Trading Apr 24 2017

Start using kelly criterion.

Did some research in the morning. By giving the system, p, q, b, one can calculate the optimal bet size.

The issue is from the kelly suggested bet size to futures betting size. I used the worst return as the potential loss on the trade, and use quarter kelly, kelly/4/worst loss = leverage. For example. for Tuesday afternoon trading when Monday closed at the lowest, Kelly produced a 50% bet, the worst performance for this strategy is -2.5% (given low closing percentile and ammax>dayminy),

EOB:

Markets failed to rebound and tomorrow pm is a good opportunity to load up some position.

dropped 20k after 2pm as a result of Monday, accelerated into close due to fear of low open. Trades were put on in the PM which were fine.

Not much point to trade today. Lost 10k on buying shipbuilding. Overly exposed to this sector currently.

Today is bear market Monday scenario where market headed straight down at the open. This situation doesn't warrant any buying.

The pm isn't reboundable. Pick stuff at the close to buy.

If pm has positive expected return, then should start building position at 13:15pm. For a situation like this, f10 negative or last retpmco positive or closing at the highs, the expected pm return is negative, then should only buy at the very last of pm session.

In summary, when index retpmcoy, f10, and single stock determine that pm is reboundable, buy in early pm.

When index retPMCOY, f10, single stock determine that pm is not reboundable, then should buy in late pm, should buy slower.

Today there is no rebounding energy at all due to funds waiting until tomorrow pm to effect actions. Buying pm was correct, but should wait later until close. Tomorrow pm start should also build position. If no advantage, don't put on full position. Today there is no index support for the pm at all.

> resMerged[weekday=="1", calcSharp(retPMCO), keyby=list(first10>0)]

first10 mean cum max min sd ud dd dd2 dd3 sr sortino1 sortino2 sortino3 sortino4

1: FALSE -0.0002 0.9073 0.0687 -0.0399 0.0100 0.0071 0.0076 0.0105 0.0072 -0.2392 -0.3158 -0.2290 -0.3329 -0.3296

2: TRUE 0.0024 2.3334 0.0264 -0.0641 0.0090 0.0052 0.0079 0.0087 0.0070 4.2468 4.8791 4.4121 5.4590 6.3005

Overall, ptf down by 70bps today. Monday pnl cumulatively is about -60k since inception. This is not good. This means strictly controlling Friday exposure to ensure control over Monday mtm. Also buying needs to be delayed very late to pick up things only at close. PMCL buying should only be attempted when expected pmco is positive.

On selling, today the selling pnl was positive. Be more aggressive in selling when market expected return to the close is negative. When you saw that f10 was down and market was panicking, exit all position at prime time, you had a chance to exit even at a profit. The expected return until the close was never positive today. This is something to take note of.

**when market permits ( index closeY low, strong open, tues/wed)**

**Buying: from early pm to take advantage of pmcl and positive pmco.**

**Selling: hold until pm close**

**When market doesn't permit (weak open, closeY high, Thursday, bear market Monday)**

**Buying: at the close.**

**Selling: whenever market rebounds intraday, reduce position, never pick up.**

Tuesday, April 25, 2017

Before open, futs stable.

SS side due to heavy positioning ship building is opening down 2%. Ytd buyers at the top losing about 5%. Some rebound is expected at this level but don't chase in at the open.

F10 looks good. PM will be tradable if index tanks.

Ytd's stocks aren't that good, underperforming the market. Causing quite a bit of loss.

The switching happens quickly. Within 10 min the position drops -20k.

Stocks are too volatile and there's not much sense in playing this. Go for less volatile sectors.

Have to trade in less risky sectors. Markets are still very fragile and easily pile into safe harbors like wine/appliance.

Markets offered good opportunities for example in moutai.

Trade solid sectors that are widely in discussion and in play.

Bought some xiong an concepts and making decent returns from it, up 5%.

When quality stocks tank小天鹅 or 茅台 buy a bit.

Stocks are generally in play for a long period. The trend for quality continues.

Stay away from unstable sectors that are subject to haphazard plays.

Insurers were the worst sector for a while and now the sector is starting to recover. But its still a shit sector.

4/26/17

Difficult to select stocks since they are all at 3day highs after Mon's panicky lows.

People are selling out of the wine, white goods sectors to pile into the small caps.

Apr 27

Thurs. Ytd mkt was +am and –pm which puts today in pretty good position again.

XU futs remained weak in fear of thurs sell-off.

Futs weak, stocks are weak as well.

There was some panic in the morning, picked up some delta on shipbuilding. Net delta about 1m.

This morning bought some switching cost. The panic was quite big. Ytd pm was down which poses a pretty good return for this PM. Overall it looks ok.

Index needs to wait until the pm to trade some delta.

Given today's am and expected positive pm, tmrw's market is barely tradable. Wise not to do much before the holidays. Bought some panic and that's ok.

Very typical bear market situation again. Mon thurs week.

**Friday, April 28, 2017**

risk preference picking up as small stocks pick up and a50 gets hammered. Quite a bit of selling pressure here as AM keeps getting hammered.

Sold a stock early. Should wait until AM max. Paid some switching cost here.

Buy a bit of futures at 13:15 . Nothing much to do in the morning session.

Day traders sold everything they bought ytd, putting it at the same level. At this point, no much real buying is taking place. Faking buying is prevalent.

Ytd, short term capital didn't enter shipbuilding, insurance and materials, as seen in negative pm that was below market.

Shipbuilding is attractive from the perspective of underperformance vis-a-vis the market and at a 3 day low.

**Strategy evaluation and improvements:**

Researched on selling strategies.

If index closed on the lows, the best strategy on T+1 is holding until the close.

Monday was weak due to bearish sentiment at this level. Index closed down on Mon. Stock selection was very good, but sold during the day. This shows lack of knowledge regarding how to sell on T+1.

When index closed low on T, always hold until close of T+1 to realize the full potential of the pos. When index closed high on T, sell at 9:30-10:30. This makes intuitive sense.

Buying: On Mon/Thur, markets easily panic, data shows to enter in PM for maximum average return. This means to let the risk sell off first. This in turn means that you should never buy big position on Wed or Friday.

On tues/wed/fri, the best entry point given a low T-1 close is to buy at the open. This maximizes the return on the day.

When markets close high, you are supposed to buy at the end, given AM is a gamble as usual and pm will mean revert.

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| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | Buy | Sell | Position size | Note | | Index closes high Ytd | Ytd close and today close (NO buying intraday) | AM open - 1030 | SMALL (30%), 0% intraday | Play AMHO only | | Index closed low Ytd | Ytd close + today open + pmcl | PM close | BIG (50% ytd + 50% intraday) | Compulsory holding until EOD. | |  |  |  |  |
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