Trading 2017-5-8

Monday, May 08, 2017

PM.

Stocks bought last thurs pm are doing poorly. There is an exit from a lot of sectors.

Index continues to march lower with a deep V. Not the time to take big pos.

Keep trading big stocks and stay away from smaller ones.

Trading quality stocks becomes important when market turns poor. Last week’s big position is having some big impact on the positioning currently.

**The position is at their lows, give it until market close on Wednesday then liquidate them,** not smart to liquidate at this point because it has just endured a fri-mon continuation.

Big firms exited on Thursday.

Should stay away from stocks that have had a big rally.

The main issue with the trade is the size of the trade on Thursday, in bear market Friday should be protective play mostly. 4,5,1, got hammered.

Recently positioning has been a bit bigger than before. This leaves little flexibility.

Should stick to about half the sizing at close.

Limit the mtm loss on thurs/fri/mon. This implies buying little on wed/thur/fri.

So buying on mon/tue close is only allowed.

Big caps are doing well. Small caps are hammered into the close.

The logic is pretty clear. The liquidation started on Thursday, and lasting through a fri-mon. Most people cut from it at a loss unless cutting on Thursday.

After market:

1. Market opened low, f10 negative. Am didn’t touch y close.
2. Tradable days are only tue and wed nowadays.
3. Thurs pm liquidation starts, Friday no one picked anything up, mon market continued to drop

Regulatory environment:

1. Regulation on small caps, splits and new issues
2. cash pool regulation
3. harsh regulatory environment

Some pointers going forward

1. 1,4,5 keep sizing small.
2. Stay away from non core sectors with no revenues. These sectors don’t offer any concrete returns.
3. Let index probability distribution play a bigger role. (Today, the gap down, -f10, amMax<closeY all indicated extreme weakness.
4. Focus on pmco on good days.
5. Cut current losing positions on wed.

Tuesday, May 09, 2017

Liquidated the previous pos after switching was over.

Always cut at prime time instead of delaying it. Cost an extra 50k ytd.

The issue was mostly overpositioning on thurs and couldn’t cut on Fri.

EOB:

Positions did ok but not spectacular. This time around mostly got killed on Fri and Mon on full pos.

Thursday, May 11, 2017

Ytd markets had a good am and weak pm. Still tradable.

Morning open quite weak as there are apparent algos to cut risk.

Risk is much lower with the current blue chip ptf. Unlike small stocks, it will be less volatile and more difficult to make back what was lost, but that’s ok.

The current blue chip ptf is stable and doesn’t need much position adjustment.

Exposure to multiple bluechip stocks are important to hedge the overall market. Insurers hedge against downturns. White goods and wine are generally good. Shipbuilding is high beta and we don't’ want that. Want low beta stocks that can resist market downturns, not stocks that have high beta that increase leverage.