# Trading Strategy Approach

## Introduction

The objective of this trading strategy is to combine a technical indicator and a chart pattern to identify potential trading opportunities. The strategy aims to optimize performance based on the evaluation criteria of cumulative returns, maximum drawdown, and Sharpe ratio.

## Technical Indicator

The technical indicator used in this strategy is the Relative Strength Index (RSI). RSI is a momentum oscillator that measures the speed and change of price movements. It helps identify overbought and oversold conditions in the market.

## Chart Pattern

The chart pattern used in this strategy is the bullish engulfing pattern. The bullish engulfing pattern occurs when a small bearish candle is followed by a larger bullish candle that completely engulfs the previous candle. It suggests a potential reversal of the downtrend and the start of a new uptrend.

## Strategy Implementation

The strategy implementation involves combining the RSI indicator and the bullish engulfing pattern to generate trading signals. The entry rule is triggered when the RSI is below 30 (indicating oversold conditions) and a bullish engulfing pattern occurs. The exit rule is triggered when the RSI is above 70 (indicating overbought conditions) and no bullish engulfing pattern is present.

## Backtesting and Performance Evaluation

The strategy is backtested using historical data over a 10-year period with a daily tick interval. The performance of the strategy is evaluated based on cumulative returns, maximum drawdown, and Sharpe ratio.

## Conclusion

The trading strategy combines the power of a technical indicator and a chart pattern to identify potential trading opportunities. It aims to take advantage of overbought and oversold conditions in the market and capitalize on potential reversals in trend. The strategy performance can be optimized by adjusting the parameters of the RSI indicator and by incorporating additional risk management techniques.