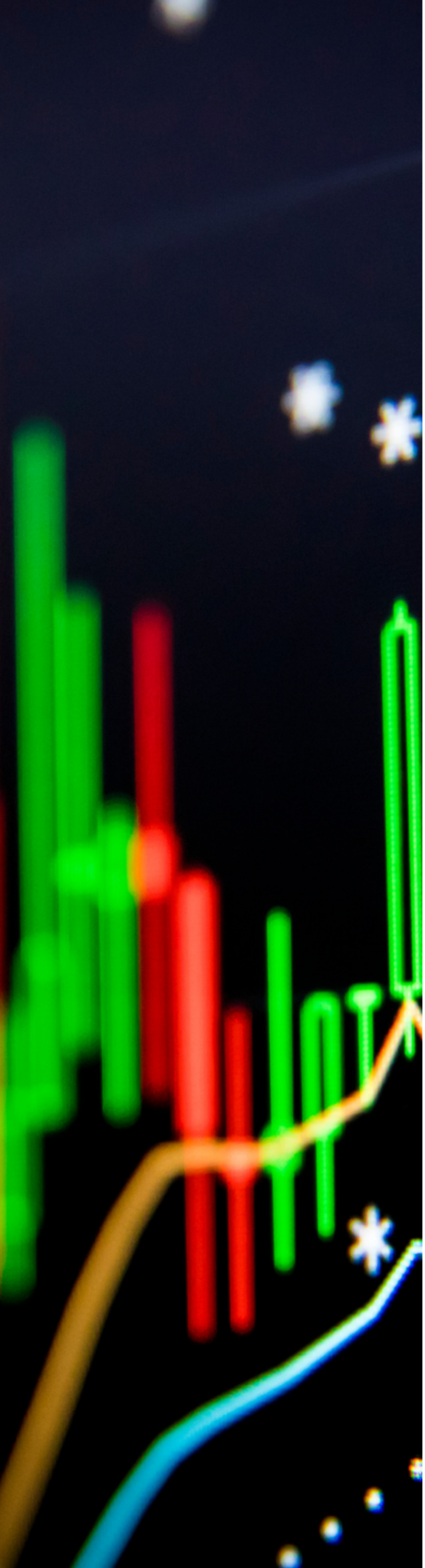
Trading Strategy Toolkit

How to Build Profitable Trading Strategies That Can Be Automated

www.lumiwealth.com



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In this section, you will learn about the rules that make most people very rich while the masses stay where they are. It's not rocket science but once you see it you can't go back. It's time to be free of the matrix.

02 WHAT THE PROS DO TO MAKE MONEY TRADING

The pros use many different strategies to make money while trading. In this chapter, we will describe the main strategy types that Wall Street uses to make lots of money, including arbitrage, trend following, mean reversion and more.

03 STRATEGIES THAT YOU CAN COPY

In this chapter, we will give you a few strategies that you can use today to start making money trading. We include backtesting (simulated trading) results to see how each system would have performed and tell you how to execute the strategies yourself.

04 GETTING STARTED WITH ALGORITHMIC TRADING

Here we will show you how to get started with the basics of algorithmic trading, from setting up your broker to running your code in the cloud. In 30 minutes or less, you will have your own trading algorithm running for you.

WELCOME!

Thank you for buying this toolkit and welcome to the world of investing with Lumiwealth! My hope is that after you finish this document you become a much smarter and more profitable investor.

I've been able to make millionaires out of the people I have managed money for and I hope I can do the same for you. It's not that complicated but it does take some knowledge, work, and discipline.

Please take your time reading this document because I took a lot of time making it. I strongly believe that if you follow the knowledge laid out here then you can be significantly wealthier, happier, and more stress-free. Trust me when I say that a few $million in the bank will make life easier for you and everyone you care about.

Robert Grzesik

ABOUT THE AUTHOR

"Learning how to backtest and automate your strategies is the key to long-term success. Many people think they are great investors until they get tested. Technology can put you in the top 1% of investors with very little effort, the same way that technology has disrupted every other industry.

Robert has been programming for over 20 years and knows almost every major programming language. He started coding at age 12, started his first successful software company at age 15, and sold his first company for over $1 million by the age of 23.

After business school and his Master of Finance degree, he made a startup with friends that he sold for over $1 million. After that, he took some time off to travel and ended up in New York City to pursue his dream of using software to take the investment world to the next level.

In New York City, Robert worked for several prominent software/finance companies including Greystone and Voyager.

At Greystone, he worked directly with the CEO and family who are worth over $2 billion. He hired a team and led them to create a website that made the mortgage lending process easier using software and machine learning (AI). To date, this software has likely originated over $20 billion in mortgages.

At Voyager, Robert was one of the first 5 employees, working out of a WeWork in SoHo NYC. A few years later the company grew to be worth over $3 billion on the stock market.

After Voyager, Rob decided to start Lumiwealth to help everyday people to make the kind of returns he saw on Wall Street. Today he works tirelessly to make sure that everyday people can do as well (or better!) than the billionaires in New York. The goal is to make our clients collectively $10 billion+

01/ THE RULES OF INVESTING

Beginner traders make a lot of very basic mistakes that are easy to avoid, let's make sure you're not one of them! Whether you're trading stocks, crypto, FOREX, futures, or options, a lot of the basics apply: manage your risk and make trades with a high likelihood of profit. Too many people ignore the first part (manage your risk) and end up trying to make 1,000%+ only to realize that their chance of losing all their money is 95%+. Payoffs like this can be good (50% expected return is great), but not if you have a 95% chance of losing your life savings! Let's discuss smart ways for you to make money without betting the house on low-probability outcomes.

Here are some of the most important rules to follow when you're trading or investing:

1) Manage Your Risk (Seriously!)

Too many people look at risk and think *"So what? I don't care if the line moves a lot, as long as I make money in the end"* or "*I don't care how risky it is, I just want to make money."* Well, I have news for you: **managing your risk is probably the easiest way for you to get rich.** Seriously.

Here's an example: if you start with $100 and make 1%, then lose 1%, you will end up with **$99.99.** However, if you take on 20x leverage (by using margin, or other methods), then you'd end up with only **$96.** Risk will lose you money in the long run and you will eventually lose. **Risk management is the most under-appreciated part of investing and most people learn the hard way**. Make sure this is not you!

I have been able to make my long-term investors (family, friends, and more) millions in returns. This would not have been possible if I didn't manage my risk or if I blew up the accounts. Risk management matters a lot!

2) Know Your Costs

As an investor, it's essential to understand all the fees and expenses associated with each investment. That's why "knowing your costs" is such an important rule of trading. By being aware of these costs, you can have a significant impact on your overall returns, as even small fees can add up over time.

For instance, when investing in mutual funds, you should know the fund's expense ratio. This is the annual fee that the fund charges to cover its operating costs. Choosing a fund with a low expense ratio can help increase your returns, while a higher expense ratio can lower them. Similarly, when trading individual stocks, you should consider the brokerage fees you'll need to pay each time you buy or sell a stock.

Another cost to keep in mind is taxes. For example, when you sell stocks for a profit, you may be subject to capital gains taxes, which can significantly reduce your returns. Understanding these tax implications is crucial for making informed investment decisions and properly planning for taxes.

In short, knowing your costs is essential for making informed investment decisions and maximizing your returns. By being aware of these costs, you can make more informed choices and ensure that your investments are aligned with your financial goals and risk tolerance.

3) Stay Disciplined, Not Emotional

Staying disciplined is a crucial rule of trading that can help you achieve your investment goals and maximize returns. This means sticking to your investment strategy, even during market ups and downs. It's easy to get caught up in short-term market events and make impulsive decisions, but staying disciplined can help you avoid making costly mistakes.

For example, if your investment strategy is to buy and hold long-term, it's essential to resist the temptation to sell during market dips or to buy during market spikes. By sticking to your strategy, you can avoid making knee-jerk reactions and instead focus on building wealth over the long term.

In addition, staying disciplined also means avoiding emotional decisions, such as buying or selling based on rumors or short-term market fluctuations. By staying disciplined and avoiding emotions, you can increase your chances of making sound investment decisions and reaching your financial goals.

4) Be Afraid of Leverage.

Leverage is the number one way that investment managers blow up their investment accounts. **If Harvard-educated investment professionals go bankrupt doing this, so can you!**

There are many ways that you can leverage your positions, including margin trading, buying options out of the money, futures, or even just borrowing money from the bank. Each of these has very different risk profiles that you should be aware of.

For example, did you know that if you buy stocks on margin, even if you are right, you can lose all of your money?

This happened to me in 2009: I thought bank stocks were way undervalued so I bought a lot of bank stocks **on margin.** It ended up that I was right, bank stocks skyrocketed a few months later, but it didn't matter! I got a margin call and my account was wiped out. If I had been smarter about my risk management I would have gotten 5x my money easily. Instead, I spent the rest of my Masters of Finance education learning about how I could have played it better.

So here are a few easy ways that you can be smart about leverage:

- **Backtest your trading.** This will require you to learn a little bit of Python code, but being able to run your strategy on historical data will give you a very strong indication as to whether your strategy will work in the future. If you want to learn more about this, check out our Algorithmic Trading Course

- **Use paper trading.** Before risking your hard-earned money, try trading with fake money. A great platform to do this is Interactive Brokers because you can trade almost any financial asset (FOREX, futures, options, stocks, crypto, etc) without betting the house. Trading like this for a few weeks will help you gain intuition about what might happen in different situations.

- **Read about horror stories.** Instead of you being the guinea pig, it's very easy to Google people who have messed up. I'd recommend going on Reddit.com to the WallstreetBets subreddit or searching YouTube for investing failures. It's a lot less painful watching someone else lose $100,000 than it is to see your account go to $0.

- **Learn the math.** This is definitely more time-consuming, but learning how your choice of leverage works in detail will help you understand what will happen at the worst of times. I'd recommend investopedia.com or seekingalpha.com. There are also lots of good textbooks on the topic if you have the time.

5) Diversify

It's crazy how often I hear this story: someone bought an investment that is a "sure thing", but it didn't do as well as planned and now they can't afford rent payments. The truth is that **there is never a sure thing in investing**. Even strategies that make 200%/yr like magic will go bad sometimes. The smartest investors will tell you "there's no free lunch in investing", but diversification is the only real free lunch, and all the best investors agree.

Here's one of the best videos I have ever watched on the topic of diversification. Ray Dalio is one of the richest people on earth, and as of this writing, he owns the biggest hedge fund on the planet (**over $140 billion** in assets under management). Check out his short 4 min video on why this is so important:

Ray Dalio on Diversification: https://www.youtube.com/watch?v=Nu4lHaSh7D4

In general, the idea behind diversification is that you want to have as many high-return assets as possible that are uncorrelated. Or said in plain English: buy things that will make you lots of money, but if one fails the others will keep you safe.

There are many ways you can diversify, but some of the most documented are:

- **Diversify your asset classes.** Most new investors will only go into one asset class: stocks, options, futures, bonds, FOREX, crypto, real estate, or something else. Make sure you spread your money out between each of these asset classes. The highest returns historically have been in stocks, real estate, bonds, and crypto, it would be wise to have some money in each of these. Some examples of symbols that you can buy from a regular stock broker to stay diversified are **SPY or QQQ** for stocks**, TLT or AGG** for bonds, **BITO** for crypto, and **BAM or REET** for real estate. It may not sound glamorous but you can thank me when the world is falling apart and you're still making money.

- **Diversify across countries.** The USA is definitely a force to be reckoned with and has been the main engine of growth for decades, but there are times when $%@& hits the fan, even in economic mecca. If you have your money in other productive but different places then you are much less likely to get killed by a shock. Here are some countries that have done well historically but are less correlated to the USA: **Germany** (a very productive nation half a world away), **China** (even if you hate them, their growth rate is extremely impressive), **Brazil** (an emerging economy that will be first world soon), **Switzerland** (the peacekeepers who did well even in world war 2), and **India** (now the most populated country and a tech capital to be reckoned with). You can find ETFs in each of these countries that will make you money even if the USA has its hiccups.

- **Diversify your strategies.** Most people when they think of investing think of long-only strategies (making money when the stock market goes up), but there are a LOT more ways to make money than just that. For example, you can invest in long/short strategies that bet on whether one company is going to beat its peers, eg. long Apple vs short the whole tech industry. Another example would be a FOREX trading strategy that trades using RSI, a strategy like this doesn't care if the stock market is down 50% - you might even make MORE money because the market is down! If you have lots of strategies that make money in every situation then you will make money no matter what, and this can make you very very rich.

6) Copy/Learn From Experts

These days there are way too many snake oil salesmen in the world of finance, which is why it's important to find credible people to learn from. To do this you will have to put in the effort to find good experts/mentors. Here are a few sources and people that I believe would be amazing mentors:

- **Jim Simmons ($28.1 Billion Net Worth).** He is super secretive but easily one of the best investors in the world. He's reportedly made 66% /year for over 30 years in his hedge fund. That's almost 4x better than Warren Buffet per year, and with compounding that **would turn $1,000 into $4 billion over 30 years (WOW!).** This guy is the godfather of algorithmic investing and one of the richest people on the planet. It's hard to get him to reveal his secrets, but YouTube has some good content, and the book called The Man Who Solved The Market has some good insights into his thinking. It's my personal mission to make an investment company that can beat him, although I admit this is very hard.

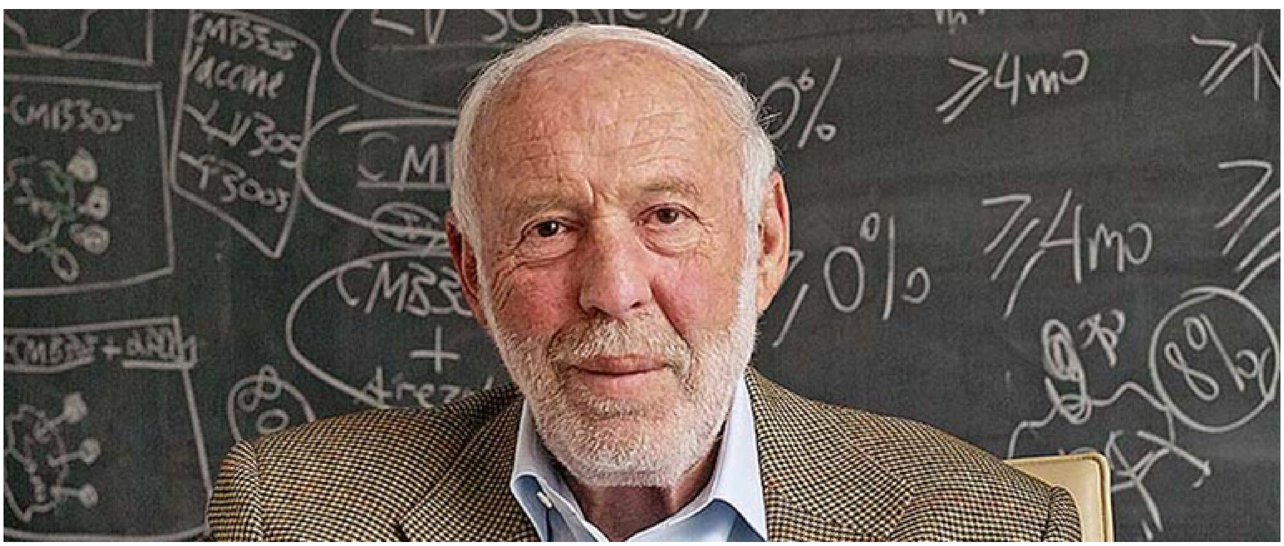
- **Ray Dalio ($19.1 Billion Net Worth).** I've mentioned him before and for good reason, he has built the largest hedge fund in the world and in his retirement he has been sharing lots of knowledge that can make you big bucks. He has some great books including Principles, The Changing World Order, and more. If you want a faster path to success he also has some great YoutTube videos including How the Economic Machine Works, his video on diversification, and more.

- **David Rubenstein ($3.4 Billion Net Worth).** His audiobook How to Invest is one of the best investment books I have ever read. He speaks to the best people in every part of finance to learn about their tricks of the trade. He also has lots of content on YouTube if you don't feel like reading. The interviews are fascinating for people who really care about making money.

- **Dave Ramsey ($200 Million Net Worth)**. He's not an investing wizard but he has some very practical advice about money: reduce your spending, avoid debt, and invest intelligently. I'd recommend reading his book Total Money Makeover and following him on Instagram.

- **Bloomberg TV (Michael Bloomberg, $76.8 Billion Net Worth)** I have the app which I pay $20/mo for and to me it's worth every penny, the articles are written by the best of the best in the finance industry. However, if you don't want to pay (or read), then they have free apps on Apple TV and Fire TV where you can watch video interviews with some of the smartest people in the investing world. Honestly, I think Bloomberg TV has made me and my investors well over $250k over the past decade. Worth every penny.

There are many more experts to learn from than this, but the main point is to find people who are truly worth listening to and reading their books, watching interviews, following them on Twitter/Instagram, and getting immersed in their world. Avoid the snake oil salesman who will tell you they can make you 10,000% a year, I've seen way too many people lose their life saving to those crooks. **Quality over quantity.**



Jim Simmons
Pioneer in Algorothmic Trading and #52 Richest Man In the World

02/ WHAT THE PROS DO TO MAKE MONEY TRADING

There are many ways to make money investing/trading, but some have a much higher probability of success than others. Here is a list of trading strategies that have made people into billionaires (or multi-billionaires). This is not an exhaustive list of every trading strategy, but it's some of the best strategies I know and have seen:

1) Arbitrage

This is the holy grail: zero risk and huge returns. It's very hard to pull off, but if you can find an arbitrage opportunity please let me know! (email me at rob@lumiwealth.com. not kidding).

The basic idea behind arbitrage is that you take advantage of market mispricing. For example, back in the day (~2016), Coinbase would sell Bitcoin for **$1,000** while Binance would sell Bitcoin for **$1,050.** This might not sound like a big difference but imagine if you could buy Bitcoin for $1,000 and sell it for $1,050 (making a $50 profit) many times every day. In fact, using software, you could theoretically make $50 every second until the market straightens out.

This is the holy grail, and let me tell you a story: when I used to work at Voyager this was a major part of our business plan. Once we figured out this worked it was CRAZY easy to make money. In fact, once it started to work I would sit at my desk (making $250k+/yr) and instead of working, I would be on our app pressing buy/sell over and over again, each time making $5 or $10. Literally, I was making $10 just by pushing a button, several times a minute.

I managed to make a few $1,000 until our CEO yelled to stop (my job was worth more), but wow that was an amazing way to make money. Arbitrage is basically risk-free cash. This is the holy grail.

2) Value Investing/Fundamental Analysis

Value investing is a popular investment strategy that involves buying stocks or other securities that are trading at a price lower than their intrinsic value. By doing so, value investors aim to realize a potential return on investment as these undervalued securities eventually return to their fair value.

One of the key tools used by value investors is fundamental analysis, which involves evaluating a company's financial health and growth potential by analyzing its financial statements, management, competitive landscape, and economic conditions.

For example, Warren Buffett, one of the most successful investors of all time, is a well-known advocate of value investing. He uses fundamental analysis to identify undervalued companies with strong long-term prospects, such as Coca-Cola and American Express. Benjamin Graham, who is often referred to as the father of value investing, also used this approach to achieve significant long-term returns for his clients.

Value investing requires patience and a willingness to hold investments for an extended period, as the approach is focused on a company's long-term prospects and financial health, rather than short-term market trends.

3) Long/Short Strategies

A long/short trading strategy is an investment approach that involves taking long positions in assets that are expected to increase in value and short positions in assets that are expected to decrease in value. This allows the investor to benefit from both rising and falling markets, potentially reducing the overall risk of their portfolio.

An example of a prominent investor who has used this strategy is Paul Tudor Jones, who is known for his success in both bull and bear markets. Jones uses a combination of macroeconomic analysis and technical analysis to identify investment opportunities and has achieved significant returns through his long/short trading strategy.

In a long/short strategy, an investor will take a long position in an asset, such as a stock, that they believe will increase in value, while simultaneously taking a short position in another asset that they believe will decrease in value. This allows the investor to benefit from price movements in both directions, potentially reducing the overall risk of their portfolio.

4) Growth Investing

Growth investing is a strategy that involves investing in companies that are expected to grow at a faster rate than the overall market. This approach focuses on companies with high revenue and earnings growth potential, rather than those with a strong current dividend yield or those that are undervalued.

Growth investors aim to identify companies that are poised for significant growth in the future, such as those in emerging industries or those with innovative products or services. By investing in these companies, the goal is to capture a portion of their future growth and realize capital appreciation over the long term.

Some of the top growth investors include Peter Lynch, who is best known for his 13-year tenure as the manager of the Fidelity Magellan Fund. During his time at the helm, the fund delivered an average annual return of 29%, making it one of the best-performing funds of its time.

Another well-known growth investor is David Einhorn, the founder of Greenlight Capital. Einhorn has a reputation for seeking out companies with significant growth potential and investing in them at an early stage. Under his leadership, Greenlight Capital has achieved an average annual return of 20% since its inception, making it one of the top-performing hedge funds in the world.

Philip Fisher, considered one of the pioneers of growth investing, also achieved significant returns through his focus on companies with strong growth potential. Fisher's book, "Common Stocks and Uncommon Profits," remains a popular resource for investors today and provides insight into his successful growth investing strategies.

5) Event-Based Strategies

Event-based investment strategies involve making investment decisions based on specific events or catalysts, such as mergers, acquisitions, spin-offs, or changes in company management. The goal of event-based investing is to take advantage of short-term market movements and generate high returns.

Some of the top investors who have used event-based investment strategies include Carl Icahn, the founder of Icahn Enterprises, and Dan Loeb, the founder of Third Point LLC. According to Forbes, as of 2021, Icahn Enterprises has over $17 billion in assets under management and has generated an average annual return of 20% over the past decade. Third Point LLC, which is known for its activist approach to investing, has a portfolio of over $17 billion and has generated an average annual return of 17% since its inception in 1995.

Event-based investing can be very successful when executed correctly, as it allows you to capitalize on market inefficiencies and mispricings that can occur as a result of specific events. However, it is important to note that event-based investing can also be risky, as unexpected events or changes in market conditions can significantly impact the success of the strategy.

6) Machine Learning/Artificial Intelligence

Machine learning investment strategies involve the use of algorithms and artificial intelligence to analyze market data and make investment decisions. These strategies can help investors to identify profitable investment opportunities and make informed decisions based on historical market trends and patterns.

Some of the top investors who have incorporated machine learning into their investment strategies include Ray Dalio, the founder of Bridgewater Associates, David Einhorn, the founder of Greenlight Capital, and Paul Tudor Jones, the founder of Tudor Investment Corporation. These investors have used machine learning algorithms to analyze a variety of economic and market data, and have spoken about the benefits of the technology in helping them to process and analyze vast amounts of information in real time.

As of 2021, Bridgewater Associates has over $140 billion in assets under management, while Greenlight Capital has a portfolio of around $3 billion. The exact returns generated by these investors using machine learning investment strategies is not publicly available, but they are widely recognized as some of the most successful hedge fund managers in the industry.

03/ STRATEGIES THAT YOU CAN COPY

We have a lot of powerful technology that we use to discover and test trading strategies. As opposed to many "finance gurus," we use data/analytics to increase our chances of success, rather than the voodoo science many of them use. Here are a few strategies we've discovered over the years. All of these strategies can be copied manually by you, or if you sign up for our Algorithmic Trading Course, you can get the software code to run these strategies automatically and test modifications.

1) BTC Trend Following

This is a very simple strategy that has some amazing results. Basically, this strategy follows a trading pattern called Trend Following, which is an investment approach that aims to capture gains by buying an asset that is showing an upward price movement (an uptrend) or selling an asset that is showing a downward price movement (a downtrend). This strategy assumes that prices tend to persist in their current direction and tries to profit from these continued price movements. The objective is to enter positions in the direction of the trend and hold until the trend shows signs of reversal. This approach can be used in many different financial markets, including stocks, commodities, crypto, and foreign exchange.

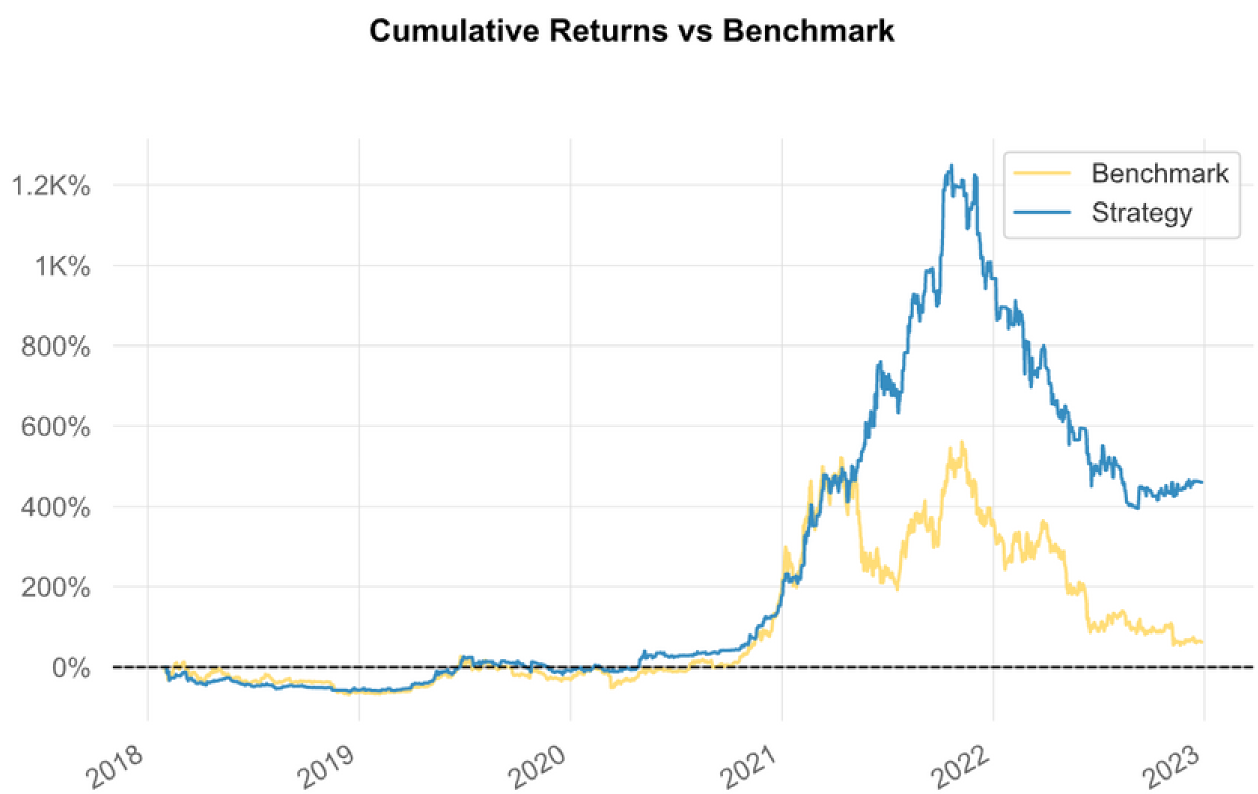
We've tried many different types of Trend Following strategies, but this is the one that our computer algorithms found was the most successful. Here are the steps:

1. **Pick an asset** (we will be using BTC here, but this also works on other assets such as ETH)
2. **Calculate the 17-day Exponential Moving Average** (you can do this using charting software from most brokers).
3. **When the current price of BTC is *above* the 17-day Exponential Moving Average**, then buy BTC and hold it.
4. **When the price of BTC is *below* the 17-day Exponential Moving Average**, then sell your BTC and instead hold onto cash. Historically this would have protected you from losing more money.

That's it. It sounds very simple but we have tested many different things to arrive at this strategy. For example, we tested:

- **Different indicators**, including Simple Moving Averages, Exponential Moving Averages, MACD, and more
- **Different time frames.** We ran our software code to test 2-day, 3-day, 4-day, etc. all the way up to 50-day moving averages. We found that 17 days works the best. (PS. If you want the code to test this yourself, you should check out our Algorithmic Trading Course)
- **Different assets.** We've tested this on many different crypto assets including BTC, ETH LTC, DOGE, and more. We've also tested this on stock ETFs including SPY and QQQ. We've found ETH and BTC to work the best using this hold/sell approach.
- **Different ways to trade.** For BTC and ETH the buy and hold vs sell and hold cash worked the best, but for SPY and QQQ we found other methods to be more effective. We show you these strategies in our Trading Strategy Library (sold separately if you're interested)

Below are the backtesting results using our trading algorithms/software code. A backtest is a technique that we teach in our Algorithmic Trading Course, where we simulate trading in the past to see what would have happened if we ran the strategy over the past few years/months. It doesn't guarantee that you'll see the same results again in the future, but you would have gotten these results if you had done it in the past, and chances are that the patterns will repeat themselves. You can find our backtesting results below:



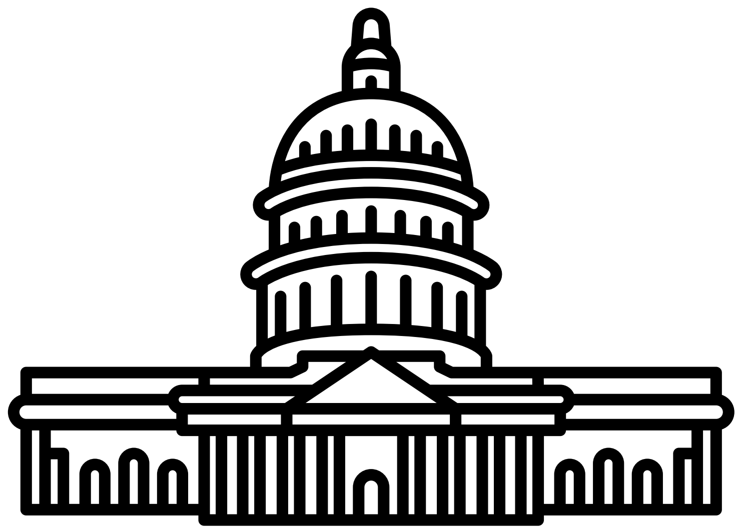
Notice here that this strategy totally smokes owning BTC on its own. **BTC by itself would have made 62.83% from 2018-2023 (the benchmark is BTC), but our strategy made 7.4x more than BTC at 459.39%.** This huge difference can be achieved by doing something so simple, and something that can be very easily automated using software code. Not only that, but the risk metrics are a lot better too, such as the max drawdown (63.3% vs 76.63%) and the volatility (41.09% vs 60.15%). **Overall you would have beaten Bitcoin by almost 10x while taking less risk!**

These are great results, especially for a strategy that is so simple. I've been running this strategy personally using the code that I give out in our Algorithmic Trading Course, and have made some great returns so far!

Key Performance Metrics

Metric	Strategy	Benchmark
Risk-Free Rate	0.0%	0.0%
Time in Market	72.0%	100.0%
Cumulative Return	459.39%	62.83%
CAGR﹪	42.0%	10.44%
Sharpe	0.79	0.42
Prob. Sharpe Ratio	98.38%	86.72%
Smart Sharpe	0.79	0.42
Sortino	1.23	0.6
Smart Sortino	1.23	0.6
Sortino/√2	0.87	0.42
Smart Sortino/√2	0.87	0.42
Omega	1.23	1.23
Max Drawdown	-63.3%	-76.63%
Longest DD Days	508	485
Volatility (ann.)	41.09%	60.15%
R^2	0.0	0.0
Information Ratio	0.01	0.01
Calmar	0.66	0.14
Skew	0.69	-0.37
Kurtosis	19.71	7.65

2) Congress/House Following Strategy



There's been a lot of talk lately about insider trading by members of Congress, most notably by Nancy Pelosi (LOL). People are saying that these members of Congress are making a lot of money because they know things that the general public does not. We personally found this very intriguing so we put it to the test. Here is our trading algorithm that follows the House of Representatives in the government and trades the same stocks that they do. This strategy is a bit more complicated to follow but gives great results.

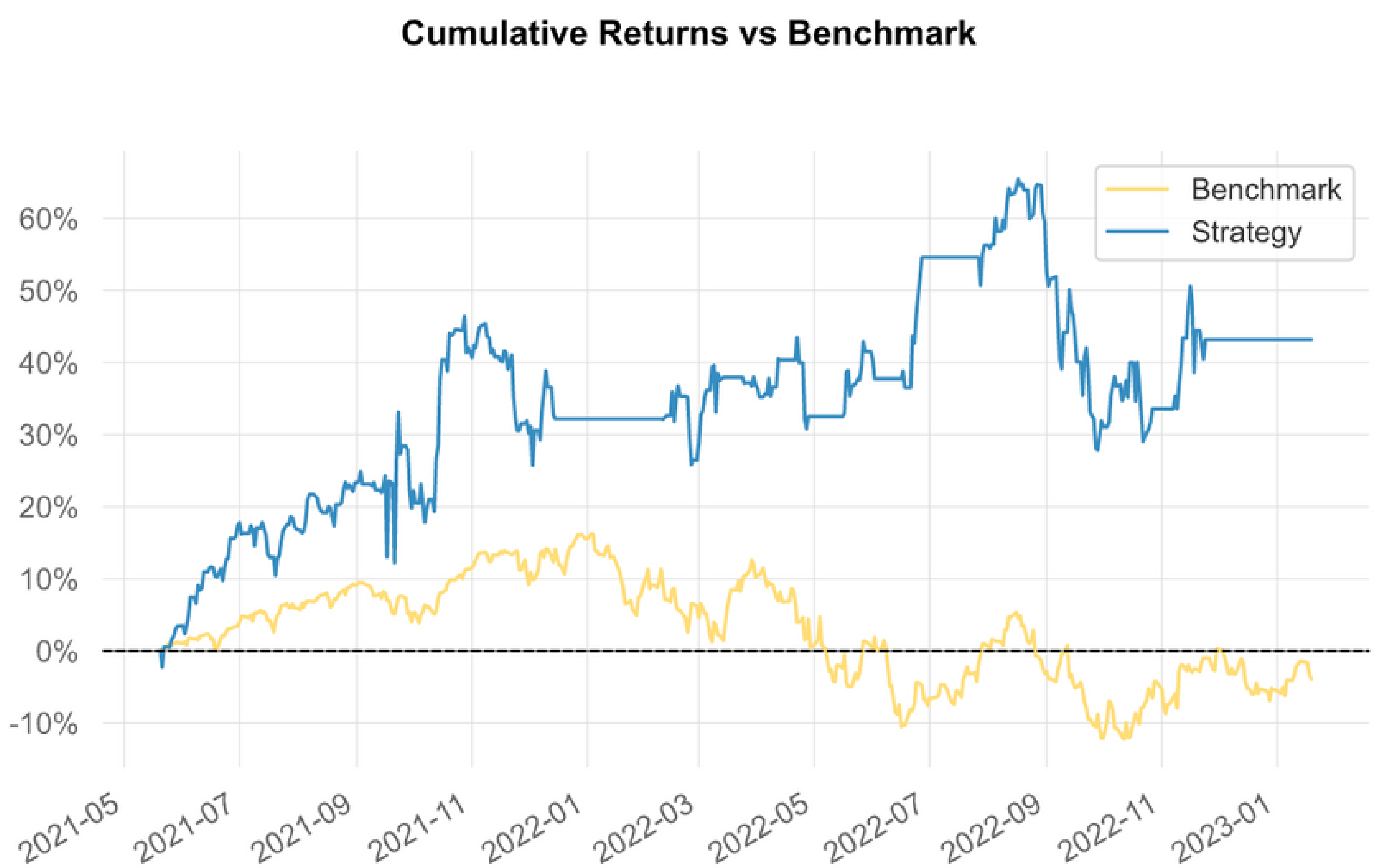
Here's how to copy the strategy:

1. **Get a feed of all the trades that congress has made recently**. There are lots of websites that do this including www.capitoltrades.com
2. **Get a tally of the stocks they bought recently** (we found 28 days works best, but 30 days is pretty good too). You can get this tally at https://www.capitoltrades.com/trades?txDate=30d&txType=buy or by going to capitoltrades.com, clicking on trades, changing the timeframe to 30 days, and setting the transaction type to buy.
3. **If a stock had 4 purchases or more, then we will add that to our portfolio** and divide our money among those stocks based on the number of buys. Eg. If there were 8 buys for Microsoft and 4 buys for Google, then we would put 66% of our money into Microsoft and 33% of our money into Google.
4. **If there were no stocks that had 4+ buys**, then this probably means that congress is worried about the stock market in general and it's better to hang around in cash. In our trading algorithm, we use the ETF with the ticker SGOV during these times. It is a super safe ETF that almost never moves but still pays you a few % while you wait.
5. **Repeat this daily.** Every day the tally will be a little different and might get you to adjust your portfolio.

This strategy is a bit more complicated than the first, but the results are great (especially if you prefer stocks). Here are a few things we tested to arrive at this strategy. We tested:

- **The number of days to look back.** We ran our Python code to test looking back 5 days, 6 days, 7 days, etc. all the way up to 60 days. We found that 28 days worked best, but anywhere from 25 - 35 days was enough to beat the stock market. In the steps above I say to use 30 days, but that's only because it's hard to get exactly 28 days without using software code. If you want to learn how to use software code to get exactly 28 days of lookback and automate this whole process for you then check out our Algorithmic Trading Course.
- **The number of buys required.** We thought: what if we just bought everything congress bought? This didn't work out well, especially after trading fees since our algorithm would end up buying 100s of stocks sometimes. Then we tried 2 buys, 3, 4, 5, and 6 buys as the threshold. It ends up that 4+ buys is the sweet spot that would have been most profitable.

Here are the backtesting results of this strategy. The blue line is our strategy, whereas the yellow line is the benchmark (in this case the S&P 500). Clearly, Congress has an advantage in stock picking! It's pretty amazing how they made so much money even in a bear market!



Once again, our algorithm totally kills it! **In this case, we would have made 43.18% on our money when the stock market (S&P 500) was down -3.9%.** Not only does this mean that this strategy would have been super profitable, but it also means that you would have beaten the bear market! While everyone else was losing money, you would have been almost 50% richer! That's amazing.

Key Performance Metrics

Metric	Strategy	Benchmark
Risk-Free Rate	0.0%	0.0%
Time in Market	65.0%	83.0%
Cumulative Return	43.18%	-3.9%
CAGR%	24.0%	-2.36%
Sharpe	0.79	-0.01
Prob. Sharpe Ratio	87.06%	49.15%
Smart Sharpe	0.69	-0.01
Sortino	1.19	-0.02
Smart Sortino	1.05	-0.02
Sortino/√2	0.84	-0.01
Smart Sortino/√2	0.74	-0.01
Omega	1.21	1.21
Max Drawdown	-22.69%	-24.49%
Longest DD Days	238	380
Volatility (ann.)	27.29%	18.43%
R^2	0.0	0.0
Information Ratio	0.04	0.04
Calmar	1.06	-0.1
Skew	0.54	-0.08
Kurtosis	11.04	2.17

04/ GETTING STARTED WITH ALGORITHMIC TRADING

Algorithmic Trading is the new kid on the block in the investment world, but it is taking it by storm! Some of the most successful investors in the world agree: using software to help with your investing is extremely profitable. As an example, the three richest investors in the world are:

1. Warren Buffett ($106.7 Billion)
2. Ken Griffin ($32.3 Billion)
3. Jim Simons ($28.1 Billion)

Two out of three of these run investment companies that are much more like software companies than they are like pure investment companies. Software is taking the world by storm, investing is not any different.

Algorithmic trading is a type of trading that uses computer algorithms to make decisions and execute trades faster and with more precision than a human trader could. The benefits of algorithmic trading include faster execution of trades, reduced risk of human error, and the ability to process large amounts of market data in real-time to make informed trading decisions. In short, Algo trading can make you superhuman: investing 24/7, without emotion, reading 1,000s of news articles every day, and more.

How To Get Started: Algo Trading

Getting started with Algorithmic Trading can be tough, which is why we created our Algorithmic Trading Course (see it here), and advances in technology have made it much easier. For example, in our courses, we teach people how to use AI tools such as ChatGPT and GitHub CoPilot to learn very quickly and build some incredible bots. I have been teaching this topic for over 4 years and I've never seen people get as good at Algo Trading as quickly as I've seen in the past few months. We've spent a lot of time refining our courses by teaching thousands of people, I've very confident that we can teach you.

That being said: If you truly want to get good at finding great investment strategies and automating them, then I'd recommend our course. But if you want to get your beak wet without taking our classes, then this is how you can get started:

1. **Learn some basic Python skills.** Python is one of the most popular programming languages in the world, widely recognized as one of the easiest to learn and the top language to use for Data Science/Data Analytics/Machine Learning/AI. This makes it the perfect language to learn if you want to get good at trading, which is a super data-heavy field. A good website to get started is Code Academy. They're very cheap (~$40/mo) and do a pretty good job teaching the subject. One thing I must warn though: **DO NOT GO DOWN A PROGRAMMING RABBIT HOLE!** I've seen far too many people spend months learning the basics of Python when 2-3 weeks would have been enough to get them started; you do not need to be a programming genius to build super profitable investing algorithms - especially when you use AI.
2. **Use AI tools.** Chat GPT (chat.openai.com) and GitHub CoPilot are incredibly useful tools for every programmer, but especially for beginners. Make sure you install and use these tools, they will turn you into a programming superstar with very little effort.
3. **Get familiar with a trading/backtesting library.** We created our own called Lumibot (check it out here: https://lumibot.lumiwealth.com/) and we believe it's the best because it makes it super easy to switch from backtesting to live trading, and because it doesn't force you to give your code to anyone else, but we are not the only ones. Some other good libraries are backtesting.py, Backtrader, and Quant Connect. I think Lumibot is the best (and getting better fast), but make sure you pick one and learn it well. Once you get good at this you will be an investing superstar.
4. **Research good existing strategies and backtest them.** Some great websites to find trading strategies are Quantified Strategies (quantifiedstrategies.com), Quantpedia (quantpedia.com/), and just plain old Google, Twitter, or Reddit. You don't need to reinvent the wheel, you just need to copy it and make it better. After all, Steve Jobs was one of the best tech CEOs of all time, but most of what he did was copy his competition and then improve on it.

5. **Check out our algorithm website, invest.lumiwealth.com.** As of right now, we are very strict about the people we let use it (for legal/licensing reasons), but you can watch our algorithms live, day by day. Soon we will open it up to the public and you will be able to directly buy our algorithms or put your own algorithms on our website to make some extra cash (we're building an algorithm marketplace that I think can eventually beat JIm Simmons and the other greats)

6. Sign up for our Algorithmic Trading Course! We've been teaching people since 2019 and it's the best Algo Trading class in the world, hands down. I promise you will have some amazing algorithms trading for you and probably making you lots of money while you sleep.

7. Join our Discord community (click here). If you're not familiar, Discord is a chat app much like Slack and we have a very active community. Come join us to help take down the billionaire hedge fund industry. Together I strongly believe that we can change the world.

Regardless of what you do, I wish you good luck, success, and killer returns! Let's all grow together to take down the establishment and create a new era of high investment returns for everybody. I strongly believe that if we all become good investors then the entire world will benefit. Thank you for reading and I hope to talk to you soon!

Thank You

TALK TO OUR SPECIALISTS

IF YOU WANT TO CONTINUE YOUR LEARNING AND BUILD SOME GREAT TRADING ALGORITHMS:

Then I recommend speaking with our excellent staff. We have taught thousands of people how to code and create automated trading strategies. If you want to learn more, then book a call with one of our specialists, who can help guide you toward your next steps

BOOK A CALL

support@lumiwealth.com

www.lumiwealth.com

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