Feb22,2016 Trading

Over the weekend, CSRC chief Xiao Gang was dismissed which could be construed as positive news by the ordinary stock investors who viewed his decisions as the reason behind china's stock market rout last year.

Fut opened at 1% premium. Cutting position last Friday was premature as bull market rationale has been established. I don't have a cost advantage here. Feel inclined not to trade.

Increase ptf size to 500,000 this weekend. This way a future's relative size reduces to 14%. It is more manageable that way and opens up to the possibility of increasing the default trade size to 2 futures.

Given the futures open, 72% we are in a bull market scenario.

mean retCC if weekday == 1 & retOPC > 0 yields 79 bps.

In retrospection of last week, during low volatile days of the bull market, intraday trading (with gradual position build-up is beneficial, because the chance of big drop/gain is small)

The premium lingered on as people are unwilling to sell out of this position. Although I would choose to be long, this level is not attractive for me to enter.

1318:

ttest retPMCO ==0 if weekday == 1 & retOPC>0.00 & ((amMinT1>9.5 & amMinT1<9.75)) & (amMaxT1>11 & amMaxT1<11.25)

Avg retPMCO is 34bps. I don't feel comfortable entering into a position here even if the return is positive. The reason being it is not even today's low. Basically, positional advantage can be divided into day advantage (day's lows), multiple-day advantage (multiple day lows) - it is a basic requirement to trade at day's low.

Reflecting on last week's trading, one commendable point was that the trades were done at day advantage. This will be a standing requirement for trades going forward.

**Tuesday**

Trading on a troubled emotional state today. Woke up on the wrong side of bed and things were not going well today. Have been down this path (Jan 10 2009) and cannot let this be an issue currently. I remember I was troubled but did not pull out fast enough. In hindsight, my first impression was correct but it was a hard thing to do at that point. Now it is good to be a lot more ruthless and tactical. There is an uncanny relationship between productivity and the period that the relationship was taking a significant downturn. Week of Nov 15, research started and relationship started to take a significant downturn. During January, big progress was being made and attention dedicated to the relationship was at the historical lows, with response span over 1 week. Care engenders expectation, which in turn results in disappointment and distraught. Emotions need to be restored to prime and this uphill battle with asymmetrical information needs to be halted. In hindsight, in 2009, it was a good time to cut her out in January. It is good to be ruthless in quashing these ambiguous relationships and as soon as it poses a problem to my main enterprise, it needs to be pulverized. I have not received a satisfactory response following the meet-up, nor did I feel satisfactory during the process. The response is perfunctory at best, and distracting to my main mission -> cut it all out. The purpose is multi-fold. I get to focus on my work, return to the normal state of being, throw the ball to the other court. I have too many issues currently to ponder about to be stuck in an uphill battle when I know nothing about the opponent. Interestingly, in January, after termination strategy has been ostensibly implemented, she reverted back. I remember those conversations were of contentless nature and perfunctory as to avoid stating anything which was meant to be a serious answer, those did not set back the opponent. During the dinner the eye contact was not good, during the walk-around in the bookstore, the body language was not very complementary, she did not turn back after she has crossed the border. These little details count. On Feb 10, 2010, the same ruthlessness was felt there she did not send you out of the hotel, you felt traumatized by the situation, you sent a message after the meeting – to ask to meet again – to be rejected. You were dejected in a taxi needing comfort from the taxi driver while the other party did not care at all about this. Apparently no progress was made from 2010 to 2016, when an interest displays cold blooded behavior, it is a repetitive mistake to prematurely dive into it and be emotionally traumatized by it while the opponent experiences little or none. Study of business degrees, heavy use of makeup, socially capable – you have been in this game before with the exact same type of opponent. In both cases, the opponent made the choice to degrade the relationship (2009Jan10, 2015Nov18) and tried to revive the relationship (2009Feb, 2016Jan). You succumbed to the revival, which showed that the control of the relationship was in their hands. This is the control that I won't yield going forward. I must be able to control the frequency of the conversation, bringing it to a level that I consider to be keeping the relationship going and is not detrimental to my main enterprise. The utilization of Fio in this case was successful, in the sense that she was useful as a filler for a few places. The timing of communication was in my hands and it was available on-call, which was satisfactory, and it had no effect on me because I perceived her to have no value and of temporary use only. People cannot hide what is in their eyes. Six hours of encounter is enough to tell if there is any chemistry, and the next few days were paramount in the mutual appraisal of the effectiveness of the meet-up. I took a bold step in (half false/half true) leading the conversation flirtingly, and a few perfunctory (and slow) answers were reciprocated with no meaning. The frequency of response is very telling. This is unfortunately another Mengmeng. The relationship should have been cut last Nov. Quickly de-escalate the situation, delay the conversation, reduce fervency and plan for this summer.

This Saturday I will need to sort out the additional funds issue.

Market took a dive and the buy was a bit earlier than should have been. This could have been attenuated by averaging down but this will not be done until additional funds come in such that the overall exposure is limited to be below 30% (with 2 futures).

Further research into HK stocks purchase have been delayed due to various issues including hand numbness, lack of overall effort lately.

Building of the crawler needs to be started soon, but this is not urgent as it can be done manually now.

Exploration of new profit revenues are more important. Then productivity boosters that reduce operating time are of interest later

Thursday:

Market took a plunge today. The position that I was trying to exit was illiquid and didn't get filled. This position cost me 4000HKD today on a 50k HKD delta. Bought XU on the close for the rebound. A few issues that need to be looked at include

1. How to determine the overnight position?

The correct strategy is important. On Monday mean-reversion strategy is the most dangerous. (2.3% drop below -5%). This kind of loss is quite rare. 1.6% of the entire portfolio. The lesson learned is that due to the illiquid nature of 3147, positioning needs to be limited. Lost 8% on the position today, which is quite ridiculous.

Going forward, a more flexible mixture of 2822 and fut can be constructed. Key: chasing is prohibited under all circumstances, controlling bias – long bias vs. short bias (this means the default position when long vs. when short). More flexible positioning with larger size, can more easily adjust position size without damaging the whole portfolio structure (as is currently the case, when trading 1 lot).

An additional 200k will be deposited into IB. With total size of 455k HKD. A multiple future strategy has a chance to be tested.

On a side note, upon critically reflecting on the relationship over the past few days, I have made the following observations. Out of the available choice set, desirable qualities which are valuable including height, appearance, capability and physical proximity, I do not possess an upper hand in any of those fields. Extensive communication on topics such as arts and common attributes were exchanged but it declined into perfunctory territory later. During the meet, a few questions were posed which were not answered satisfactorily. Communication frequency and fervency and length of message did not reflect the bilateral willingness for advancement, instead it appears to be unilateral. The reason for the visit is orchestrated, instead of spontaneous, there are specific reasons behind this visit, including wishing to elucidate on certain questions, checking for compatibility and confirming background. After sending through the message of mental state of confusion (one seemingly caused by norepinephrine), which (ex-post purposefully) conveyed the perception of neediness in an effort to gauge the counterparty's perception, counterparty replied diplomatically with no flaws, same as the diplomatic nonchalance observed in late 2008. The attachment was grown out of tactics of deserting, once fearful, anxiety, confusion and fear of loss will sweep over, especially with asymmetrical information. The way to fight the battle is to pull back, assume nonchalance, since the battle is lost in all other scenarios already. After the unsuccessful attempt to lead the relation down a different path, reverting the relation back to one of diplomacy and keeping a distance might serve well. Be proper, be distant yet courteous, be friendly yet rejecting. Information asymmetry is serious because there is no other party from which counterparty could obtain information. Asking questions is ineffective, and it is in the best interest to keep things obscure and keep PV high by not courting

**Friday:**

Initial assessment of probabilities:

retCO: 2.37%

retCC: 2.5%

retLO: -4.3%

retCL: 4.5%

Today the trade with XU was well. This week, suffered loss on 3147 position (Loss of -3500), made a profit on XU position (150USD). We need to specifically reflect the need to cut loss. Yesterday, probability dictated that it was going to close near the lows, however, position was still held until the end, suffering a major loss. The flexibility of the position is a big issue. This week marks the first week that a loss was incurred.

The principle of not chasing will remain in effect.

Vol on 3147 is very high, which means positioning in it should be reduced. Upon inspection of this week, XU trades were both winning, but 3147 trade was disastrous.

Shcomp failed to close above 20DMA which was the basis for liquidating the position, because it would imply a bear market condition for which the expected return would be negative. Chinext is firmly below the 20DMA, but position is still held due to an aversion to realize the loss (is this irrational?)

Issues this week include leaving naked long positions with no justification (like today and Wednesday (in which I put up the shares for sale but were not filled)). 3147 is extremely illiquid and should stay away from this product.

Principles such as the overlapping principle worked well this week. Adjustment of position based on this rule could have salvaged from the scenario Thursday.

With bigger account size, one position can be used as a foundation position and another position can trade around the position.

