

# SYSTEMATIC TRADING STRATEGY: BUY HIGH SELL LOW

**Team:** Market Mavericks  
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**Investment Decision:** Invested \$12,200

## INTRODUCTION:

Our group chose the Golden Cross Strategy (GC) as a systematic and momentum-driven investment approach. This strategy caught our interest due to its ability to identify potential bullish reversals in a wide range of sectors, providing a robust framework for portfolio diversification. Additionally, GC has consistently outperformed benchmarks, like the S&P 500, over the past decade, thus delivering high returns with a strong Sharpe ratio. By adopting this strategy, we aim to capitalize on market trends and enhance our portfolio's growth potential.

## TRADING STRATEGY DETAILS:

We filtered equities based on enterprise value (over \$2 billion) to focus on financially stable companies, price deviation (less than 0.8x S&P 500) to identify undervalued stocks, and moving average alignment (50-day above 200-day) to confirm positive momentum. The Sharpe ratio (above 2) ensures we select stocks with a strong risk-return balance, and ROCE (greater than 1.1x S&P 500) helps us target high-performing companies with efficient capital allocation. These criteria were chosen to balance growth potential with risk mitigation while focusing on companies that are likely to deliver consistent returns. We recommend purchasing companies like Apple Inc. (AAPL) this quarter due to their proven market performance and strong fundamentals, with quarterly rebalancing to stay aligned with momentum trends.

## BACKTESTING PERFORMANCE:

The strategy has delivered stellar performance over the last decade, with a cumulative return of 1030.80%, far surpassing the SPY's return of 239.0%. Not only has the strategy outperformed in terms of growth, but it has also maintained a higher Sharpe ratio of 1.19, indicating efficient risk-adjusted returns. While the strategy exhibits higher volatility and a maximum drawdown of -18.38%, these are balanced for potentially significant returns, making it an appealing option for investors willing to accept greater risk for higher rewards. Utilizing a momentum-based approach through moving average crossovers, the strategy systematically captures market trends, providing a solid foundation for those looking to enhance their investment portfolios.

