SurfTrend

an automated momentum investing strategy

The Strategy

1. Start with Rs.10 Lacs capital
2. 90% to be allocated for buying stocks, rest 10% to remain as cash for handling drawdowns. This value will be re-calculated only at the end of a quarter and will stay same for the quarter.
3. Every day, signal to be generated at 3:15 PM based on RS Score. Top 20 companies to be identified and capital (allocated for buying stocks) to be equally distributed amongst them.
4. The above exercise to be repeated once every week on a given day known as "Action Day".
5. The top 20 list at 3:15 PM on "Action Day" will be compared to the current holding list. For those stocks in holding which are no longer in top 20, sell at market price, irrespective of profit or loss. If the stock is still in top 20, continue holding it, i.e., take no action.
6. On a non "Action Day", there will be no selling, except following 2 scenarios:
    a) Stop Loss - 10% of buy price. If any stock hits this level, exit from it.
    b) Trailing Stop Loss - If a stock at 3:15PM is below its trailing 50-day simple moving average of daily close prices, exit from it.
7. On a non "Action Day", there will be no buying, except when there is an exit from a stock during that day based on conditions in point no. 5 above. In such cases, buy the highest ranked stock(s) on that day, which are no already in holding, so that the total number of stocks comes back to 20.
8. **IMPORTANT NOTE:** Stock values can suddenly dip when there are stock splits, dividends or bonus shares. We should ensure that we do not exit from a stock on based on this trigger.

How to calculate RS Score

Relative Strength	1 Week (5 Days)	1 Month (20 Days)	1 Quarter (60 Days)
Stock to Sector	Value 1	Value 2	Value 3
Sector to Nifty50	Value 4	Value 5	Value 6

RS Score = Sum of Value 1 to Value 6, **provided *each of Value 1 to 6 is positive***

Note: Only stocks in range of Rs. 30 to Rs.5000 to be considered for buying

Relative Strength Calculation Example – 1 week RS of a stock to an Index

Price	Stock	Index
Price 1 week back	100	1000
Current Price	95	990

RS: (95/100)/(990/1000) – 1 = (0.95/0.99) - 1 = **- 0.04**