Twitter Thread by Investmint

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Quick Short ■

A backtested ■■■■■■■■■ ■■■■ ■■■■■■■■■■ trading strategy ■ ■

Thread ahead ■

RT to get access to our beta program link in your DM ■
(You must be following to receive the DM)

What is Reversion to Mean? ■

Mean reversion is a concept in finance that suggests, after an extreme price move, stock prices tend to return back to normal or average levels.

Prices do move away from the mean sometimes but revert to the mean price over time.

Extreme price moves away from the mean and is hard to sustain for extended periods.

■■■■■■■:Extreme Gap-ups and Gap-downs

Stock tends to come back to intraday mean prices

or

Longer term moving average (100 and 200 ema) depending on the time frame you are looking at

■ Hypothesis:

1■■ Whenever stocks have a large opening gap, they tend to come back to the mean levels.
2■■ Backtesting is done on Nifty500 Universe and probabilities are calculated on stocks which have highest chance to fall based on historical data.

■■■■■■■■:

■ So out of say 10 stocks that have opened Gap-up , each stock is ranked based on a proprietary algorithm and the stock with the highest odds to revert to the mean is selected.

Sell Rules :

■ Enter at 9:16 to 9:20

■ Stoploss Max 10% from entry price for the day

■ Capital : ■1.5 Lakh (Suggested to include drawdowns) excludes the availble margin by broker

■ Capital Deployed : ■1 Lakh Max

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■ Here are the charts that show trades where stop-losses were hit.

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■ Model was trained for 7 years where all type of market conditions (Bullish, Bearish & Sideways)were covered and a volume filter was applied which filtered 257 stocks from 500.

■ This is an ■■■■■■ ■■■■■■■■■■■ ■■■■■ rather than compounding, you can withdraw the profits.

■ Here the numbers mean how much the profits are down from the peak profits we made in that particular month. These numbers need not always mean that the p&l went in red.

■ Number of trades that were generated in a month on ■■■■■-■■■■■ model

■ These are percentage returns in a given month.
■ Example : In March 2022 we made 29000 on ■1 lakh and we lost ■18k in december 2021

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Ex:
■ Stock: #JKIL is given a short at 9:08am you need to take entry by 9:17 at market price & short it intraday
■ Stoploss = 10%
■ Position Size = Total Capital/Stock Price
■ Position Size =■1,00,000/■315 = Approx 300 Qty of JKIL

■■■■■ ■■■■■

■ This is a very volatile strategy

■ In extreme cases, max stop loss of 10% on capital can hit. Assuming you are not taking leverage, else it can be even more.

■ Stop loss at 10% or Upper Circuit price, whichever is lower.

■ If you do not execute using limit orders, slippage can cause losses

■ We do not recommend using broker provided intraday leverage

■ You cannot randomly participate in trades, you need to take all trades to get model returns