

Investment Strategies 2

MAF, Module 4, 2018-2019

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Course information

Course Website: <https://my.nes.ru>

Instructor's Office Hours: by assignment

TAs: n/a

Course description

This course covers broad range of topics related to investment strategies. The course is very applied and focuses on the technical side of the subject. It heavily uses Python for strategies development and backtesting, and data manipulation.

- The first part of the course starts with introduction to behavioral finance and market inefficiency. Then we will make general overview of trading strategies and discuss their quantitative metrics. Later we will learn, how to develop and backtest strategies using various Python tools.
- The second part is devoted to provide some cases in quantitative research and trading. It will cover different asset classes and strategies types as well as different approaches to portfolio formation, risk management, asset classification and machine learning application on financial data.

Course requirements, grading, and attendance policies

Prerequisites:

1. Python
2. An introductory finance course

Grading:

1 homework problem set	10%
Project 1	40%
Project 2	40%
Case	10%

Course contents

- **Introduction to Behavioral Finance:** market inefficiency and behavioral biases.
- **Overview of investment strategies:**
- **Performance evaluation of strategies:** capital allocation, volatility.
- **Python for strategy backtesting:** strategy development, data analysis and manipulation using pandas
- **Quantopian:** backtesting equity trading strategies
- **Financial data:** overview of contemporary quant trading ecosystem
- **Strategies testing** and machine learning: how to avoid overfitting
- **Risk management**, assets classification, structure extraction
- **Optimal execution** and transactions cost estimation

Description of course methodology

- Lectures
- Homeworks
- Project

Sample tasks for course evaluation

Pair trading:

Find a pair of US equity P and Q, which prices satisfies cointegration.
Consider historical time interval from one to three years.

Course materials

Textbooks and materials

- Lecture notes
- John Hull, “Options, Futures, and Other Derivatives”, 9th edition.
- Edwin Lefevre. Reminiscences of a Stock Operator
- Avellaneda and Lee (2009), “Statistical Arbitrage in the U.S. Equity Market,” NYU Courant.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.