

Notes from Trading Systems

Hardik Rajpal

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1 What To Expect

Trading techniques, not trading systems, are of the sort:

- System-Deduction-based trading
- Trade because your gut says so
- Trade because my friend says so
- Trade because the guy on TV says so
- Trade because my broker says so

A trading system (1) takes some inputs from the market, (2) runs specific logic, implemented by you and (3) gives you an output. The onus of deciding whether or not to make the trade is still on the human trader. The module plans to discuss:

1. Pair trading
2. Volatility based Delta hedging
3. Calendar spreads
4. Momentum strategy (Portfolio approach)

No trading system is complete without backtesting, which is not covered by this module.

2 Pair Trading Logic