Date: 24May (Tue)  
Time: 3-4 pm  
Venue: G92 Madsen Bldg  
Led by: Peter Yuen  
Title: Evaluating Clustering and Graph Bisection Methods for Generating Near-Optimal Portfolios Pairs

Abstract:

A common trading strategy used by hedge funds is pairs trading - where two highly correlated stocks are bought ('longed') /sold ('shorted') when their price difference diverges with the trade reversed when the prices re-converge. An extension of this common strategy is to trade two pairs of portfolios (linear combinations of financial assets) but when the total number of financial assets are large (say 50 stocks), finding the pair of portfolios with the optimal inter-portfolio correlation by brute force becomes impossible.

In this presentation, we try to solve the problem of finding the optimal portfolio using several well-known clustering and graph bisection algorithms and these are compared to a heuristic specially designed for finding optimal bisections of correlation graphs.

Check more details from: http://www.it.usyd.edu.au/~dammal