

Kevin's Trade Log Report

Trade log maintained between 08/08/18 - 08/26/18

Slideshow prepared by Kevin Le



Access trade log with comments
here

Overview

1. When I would use the Crypto Explorer
2. 08/08/18 - 08/15/18
3. 08/15/18 - 08/22/18
4. 08/22/18 - 08/26/18
5. Next moves (if I continued trade log)
6. Insights
7. Other

of Days Passed: 18

General Market Condition: Bearish (Down) or Sideways

Final Return: 13.15%

(Control) Return at end of trade log if no moves made: 6.01%





When I would use the Crypto
Explorer

When I would use the Crypto Explorer

1. Shortly before trade moves
 - a. If I see a price I feel like potentially selling/buying at, I use the Crypto Explorer to respond to this question:
 - i. Is this a breakout, a reversal, or a trend?
2. Shortly after trade moves
 - a. I evaluate the following questions for the next week:
 - i. By how much do I reasonably feel price will oscillate or trend during this period?
 - ii. With my current position, where would I be happy selling or buying at?
 - iii. When should I be on higher alert?
3. After missing trends or optimal buy/sell periods
 - a. I evaluate how to respond in the long-term

Other than that, I would check TA, but not QA, intermittently.

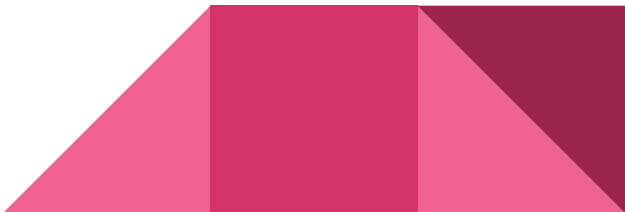
I would also check price on CryptoCompare a couple of times each day.





08/08/18 - 08/15/18

Initial Moves

- Set stop losses for BTC and ETH based on 80% confidence historical Value-at-Risk for 7 days
 - I chose this timeframe to roughly match the frequency of Wachsman's trade decisions
 - Set take profits as inverse of stop losses
 - Crypto Explorer section used: Risk Evaluation
 - Initial Portfolio: 65% BTC, 35% ETH
 - Focused on BTC and ETH as that is what Wachsman moves around the most
 - Crypto Explorer section used: Risk Evaluation (full-investment portfolio optimization -- minimizing variance)
 - Bought in BTC at ~\$6300
 - Bought in ETH at ~\$360
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Summary of Market and Moves

- Market kept going down for most of the week
 - BTC went from \$6300 to around \$5800
 - ETH went from \$361 to around \$250
- Mistakes:
 - (1) Buying in ETH at \$361. I hit my stop loss within the same day.
 - (2) Buying in BTC at \$6300 when the market would go down significantly more.
 - (3) Not buying back into ETH after take profit. Price kept going up much higher.
- Response to mistakes:
 - (1) Traded ETH on a divergence. Hit my take profit and made back the money I lost.
 - Crypto Explorer section used: Technical Analysis
 - (2) Remained patient with BTC. I had a one week projection that it would be up after 7 days. Ended up selling at \$6550 exactly one week after buy-in.
 - Crypto Explorer section used: Quantitative Analysis
 - (3) No response. Did not have access to Crypto Explorer (on vacation in California)
- **End of Week Return: 3.2%**
- **Cumulative Return: 3.2%**



08/15/18 - 08/22/18

Initial Moves

- Waited to be back from vacation in order to use Crypto Explorer for re-entry after 08/15
- Re-entered on 08/18
 - ETH \$290
 - BTC \$6350
 - Crypto Explorer section used: Technical Analysis & Quantitative Analysis
- Reset stop loss and take profit for the week
 - Again, using 80% confidence historical value at risk for 7 days
 - Crypto Explorer section used: Risk Evaluation



Summary of Market and Moves

- Market generally moved sideways
- ETH's quantitative analysis suggested upward movement, but the technical analysis kept wavering right below a bullish reversal
 - Crypto Explorer sections used: Technical + Quantitative Analysis
- To act in the sideways market, I introduced two assumptions:
 - In a sideways market, spikes are unsustainable
 - In a sideways market, spikes will generally be 5-10% in either direction, as the crypto market is about 5x more volatile than the stock market based on value at risk
 - Crypto Explorer section used: Risk Evaluation
- So, I decided I would sell at ~5%+ spikes, and buy at ~5%+ dips

Summary of Market and Moves (cont.)

- How assumptions played out:
 - Made profitable moves on both ETH and BTC
- Mistakes made:
 - (1) Not selling ETH on 08/21/2018
 - There were spikes in both ETH and BTC, but ETH only had about a 2-3% return so I didn't sell (I was selling at 5%+, as mentioned). ETH dropped from \$290 to \$260 the next day, and then back up to about \$285 and stayed at about that price – my initial buy-in of the week.
 - If I had maintained my spike assumption, I could have made a ~3% return and then a ~9.5% return
- Response to mistakes:
 - (1) Quantitative analysis strongly suggested that ETH would be up in the long-term, decided I would be patient and not panic at the price drop
 - Crypto Explorer section used: Quantitative Analysis
- **End of Week Return: 6.8%**
- **Cumulative Return: 10%**





08/22/18 - 08/26/18

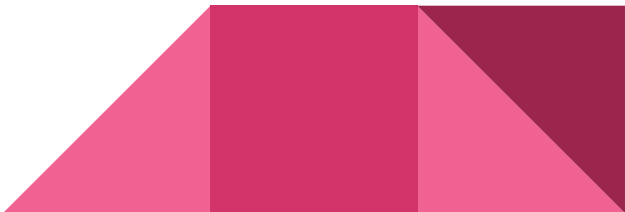
Initial moves

- Bought BTC at \$6340
 - BTC spiked down after having a spike up, maintained my spike assumption. Forecasted an upwards trend.
 - Crypto Explorer sections used: Technical Analysis and Quantitative Analysis
- Held onto ETH
 - Decided to be patient with ETH in the same way I was patient with BTC in the first week



Summary of Market and Moves

- BTC gradually strengthened, ETH moved sideways with little variance
- Mistakes:
 - (1) Sold BTC on 08/24 at \$6720 after seeing mini spikes earlier in the day
 - Should have considered big picture from QA and TA -- price continued to go over \$6800 and then settled back down at around \$6700 -- post trade-log BTC had a break up to \$7000.
 - Admittedly impulsive move -- I was away from the Crypto Explorer and was concerned price could go down soon
 - (2) [Mistake from end of previous period] Not selling ETH on 08/21/18
- Response to mistakes:
 - (1) Be patient -- evaluate next re-entry (this would have been to buy back in at \$6720).
 - (2) Although I ended my trade log, over time my QA did narrow down ETH to breaking above \$285 on Tuesday 08/28. As of this email Tuesday morning, ETH is at \$290 -- it's first break away from moving sideways
- **End of Four Days Return: 2.7%**
- **Cumulative Returns: 13.2%**





Next moves (if I continued trade
log)

Next Moves (if I continued) -- as of 08/26/18

- Buy BTC at \$6720
 - BTC generally continued to stay stable at about \$6700-\$6750. CE suggested further upwards movement from QA and TA.
 - **FOLLOW-UP:** As of the morning of 08/28/18, BTC climbed up to above \$7000
- Evaluate selling ETH on Tuesday or Wednesday
 - I made a mistake one week earlier in not selling ETH on 08/21/18 that cost me a 3% return followed by a 9.5% return -- instead ETH fell significantly below my buy-in price of \$285 and then started moving sideways
 - My QA suggested it would be up from \$285 in about one week, after a few days this seemed to narrow down between Tuesday/Wednesday of seeing ETH come up above \$285
 - So, I decided to be patient and would re-evaluate at that time.
 - **FOLLOW-UP:** As of the morning of 08/28/18 (Tuesday), ETH climbed up above \$285



Insights

Insights

- **Gain your own experience.** Be wary of taking trade advice from within the crypto community. As an unprecedented, volatile, and new market with large amounts of irrational traders, everyone is, to some extent, just an amateur trader when it comes to cryptos.
 - **This definitely includes myself!** I am offering these insights specifically based on my use of the CE for 18 days in a bearish/sideways market. Not all of these insights may hold true in the long-term or in other conditions. How you use the CE may be different from how I use it.
- **Critically analyze every move you make in hindsight.** Why was it a good move? Why was it a bad move?

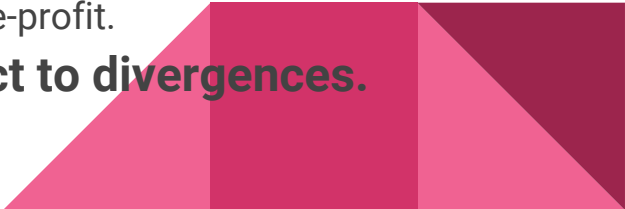


Insights (cont.)

- **Be strict with stop losses.** I lost ~10% of my ETH at the very beginning, but the stop loss protected me from a 30% loss.
- **Be patient and be comfortable with your stop loss.** A stop loss is how much risk you're willing to take, so do not panic if the price starts dipping low. Within the first week, BTC dropped from \$6300 to \$5800 -- high, but less than my stop loss. Using the Crypto Explorer, I felt that BTC would be up one week from \$6300. I sold at \$6550 exactly one week later.



Insights (cont.)

- **Have faith in your analysis, but be ready to adapt.**
 - An example of having faith – watching BTC plummet from \$6300 to \$5800 across consecutive days but trusting my analysis that it would be up at end of week
 - An example of being ready to adapt – watching ETH hit *strong* buy points at \$360, yet drop consecutively all the way down to \$250.
 - In trading terms, this represented a divergence (which is just a sugarcoated way of saying my analysis failed). A divergence occurs when price moves in the opposite direction of an indicator or analysis.
 - However, divergences are often the most profitable trades (although the trickiest). At around \$255, RSI would be extremely low, and I believed traders would react to this in a self-fulfilling prophecy situation. The next day I hit a take-profit.
 - Continuing on the above, **learn to recognize and react to divergences.**
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Insights (cont.)

- **You do not have to wait until 8 PM EST to make a trade move.** This is the time that Crypto Compare defines as closing, but the crypto market trades 24/7. With how volatile the market is, there are days that may close lower than the day before, but have a period in the middle of the day with 5%+ returns.
 - Especially if your analysis is sideways or bearish, take advantage of these intermittent breakthroughs
- **Avoid being greedy.** Stop losses and take profits are there as safety nets, not support and resistance lines.
- **Consider how other traders behave in your fundamental analysis.** You do not have to rely on just news.

Insights (cont.)

- **Be balanced, but flexible, with how you weigh Quantitative, Technical, and Fundamental Analysis.** All three are flawed.
 - With Quantitative Analysis, let's take the last row of the lagging predictor. Assume the model is evaluated at ~85% accuracy, on average, and predictions are independent of each other. One row has 8 entries (projected days 1-8).
 - The chance of all 8 predictions being correct is $0.85^8 = 0.272$.
 - However, I feel it is more useful for longer-term predictions than TA
 - With Technical Analysis, it is difficult to use for future analyses past a few days. Furthermore, it is hard to optimize for crypto assets because of how volatile the market is.
 - However, I do feel that technical analysis do demonstrate current market state well, and as many traders reference it, I do believe in self-fulfilling prophecies to an extent.
 - With Fundamental Analysis, it is very subjective.
 - However, it can fill in the gaps that QA and TA have, if conducted wisely.

Insights (cont.)

- **Hold yourself accountable to both good and bad moves.** The Crypto Explorer is an exploration and support tool. You ultimately make the final analysis and decision.
 - E.x. You do not always have to wait for RSI to hit a buy/sell signal to buy/sell.
 - By not giving too much credit or too much fault to the Crypto Explorer, you can better push yourself to learn, strengthen your own trading abilities, and finetune your use of the Crypto Explorer (all inputs are interactive).
 - **This is why I always describe the Crypto Explorer as a tool to *iterate* trading strategies, etc.**
- **Every decision will have both objective and subjective aspects.**




Insights (cont.)

- **Segment out trading.** For me, I liked to think of trading on a week-by-week basis. Each week my goal was to just have a positive return, no matter how big or small (although preferably big).
 - I chose this approach to replicate Wachsman's needs, as Wachsman relies on regular liquidations for operational expenses.
 - This makes trading a less daunting task and reduces long-term risk.
 - **Each week, I would redefine at what prices I would reasonably be happy to buy/sell at.**
 - This is different from defining *when* to buy/sell (which I still evaluate).
 - Rather, this helps me define when to check the Crypto Explorer during the week. Rather than running the Crypto Explorer all the time, I just check the prices intermittently during the day, and if a price I like occurs, then I consult the Crypto Explorer and potentially make a move.



Other

Other

- I conducted my trade log in a binary way (i.e. if I sold, I sold everything / if I bought, I spent all my USD) since I really wanted to test the Crypto Explorer. **I would not recommend doing this for Wachsman.**
 - I used Value at Risk to set stop losses and take profits. For Wachsman, it would be wiser to set stop losses and take profits based on your accounting.
 - **I would recommend working with the new financial controller on defining the amount of risk Wachsman is able to take** (which may differ from the amount of risk Wachsman is willing to take).
 - My fundamental analysis was pretty minimal, which probably is not a good thing.
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Other (cont.)

- I would recommend running analytics for other crypto assets that Wachsman has outside of BTC and ETH in order for Wachsman to gain a better understanding of its entire portfolio.
 - I would also consider simulated trade logs for other crypto assets

