2017 11 13

Ytd in Dapeng. Did some in-depth thinking about trading this year.

1. Follow high sharpe stocks (all stocks currently in ptf are high sharpe ytd stocks)
2. Add on lows. Ytd sharpe needs to be maintained to be tradable.
3. If losing money on 1 stock, do not add position until the position comes back to positive
4. Future expires at the end of the month, can be taken as a natural step to take profits and rebuild position
5. Stocks need to be cleansed of losers at month end. Time cut-loss is more efficient than percentage cut (emulated from day trading perspective where positions are liquidated at the end of the day)
6. Prefer to trade highest sharpe stocks for day trading, these have the best rebound probabilities. Trading ICBC resulted in trading loss for last week.

Monday Trading, AM:

ICBC and changjiang elec hedging each other well.

No need to do much today.

Net pnl sharpe weak @ 0.36. Normal for Mondays.

Huada gene strong again.

Banks rebound.

Electric weak.

Consumer stocks weak: Yonghui, Haitian, yili.

11.14.2017

Weak tues morning, no more position adding today.

Cut ICBC position by half to move into China merchants bank

This week looks in adjustment.

A little too much pos in big caps which are correlated. Moutai, futs, insurance, changjiang elec.

1022:

Markets continue to correct. Looks like some heavy correction is in store.

Wait it out for a few days.

The key is first not to add position too quickly too early. Ensure that the position added on the way down is no more than the position added on the way up.

Second is when AM shows real weakness, that is when adjustment occurs. For the entire last week, AM pnl was positive, that was true strength which necessitates some correction this week as people need to be washed out. Down about 0.8% of position in the first hour of trading.

Look at tomorrow’s am to deduce market strength. Today just stay put.

13pm

That AM drop has destroyed the graph. Wait out this week on light positioning.

11.14

Drop weight down to below 70 first. Aim at about 65.

Aim for that stature.

Month end cuts. Keep all winners and cut losers in half.

**11.15**

Futs dipped lower in overnight trading.

Currently holding about 600k delta which is enough for this level.

AM got smashed with -28k.

Should reduce position/at least not add when AM sheds too much blood.

Tues and wed AM cost about 33k so far.

Heavy AM drops -15k on tue and -12 on wed.

PM +10k. Negative corr and PM strength makes PM rather innocuous.

This kind of AM move clearly indicates bearishness.

Put a hold on trading until market recovers in sentiment.

Futs get smashed 50 bps into close.

Fut pnl is being eaten into – don’t add pos here.

For haikang, big players are exiting their pos. Not smart to chase in here.

Problems/Issues/Improvements

1. Hist China: compare year high dates. The close the better. Trade T on these stocks. A lot of people do technical analysis, try to fathom what they think. (They prefer to trade stocks that have a good technical shape)
2. Look at cumulative AM loss as a measure of weakness. (Solely looking at the AM as an indicators for trend, PM rebound is meaningless for trend, it is a statistically mean reverting)
3. You are missing T trades on strong ytd stocks. (moutai, huada gene). Players will play T on the strongest stocks.
4. At the first stage of sell-off, most players are in a profit. There aren’t many that haven’t entered. Increasing position in the first stage of fall is wrong.
5. Small players don't get to trade T on these big price stocks since the are afraid. (Big price effect) (This also could be due to survivorship bias)
6. Look for stocks stronger than the indices.
7. Apparently a new high effect here.
8. Stay away from stocks closing at absolute lows (0 percentile), gaps lower (shower large amount of selling)
9. Whole markets are adjusting,
10. Aggregate AM positive to make sure trend is ok

Trend pnl: wtd AM

Compensating pnl: wtd PM

The key in a downward trend is to use compensating pnl to make up for trend pnl.

1. Keep delta constant to avoid being hit on trend pnl on T+1
2. Need trend pnl>0 and owed pnl<0 (don’t owe any pnl)
3. Stop trading when trend pnl <0. This happened on Tuesday and applies to stocks on Wednesday.

11.16.2017

Tradable stocks by trend pnl: ICBC (2k), huada genes(1k), fangdatansu, aier eye (170)

Look for trendpnl-owe pnl >0 .

PD went down in US, still bearish on china. No more position additions.

Market open down -3k, not planning to buy much, just a few here and there.

Was droning this afternoon. Market rebounded strongly after 2 days of correction.