Trading Sep 5

Monday, September 05, 2016

Market gets pushed to 0.6% premium. I am carrying some position from last week. The reason I am long is because on Monday, a bullish opening is usually sign of a bullish session. If it was Tuesday I would be more likely to sell. But since this is Monday, I am not going to sell.

USDCNH is down 11 bps at the open.

FX opened @ 515am HKT.

week Open mean cum max min sd ud dd dd2 dd3 sr sortino1 sortino2 sortino3 sortino4

1 FALSE -0.0017 0.4680 0.0516 -0.0814 0.0183 0.0115 0.0141 0.0209 0.0136 -1.4293 -1.8541 -1.2514 -1.9303 -1.820

1 TRUE 0.0034 3.6104 0.0566 -0.0586 0.0161 0.0096 0.0126 0.0150 0.0120 3.3687 4.3055 3.6064 4.4939 5.1377

HK opens higher by 1.3%, wow. Jumped from 9675->9822.

H is much stronger than A at the open. If you want to buy today it will be at a pretty big premium.

On the open, china isn't willing to rally very much.

First 10 is actually negative. Cut position.

HSAHP is at one year low @ 121.7.

Tencent is amazing for keep breaking highs. You can hold some high quality stocks that pays interest/dividends.

@1021 Market rallies to break highs, however, the min @ 949 and a negative amFirst10 means that it is just a normal session. Therefore I decided not to hold the position here. PD is at 0.21%, abot 38P.

Interesting, market rallies here and PD goes to 0.47. Tencent rallies to 207, wow.

@1109 Market is attempting something here, trying to set up for an afternoon bull indicator, tries to rally from the 9882 level @ 0.53 premium. Premium is a bit big to justify this level tbh.

@1118 The setup was not successful. This triggered a sleuth of selloff here. This is another reason that trading level, not direction is important. Strangely, market is still at 50 bps premium. I find this premium a bit big, although it is at 50P. Afternoon first ten will be important.

Index closes @ noon @ 9811.29, and index is at 9867.5. IH1609 is trading at flat premium. I don't get where the premium is coming from.

The same situation is happening with 2823 2822 3188 where ETFs are up 60-70 bps in PD.

@1356 PD retreated a bit, but resilient. @1413

@ PD tenacious @ 45 bps. Surprising to see this type of strength. This is the same level as which I sold my position at. 9862.5.

@1448 What happened is very strange. Market rallied 15 bps and futures rallied even more.

@1457 Futures stay stagnant at about 34 bps discount. Daily discount percentile 12p. Cash rallied about 20 bps from 1445.

**Tuesday, September 06, 2016**

On HK open, HK rushes up. This reminds me of Oct 7 of last year, where market rallied 4%. HK likes to rally when other markets are closed it seems. You see that markets were in massive overbought stages (6-8%) on Oct 7th, 2015.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2015/10/7 | 11 | 11.06 | 2.8% | -0.54% |
| 2015/10/8 | 10.7 | 11.31 | -2.7% | -5.39% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2015/10/7 | 12.3 | 11.53 | 2.5% | 6.68% |
| 2015/10/8 | 11.88 | 11.76 | -3.4% | 1.02% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2015/10/7 | 42.9 | 39.49 | 4.9% | 8.64% |
| 2015/10/8 | 40.8 | 40.58 | -4.9% | 0.54% |

That aside, @ open 9872.5/9823, 50 bps premium. Will not chase into this one.

Amfirst10 is down.

Hscei has much stronger rallying will than A. When US is closed, its buying potential is unrestrained. A is much weaker.

@1025 Market recovering a bit, after the selloff in early morning. PD @ 0.19.

@1033 PD @ 0.18, 14P, the position is much more comfortable to sit on. Given yesterday's closing percentile @ 33.5%, this afternoon looks reasonably OK.

I value of the comfort of the position. A position is comfortable to sit on.

Adv:

1. Tues
2. Yesterday's closing percentile is not high
3. Fast panic, way out of true range

Disadv:

1. first ten is negative.
2. ammax bad.

Overall, the situation isn't as good as rally up then retreat, ammax is super ugly. Markets are currently scared.

@1041 Market still being scared. Picked up another lot @ 9805. Won't be buying in the AM for now.

@1048 Markets are reluctant to rally at this point, will take some more time.

@1057 Rallies, distributing 1 lot here.

@1112 The current level from Monday's perspective is still attractive.

@ Harder to trade the options since you would have to have more position on the way down to make back the transaction cost.

@1116 Market @ 0.11 PD, AM session fut shed 50 bps of discount, PD @ 7% now. Percentile of the index is about higher than middle of the session.

Afternoon adv including reverting back to Monday's level (part of the reversion is done at this point). Selling pressure is still very high here.

@1120, at this point, it is the long gradually selling position now – not a good point to pick up. The first three buys this morning was good because They were done after the panic, and it is the first rally. After the first rally exhausts the buying power, I don't want to pick up any pos here.

@Mkt already running out of steam.

HSAHP is at 120, one year high.

@1401 Liquidated the position @ 9870, market kept rallied for about 30 bps. Market went from extreme panic to greed. Now we are at Monday's highs. I am not a fan of chasing at this level. Reason is am was weak and there will be force dragging it down. Remember to trade level, not direction. Now this level simply isn't attractive for entrance.

In hindsight, during low levels it is where the chasing should take place, definitely not at this level.

Wednesday, September 07, 2016

Almost top of the true range now, +0.5% PD.

9877/9835.

@937 Long 1 @ 9857.

AmFirst10 is positive. However, selling pressure is quite big here, mostly due to yesterday's bullish afternoon. Today it is not wise to have too much position. It will most likely retreat due to yesterday's high closing percentile. Markets are fidgety.

The current level is at 3 day high. It is quite hard to sustain here. H is super strong compared with A.

@1029 market rallied rallied quickly here. The level is not desirable to long here. Afternoon distribution is not that great. I don't want to do anything here. The range is small this morning.

Amfirst10 is up…you long a whole bunch of puts. Now the advantage is high percentileY.

The disadvantage include: amfirst10 up, Wednesday, low amMin and high ammax (which all help with afternoon).

@1300 Strategy is saying not to trade solely based on percentileY>0.85, which is the model parameter.

PD is @ 0.08 now. I have not seen a flat PD for a while.

@1322 Afternoon opening was weak, it wants to rally at this point but I am quite skeptical, reason is yesterday rallied a lot. Then again, the range is small it could rally out of this range (out of 9900 area). Note that only quick falls are deserving to be shorted – quick price movements usually go through emotion, not brains, and anything that appeals to emotion will open up opportunities. What you need to identify is emotional behavior. Short term market movement is mostly determined by emotion, and this will cause prices to oscillate.

In terms of success rate, the day to day overlap has been a consistent source of profit.

@1438 The transaction cost is quite crazy.

The market moves too little, cannot trade reasonably. The round trip T-cost is 16.6 per lot. For the effective delta of about 10000, this is a lot! (For XU futures it is 3 US/$10000 exposure). When market is not moving, you can't use options, because the expected profit cannot even cover the T-costs.

@1501 Options were hard to trade today because the range of the move was small and not enough positions were accumulated at the low levels. One circumstance to trade options is when market is moving a lot, recently the volatility is just too low.

Few circumstances to use options:

1. morning big drops following a low percentileY day
2. At the end of the day of a crash day (?) This is in question because fut always goes into discount on the same of the crash and this provides a good buying opportunity. What about the options?
3. It is much harder to make money on the short side than the long side…there is not much bubble around this level.

Comfort of overnight holding, overnight holding has been generating good profits. There are people trading with huge position size and need to limit their risk by the close – make money off their desperate desire to sell, which means you cannot overly accumulate during the day.

Confidence that can make back the losses anyway (and gains are inevitable through time)

A strategy that has been tested to work regardless of market circumstances. (Robustness of a strategy)

Long run test of a strategy.

How the notion that 80% of people lose money on any trend can help you identify a trade opportunity. Increase holding time when having an unrealized loss. Accumulate and disseminate. Don't build position in irregular circumstances like huge -/+ retOPCs. Trade when previous day ended low, this guarantees a smoothly upward sloping asset line.

Reduce positioning when previous day ended in high percentile.

Take key strategic positions at strategic levels– don't care about direction. Direction attracts people to follow and a trend is a trend because most people have bought into it anyway. Trading assuming that most people are correct is a way to sure destruction.

Thursday, September 08, 2016  
Market is in slow retreat early AM. Yesterday was a weak session that couldn't support the rally. However, xin50 appears to want to rally trying to revert to the true range.

In retrospect, Tuesday was the best opportunity since Monday ended up with a low percentile and morning started with a panic selling. Opportunities like this are good to seize.

I was considering why Tuesday and Wednesday presents good opportunities. Monday usually reflects a digestion of the news that happened over the weekend so people overreact. Tuesday people want to buy because after an oversell on Monday, people are yet to release their buying potential.

Today the market was moving within a 50 bps session, the range is too small for any meaningful trading. I therefore did not participate. Some analysis on the leverage was done, which indicated about 1.5-2 times of leverage would be suitable given the volatility. That would indicate around 8-11 futures. This would be the max size at the moment. Slow and meaningful position building would be needed.

During the beginning period of the year, it was buying low and holding overnight that generated the profits, the losses were from buying at day's beginning when percentileY was high. The losses in Jun and July was due to position liquidating when things go bad, and not having position when things are better. This happened with 3147 where I bought around Jul 28 and sold on Aug 12. This was strategically a good purchase since this happened after a big drop which would have a compensating revenge rally.

The key to position building is first check the range for the previous 2 days, 5 days and 1 month. Low level is always attractive, whereas high level is not safe. Market is fundamentally unpredictable but markets oscillate above and below value.

Fri-Mon continuation is an interesting phenomenon.

A lot of money has gone into playing the HK stocks. The discount H names are heavily bought into. Luoyang glass is up 38.95%.

Mainland shares are at a low compared with HK shares, if HK is a leading indicator of A shares, it would be somewhat interesting at this level.

Now people are starting to be aware of the HK bull market, put on some positions to play this move. Also, ambush A since valuation will pick up in the last part of this year to catch up with H.

**Friday, September 09, 2016**

There is a reason why H has been outperforming A.

The reason is investors get to **long HKD** in the process, which offsets the RMB depreciation risk. There has been no panic buying yet. H was cut in half last year, and rallied 33% from the lows of this year.

This is the most important reason behind this rally. They will need to buy big good quality blue chips here.

The important thing is how to preserve the value of RMB. HK shares are a primary destination and because it is linked with US dollars at the time being. People will want to exchange their currency into HKD.

Mainland shares don't move because investing here means you will lose your value gradually. So investing in H share will be strategically the direction for companies going forward.

Citic funds: carry out. Temporarily put in HK dollars.

Pboc is defending the 6.7 level fiercely and this is public knowledge because it does not want the currency to drop too fast, however, it is in china's interest to have a falling currency.

This is a negative for HK because if RMB is not depreciating, Chinese won't have the pressure to quickly move their money into HK. H share is usually more sensitive than A shares. It predicted the top of the market a lot earlier than A share.

Now the news of the insurance companies able to investing in HK is out, it is a chance for people

to take profit.

Market usually moves as a result of rates (how easy it is to obtain funds and leverage) and investment preferences and hedging needs. HK stocks which is denominated in HK dollars are more attractive than mainland stocks for this reason.

However, HSAHP is already at the lows if you chase H at this point, it will be quite dangerous. Start building position in A and H.

Chasing with a small position. Not touching these position for a while.

1. Withdraw cash from Citic

@2142, market dropped to 50 bps discount. Bought @ 9762.5. The low levels of today. My cost is pretty advantageous from this week's point of view. @Bought another @ 9757.5. Will stop trading here. I am prepared to hold this position for a while.

What an interesting session in the H share today. The rally continued to 14pm and started dropping since. It has dropped 2.6% from the highs.

This shows how crucial it is to cut position when market is on the way down. Don't have high hopes – stick to the fundamentals. At this level a lot of profit has accumulated and this makes the level super dangerous.

Holding A here is relatively OK compared with holding H, that's mostl

Fut is at one month lows. Although next Monday poses a lot of threat, I still bought because I think strategically this level is comfortable

Yesterday's high percentile made today quite dangerous.

SPX keeps selling off but it is at the absolute highs.

@2255 Market @ 80 bps discount, selling off another 30 bps. H-share also selling off hard, almost breaking 9900, gains since Wednesday is all wiped off.

Market is 1.5% off the afternoon level.

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