



Modified Holder Exponents Approach to Prediction of the USA Stock Market Critical Points and Crashes

<http://www.firstlight.cn> 2008-06-30

The paper is devoted to elaboration of a novel specific indicator based on the modified Holder exponents. This indicator has been used for forecasting critical points of financial time series and crashes of the USA stock market. The proposed approach is based on the hypothesis, which claims that before market critical points occur the dynamics of financial time series radically changes, namely time series become smoother. The approach has been tested on the stylized data and real USA stock market data. It has been shown that it is possible to forecast such critical points of financial time series as large upward and downward movements and trend changes. On this basis a new trading strategy has been elaborated and tested.

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