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Pairs trading based on statistical variability of the spread process

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Abstract

This research proposes a new non-parametric approach to pairs trading based on renko and kagi constructions which originated from Japanese charting indicators and were introduced to academic studies by Pastukhov. The method exploits statistical information about the variability of the tradable process. The approach does not find a long-run mean of the process and trade towards it like other methods of pairs trading.

The only assumption we need is that the statistical properties of the spread process volatility

been de... method has
of Ameri... market data
exce... average
1.5 to... ratio from

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