Trading 2016\_12\_12

Monday, December 12, 2016

Issues to work on:

weekend hedging of down 2 moves with some straddles

On Friday usually hold 1/3 of position which is 300k-500k.

With 20d puts, 2.5\*10000\*0.2 = 5000 delta on each, need about 50 options to have 250000 delta.

Trading costing is 8\*50 = 400 RMB, round trip is 800.

market:

market up on oil and banks.

CYB remains weak with –f10.

Cut all except 60015 which had a strong f10 with ammin at O.

F10 correlated with tues close, can buy @ close for strong openers to be close on tue close.

Selling this mornign cost over 6k. Weekend risk is hard to hedge, hedging with puts won't help. The only way is to, on Fri close, buy proprtionate amt of heavy constituents to manufacture an index to be hedged off with puts.

Gree had a news releasing saying ins companies will start to sell.

Most companies prev benefiting from ins injection are selling off.

959 panic selloff- buying a bit. Smaller stocks are getting dumped.

Mon Open high -> dump (驰宏锌锗)

Mon F10 down -> dump (东财, 格力)

Hold open low and heading up.

Wed/Fri requires tue/thur to have a stong am.

Tues doesn't require a strong mon am, just a strong f10 is enough.

Picking up thru-out Monday strong openers & p<20.

mon am:

trade pnl: buy: -2k

Sell: 1650+840-1961+1380= +2k

Analysis: mon risk/return not clear. Wait until close to buy f10>0 and p<10.

Sold 东财, 中建, 格力 , 驰宏 properly, 船舶 was early.

XU getting sold off hard -1.2%, eating most of ytd's profits.

The issue is, if it rebounds this afternoon, tomorrow won't be good to buy. (for a deep v Monday). Then you have to sell tomorrow morning in that case. If it keeps falling this afternoon, you can buy at cl. If index rebounds and I choose losers at the cob, stock will get affected by index.

The solution is to buy some, but not heavy position on Monday, if it rebounds then sell most pos on tue mng. If it doesn't rebound will take the trading loss and put on 2x pos in aggregate on mon close + tue mng.

The decision comes down to pos sizing in different scenarios. For index deep V, you need to participate, knowing that tomorrow O will be a sell. For an all-day-down, you need to add pos at cob or tomorrow am.

Tue/Wed/Fri offers good return for pmcoy<0 and.

Mon intraday light positioning.

By amclose, trade pnl -5k on 茅台+比亚迪. Before AM close, market crashed, -15k pnl this mng.

There might be an issue with today's buying.

监管层 is trying to cut the stock market boom and direct funds to real estate. As a result, weekend news have become generally against the market and big funds are exiting the market as a result, especially the ones that have been bought by all the insurance firms. Due to the big rise last Friday, must be prudent in making additional buys.

Monday never have full position on. Moutai accumulated 164k delta which is too big on a Monday like this.

Monday's rebound potential is too weak, rank retCL:

Tue Wed Fri Mon Thu, once down, there is almost no rebound. This is why buying must stop immediately. Buy at the close.

Trading synopsis:

Selling was well done. Buying: 茅台 position too heavy, once started breaking lows afternoon is in danger. You only want to participate in the strong scenarios. You only keep buying if tue/wed when T-1 was weak, but fri-mon relnship not that clear. Morning: if market breaks low then rebound probability is low.

**Tuesday, December 13, 2016**

Trade pnl +18k

Negatives:

Positives:

good stock research, selecting stocks that was outperforming the rest of the batch.

宝钢股份 600019

世纪华通 002602

The above two are good stocks

Buying stocks on an up trend is important. Moutai is up 4.4k today.

Rule used: retHO

Note on yesterday's stock selection:

西部证券: 没有好的retHO, 上盘必须上冲才可以奠定基础

潍柴动力: 上冲不明显, 微涨

Stocks must break jan highs, and on an upward trend. No consecutive weeks of loss.

The thing with A50 fut is because there was a CL yesterday and this handicapped today's movement. 中国建筑 had a deep V and quickly got sold today. 平安 is just buying the index, which underperformed.

Flat open/negative open better. 宝钢股份 is a good example with the exact pattern. OpenP% low, pmco<0, ammax> ammin. 强股回撤.

Market had a deep v which is negative for tomorrow. Keep tomorrow position buying capped @ 25%.

Long term trend affects the short term performance. Both stocks that outperformed today are the long term uptrenders.

When markets are weak, look for strong stocks that refuse to sell off, especially the ones that people have put money into. Yesterday most people have lost money trading these stocks. They have a need to save themselves, thus increasing position.

Index cl 1.2%, ch negligible. Will be a tough rest of the week.

Pick previous strong stocks in which there are matching criteria. Pay attention to top 15 stocks with big size, sizeSizeT, usually the highest

Wednesday, December 14, 2016

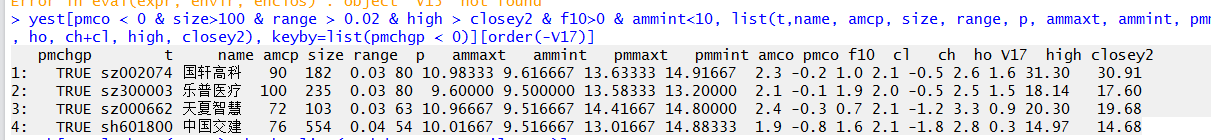
Looking at ytd big v, pmchgp is 54%, retco sharpe today is neg. Cut all pos at open.

Max pos today 25%.

Screening criteria:

pgchmgp < -20 (dropping pm)

Screening yields very few results. This means today is not suitable for much trading. Cut positions and relax today.



茅台 remaining for about 100k and costing 1.5% already. It was tough to get out of the pos.

Once index breaks day am lows, expected min is clustered around the end, which means you should buy at the end of am session

Sold pingan a bit early, most importantly it closed at the lows.

A50 is supported by the banks which are broadly up. It's fighting with the 中国建筑.

Thursday, December 15, 2016

Pre market analysis:

yest market dove in the afternoon for 50 bps, rendering thurs investable.

If f10 today is up, then afternoon got some investability. But sharpe is only 4.2, compared with Tuesday's 6.7 in similar situation.

Yesterday's positive AM and amfirst10 is positive for today's rebound. Ytd amfirst10 was +18 bps, which improves today's sharpe.

If f10 >0, put on 30% position, if f10<0, put on 15% position.

Bought about 1m rmb delta at open, probably should have waited a bit more to lower the cost.

2014001 spiking up, showing lack of liquidity today. Hold position until tomorrow 10am to see what happens.

After market:

Big caps underperformed significantly, ending the sep-nov rally. Big caps are down every day of the week. Big caps peaked on Nov 29 and been in a down trend ever since. Look at the general direction of the market with a simple 20d MA.

@630

Did analysis on bear/bull scenario. If open lower than 20dma then closingP is lower as expected. Market has been in a down trend from end of nov.

**Issue today:**

光大 and 中信 highly corr, had 37w delta on the same sector is not a good ex of diversification.

Each sector should have about 150k – 200k for divers.

Banks are the worst perf today next to insurance. All big caps sold off.

Backlash from ZJH BJH's crackdown.

Also rates raise concerns.

**Friday**

Few remarks:

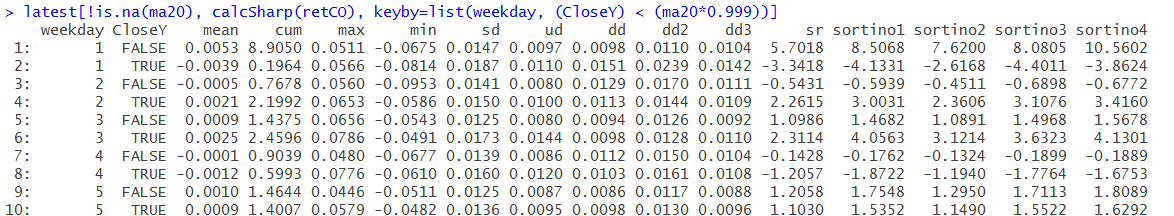
1. Offshore ptf down more than 5% in Dec, vol -25k, gold -10k, china etfs -7k, XU -10k.

US stocks kept rallying, killing gold and vol, position in oil didn't get rolled and cut dollar position early.

1. No competitive advantage in these markets. Let positions expire.
2. XU/china etfs, going forward, put on position only when current level > 20dma. This ensures that you are operating in a bull market. Since dec, market has shed more than 3%. I took the full loss on Dec 15 with full position on a Thursday.
3. Focus on developing advantage in A share market. Offshore futures used in hedging.

**X50 defensive trading practices**

1. Stick with true advantage. Tue wed PM, fri with +f10, thurs mandatory half position or below. Trade Monday with close > 20dma, open strength. Apparently Monday and thurs in bear market offers shaky returns. Bear market: trade 2,3,5. Bull market trade 1,3,5.
2. Use futures to hedge 1,4, weekday risk.
3. How to hedge exactly? Friday Night to hedge aggregate delta, Wednesday close to hedge aggregate delta. Hedge about 1.5m, overnight risk is potentially 2-5%. Positive news on the weekend is also potentially an issue. Control the risk with position sizing.
4. You are long small stocks and hedge with big cap futures. Potentially there is a mismatch.



1. Exit from US market. No advantage there.

Potential issue with trading with a full position.

1. risk
2. on the next Morning, don't have liquidity to buy any stocks, because the position is full.
3. Here is why 50% of position overnight is beneficial. Tomorrow morning can buy better stocks and tomorrow throughout the day can offload risk.
4. The exception is wed following a weak tues, not planning to buy anything for thurs.

Saturday, December 17, 2016

weekly recap

shcomp shed 2.5% on Monday putting the week in bear market territory buried under 20dma, rebound is weak thruout the weak and mtm of positions cost quite a bit. Defensive trading required at this level. Mkt peak was on 11/29 at 3301, dec2 news by zjh on crackdown was released, dec9 news on bjh cracking down on insurance funds were released. Both Mondays were very negative. It's the third consec drop follow -0.55%, -0.34% and -3.4%. Mon & Thu of this week showed distinct bear mkt behavior. Putting on some hedges once index closed in the top percentiles.

**Sunday, December 18, 2016**

1. Monday and thurs lost the most money, mostly buy pnl, this is bear market
2. Monday and thurs retOPC<0 don't chase
3. wait until tues/fri to buy strong

Made money on tues/fri, lost on mon/thurs, flat on wed.

Monday's mtm was -30k -> if index/SS opens down, liquidate at the open, that's what the market did. Also don't buy for the same reason.

Tue: unless Monday closed at day's high, can put on size. Selling pnl has been negative. This means Tuesday hold until cob.

Wed: On strong tues close, liquidate. Mtm -10k, selling pnl cancels that.

Thurs: Buying pnl cost -12k, mtm negligible. No wed low p% can save a bear market thur. Selling pnl is positive, means should cut pos at the open.



1. cut buying on mon/thur to 25% (under all circumstances)
2. no rebound play, buy only strongest (ammint=930)
3. Existing position on Monday: Any break low : sell, low open: sell
4. Tues strong. Big position is justified.
5. Wed is tasteless.
6. Fri has been good. Aim at strong stocks which was brought down by the market but inherently strong.

On buying rebounds:

美锦能源: 11/28 on close, trying to pull up at 2pm and closed down 3% the next day.

Buying stocks that rallied in the am that retreat in the pm.