

Assignment on Statistical Arbitrage

November 7, 2018

1. Choose any sector of Indian Industry (e.g., Banking, Education), identify five stocks (trading at NSE) from that sector. Using R, analyse the following on daily, weekly and monthly scale:
 - (a) Can we assure existence of any trend?
 - (b) Is the return series stationary (mean-reverting)?
2. Find the most optimal pair from the above five stocks by checking the correlation and cointegration among all the stocks. Find optimised thresholds for formation period of 1 year (i.e., 2017) and calculate the profit earned and number of trading opportunities during next 6 months (i.e., first half of 2018).