

Strategy Specification Document

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Business Context and Objectives

Constraints

The strategy is meant to be a trend/momentum trading strategy for individual investors that should be manually executable.

- 1) Only trading highly liquid securities (Individual investors should have access and orders should fill easily) - For the purposes of this strategy we will focus on major indices like the S&P500 and NASDAQ 100. Further analysis is done on major market indices of other countries.
- 2) Trading frequency should not be too high. (A passive investor should be able to regularly check the strategy performance and make allocation decisions. The active investor should be able to execute the strategy in real time which means no more than a few signals every day).
- 3) Strategy should be immune to price changes upto 0.5% from the time when a signal is generated. (To allow sufficient time to fill an order).
- 4) Data required for the strategy should be easily and freely available.

Objectives

The objective of the strategy is to outperform a buy-and-hold strategy on a monthly basis. The hypothetical investor is assumed to be invested in the broader market in a diversified manner and allocates a small portion of their capital to a trend strategy (the strategy should ideally serve as a hedge against a decline in the broader market)

- 1) Maximize monthly performance against the S&P 500.
- 2) Drawdown no greater than 20% of total portfolio amount (slightly higher risk appetite).
- 3) Provide positive return in a high downward volatility regime.

Benchmarks

- 1) Monthly % outperformance against the S&P500

Hypothesis for the strategy

Testing the Hypothesis

Componenets of the strategy

Filters

Indicators

Signals

Rules

Initial Parameters

Data Requirements