May16 2016 Trading

Monday, May 16, 2016

Before market starts, we need to know what is the percentileYCat, retPMCOYCat and be prepare to compute amFirst5Cat.

First 5 minute was strong today and therefore the position was switched from short to long.

Today it was clear in the early AM session that market doesn't understand what's going on. Markets rallied strongly in the open and quickly the unrealized PnL is in the gutter.

Markets rose 16 bps in the first 5 minutes, percentileY was 36%, retPMCO was -35 bps.

There is basically nothing to do today. No advantage.

Median of ending percentile is about 50%. Not much to do.

1125 update:

The flip was well done based on the move of the firs5 minute.

There is a small advantage in the afternoon.

Ex-ante today's first 5 has about 44% of going up. However, it was very strong which altered the distribution. Therefore the short position was gotten rid of and long position was put on. This decision turned out to be correct.

There is about an expected return of 20 bps in the pm session. Therefore this position will be held.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| weekday | retPMCOY | Action | Median | Mean | Long Only | Cum | Length |
| **2** | **FALSE** | **L** | **0.00193** | **0.00223** | **4.20263** | **4.202628** | **660** |
| **3** | **FALSE** | **L** | **0.00246** | **0.00309** | **3.97023** | **3.970234** | **457** |
| **4** | **TRUE** | **S** | **-0.0015** | **-0.0023** | **0.34613** | **2.752201** | **457** |
| **5** | **FALSE** | **L** | **0.00124** | **0.00172** | **2.52759** | **2.527591** | **554** |
| **1** | **FALSE** | **L** | **0.00136** | **0.00103** | **2.16861** | **2.168608** | **790** |
| **4** | **FALSE** | **L** | **0.00122** | **0.00216** | **2.11935** | **2.119352** | **358** |
| **2** | **TRUE** | **S** | **-0.0008** | **-0.0031** | **0.6031** | **1.606906** | **157** |
| **3** | **TRUE** | **S** | **0.00027** | **-0.001** | **0.67576** | **1.432193** | **359** |
| **5** | **TRUE** | **S** | **-0.0003** | **-0.001** | **0.77194** | **1.265191** | **255** |
| **1** | **TRUE** | **S** | **-0.0112** | **-0.009** | **0.97305** | **1.027071** | **3** |

Tues and wed afternoon yields the most profits. Shorting on Thursday PM is about 30 bps of return. These are first tier opportunities.

Second tier opportunities: long on Friday 0.17% mean return, then long Monday PM offering 0.10% return, then 0.22% long Thursday PM.

Focus on optimising these opportunities by year.

**Shorting on Thurs, long on Tues and Wed are key profit yielders.**

Long on Thu/Fri/Mon are positive but they don't yield much profits, remember these are second tier opportunties.

The shorting on Tue, Wed and Fri is not stable. The threshold for shorting changes from year to year.

**May 18**

Yesterday PM was slightly up (13 bps)

Today opened 30 bps lower, first 1 was down, first 5 was up, first 10 was down.

Ammin was past 9.6 and ammax passed 9.7.

Overall a very unclear session.

The afternoon it is projected to lose 28 bps, the reason is that yesterday's pm was up, which will make today's expected pm return negative.

Futures are trading at 90 bps discount, showing unfavorable projects of the PM.

Afternoon expected return is about 3 bps for this retPMCOCat, as long as it doesn't close below the 20% percentile in the am session. If it does close below 20%, then expected return is -24 bps.

Position was built at 9222. Market still selling off. The median is already at the end of the AM session.

The nature of AM trading is unpredictable in nature and currently 1 position is allowed playing in this time period.

Did you calculate the probability that it was going to close in the lowest percentile?

Answer no. Upon calculating, 68% chance that the amClosePercentile is going to be in the bottom 20. (This meant a shorting position was supposed to be held until the close)

With 76% chance the AM session will close in the bottom 20% percent, and the afternoon expected return is negative. The 90 bps discount currently shows how people are afraid of the PM session.

AM closed at the lows @ 1.1% discount. Afternoon will lose 21 bps on average given Wednesday and yesterday's pm return range.

There is a little bit of pmmax>pmmin advantage in the afternoon. The advantage is reduced by yesterday's strong pm performance is a hindrance.

Now at 1.4% discount.

Now at 1.6% discount. While I don't know the reason for this sell off, I won't chase into it.

There are two factors that are detrimental to this PM: one is yesterday's positive PM return, the second is the negative amFirst10. Therefore I am reluctant to add position here.

PM opening is quite strong, max breaks 13:21, median of pmMax is currently at 14.5. Median for pmMin is at 13:36. A lot of shorts have been accumulated during the AM session.

At this point, median for pmmax is at 14.6. Shorts are undoubtedly controlling XU.

Shorts are still firmly in control, sitting on the amFirst10 and retPMCOY advantage, waiting for the retPMCH to realise. Sitting tightly at a -1.2% discount, it is quite something.

Shorts will need to massively cover for the markets to go up.

Even at 2:20, shorts are still firmly in control of the market.

5.19

Yesterday it was the typical theme, am weak, pm strong. The PM purchase was well done. As soon as the high broke out at 13:15, I could calculate the median of the conditional pmmax to be at 14:30. This was a golden opportunity to long. AM wise, the buy was put on at 11:00 which was quite weak.

The overall market sentiment yesterday was extremely bearish. People looked for every opportunity to sell off. Markets traded at 1% discount for pretty much the whole day.

Fut gapped down 50 bps at 1.33% discount. Smart traders know the bearish nature of today. It is difficult to short at this level.

919: 1.5% discount. Hard to short knowing today's.

AM start was quite strong. AmFirst1,5,10 was all positive.

This has a positive effect on today's PM session, while yesterday's positive PM has a negative effect. The overall effect is not very clear.

Thursday's max broke 10am. Median max is at 10.73, median min is at 9.866. Cuing @ 9270.

Markets still trading at 1% discount.

1006 short squeeze, back to 70 bps discount. A strong first 1/5/10 is wielding its power. The bid was OK. The best entry was about 9:35-9:40.

Afternoon is essentially gambling.

Help: a strong open.

Hindrance: a strong retPMCOY.

A big issue is how to figure out what the aggregate effect of the different factors.

Categorizing is only useful as a general indicator.

1049: cancelled the buy order. Afternoon is by no means clear to me.

For three consecutive days pmco was positive. I don't think this looks good.

Although the previous 2 retPMCO was positive, today's first 10 was so strong and PM expected return is still positive.

Shorted in the afternoon due to the weak pmFirst10, however, the pmMax broke 13:30. How does it weigh in on the result?

1409: The long is having a hard time since they want to guard against the bull market today.

Markets participants think that Friday is a strong day and try to build position at this point. However, this session is not even over yet.

Discount is at the top of today's range (94%percentile today). Discount percentile is at 100%. You can feel the urge and the impatience of the market to go long but it is a bit premature.

The long is very tenacious. Shorts were cut into the close because the offshore investors think Friday is strong. They cut in a fear of a strong Friday.

Position is flat now.

Discount of fut went from -1.44% to -0.5% while index dropped 0.24%. Index was up 70 bps.

People's understanding of Thursday as a weak day is making it more difficult to trade. Futs started trading at a big discount first.

By the end of today, the discount massively reduced from -1.44% to 0.38%.

Friday, May 20, 2016

Discount continued to reduce towards 0 as investors are getting excited. Today's afternoon will be good for long due to yesterday's afternoon. Find an opportunity to cover the position in the morning.

The short was covered because I don't feel that positive about shorting today. Mainly due to the first 10 min which was strong. Yesterday's weak PM also puts a positive spin on today's PM session.

Today afternoon enjoy a small advantage due to yesterday's pm being down. Hold it until next Monday.

Correlation between amFirst5 and

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
| 931 | 0.0942 | 0.0389 | 0.1342 | 0.1694 | 0.0977 |
| 932 | 0.1182 | 0.0894 | **0.1738** | **0.1912** | 0.0821 |
| 933 | 0.1516 | 0.1364 | 0.1731 | 0.1698 | 0.0784 |
| 934 | 0.1805 | 0.1879 | 0.1611 | 0.1564 | 0.0879 |
| 935 | 0.1957 | **0.2124** | 0.1472 | 0.1705 | 0.1115 |
| 936 | 0.1979 | 0.209 | 0.1512 | 0.1593 | 0.1414 |
| 937 | **0.2037** | 0.1831 | 0.1625 | 0.1398 | 0.1648 |
| 938 | 0.1971 | 0.1569 | 0.1629 | 0.1276 | 0.1854 |
| 939 | 0.1919 | 0.1339 | 0.1733 | 0.1073 | 0.1978 |
| 940 | 0.19 | 0.114 | 0.1705 | 0.1094 | **0.1995** |
| 941 | 0.1958 | 0.0997 | 0.1665 | 0.1042 | 0.2017 |
| 942 | 0.2013 | 0.1001 | 0.1743 | 0.0955 | 0.2019 |
| 943 | 0.201 | 0.0887 | 0.1866 | 0.0877 | 0.1922 |
| 944 | 0.2042 | 0.0686 | 0.1975 | 0.0855 | 0.182 |
| 945 | 0.2064 | 0.0442 | 0.205 | 0.0897 | 0.1806 |
| 946 | 0.2152 | 0.0302 | 0.2079 | 0.0874 | 0.1795 |
| 947 | 0.229 | 0.0306 | **0.2138** | 0.0885 | 0.188 |
| 948 | 0.2425 | 0.0457 | 0.2078 | 0.0921 | 0.1972 |
| 949 | 0.2586 | 0.0564 | 0.2025 | 0.0948 | 0.1979 |
| 950 | 0.2636 | 0.0724 | 0.1977 | 0.109 | 0.203 |
| 951 | 0.2695 | 0.0857 | 0.1941 | 0.1208 | 0.1953 |
| 952 | 0.2674 | 0.0957 | 0.1918 | 0.1294 | 0.1884 |
| 953 | 0.2634 | 0.1009 | 0.1953 | 0.1423 | 0.1801 |
| 954 | 0.257 | 0.0921 | 0.1958 | 0.1477 | 0.1803 |
| 955 | 0.2523 | 0.0878 | 0.1983 | 0.1497 | 0.1815 |
| 956 | 0.2471 | 0.0841 | 0.208 | 0.1515 | 0.1916 |
| 957 | 0.2488 | 0.0852 | 0.2187 | 0.1544 | 0.1969 |
| 958 | 0.2446 | 0.0943 | 0.2259 | 0.1513 | 0.1953 |
| 959 | 0.243 | 0.1036 | 0.2238 | 0.1532 | 0.187 |

Lows broke 13:42, there is no longer point in playing in this session -> liquidated position. The weakness was unexpected.

Weekly recap:

This week, I implemented the autocorrelation of the retpmco into trading. This was quite effective.

Went into this week short.

Mon:

The coverage of the short was done based on first 5 being strong. This made sense and was correct. The incremental position was correct. The holding through the afternoon was from

Tue:

AM was expectedly weak.

PM is unconditionally strong. Could hold some position there.

Wed:

The first buy was too early. The second buy was well done, based on the observation that amMax broke at 13:20.

Thu:

The short was done well, but the future was trading at 930 at 1.44% discount, and at the end of the day, it was trading at -30 bps discount.

Fri:

Opened massively higher. First 10 minute was bullish, then it was apparent it did not want to sell.   
I got tricked by the low at 13:43. This warrants some research. From the fact that yesterday's pm session was weak, this

One issue on Friday is the conditional distribution. The conditional median is 13:48 in the PM with even a negative T-1 PM session.

Other issues this week:

morning strategy:

