**Pre trade checklist**

Date

Trade No.

Market

1. Momentum OR mean reversion?

Momentum

Mean Reversion

1. Time of day

AM Open/AM Middle/AM Close

PM Open/PM Middle/PM Close

1. Price percentile

AM High

AM LO

PM High

PM LO

No Clear percentile

1. Volume

High Volume

Average Volume

No Volume

Volume Growing

Volume not changing

Volume Dying

1. Emotional state of Market

Greed(1,2,3,4,5)/Panic (1,2,3,4,5)/ Hopeful(1,2,3,4,5)/ Despair(1,2,3,4,5)

1. Speed of moving

Real body longer and longer

Real body same size as before

Real body smaller and smaller

1. Trend in the market

No clear trend

Upward trend

Downward trend

1. Age of trend

No trend

Started \_\_ Minutes

1. Previous Trend

No trend

Uptrend

Downtrend

10.

Options vs. futures vs. stock?

**Options**

* Late afternoon slowly breaking new low? Slow -> good, fast -> wait
* Late AM or late PM when the fake trends are eliminated
* How is the volatility level? How much theta am I paying? Best to go in when vol is low.
* How long do I expect this trend to last? No trend - do not play with options
* Morning open high, **aggressively** going up, should SHORT
* Morning slowly rallying with very gradual change in volume, should LONG
* High volume on the futures/cash -> wait for the real trend
* Should be no more than 20 delta.
* You don’t want the vol to crash mid-way. When markets are not moving do not hold options.
* Intraday but only when there is a trend.

**Stock (buy)**

* Panic selling?
* Fall in Early afternoon / Fall in early morning?
* Slow or fast? (slow drop do not buy)
* Don’t predict bottom (buy in bits)
* Do not buy if the fall is slow with no volume -> wait for explosion in volume and enter after

**Stock (sell)**

* Panic buying occurring, volume high?
* Early afternoon/Early morning rising too much?
* Slow or fast?
* Don’t predict top (sell in chunks)

**Futs:**

* Prefer not to use futs, delta is too high, no gamma.
* Only when volatility high, so go delta-1
* Trend is short term in nature, early in the AM or early in the PM

**Self**

1. Personal Emotional Status

**Panic** (vs. composure) – I have to close position now before I lose more. (Was the stop loss planned before action? Wait for slowdown until the true trend)

**Greed** (vs. calm, composed) - I have to get in this trend, can’t wait 1 minute. (Is market greedy? If yes, don’t act, wait for slowdown) – Are you thinking about how much money you will make? -? Stop trading, you are trading the money, not the market.

**Hurry** (vs. composed, calculated) – I have to get in this trend otherwise I will miss it. (If the market is going fast, give up on it and start thinking)

**Hope** (vs. reality) - I hope the market will move back

**Despair** (vs. reality) – the position is losing market and I just don’t want to look at it.

**Anger** (vs. Tranquility) – I lost money, I am very angry, why the market so stupid?

**Excitement** (vs. Tranquility) – Trading is so fun. I want to trade more. It is like gambling.

**Mind blank** (vs. knowing probability of one’s action) - I can’t think, the loss is getting bigger.

**Nervousness** (vs. Composure) – I am nervous to trade.

**Satisfied** (vs. professionalism) – I am so good, a star, I always make money.

**Boredom** (vs. patience) – I don’t want to wait, just trade, who cares? Let’s see if I can get something.

**Indecisiveness** and Loss aversion (vs. taking reasonable risk with calculated probability)

* I don’t want to act because I might lose money, losing money is very painful.

**Lack of professionalism (vs. fully professional)**

* I’m just playing games, this is not a career.

**Sadness (vs. understanding the inevitable nature of loss and move on)**

* I lost money, I can’t do anything, I am sad and I don’t want to trade

**Self Doubt (vs. confidence)**

* Can I really make money? I can’t.

**Overconfidence (vs. objectivity)**

* I am so good, every winning trade is my skill and every losing trade is the market’s fault

**Regret (vs. focusing on learning a lesson)**

* I should not have done that, damn why did I do it? I am such an idiot.

**Revenge (vs. cooling off)**

* I lost money in the last trade, I must go into a new trade immediately to recover that loss.

**Nonchalance (vs. patience, attentiveness and readiness for action)**

* I just trade randomly without caring about it, I must be correct at least 50% of the time?

Bias

1. How much maximum loss willing to take.

Plan out worst loss, expected exit point.

1. What is the ex-ante probability of success?
2. Has this pattern occurred before? On what date did it occur?
3. Is the trade crowded? High Volume? Moving fast in one direction? Accelerating faster?
4. Reason for trade

Price too high, selling (Price percentile: High/Low/Mid, Market Greed: yes/no)

Price too low, buying (Price percentile: High/Low/Mid, Market Panic: yes/no)

Following high, buying (危险！) (Price percentile: High/Low/Mid, Market Greed: yes/no)

Following low, selling (危险！) (Price percentile: High/Low/Mid, Market Panic: yes/no)

**Trade type:**

**上午**

开盘:

上午开盘大跌跟空 (注意随时反弹)

上午开盘大跌作多 - （确定是底部？）

收盘：

上午收盘大跌做空 （ 注意尾盘反弹）

上午收盘大跌作多 （确定到低点？恐慌过后？）

**下午**

开盘：

上午收盘高点，下午开盘做空 - （有贪婪 -> 做，没有贪婪-> 不做）

上午收盘低点，下午恐慌开盘，做多 （有恐慌 -> 做，没恐慌 -> 不做）

中盘：

下午早盘大跌，中盘作多，（清单：**前期恐慌**，**确定跌倒低了？**）

下午中盘，破前期低点，做空 （清单：**慢跌**， **没有恐慌**，**1：30以后**）

收盘：

下午尾盘跟空 （14：45以后小心，这个策略很危险）

下午尾盘大跌作多 （清单：**恐慌**，K**实体越来越长，加速下跌跳崖**，**放天量**，**巨大长尾十字线**）

2016Sep1 Review

This was a nice attempt but was hardly useful. What you needed was **actual data analysis** which would yield some principles of trading. Also focus not on what you see, but the fundamentals, such as the orderless move of the market, the definition of low/high in trading, and day to day overlapping.