Georgia Institute of Technology

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Computational Investing, Part I

161: How to Assess Event Study

Find out how modern electronic markets work, why stock prices change in the ways they do, and how computation can help our understanding of them. Learn to build algorithms and visualizations to inform investing practice.

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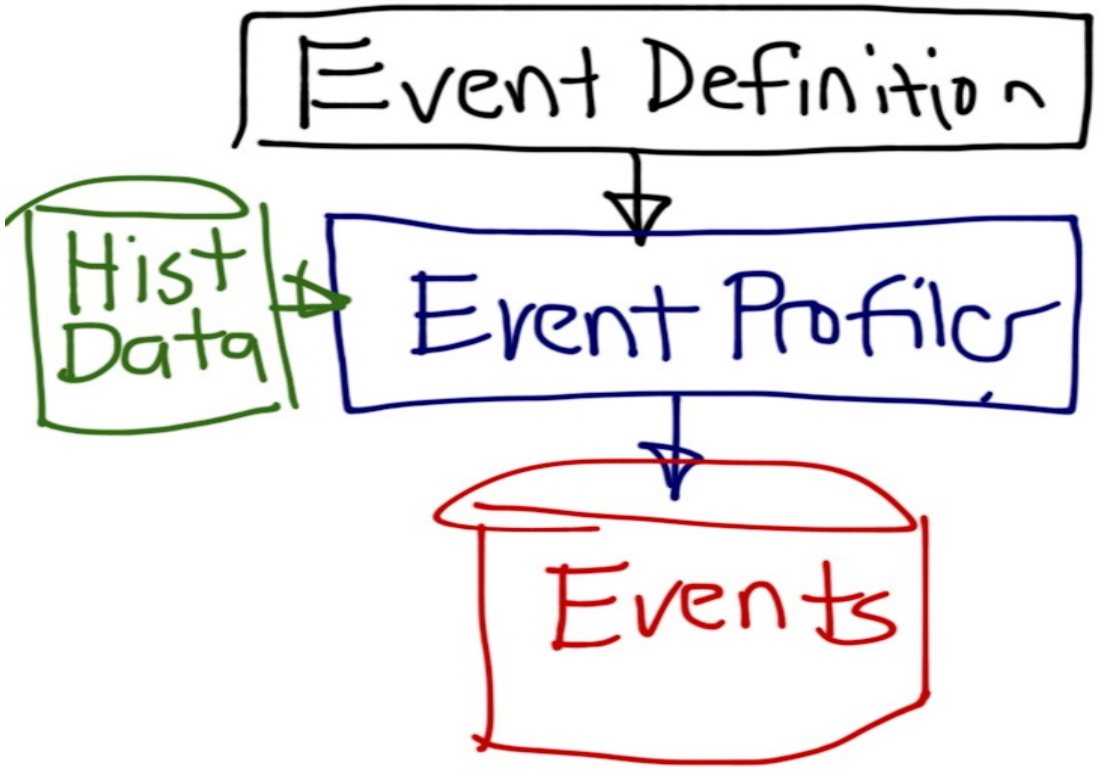
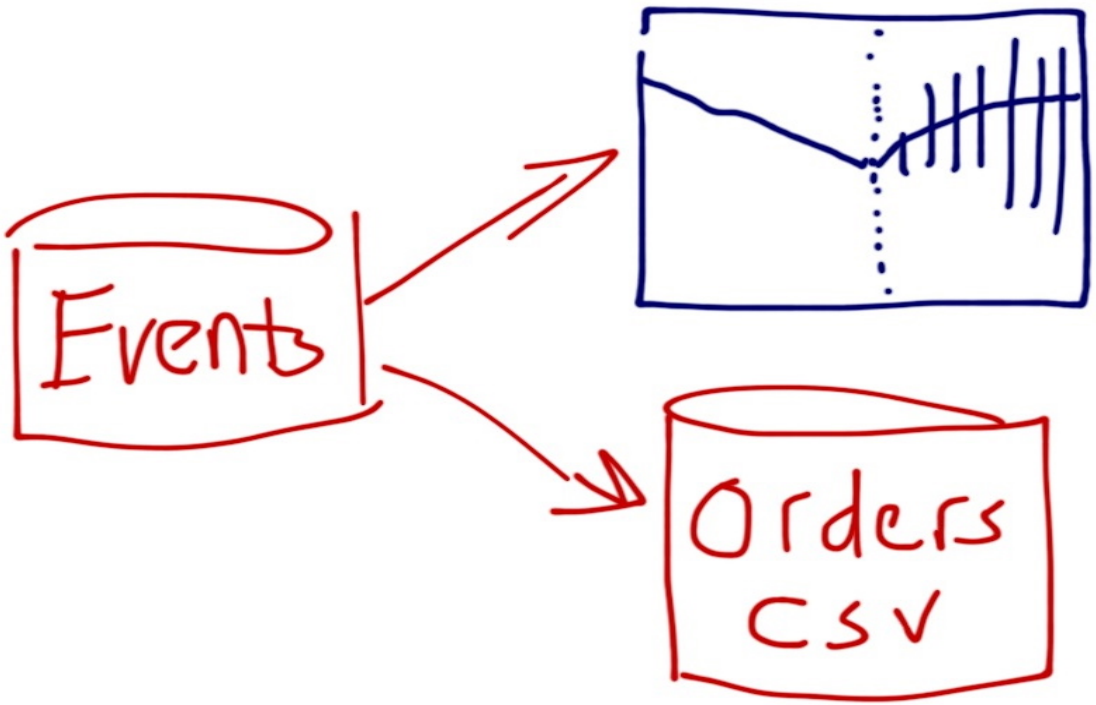
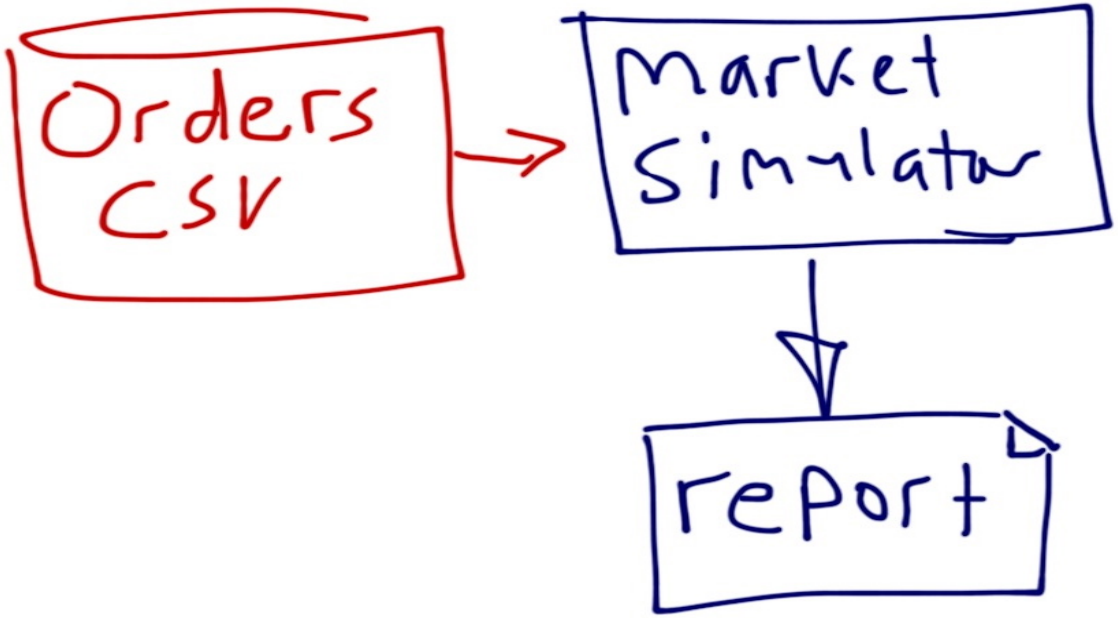
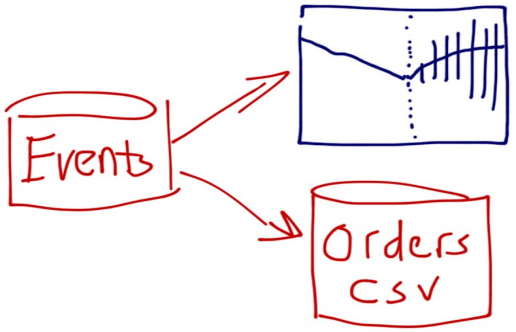

Event Definition
Hist Data
Event Profiler
Events


Events
Orders
csv


Orders
csv
Market
Simulator
report

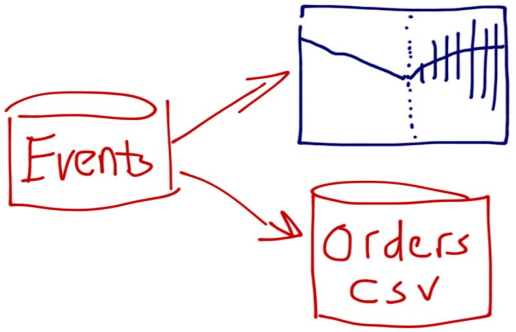
How to Use these tools together

- Event study allows you to test hypotheses:
  - What if market Bollinger value is high, but
  - Stock Bollinger value is low?
  - Buy signal?



Simulator Lets You Operationalize

- Transition from hypothesis to strategy:
  - Buy/Sell?
  - How long to hold?
  - How much to allocate to each bet?



How to Read an Event Study

- Event study allows you to test hypotheses:
  - What if market Bollinger value is high, but
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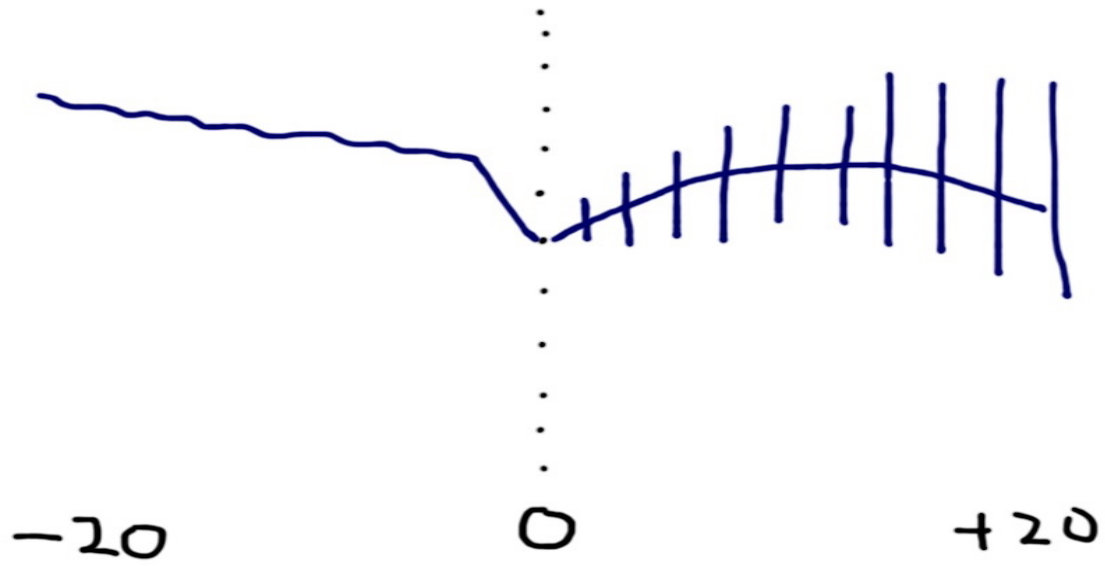
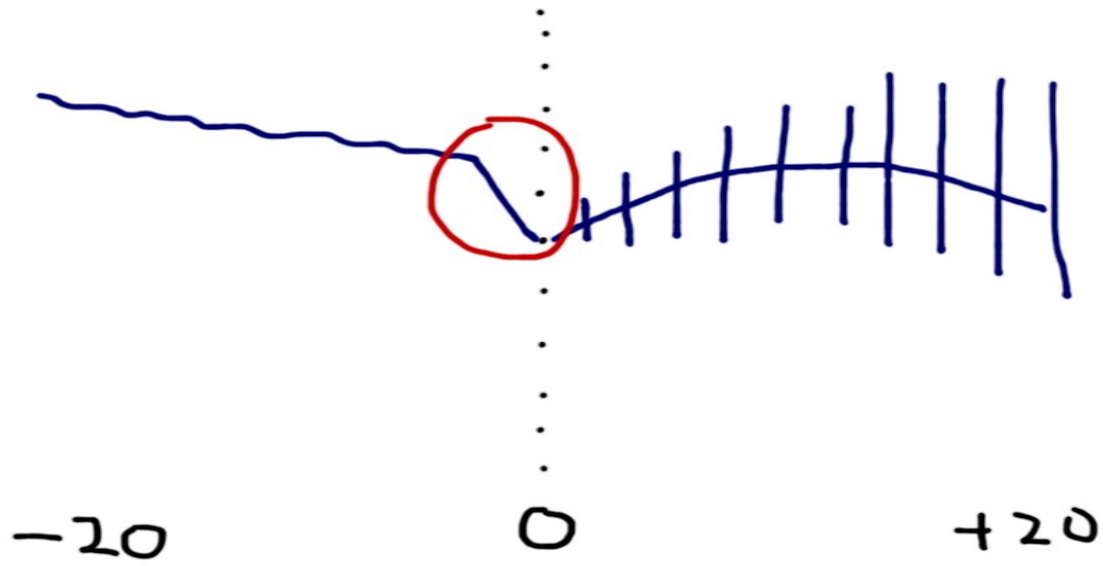
  - Buy signal?

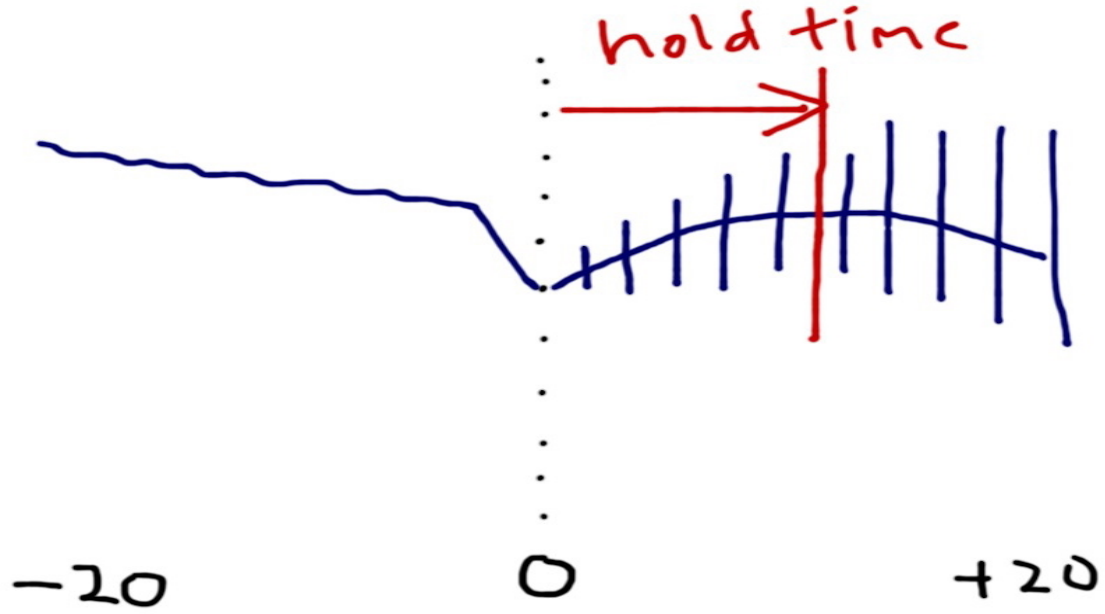
First, Sanity Check



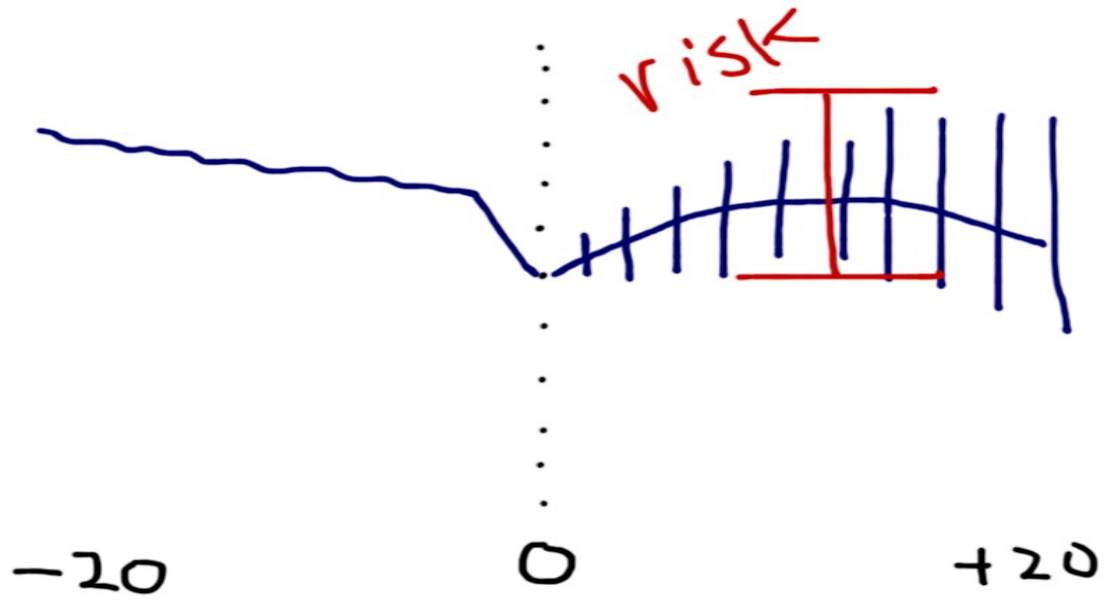
First, Sanity Check



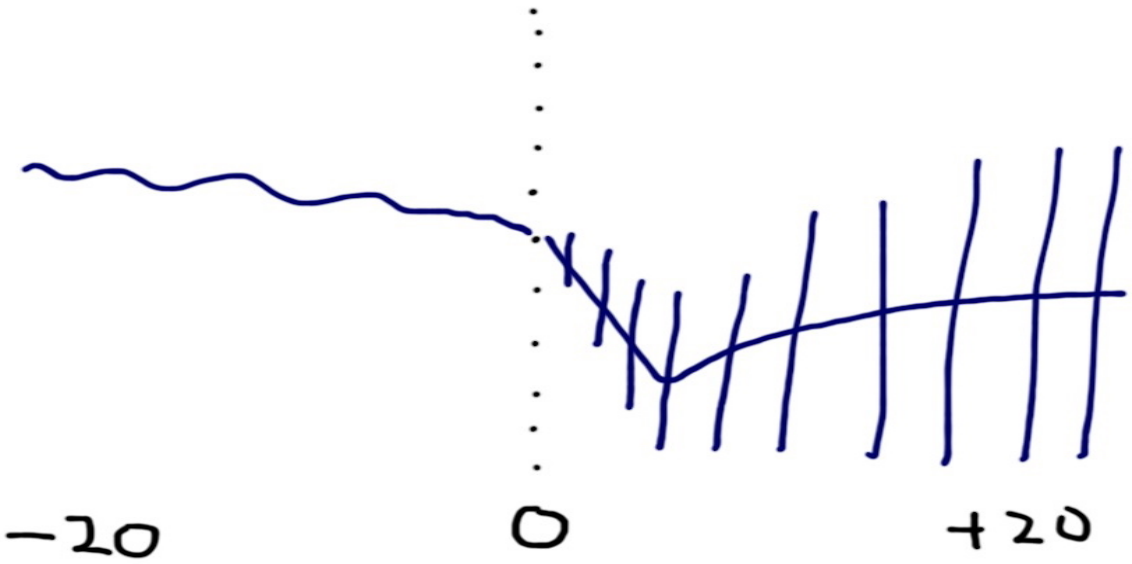
Second, Assess: Buy or Sell? Hold Time?



Risk? How many opportunities?



Another Example: An Event to "Short"



Next: Homework 4