Trading 2017\_5\_2 Shenzhen

Monday

Open

Ytd was off for Labor day.

956

Market sentiment weak. Third day in the row am is negative followed by a weak rebound. Lots of chips changing hand at these levels as people go out of the market.

Index is in an awkward position with wine/white goods overpriced wrt rest of market. Insurance had its run. So big caps a

**Wed**

1402

Markets a bit weak and rebound comes later than expected.

Buy some at the close.

Cut the delta on XU by about half at the close of market.

5/4

XU closed at the low percentiles of the day. I have pretty heavy position.

This is why not much buying was attempted yesterday. Reason is if there was no rebound there is no extra day of cushioning. Today faced with liquidity shortages.

Index is weak at this point.

Due to today’s uncertainty, there was no meaningful rebound ytd.

5/5

Some thoughts on this week:

Market down -1.6%. Ptf was down -2.4%.

Market firmly in bear market territory.

Ptf is more correlated with small caps.

Need to know how much the ptf is attributed to big caps/small caps. For every stock, classify it as big/small. Currently the space has 300 shsz300, 500 small caps and 50 big caps.

Be careful with market is in bear market territory, no point to overbuild positions on Mon, Thur, Fri. Fri nobody wants to build position in fear of next Mon, making that CL very weak.

Index: focus purely on pm trading. AM buys don’t really work.

Stocks: in bear market territory use lower sizings.

This week Thursday’s CH hurt, followed directly by a bearish continuation. It’s no question market is in firm bear market territory.

Few things:

Take note of Thurs CH, don’t leave position too aggressively towards close.

Know the classification of a stock, whether it is big or small cap, spread out delta exposure. Fri overly focused on small caps.

**Bear market only 2,3 tradable. 1/4/5 light pos.**

Ytd’s positioning was way too aggressive in hindsight. Friday doesn't have good rebound statistics.

Most money is lost in the mtm. The sell pnl is better than last week because I have been selling at the close. Buy pnl is controlled well, price is very close to the close.

Weekend news are more likely to affect the small caps so there is less desire to trade on Fri. Thurs it is the liquidity effect all across the market. Monday it is the weekend uncertainty that needs to be digested. Experienced traders would only trade on tues and wed.

**Futs:** long term holding is fine, but sharpe is not great. PM sharpe is only reliable profit source as per research. Should maintain a lower pos.

AM buying on futs not working well. Focusing on PM trading has been hard since always attempt to enter earlier, this is a big weakness.

On other front, diversification of buying is needed. You need to understand about the stock universe better. Buying two stocks from the same sector doesn’t help reduce the vol.

Sector concentration warning needs to be put in place. One sector cannot eat up too much delta.

Ytd picked a lot of high HO stocks.

Bear market: focus on tue/wed, light pos on mon/thur/fri.

Bull market: discuss later.

Fut: focus on pm trading. Esp when AM drops a lot. The bigger the drop the better. Only for index trading the pnl has better Sharpe overall.

Now the position is overexposed. I used full position on a few occasions. The next AM is a slaughter with no defense. Counting on some pm rebound.

The model used to be half positioning at close, and leave half for morning panic and pm opportunity and close buying without needing to sell early.

The opportunity of having a full position at close include

1. The bad AMCO with no sharpe

2.cannot take advantage of switching cost

3. Cannot buy at the close without selling some position before the close. (cash shortage)

4. Cannot take advantage of higher pm sharpe.

5. Position overexposed during the day. (not comfortable with the current swing)

Full position on thurs close was definitely an error. Need to correct this.

5/7

Trading:

Too much positioning was put on small caps last week.