Trading 2016 9 12

**Monday, September 12, 2016**

Fut opens about 9722. Position is about 30 bps underwater.

Be cautious today. Last Friday buying was not very prudent and it is not a tested strategy.

Advantage: the low level in the index

Disadvantage: Fri->Mon continuation. World weakness.

China is ok to hold compared with HK at this point.

@906 Selling pressure it is strong here as market is in fear. For A share, I don't see there is a reason to panic in terms of valuation.

XU is at 1% discount. People feel fidgety. I am going to control my risk at this point and not going to buy anymore. I am about 50 bps underwater. This easily killed my Friday profits…

Market was in a panic @ 9140.

H has been going up for 2 months, focus on trading the A-H convergence.

Refrain from buying today – no advantage. Friday evening buying was not correct, since Monday usually overreacts. Tuesday rebound probably is going to weaker this week since there are only 3 trading days. The reason behind the Tuesday strength is due to the fact that there are still few days left in the weak for rebound.

1428 opens down 6%. I was playing with fire on Fri…

Index opens down 1.19% , not the time to buy now. Will buy some at close today.

Picked up some 2823 @ 10.6. My thought is A will outperform H since A hasn't rallied as much and H has rallied with US. Fundamentally, China's low rates will make it more attractive to hold stocks compared with HK/US. The issue with HK is a bit more complicated. HK is affected by US a lot and is affected by US rates, however, mainland cash prefers HK as a firm currency and will support HK. This lends to the argument that HK will outperform US. However, since RMB depreciates, attractiveness of A share is quite uncertain.

At 3000 level, it is hard to say china is in a bubble, with easing expectation it is hard to justify a panic at this level.

The issue with 2823 is that the discount has already reduced for quite a while and it usually follows H, if H has a crash it is hard to say.

If it doesn't rally to the closeY at the end of the am session, pm session will have a hard time. People are buying into 1428. It is rebounding much strong than H.

It is hard to rebound since smart money won't want to hold the risk of an US overreaction on Monday. 2823 follows with H in going lower. It's premdisc is correlated with A/H spread. Breaking lows here is not good.

@1032 Market broke day low. Paying the price for buying in Friday afternoon. Market was correct dropping off. Position offside by 1% at this point now, back to beginning of August levels.

@1044 Friday-Monday continuity Aug12-Aug15 bullish two sessions. May6-May9 was a bearish Friday-Monday continuation.

@1100 Smart money is not buying at all. Overnight buying was more likely to win on Monday night, Tuesday Night, Thursday night. Friday night I knew that there would be a big chance of low open so it was a low probability play from the start. You are simply being punished for that imprudence here.

@cannot make money if you buy today. There is noone buying, only sellers, today long positioning is definitely shaving off (there is no significant candles which are green), which is good news. 2823 is underperforming everything because it has a built-in long H component.

When things don't go well on Friday, liquidate. keep a close eye on SPX.

Position is down 1.3% with index down 2%. Not much advantage in the PM here.

@1144 This is a big wash. The opening condition does not warrant any buys here, opens down 1.3%, this is usually an indicator of crash.

2823 went down another 2% since I bought.

@1213 Today's session is very slow. A pretty thorough risk exchange is carried out. Buyers are very slowly taken out, any buying today would result in a loss, however, if holding period is longer, then you don't care about the mark to market.

Come to think about it, Monday has not been a good revenue generating day. There seems to be a logical link between

Bought 1 lot because pmFirst10 was up for the index.

@1326 Feels like a good opportunity here. But if it doesn't work well, I can't handle the downside consequence -> trade with options. It is really tempting to pick up another lot here.

@1332 9625 broken, this is a key psych level.

@1339 Bullish people basically get in here and buying power is slowly exhausted. People are afraid to buy – so am I.

@1344 Market heading south again. If it fails to rally here it is pretty much over. Within the next 20 minutes things will become clear.

@1347 During these times the worst practice is to chase.

@1354 Difficult session here. Kudos for not chasing. Ouch…low is broken. Gona be an ugly day. No more position increase now.

@1356 After a round of washing, people are scared shitless. Then a big and strong positive candle here.

@ 1358 I chased in here a bit for another lot @9605. The point is to lower my cost.

@ I don't see in panic, so it is good to pick up some position here. The point is can you handle the washes.

@1402 probably a trap here.

@1424 Market rallied a bit as per the indication by the pmFirst10. XU trading @ flat.

@1920 fut trading @ 1% discount. 9570/9669.61.

The position bought on Friday is offside by $200 each.

The position bought this afternoon is offside by $40 each

The last position is offside by $25.

Overall, the long position is offside by $510.

The sell is earning about $80.

Overall, the total position is offside by $430.

Today's mistakes:

Not realizing that 2823 has an implicit long H short A component in it.

Last Friday, was not careful enough, I was in the mentality of trying it out.

However, the overnight positions cost a lot of money.

Positives:

The intraday trading was flawless. The buying was justified based on the pmFirst10, and the selling was based on a rally up. Market gave up all of its late afternoon rally in face of uncertainty of the Monday session, however this worry turned out to be exaggerated and market recovered a bit. Net PnL for the day is -2000HKD, could have easily been 4000+ loss.

**Tuesday, September 13, 2016**

US rebounded last night, premdisc at flat now.

Big gap down from Monday, that is an advantage.

Current advantage:

1. two days of drop
2. Hard government support @ 3000 which was visible from yesterday PM.
3. Gap down on Monday which gapped down 1.6%.
4. Level is at 1 month low.
5. Strategically the current level is quite attractive. I look at the 100 month line as an indication of the relative attractiveness of level. The fair value should be at 3000-ish. There isn't too much bubble at this current level.
6. Market at the open is cautious and not in Euphoria, this is good since that means there isn't much bubble at this level. Emotion at Euphoria is hyper excitement and price going vertically up. Looks like people are still scared of something.
7. Many people have been washed out.

@917 Quite interesting 250 lots can cause the fut to sell off 20 bps.

News came out that china wants to do reverse-repo which will supply market will cash due to the cash squeeze during the holiday season this year. When people are relatively uncertain, that is the entry point strategically. Once the trend is very clear that everyone sees it, it means most people have traded on it

Usually 80% of people will get stuck in a trend unless you are the first 20% of the people entering the trend. Unless you entered before 2014/11/27, you will be stuck in the trend losing money.

@927 Market only opens slightly up on Tuesday. I still see a lot of cautiousness. Probably people are afraid of further correction in US and the fact that china closes on Thurs and Friday.

@ 931 Markets are cautious as opening is not impressive. Some people sell. There needs to be a round of washing.

Disadvantages include that yesterday closed at a high percentile (in spite of the gap down).

I will hold these positions until the gap gets filled. Markets are scared and start selling off.

@1006 fut tanks, traders giving up on the AM, the range is currently 40. Market sells into discount.

@1010 People reduce position before holidays. I could sense that the market has been weak since the beginning. People keep getting out here. What you see is that market didn't rally at all today. Market sentiment remains depressed and subdued. Fut tried to break the high at least 4 times and wasn't successful so it sells off in frustration. Now apparently the sellers are way more than the buyers.

@1014 Since it was established that I am here strategically, not just a short term play, so I will hold this position for a few days.

@1020 The shorts are really struggling at this level. Level determines everything.