Algo trading basics
Day 2: The finer details

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DISCLAIMER

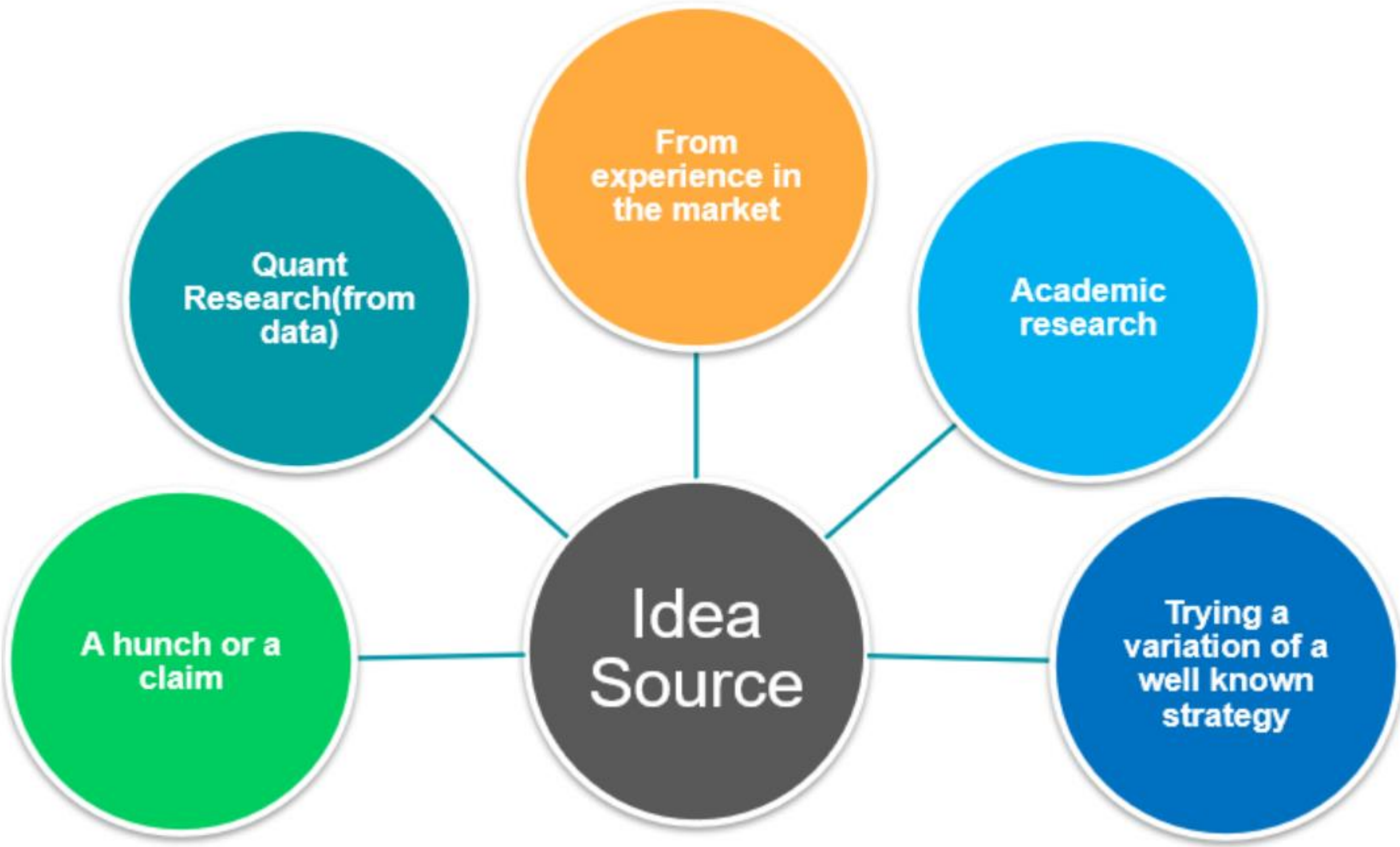
All investments and trading in the stock market involve risk. Any decisions to place trades in the financial markets, including trading in stock or options or other financial instruments is a personal decision that should only be made after thorough research, including a personal risk and financial assessment and the engagement of professional assistance to the extent you believe necessary. The trading strategies or related information mentioned in this presentation is for informational purposes only.

Today's agenda

- Discuss various strategy paradigms.
- Learn about the strategy workflow.
- Take a short detour about data we can use.
- Explore data sources.
- Formulate a strategy and backtest it.

STRATEGY DEVELOPMENT WORKFLOW

1. Source of idea

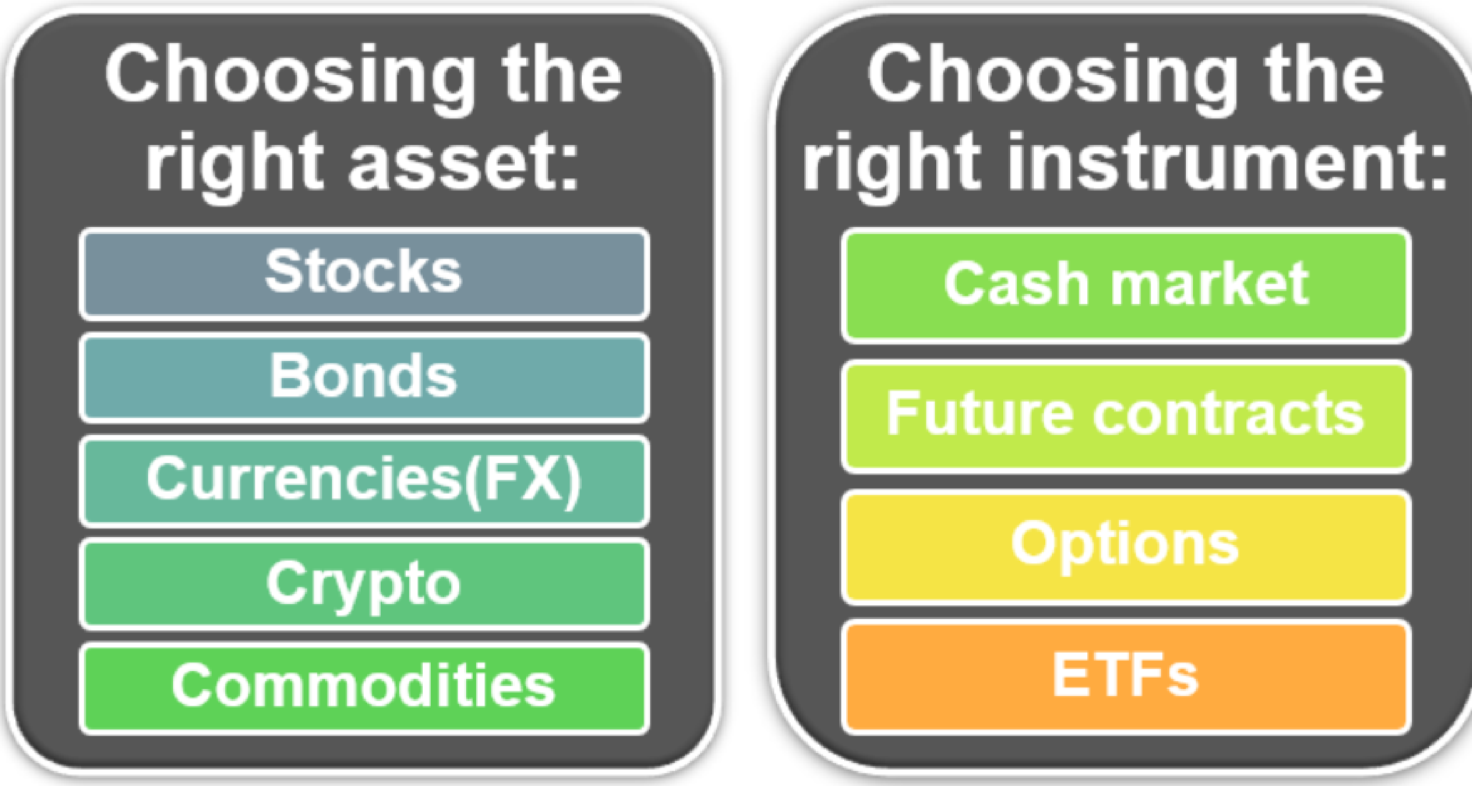


2. Alpha-seeking: Determining the reason for making money

Answer the **'why'** part here:

3. Universe Selection

Answer the **'what'** part here:



Decision will be based on:

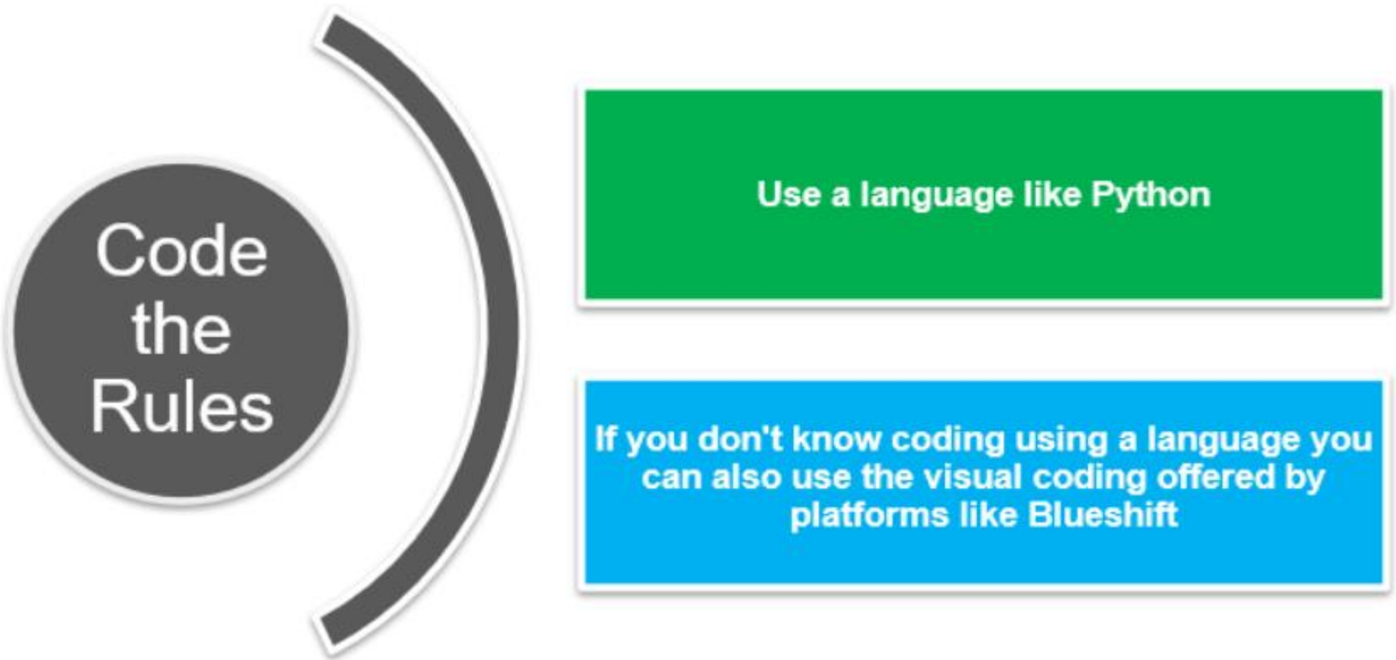
- Cash management
- Risk profile of the instruments

4. Deciding the entry/exit rules

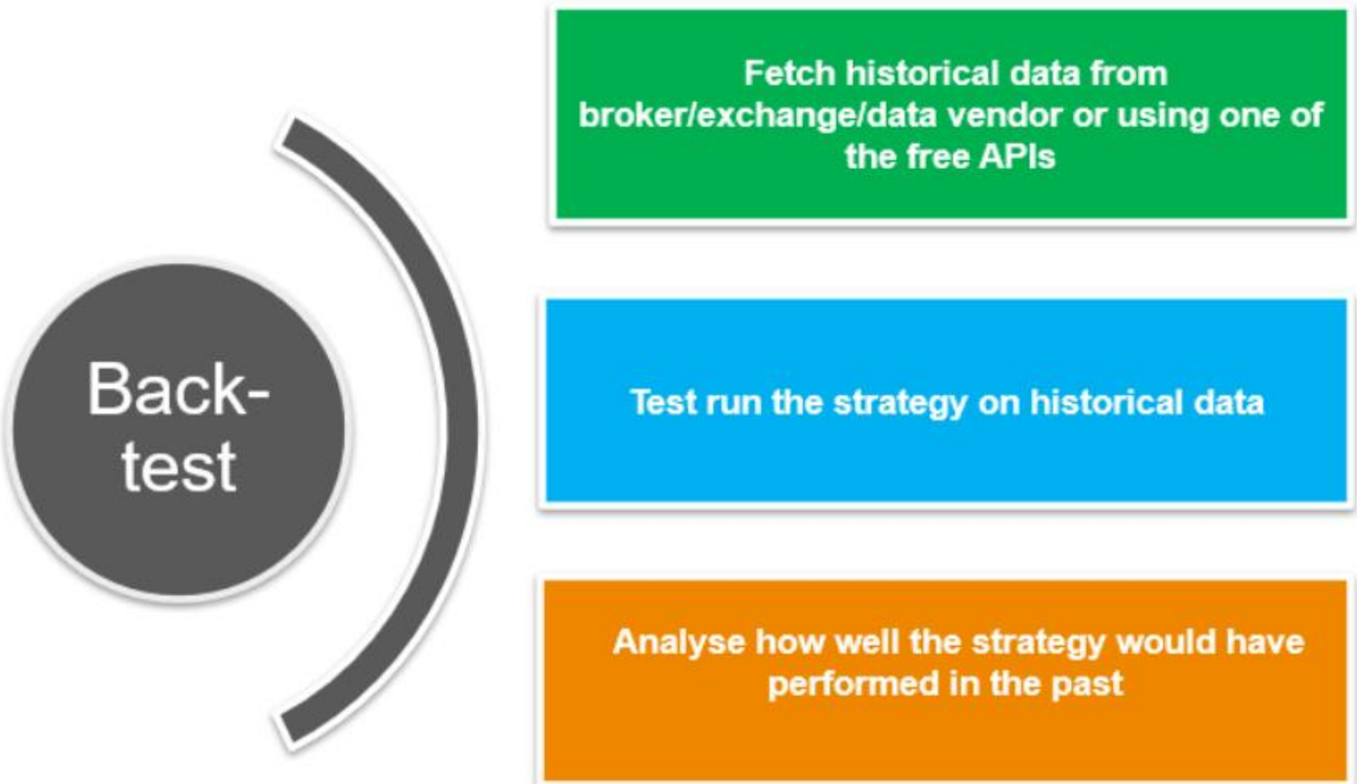
Answer the **'how'** and **'when'** parts here:

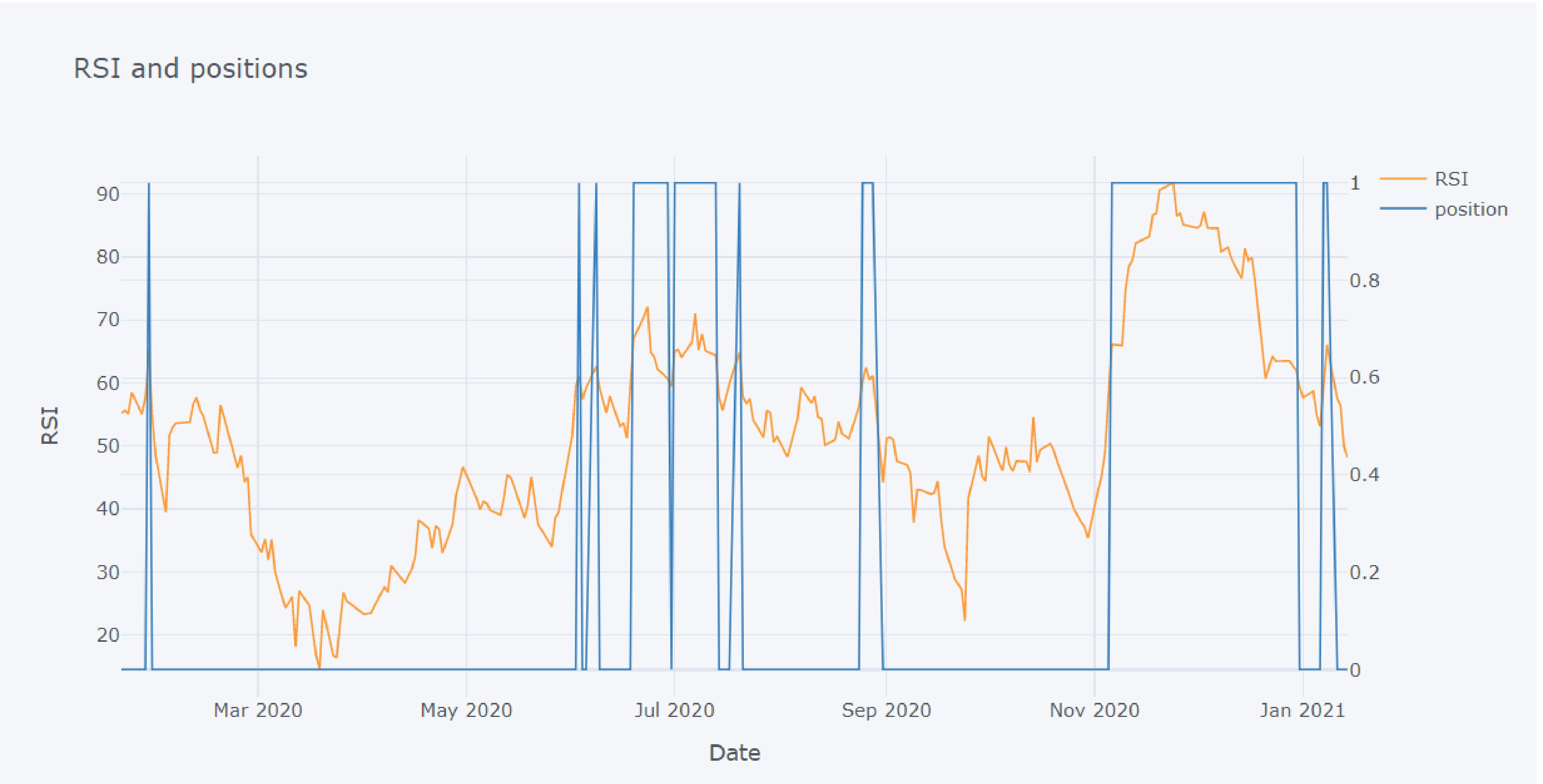
5. Convert the entry/exit into code/ logic blocks

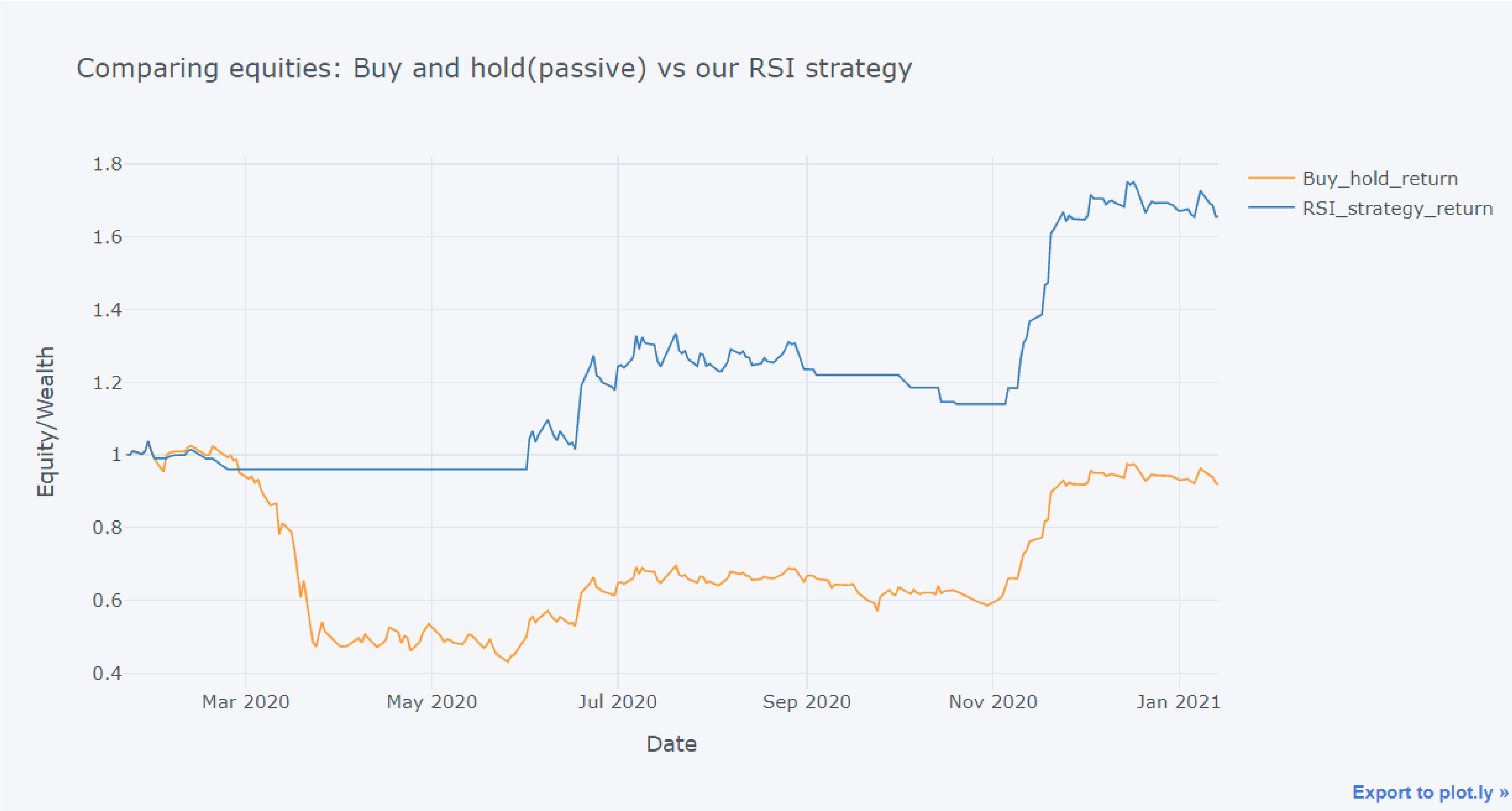
Convert rules into a 'program':



6. Back-testing/Validating the idea on past data




RSI and positions
RSI
Date
RSI
position
90
80
70
60
50
40
30
20
1
0.8
0.6
0.4
0.2
0
Mar 2020
May 2020
Jul 2020
Sep 2020
Nov 2020
Jan 2021

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With RSI threshold: 50
Return from passive buy-and-hold approach: -8.2 %
Return from RSI strategy: 65.61 %
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Thank you for your time and attention. :)

Complete Recording of Day 2