price is moving up or down and how strongly

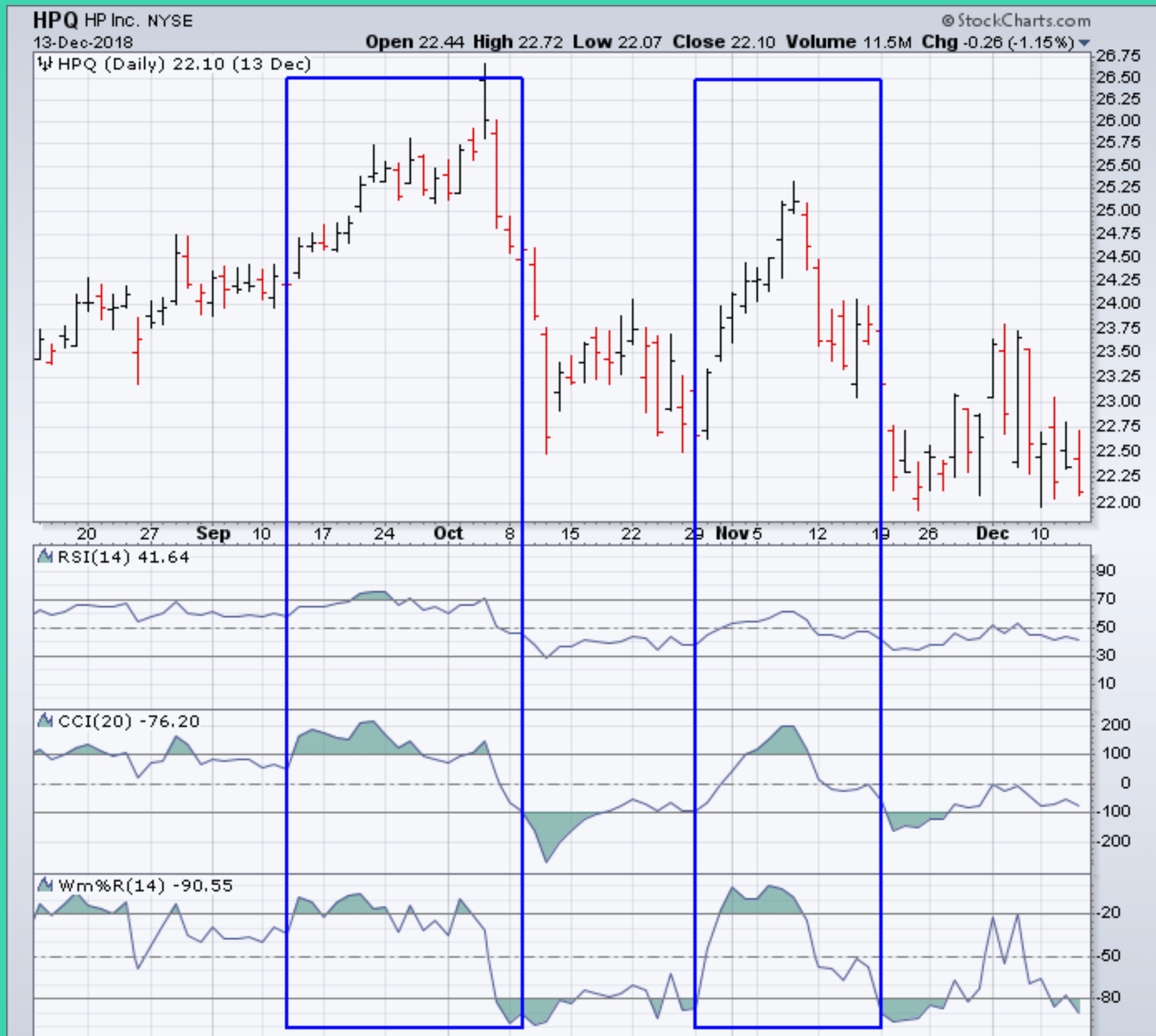
VOLUME

Number of executed trades

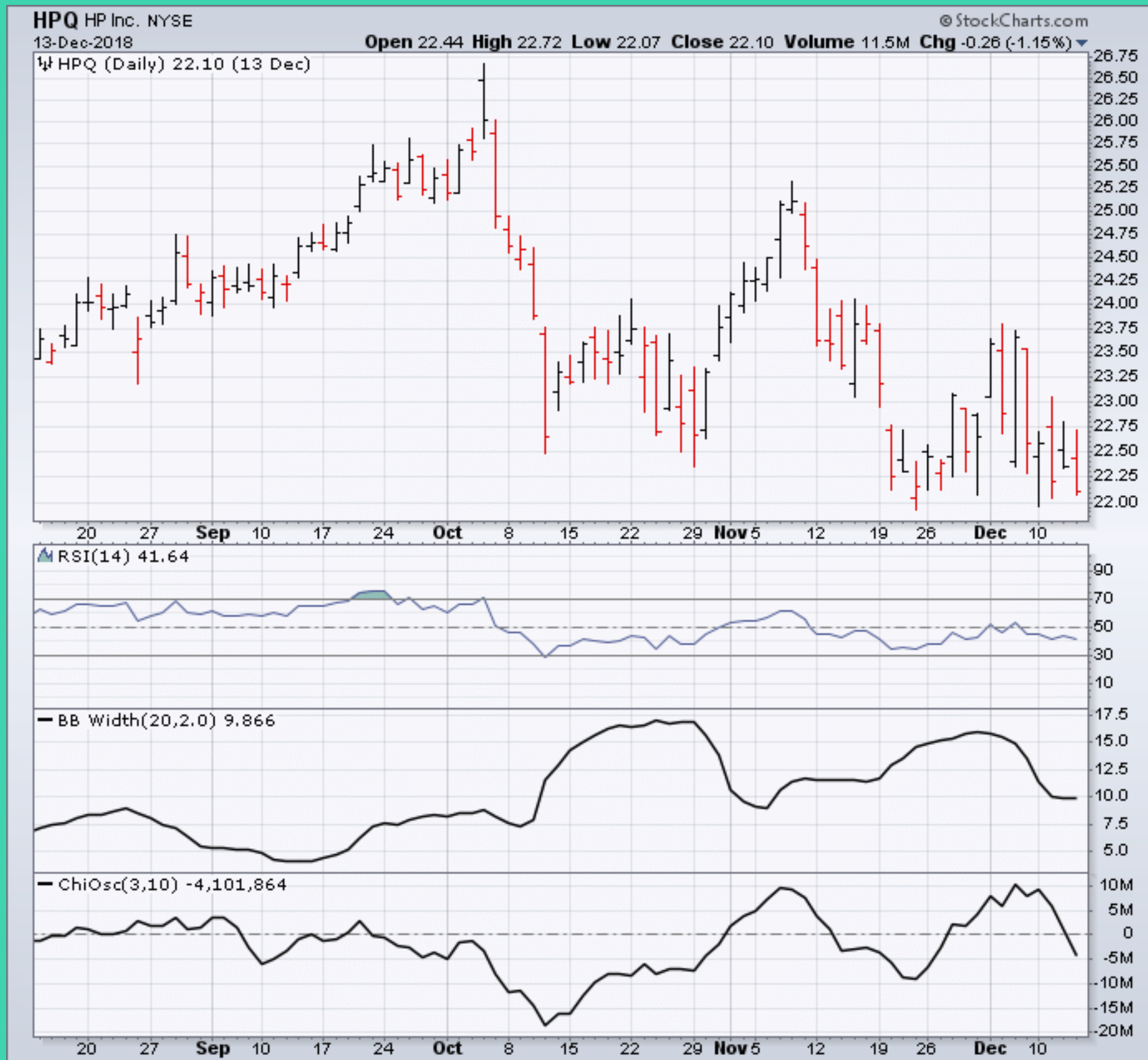
TREND

Measure direction of trend using smoothed price data



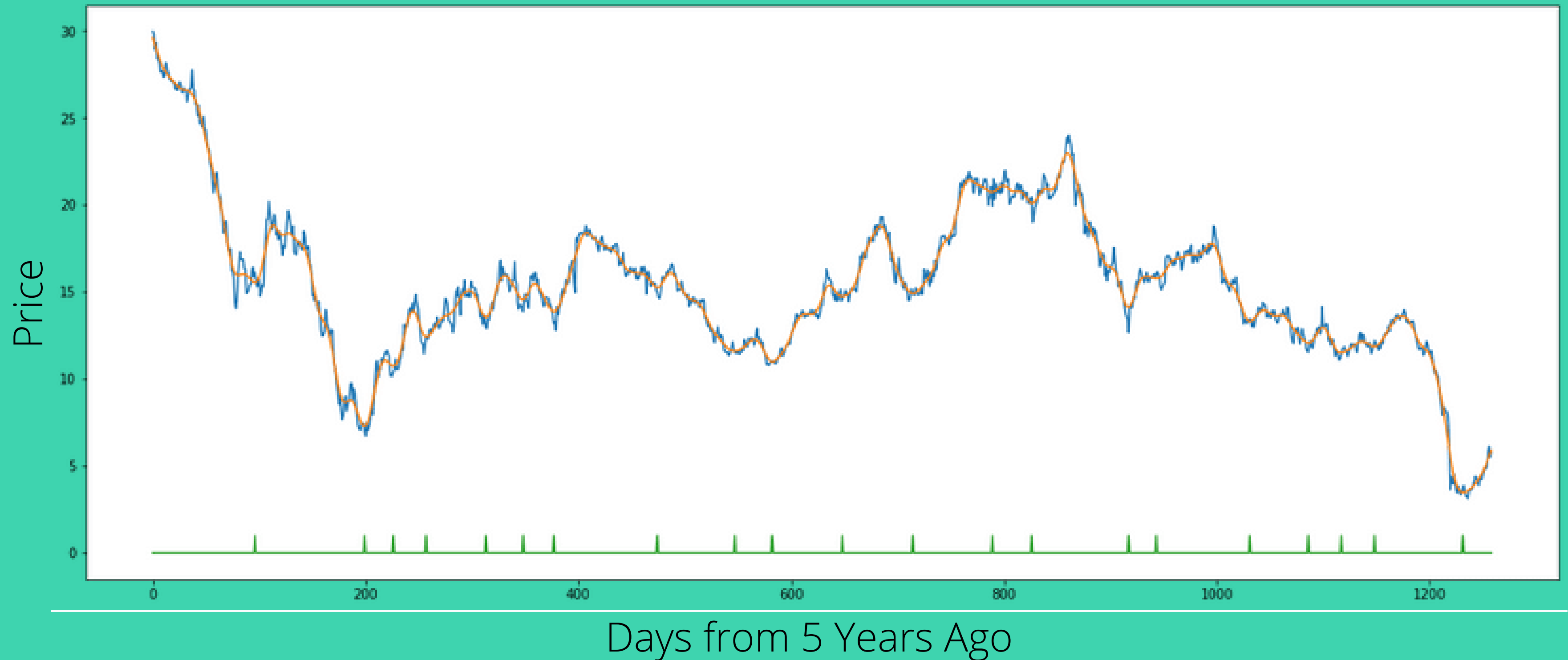


Avoid indicators
which convey similar
information



Use indicators which
convey different
information

MRO Stock Buy Points



MRO Stock Buy/Sell Points



MRO Shorts Prediction Backtest





MRO Results

84% ACCURACY FOR PICKING HIGHS

Predicting greater than 50% over the long run and over many trades will eventually result in positive returns

In bear markets, predicting lows to go long is more difficult and infrequent

Potential to make several quick trades for high frequency or algorithmic trading

Apply to other bearish securities

Risk Mitigation – How Can We Improve?

1

PICK LOWS BETTER

The model was less accurate picking lows. Picking lows can improve returns by exiting trades in a timely manner

2

OPTIONS

We can lower our risk by buying put options to lock in prices instead of shorting on margin

3

INDICATORS

We can use more indicators which convey different information to get better accuracy

4

MODELS

We can use different prediction models to improve our accuracy



Questions?