

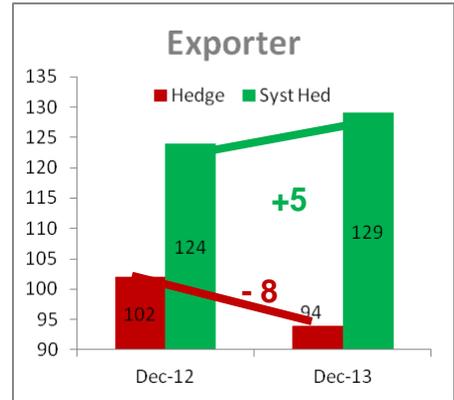
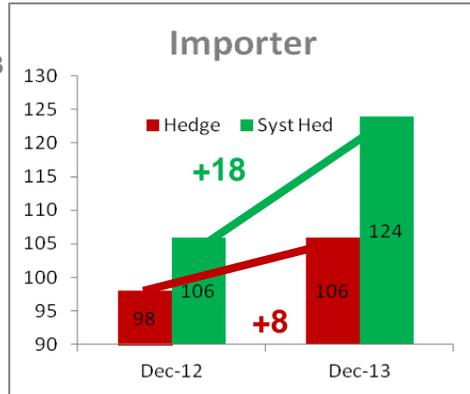
To Treasurers

Fr Decision-Supports

2013. High volatility; well captured by Systematic methods ; be it Hedging or Trading books !  
Witness [an] OTP selected in Jan-2013 perform during the year

## Hedges | USDINR 2013

Traditional hedges pay upfront hedge-costs for entire horizon; ends up with + / - 8 on index of 100( see aitxMarkets) Systematic hedges make an affirmative choice to [try& hedge] only (-)ve moves ; not (+) moves; thereby resulting in well earned Hedge  $\alpha$  (+18 or +5) for pursuing the same policy bias.



See Jun-13  
[aitxMarkets](#)



## Trading | USDINR 2013

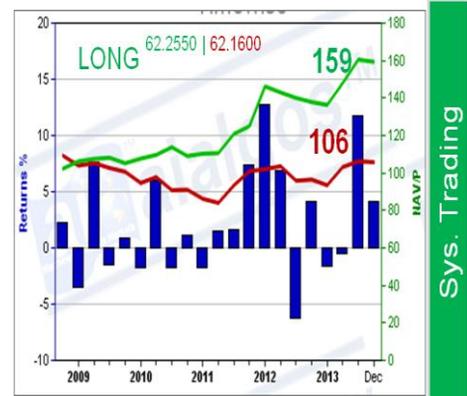
Systematic OTPs NAV added (+20) from 139-159( see next page) outperformed Best of passive longs/shorts on hindsight (+8) Longs)

Tradewise:- Total of INR +8.2500 profit with Top3 trades ~(-4.43,3.35,3.09) INR  
Time-wise:- Q1&Q2 drawdown(-)2.1%; Q3-4 built capital (+15.9 %)



## Abs Ret % | USDINR 2008-2013

	Y	Q1	Q2	Q3	Q4	J	F	M	A	M	J	J	A	S	O	N	D
2008	2.2				2.2												2.2
2009	3.5	-3.5	7.7	-1.5	0.8	-0.5	-1.9	-1.1			7.7	-1.4	-0.6	0.5	3.3	-1.9	-0.5
2010	3.7	-1.7	6.0	-1.7	1.2	-0.6	-1.1		3.4	-0.4	2.9	-0.3	-0.1	-1.4	5.3	-2.2	-1.9
2011	8.8	-1.7	1.5	1.7	7.3	-0.8	-0.9	-0.0	2.4	-0.2	-0.7		1.7		9.3	-1.9	
2012	17.4	12.7	6.9	-6.2	4.1	5.4	7.7	-0.4			6.9	-2.8	-2.6	-0.8	4.2	1.3	-1.5
2013	13.7	-1.6	-0.5	11.8	4.1	-3.8	1.7	0.5	-0.8	0.3		6.3		5.5	4.8	1.1	-1.8



OTP  $\alpha$  Importer +34 Exporter +18 Trader +53

<b>ai tx2 USDINR</b>			
Performance Index of INR 100			
	31Dec		
USDINR Fut	Short	Long	Trd
Hedge	94	106	106
Systematic Hedge	128	124	159
Systematic $\alpha$	+34	+18	+53



Sys. Trading

Hedge

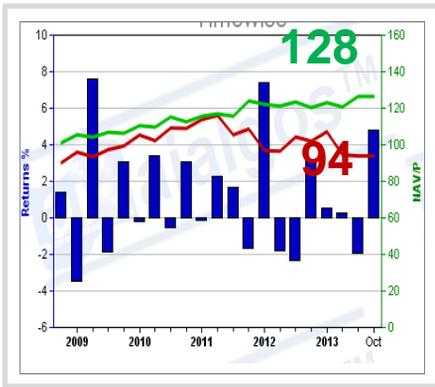
**Economics:**-Short USDINR has significant carry positives which get decimated by capital negatives once in a while bringing you back to nearly square-one. **94** Long Hedge has the opposite story and approaches square one from the other side of fence. **106**

Conventional wisdom has NO limits or benchmarks for insurance costs!

Sys Hedge

**Economics:**-Short USDINR has hedge index is **94**. **Systematic Hedge** index is **128** This gain is solely from intelligent hedging only 'at times of negative moves' and active de-hedging at other-times- resulting in not just saving insurance costs- but significant savings in avoiding capital erosion of the hedge(sic! ) when moves are in our favour

This is true whether our policy bias is USDINR SHORT or USDINR LONG!  
**124 VS 106**



## Choose Your- $\alpha$

**USDINR** –illustrative economics on near month futures contract plotted on **select** dates Aug2008-Dec 2013 on INR 100 of initial capital. Exchange economics is net of carry –in form of month end rolls & capital moves on an index of 100.**Hedge:** performance indices are **94 & 106** owing to passive insurance costs and concomitant capital moves. **Systematic-Hedge:** performance indices are **128 & 124** owing to 'attempt' to selectively hedge only negative –moves. **Systematic-Trading** gets the best of both-worlds on long and short side without policy inhibitions catapulting performance of trading(not hedge) index to **159**. **Dec 13-** OTP booked -3 points and went **Long @ 62.2550** on 31<sup>st</sup> Dec Opening price

Start Algo Trading Today

Work with better part of Your Genius

## Hedge $\alpha$ How earned?

Stems from an 'affirmative-choice' to **try** and de-hedge positive moves and re-hedge negative moves as played out through a 1-side participation on a Systematic-Trading Strategy as (**Long-0-Long-0**) or (**Short-0-Short-0**) trades. This is different from agnostic upfront-pledge of insurance cost for the entire horizon!

Purpose | to get risk-takers *in-substance* reflect on systematic(algorithmic) trading as a *form*.

## What

## Why

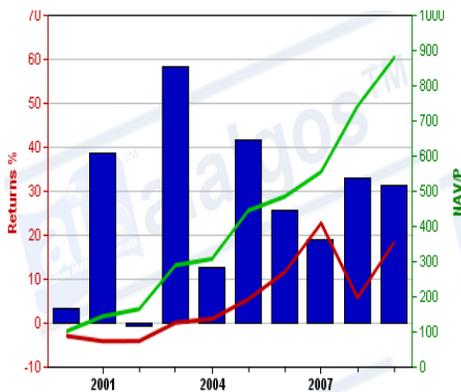
## How



**ai<sub>tx1</sub> NIFTY**  
Performance of 100

index	2000s	2010s Dec13
ai <sub>tx1</sub> NIFTY	878	126
NIFTY	355	120
NIFTY-RO	380	99
α	+398	+27

2000s  
878 | 355



LONG 6292

OTP | ECONOMICS (100)

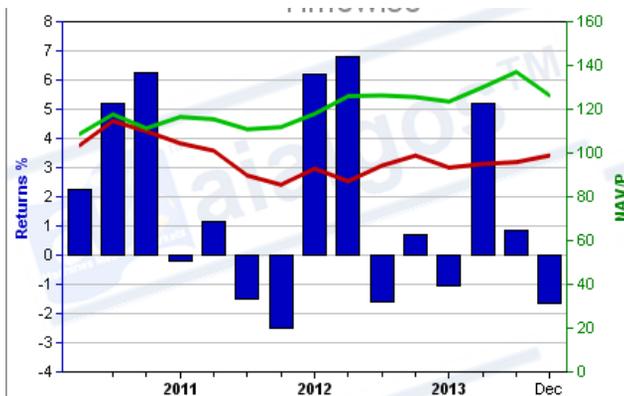
2000s | OTP is 'a' set of rules to generate buy & sell signals to trade markets. OTP(aitx1) had built **8.78 x** of a 100 of initial capital. Same Period Same Instrument Price performance was **3.55 x**

2010s | OTP performance **126** with Long @ 6225 (curr 6354). OTP lost 4% in last 4 trades in range-bound market.

99 represents net of roll costs Price performance for same period.

2010s<sub>QTRLY</sub>

126 | 99 | LONG 6292 | 6354



## Take Away

- Generate 1000s of OTPs
- Auto-Trade them into markets
- Exploit opportunities across Markets | Strategies | Frequencies
- Generate α
- Upgrade to Learning-Engines