Twitter Thread by **Investmint**

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Quick Short ■

A backtested ■■■■■■■■ ■■■■ ■■■■■■■■■ trading strategy ■ ■
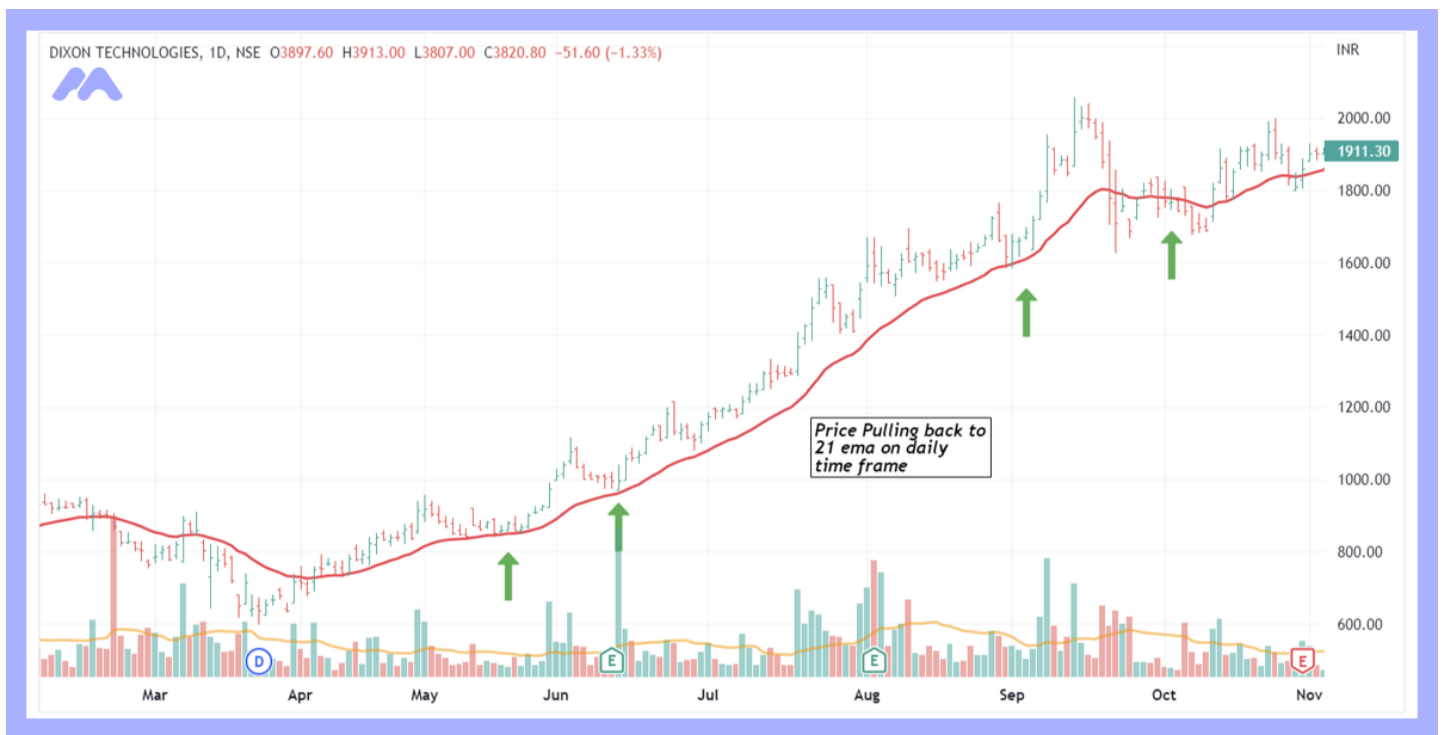
Thread ahead ■

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.

DIXON TECHNOLOGIES, 1D, NSE O3897.60 H3913.00 L3807.00 C3820.80 −51.60 (−1.33%)

Price Pulling back to 21 ema on daily time frame

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

ADANI POWER LTD, 1D, NSE O298.40 H299.60 L285.00 C286.65 −6.10 (−2.08%)

Reversion to mean

Stock Deviated away from the averages

■ 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

■■■■■■■■ ■■■■■■:

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

■■■■■ ■■■■■■■■ ■■■ ■■■■■■■■■■

■ 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.

Intraday Gap up Shorting Model 10% SL	
Universe	NSE500
Number of Stocks	257
Model training period	2011-01-01 to 2018-11-27
Model test period	2018-11-28 to 2022-05-31
Tradelog Period	2018-11-28 - 2022-05-31
Winrate	67.01
LossRate	32.99
Average Win Size	2.34
Average Loss Size	-1.74
Average holding period (hours)	6.0
Profit Factor	2.14
Biggest winner	24.57
Biggest loser	-9.09
Max winning streak	15
Max losing streak	5
Expectancy	0.99
AAR	40.68
Maximum Drawdown	-50.83
Sharpe Ratio	1.66
Beta	2.03

■ 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.
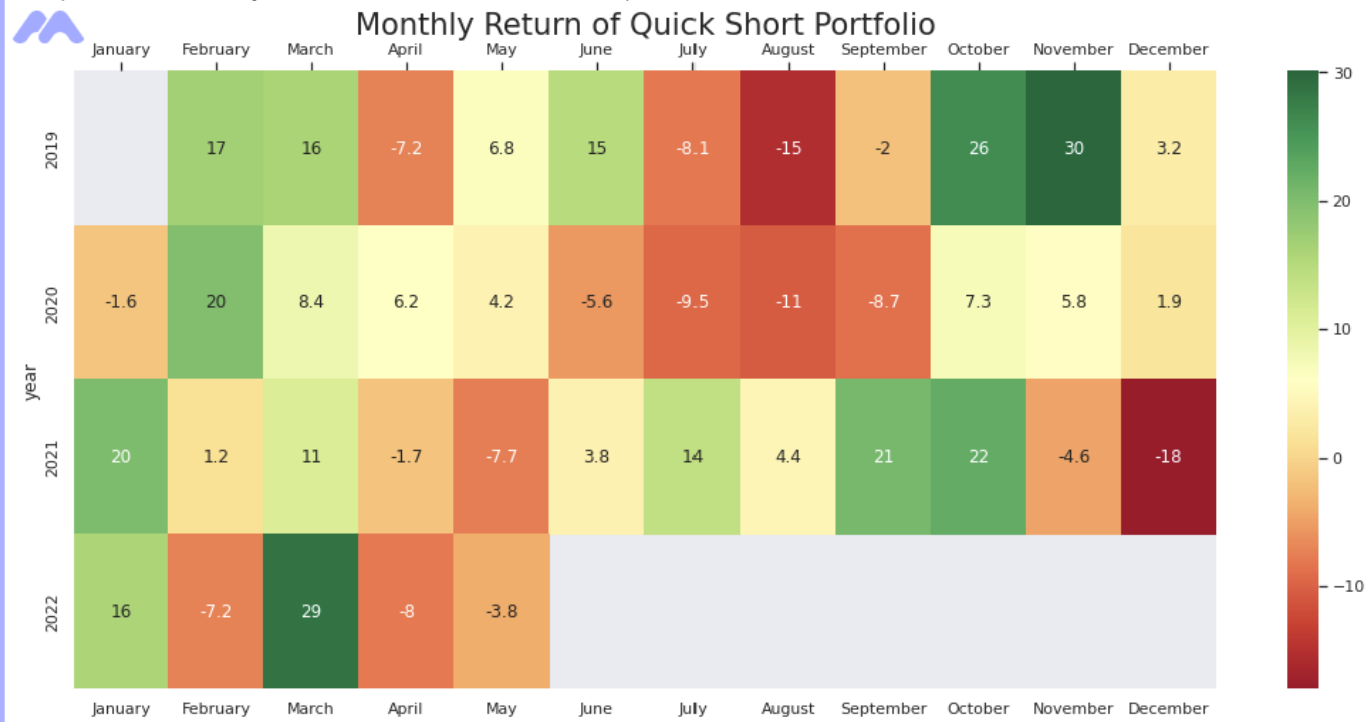
Monthly Drawdown of Quick Short Portfolio

year	January	February	March	April	May	June	July	August	September	October	November	December
2019		-9.7	-2.9	-9.4	-7.2	-3.4	-16	-21	-15	-3	-19	-10
2020	-12	-6.1	-25	-9.9	-13	-12	-15	-29	-11	-4.4	-15	-9.9
2021	-10	-6.9	-7.7	-22	-12	-9.2	-7.4	-4.8	-5.4	-7.8	-14	-19
2022	-3	-15	-7.3	-9.7	-28							
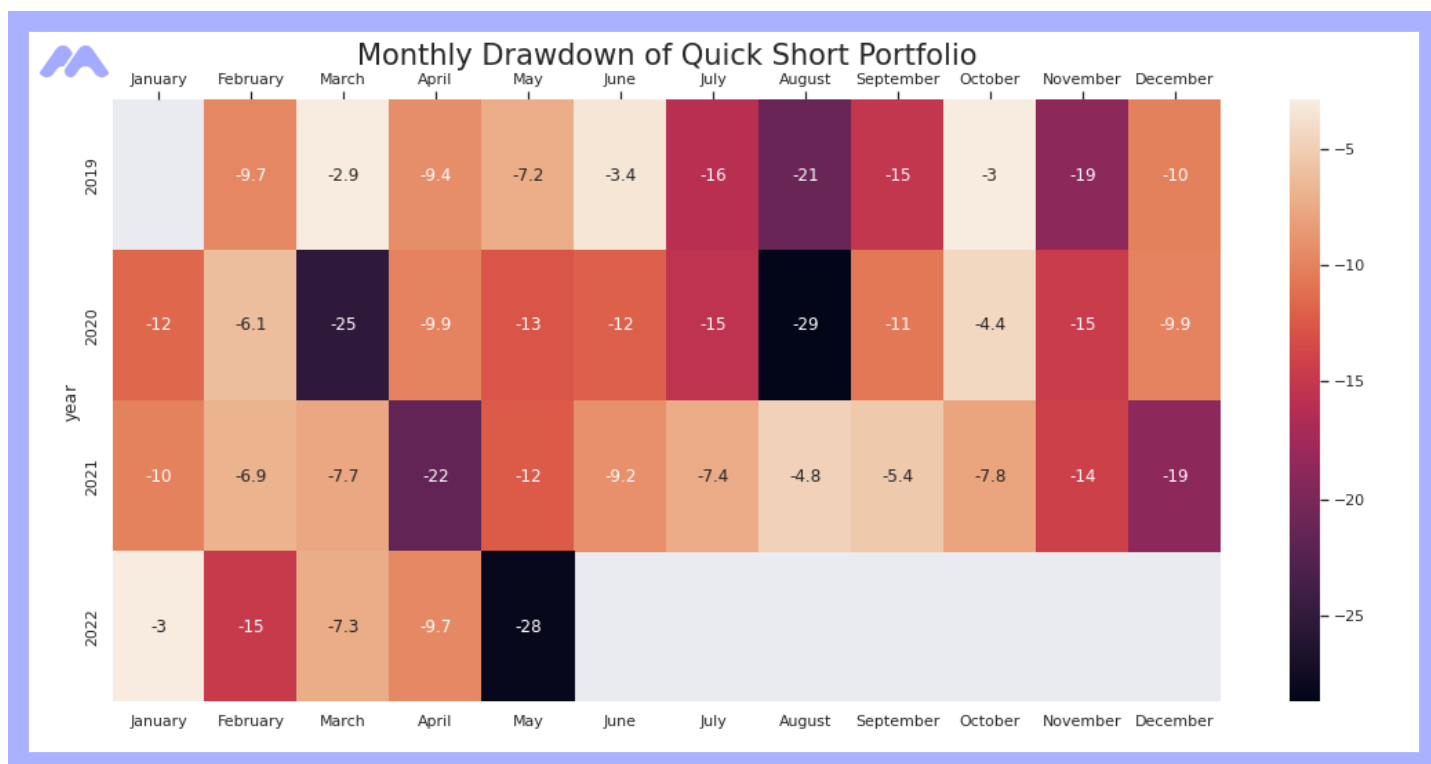
■ Number of trades that were generated in a month on ■■■■■-■■■■■ model

Monthly Heatmap of Signals of Quick Short Portfolio

year	January	February	March	April	May	June	July	August	September	October	November	December
2019		13	16	15	20	17	18	20	17	18	20	21
2020	23	19	19	17	19	21	23	21	20	20	19	22
2021	19	19	21	18	20	20	19	21	21	19	19	22
2022	18	16	20	19	20							
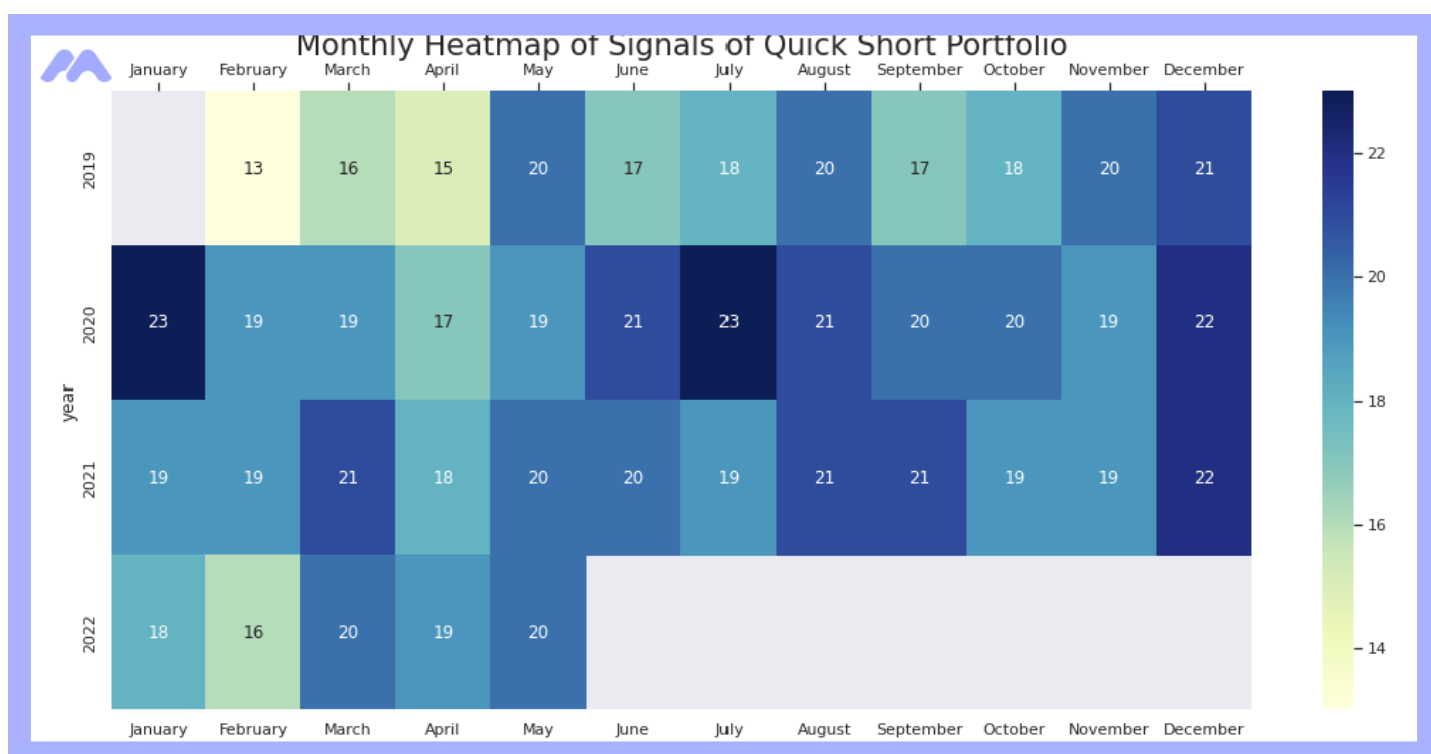
■ These are percentage returns in a given month.
■ Example : In March 2022 we made 29000 on ■1 lakh and we lost ■18k in december 2021

Monthly Return of Quick Short Portfolio

year	January	February	March	April	May	June	July	August	September	October	November	December
2019		17	16	-7.2	6.8	15	-8.1	-15	-2	26	30	3.2
2020	-1.6	20	8.4	6.2	4.2	-5.6	-9.5	-11	-8.7	7.3	5.8	1.9
2021	20	1.2	11	-1.7	-7.7	3.8	14	4.4	21	22	-4.6	-18
2022	16	-7.2	29	-8	-3.8							

■■■■ & ■■■■:

PROS & CONS OF THE MODEL

PROS
- No overnight risk
- Consistent returns
- Limited high probability trades

CONS
- High drawdown
- High risk of up to 10% of capital

■■■ ■■ ■■■■■■■■ ■■■■:

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

Losing Trade Distribution

ROI (0% - 5%)

84%

16%

ROI (5%- 10%)

Less than 1% times out of 700 trades that had a 10% SL hit.