

# Momentum Strategy: Analysis and Application

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# Momentum Strategy

A strategy that uses a three step process to identify the trend, wait for corrections within that trend and then identify reversals that signal a end to the correction.

# Introduction

Many trading strategies are based on a process, not a single signal. This process often involves a series of steps that ultimately lead to a signal. Typically, chartists first establish a trading bias or long-term perspective. Second, chartists wait for pullbacks or bounces that will improve the risk-reward ratio. Third, chartists look for a reversal that indicates a subsequent upturn or downturn in price. The strategy put forth here uses moving average to define the trend, the Stochastic Oscillator to identify corrections within that trend and the MACD-Histogram to signal short-term reversals. It is a complete strategy based on a three step process.

# Schedule

- **Stage 1: Read stockcharts**
  - Week 1: Technical indicator
  - Week 2: Chart analysis
  - Week 3: Trading strategies and guidelines--->moving momentum
- **Stage 2: Construct Strategy**
  - Week 4: Momentum Strategy
  - Week 5: TBA
  - Week 6: TBA
  - Week 7: TBA
- **Stage 3: Back testing**
  - Week 8: TBA
  - Week 9: TBA
- **Stage 4: Presentation**
  - Week 10: TBA