Live Trading Models · Apr 8, 2025 · 10 min read

Deep Dip – Innovative Short-Term Mean Reversion

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An innovative short-term mean reversion strategy, actively traded live since 2024.

This strategy leverages **implied option volatility** for precise entry timing. In essence, it identifies opportunities to purchase stocks when their price movement becomes significantly more pronounced than anticipated by option market makers. A detailed exploration of the methodology can be found in our article: *Timing Mean Reversion Using Implied Volatility*.

Employing limit orders for execution, the strategy is designed to outperform its benchmark while maintaining remarkably **low capital utilization**. Trades are executed selectively, occurring primarily during periods of heightened market volatility.

The accompanying graph illustrates the strategy's performance (blue line), reflecting a combination of backtested results and out-of-sample data generated since live trading began in 2024. Performance assumes the continuous reinvestment of capital. For comparative purposes, the benchmark performance (achieved by holding the S&P 500) is also displayed.

Below, you will find:

- Detailed Performance Statistics
- Comprehensive Benchmark Comparison
- Monthly Performance Breakdown
- Current Portfolio Holdings
- A Brief Strategy Description

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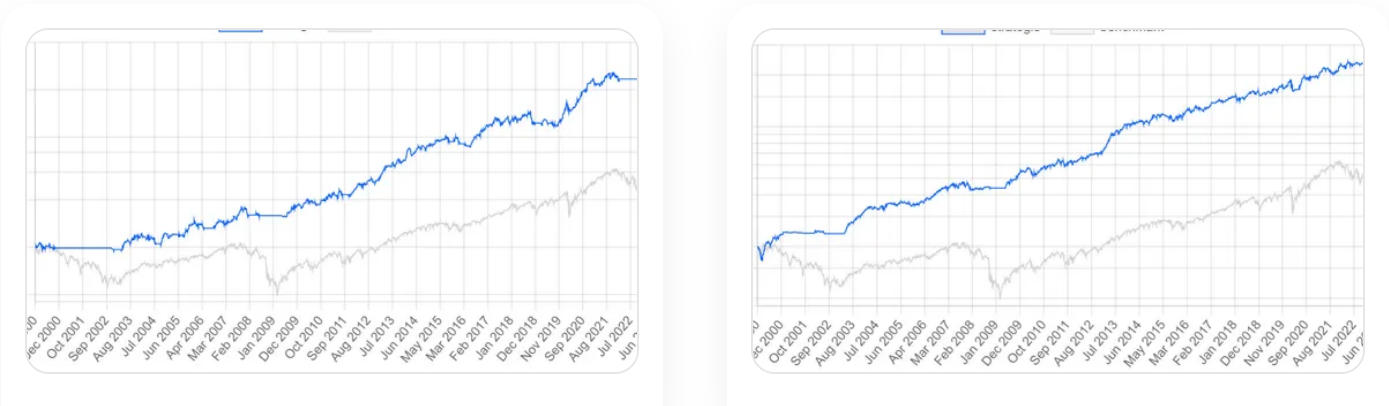Already have an account? Sign in

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