Trading 2016\_9\_26

Market opened lower and quickly rushed lower, which indicates a weak session.

Last Friday, the decision was good not buying anything. Monday-Friday bearish continuation exposes too much risk.

Equity market is currently in shambles. With US on the verge of raising rates, market is fragile and sells off on any hint of rate increase, HK is heavily correlated with this move. China's equity market after last year's rally has exhausted all of its strength.

RMB and JPY short positions are making money which shows US dollar strength is good to play recently, equity market is currently not in favor.

Currently, China relies on increasing household debt to support its GDP. Property is seen as constantly profitable

@1729 was out the whole day accompanying zhulei and his boss to tour around shenzhen. The position is off by about 2.1%. Market opened low and amFirst10 was negative,

Now the position is hard to add. Make sure there is room to add position. Tomorrow afternoon poses a good chance for rebound.

Adding position here would be incorrect today all day.

What's done correctly is that from Friday to today there is no addition in position.

Sep/Oct roll is trading at 42.5 and this reflects people's need to roll their long positions. It is hard to justify buying the roll here.

USDJPY took a hit as people are not convinced that rate increase will happen this year.

It is very hard trade here.

Friday-Monday continuation is pretty ghastly.

Going forward, don't trade too much on Friday as the rebound is weak, leading into Monday it would be burial. Tues-Thurs are relatively

The recent losses were attributed to buying on Friday and the paralysis on Monday.

On the issue of how much position to use, the strategy is still not mature. Specifically, when to reduce position is not understood well. You hold full position (inflexible) and hold this position rigidly wishing that there will be rebound.

Thursday pm session was the last chance to sell before the weekend. One must make the assumption of Friday-Mon bearishness in bear markets. You also held full (usable) position through the weekend – this one is an obvious mistake.

From Monday aftermarket to Thursday aftermarket you can have full position. You have 3 full days (Monday PM, Tue, Wed, Thur) for a recovery.

The roll cost massively increased because noone is buying to support the front month and traders still expect a drop of 80 bps until Thursday.

Position sizing control is key in bear market. Positioning needs to be kept light at most times to keep alive.

Flexibility is important.

Also going back to the fundamentals. Markets are in a downward trend…trading long won't help. I want to hedge against some tail risk with HSCEI options on Fridays.

Another interesting observation is Chinese government wants money to flow into the real estate sector, not stocks, drawing liquidity from the system, making stocks go lower is good for the property market.

Real estate companies contributed 50% of the revenue growth of all A share companies, increasing at 44.6%. If not for property market, chinese economy would have a much slower growth.

@1138 Market rallied in the morning but only slightly. Cash shows the pattern for rally, with a low percentileYCat, and low amClosePercentileCat,

Wednesday

Yesterday market closed at the top percentile which makes today's trading tricky.

@933 Traders selling because they are scared.

@ First10 is negative, and with yesterday's closing percentile it is not that great to hold.

Adv: 3000 level is a good support. Wednesday.

Disadv: High percentileYcat. Negative amFirst10.

I don't like to trade too much, if it's not Thursday I prefer not to touch the position. The most important source of loss for the past few weeks is buying on Friday (afternoon & after market).

If I did not long too much on Monday, I would have bought on Monday close and realized a decent profit. So position sizing is very important and you must not have big position overnight because this disables you from further movements.

Roll collapsed to 7.5 from almost 40 yesterday's morning, showing yesterday people wanted to roll long and today people cut oct and bought back sep.

@1018 Futs are unable to rally past the opening level here. This is a bearish sign. People start selling off here. Markets directionless all morning. The pattern looks like a drop in the AM followed by a pull up in the PM, instead of a bullish session.

@1026 today is mostly bearish, but the valuation here is appealing.

@1131 Solid negative amfirst10, ammax firmly at the beginning of the market, some attempt to rally at 10:17 and failed and sold off thereafter. Afternoon flat correlation with yesterday. Low amClosePercentile will help but only to a small extent. Yesterday's pm rally was a rare opportunity and this needed capital and a smaller position going into this opportunity.

Monday and Friday positioning needs to be light, this means very little buying on the dip on Friday (to avoid a negative continuation from which one cannot get out), and if Monday gets destroyed, then Tuesday PM provides an attractive opportunity. Even seasoned players get shaken out of the session.

@1348 Markets remain actionless before the holidays. Noone wants to sell or buy. Buyers want to wait until the holidays where sellers think this level just doesn't justify any selling.

Thursday, September 29, 2016

Market opened high and USD is rallying quite a bit against JPY.

@925 USD is panic rallying against JPY. Positioning around the 100 support level is an OK move given your investment horizon. Nikkei is rallying 1.5%. Seems everything is led by energy price going up. 2823 is starting @ 10.44/10.46, which is only a 20 bps meager up from closeY.

@929 Trading system is saying should double position here.

@930 Fut sold off a bit at the open and cash is not very steady either. Noone is quite firm on the bull day yet – good. Fut is unable to sustain the 9600 level apparently.

@935 At the 3000 level to be long a bit is not too bad. Feels comfortable to be long at this level. Market opens quite strongly today. Rather solid amFirst10 today. With a low percentileY yesterday, things don't look too bad.

@939 One driving factor is Shanghai starts to move real estate registration, the impact is unclear but some are speculating that this is a step towards levying property tax, if this is the case then stock market will be a beneficiary of the money flowing out of the real estate market.

@945 Price stalls but lots of sellers have been depleted of stamina. People seem to like this 3000 level as a policy lower bound.

@949 Some traders start to give up and sell. Onshore remains strong.

@1010 you didn't add position on Monday afternoon? This was a big miss.

Friday, September 30, 2016

@525

Overnight US was weak on Deutsche Bank and the fears of global contagion. China is about to head into a big holiday next week and with US going down it may be difficult today for any substantial action.

Today I can't do any buys so I am stuck again. This week once again showed that buying opportunities are on Monday aftermarket, Tues all day, Wednesday all day and Thursday (before thurday aftermarket). Friday and Monday it is best to limit the size of the position.

Your real advantage is PM and day to day negative correlation. Therefore you need to keep position size LOW on normal days in preparation for an opportunity. Having a constant position doesn't get you anywhere.

You lose flexibility if you hold big position on Monday (because this will limit your ability)

The cost from holding USDCNH (the short carry on the CNH) is not enough to justify holding the position.

**Friday, September 30, 2016**

Market opened at 9607.5 and quickly sold off initially. HK will follow suit to sell off following the US session. Sell-off in front of the holidays are likely to avoid crashes like Jan16. A big sell-off can be expected here.

In terms of fundamentals, whether European crisis can affect china is uncertain. The effect and magnitude of this influence is also uncertain.

@903 A solid down move. Apparently there will be more sellers than buyers today as per market sentiment.

World markets recently are fragile as Yellen keeps tampering with interest rate expectations and Europe keeps having issues, US equities continued to outperform the rest of the world due to its isolation from Europe. Although affected, US has quickly climbed to record highs after a brief risk-off period.

@ 916 HK sold off aggressively.

@919 Shorts became excited to sold off below yesterday's min level. Futs in discount. It would be

good to take advantage of these trading behavior by positioning at the most advantageous levels, provided by the day traders. Longer time horizon is a free option.

It is important to have some flexibility by keeping a smaller overnight position. I am stuck at this level again with a hefty position and not able to get out.

HK is much more exposed to the US than China, as can be seen from the big inter-day jumps.

Day to day overlap provides a much higher chance of success than intraday trading.

Before holidays, people tend to keep exposure low

@935 index @ 2997, from the first few minutes, markets wants to rally despite Europe (which one can argue doesn't affect China much, in the same way that after the initial down following Brexit, market quickly sprung back up.

@951 Solid amFirst10, shorts today under water, shorts cover position.

@953 Looking at HSAHP recently, seems like it is building a bottom near the 120 area. Positioning here in the A shares might be worth a look.

@1441 Risk off spirit continues. False rally near 1410 but this is not Tuesday (but Friday before the big holiday where people need to keep risk low to fend off uncertainties.) Yesterday's pm was already down which should put a positive force on this afternoon. The weakness is due to the Friday.

Friday afternoon – spend some money on hedging with a put spread.