12.4

Was in sanya. Ptf reversing to positive trend. Check tmrw.

12.5

Select trend pnl > 0 stocks/futures.

Preferably not owing any pnl.

Overall trend-owed > 0 .

Big caps are in a good position this week with trend > 0 and owed pnl flat.

Trend pnl starts heading up.

Can start build pos here.

Things learned from XU movements since Nov:

Nov 22: reached regional high at 14000

Nov 23: thurs. Ideal situation for a big drop.

Nov 24: Fri. AM sold off, trend pnl negative. Afternoon up. (showing correction not over)

Nov 27: Mon.

12.6

Trend pnl this week is 30k, owing about 4k pnl.

Very healthy week compared with previous.

You see strong autocorrelation in the trend.

When trend pnl is neg, cut AM position. The trend players trade in the morning.

PM movement is more systematic, positive netting, with strong neg autocorr.

AM profits long run sum up to 0.

How to handle the November correction:

November correction lasted 2 weeks. From Nov 22 to Dec 1.

Most of the correction happened between 11/23 11/24 11/27. Costing 3.3%.

When a correction of this size happens

1. Reduce size. Don’t add quickly on so called panic days. Accumulation and decumulation should be based on Sharpe and monthly pnl. Not one day pnl.
2. Size reduction reasons are high portfolio/market vol, psychological cost, negative monthly pnl, and bad ytd sharpe.
3. Don’t accumulate unless week to date trend pnl is up, the worst thing you can have is keep adding position when market goes into correction at the top.
4. During corrections, let the market drop for 1-2 weeks. Let AM trend pnl crash and PM traders to swing in and out on neg autocorr, after trend pnl reestablishes by a strong positive trend pnl, you can reenter.
5. Morning jumps when wtd trend pnl < 0, you need to cut pos and avoid that AM trend autocorr
6. Trading on AM trend is hard, long run you have 0 return. Unless your skills are good, try not to trade AM too much. Slight future adjustments if needed.

1017:

Market weakens as AM trend struggles for direction here.

Since this is already the lows following the Nov fallout after retail had been washed out, level is not that expensive.

1130:

1.3% down on the delta. Trend pnl -17k.

Stop adding position.

After market:

Reflection:

Was overconfident at the beginning of today hoping that big caps are going to be strong.

Result is AM trend pnl was very negative, and PM resulted in a crash and day traders came in.

Market is way weaker than expected.

Shows that yesterday’s strength was not real strength, but due to day traders.

Overall sentiment is very weak, with short term money shifting in and out of big caps/small caps on a short term basis. Today added 400k of delta which had 1% of loss on it, again extremely weak.

Risk preference has definitely not come back.

Weakness:

1. Overconfident, believing that markets should be strong, should keep going on
2. Not taking pmcl autocorr seriously, at one point futs crashed to 13k (from opening 13280).
3. Added too much moutai (about 150k) without enough justification. Just unjustified confidence.
4. Confidence is climbing more than the market sentiment is climbing.

Strength:

1. Halting of buying on XU upon negative pnl. This is important as you ditch the idea of averaging down on your cost blindly. Buying on negative pnl only applies when strong PM is expected. Not when you speculate.

12.7

Compute weekday correlation matrix for AM and PM.

Autocorr for AM and PM.

Mine microstructure a bit.

Test rebound strategy.

1. Buy 5 min intervals, with 37% rule (calibrate the length of this window) (37% rule means use 37% as a testing window, and make a decision after 37%)

12.7

Markets super weak.

Cut mostly all the stocks. Keep the main ones.

Futs cut delta tomorrow AM.

Play conservatively, drawdown is a bit big.

Stick to very light position.

Only do futs pm play now.

Stay clear of trend pnl.

Stay clear of stocks. Trading cost is much bigger for stocks. 0.0002+0.0005 (0.07%)

Fut trading cost: 1.5 USD / 13000 delta. (0.01%)

Bear market strategies:

1. Use futs, you need to frequently enter and exit position. Future is cheapest for this. Because you need to do pmco and sell in the mornings.
2. Keep stocks to steadiest stocks only. High sharpe low vol. Have minimum position.
3. Stocks are more useful to hold for long term due to cost, futures is more useful for short term trading

Future strategies:

1. Closing at deep discount on T, buy after market. Wait for chance to liquidate next AM (making discount)
2. Ytd closing at low percentile (with no rebound), put on position in PM. (1206/1207 there was rebound and these owed pnl would be given back in the next few trading days)
3. Whenever a previous day is negative trend, cut trend pnl continuation in the next AM.

12.8

Down 12k trading this week. Stop adding big positions and work with 25% position until stocks/indices are above 20dma again.

Indices below 20 dma. Weakness expected to continue.

Keep stocks above 20 dma.

Enter mtd positive. Wtd lowest point.

Futs:

Unload aggressive in Am spikes (price/premium spikes).

Accumulate in PM.

**PM**

Markets rebound but it doesn’t matter. Indices are all below their 20dma, this is just a relief rally from the last two days of selling. Most stocks have broken charts with bad ytd sharpe.

Don’t be tempted to buy too early. Wed bought 400k which was too much, then thurs cut too much.

You should limit daily ptf move to 5% (stock ptf). That would be about 100k. You moved ptf by 20% then you couldn’t handle the volatility the next day.

Accumulating and decumulating needs to be long term decisions.

On futs: very effective at short term trading due to low transaction lost and deep and broad liquidity.

1. AM cuts are essential whenever you have a spike.

Week review:



12.10

Trading reflection:

Determination of trend

1. Ytd sharpe
2. Mtd pnl
3. Wtd trend pnl. (Sum of am returns)

Entrance point:

1. Wtd low
2. Day low at the close

Mistakes this week:

1. Buying wed AM just before an adjustment until Thursday end
2. Selling at Thursday lows.

Adjustments:

1. Selling at month end only.
2. Accumulate at 5% of ptf per day. (100k for stocks) to avoid greed
3. Deccumulate at 5% of ptf per day. (100k for stocks) to avoid panic.

Futures:

1. Avoid taking on too much trend pnl
2. Position size related to the wtd position
3. Post close buying