

Momentum Trading Strategies: Low & High Frequency

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By QuantInsti

Agenda

- Introduction: Momentum Trading
- Popular Momentum Trading Strategies
- Momentum Trading in HFT
- Risks in Momentum Trading
- Sample Model

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Momentum Trading

- Momentum Trading Strategies are the ones where your trading decision is done by observing significant movements in a direction along with relatively higher volumes
 - Event Triggers (ex)
 - Indicators based

Does it work?

- Physics: Momentum & Impulse
- Why variation across asset classes?
 - Different key participants, different behaviour
 - External factors, seasonality
- Technical & Quantitative Analysis

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Momentum & Oscillators

- Momentum
- ROC
- RSI
- Stochastic Oscillator
- MA Crossovers
- MACD

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HFT Momentum Trading Strategies

- Tick level Analysis
 - Order Book Based
 - Order Based
- Transaction cost
- Defining Exits
 - Exits at waning momentum
 - Exits at high momentum (Contrarian)
- Quoting versus Hitting

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Risks in Momentum Trading Strategies

- Purely Directional
- Entry/Exit Timing
- False Alarms
 - Risks in Machine Readable News based triggers
 - False Newsfeeds/Twitter alerts!

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Sample Model

- Entry: Price & Volume Filters + Consecutive Higher (Buy) or Lower (Sell) Prices
- Exit: Consecutive lower acceleration/impulse in ROC

Q&A

Thank You

Merci

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