ChatGPT

Swing Trading Strategies for Indian Stocks

Swing trading holds positions for days to weeks [1], using technical signals to capture medium-term moves. We assume a broad Indian universe (e.g. Nifty/BSE 500) with ~20 equally-weighted stocks (5% each of ~₹100k) and holding periods ~1–4 weeks [1] [2]. Traders rely purely on technicals (RSI, MACD, MAs, etc. [3]) and strict rules. Below are 11 example strategies (with parameters, rationale, and backtest notes):

Multi-Timeframe Strategies

- **Triple SMA Crossover (50/100/200-day)** – A classic trend-follow system with three simple moving averages. Enter long when the 50-day SMA crosses above the 100-day SMA *and* price is above the 200-day SMA (and exit when 50<100) [4]. The 200-day SMA acts as a long-term trend filter. (Short only if 50<100 with price below 200.) In essence this ensures we only chase higher highs in a confirmed uptrend. Medium-term backtests (e.g. daily data 2019–2024) show such multi-MA systems can capture large swings with relatively stable equity curves [4]. Because moving averages are lagging, signals come later but tend to filter noise. (There is no explicit backtest here, but [21] reports "good adaptability" across markets.)

- **Top-Down Trend Filter + Daily Signal** – Use a higher timeframe to set bias and a lower timeframe to enter [5]. For example, require the *weekly* chart to be above its 20-week SMA (or weekly ROC positive) before taking any *daily* bullish signals. Then use a daily trigger like a 1-day MACD crossover, RSI break above 50, or a short MA (e.g. 5-day) crossing a longer MA. Tradeciety calls this a "top-down" approach [5]. This alignment boosts win-rate: only bullish daily setups are taken if the weekly trend is up. (No numeric backtest is given, but this principle is widely used.)

Momentum / Trend Strategies

- **Rate-of-Change (ROC) Momentum** – Rank stocks by their percentage price change (momentum) over recent months. For example, form a portfolio of the top N stocks by 1-, 3-, and 6-month ROC. One study on the Nifty200 showed buying top-ROC stocks with biweekly rebalancing yielded ~40% CAGR (Sharpe ≈1.6) over 5 years [6]. (Here "1,3,6–2Wk" means a combined rank by 1-,3-,6-month returns, rebalanced every 2 weeks.) Over 10 years, a 6/12-month ROC strategy (biweekly) returned ~23% CAGR [7]. These momentum approaches had high returns, but with large drawdowns (~–30%) [8]. In practice one would apply a stop-loss or trailing stop to manage such dips.

- **Risk-Adjusted Momentum (RAR)** – Similar to ROC above, but rank by momentum divided by volatility. For instance, compute each stock's 6-month ROC and divide by its standard deviation (Risk-Adjusted Return) and buy the highest RAR values. In the same study, a 6- and 12-month RAR strategy (2-week rebalance) achieved ~35.6% CAGR with much lower volatility ($\sigma \approx 23.7\%$) [9]. The trade-off is smaller returns for smoother equity. In effect, RAR filters out choppy winners, improving risk profile [9].

- **Clenow-Style Factor Momentum** – Adapt Andreas Clenow's regression momentum (from *Stocks on the Move*). For example, filter stocks by trend (market index above 200MA, stock above 100MA) then rank by 90-day price trend "slope × R^2" (i.e. annualized regression * fit) [10]. Hold only the top ~20 stocks (each ~5%), exiting a stock if it falls out of the top ranks or crosses below its 100MA. In an NSE500 backtest, this approach showed "decent CAGR" but suffered large drawdowns [11]. Using just 20 equally-weighted positions (instead of 50) improved risk-adjusted returns (CAR/MDD from 0.75→0.79) [2]. Further, exiting all positions when the index dropped below its 75-day MA greatly reduced drawdowns [12]. Thus a multi-stock regression-momentum portfolio can work in India, but only if strict exit rules are applied to avoid deep losses [11] [12].

- **Momentum Portfolio (Top-N Returns)** – Construct a basket of the highest-momentum stocks and hold until momentum fades. One concrete method is: each month compute every stock's trailing 1-year return, rank them, and buy the top ~10–15 with equal weight [13] [14]. (For instance, Varsity Zerodha describes picking the top 12 stocks by annual returns [15].) This naturally focuses on strong rallies. The portfolio is then rebalanced (e.g. monthly) by dropping underperformers and adding new leaders. (No specific CAGR is given, but such momentum portfolios have historically outperformed broad indices.) This approach blends high winners (longest upmoves) with diversification across 10–15 names [15].

- **Dual-RSI Crossover** – Use two RSI indicators of different periods as a trend signal. For example, let RSI_fast be RSI(5) and RSI_slow be RSI(14). Establish a neutral "band" around 50 (say 30–70) to avoid noise; then **go long** when RSI_fast crosses above RSI_slow while both move out of the oversold region (fast crossing up signals acceleration) [16]. Reverse the rule for shorts. In practice, one might also require price above a long MA for longs. In backtests (e.g. on S&P data), this simple RSI crossover had an "extremely high win rate" despite a low reward-to-risk per trade [17]. The equity curve was very smooth (high Sharpe/Sortino) [17]. (No India-specific backtest is cited, but the concept is widely used to capture emerging trends.)

Oscillator / Reversal Strategies

- **Connors RSI(2) Reversion** – A mean-reversion twist on RSI. Go long when the 2-period RSI dips below a very low threshold (e.g. <10), **but only in a bullish market** (e.g. the stock or index is above its 200-day MA) [18]. Then exit when price recovers (e.g. when price crosses above its 5-day MA) [18]. This "Connors RSI2" strategy earns many small wins. Indeed, one backtest reported **~91% win rate** for a well-filtered RSI system [19]. (The cost is many small profits and occasional larger losses.) In India, one could require Nifty/BankNifty above their MAs to define a bullish context.

- **Bollinger Band Bounce** – Use volatility bands for reversal. Compute 20-day Bollinger Bands (±2σ around MA). **Entry:** buy when the stock closes below the lower band (indicating an oversold extreme). **Exit:** sell when it recovers to the middle (20-day) MA [20]. The idea is that >90% of price stays inside the bands, so an outside-close suggests a bounce is due [20]. In backtests, lower-band entries often catch swift mean-reversions. (The RobustTrader example simply defines "oversold = close under lower band; exit = cross above middle" [20].) No win-rate is given, but this typically yields many quick small profits.

- **Donchian (Turtle) Breakout** – A trend-follow (rather than reversal) strategy. **Entry:** buy when price closes above its 40-day high. **Exit:** sell when it closes below its 20-day low [21]. This is the classic

Turtle rule (40-day breakout) [21]. It captures new trending moves: a break of 40-day high signals strong momentum. (Be warned: recent analysis notes this method's raw performance has decayed [21], so traders often adjust it, e.g. filtering by volume or using a shorter lookback.) In backtests, such channel breakouts once showed high profitability (especially in the 1980s-90s), although no numeric results are provided here [21].

- **Three-Down-Day Reversal** – Buy after consecutive selling pressure. **Entry:** if a stock has closed down 3 trading days in a row, enter long at next open or close [22]. **Exit:** exit on the first up-day (or set a profit target/stop-loss). The rationale is that 3-day drops often become oversold. The RobustTrader backtest shows this produces many small winners (quick bounce-ups) [23] – typical of mean-reversion. Win-rate tends to be high, but the few losers can be large (hence use stops). (As a variant, one can require each down bar's close < previous close for stronger signals.)

Sources: The above strategies are drawn from trading literature and backtests. For example, medium- and blog-based studies have documented their rules and performance [6] [2] [19] [18]. In particular, a 2024 Indian momentum analysis finds ~40%–50% CAGR for 1–6 month ROC systems (Sharpe ≈1.6) [6], whereas RSI-based mean-reverters can exceed 90% win rates [19]. All systems should be backtested on Indian data (adjusted for costs) – real-world results will depend on execution platform (e.g. Fyers) and slippage.

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