7.18

昨天暴跌。However it was not a clear liquidation session. A lot of people who bought the morning’s fall are going to try to liquidate their short term holding today.

Be cautious in the short term and look at AM up session to start building.

Futures at the minimum position and stock position increased by 20%. Focus on the best stocks.

@ Close

Holdings very weak, cut most of the holdings. Futures trading went well.

Previously strong stocks are quickly falling apart.

7.19

Need to know that nothing happens out of the blue, there must be deeper reasons that you are able to feel.

Cai cai: she is full marketized and there are over 15 people giving her red packet. For a marketized good it is essentially winner’s curse. She made a mistake in publishing that red pocket record, which would make people realize the low marginal effectiveness of their red pockets and discourage it going forward.

W L: look at what you actually got. Look at what she wants. Through words, she is trying to inspire sympathy and get money, words are cheap though. Look at what you received and what you gave. Especially look at how she behaved before and after red pocket. Look at how she behaved when you tried to get stuff from her. Also at the beginning how she asked continuously for a certain type of gift. Very eager to make money through all means. Either through begging or inspiring sympathy. Look at what the pressure is trying to get you to do: mainly monetary. Is there a desire to find out more about who you are? Previous lies are quite rampant. Giving you tea/asking you out, or saying that there was chance to ask you out. By playing it quite confusing and make you think that you are responsible for the situation, she is trying to achieve what she wants there. Compared with E cup, there is not much in it. Remember never to give benefit of the doubt, use Occam’s razor, always look at current aggregate input vs. aggregate output. Examine pre and post money behavior, examine signs of actual investment (non verbal). Look at things that are easy to do but not done. The feeling of being used monetarily is gradual and did not build up overnight, the mistrust also built up slowly, to the point that words are no longer trustworthy, only trust oneself and don’t give benefit of the doubt.

Overall, due to fully marketization and primary motivation, this is not a good source.

Full marketization means that it is not an equal footing, from Jun it could be felt that it was not reciprocal due to attention division in a fully marketized scenario.

Life misc: healthy lifestyle. Getting up early makes better partners.

**Markets:**

Tuesday had a deep V shape which implies a weak afternoon session. The morning was way stronger than expected which was interesting. Stocks and futures retreated in early PM session. Overall positioning remains very low to wade through the current uncertainty.

On optimal buying points:

Strong pm advantage is needed. (Today such advantage is not present). Index ytd was big V which means today position should be low and no adding.

Tuesday PM was a good spot to load up position.

Strangely this AM is way stronger than expected. Given such a weak tues morning wed morning should follow suit and sell off but main index is ultra strong and even into the early PM index is strong.

Another pointer to buy is when self ptf is in the red. Today ptf is in profit, adding would be bad in general. Ytd noon was the best time to add, when ptf/market (either) is profiting don’t add. General a strong ptf/index is usually general sign of strength and it would not be wise to chase in either situations.

Intraday vol is much higher to do facilitation trading.

**Several things going forward**

1. Morning delta control. More aggressive cutting delta. This is for personal utility.

**Position pickup**

1. Only on down days (down days means portfolio down days or index down days).
2. Only on down days where the previous day was not big up. (This is an important addition)
3. Only on pm (start of pm all the way until close)
4. Usually keep a light position.

**Position dissemination**

1. Cut in end of day
2. Cut 1/3 at morning open, 1/3 at morning 10:30. This is for Sharpe improvement.

Misc

1. Cut profitable positions
2. Cut high openers
3. Cut high closers last session

**7.20.2017**

On the issue of strategic positioning.

Down days vs. updays positioning.

Cutting time.

Accumulation time.

1. Key is pm accumulation, and accumulate stocks that had a down day.
2. Two day low or wtd low.

**股票大忌：**

1. 在别人没问的情况下聊position/strategy (seeking confirmation and stress reduction)
2. 对自己的策略过于自信，寻求confirmation
3. 预测市场
4. 风险集中化，不懂对冲 (lack of knowledge on modern portfolio theory)
5. 觉得自己持仓较好 (familiarity bias)
6. 执念太强，对于自己的策略，仓位，市场波动，比较倔强，尤其是到让人比较反感的程度，比较喜欢聊自己的仓位。

Showing these signs are usually signs of bad trading. Keep distance and reduce contact with incapable traders.

Good traders:

1. Always keep in mind everything is random and only a small probabilistic advantage exists in mean reversion
2. No emotional attachment to the positions
3. Charts never lie, asset line never lies
4. Never herd with other traders, this is an independent business, herding is for weak animals
5. Never emotionally bond with other traders especially over market views, as herd behavior is dangerous in this business
6. Never seek confirmation from others on positions or position sizing, this is seen as a weakness and a taboo
7. Never discuss your positions/predictions/market view, as these are not useful to other (good) traders
8. Never have an illusion of control, you have zero control over stock prices.
9. Full diversification lowers idio risk.

**Misc:**

Keep a distance from fully marketized people, there is an imbalance between emotional weights on each side. People that fail whatever criteria in the earlier stages should not be given the benefit of the doubt. Benefit of the doubt is very expensive when it comes to decisions like that. Behavior that is shown in the early stages is telling and need to be taken more seriously. First impressions are important for a reason. Treat these like trading positions, cut when it doesn’t perform, diversify across better assets.

EOM:

Markets were strong and ended up closing at the highs.

Didn’t do T trading because didn’t think market would be this strong.

Gree and shangqi offered good opportunities to do trading.

Changdian made further advances today closing at hist highs.

PM performed forcefully again today. Markets have a sense of bullishness associated with it.

大族 performed well but cut all of it.

Intra-week should give stocks a chance to react to events. Cutting or adding delta very fast is not a good idea. On Tuesday cut 1m of delta and one Wednesday these cut positions generated quite a bit of pnl. When you cut should do it gradually and modestly and 25% change in ptf size is the max. Build and disseminate slowly based on a gradual trend instead of 1 or 2 day move.

What I am saying is that you should act slower than the market to filter out any drastic moves which don’t represent the long term market behavior. You should take a smoothed approach to positioning management.

For stocks, always give it some chances until Friday to cut. Weekend risk is one of the more serious risks in trading since a lot of negative news could come out during it. During the week, the stock has a tendency to mean revert so giving it sometime to revert is necessary.

Today didn’t trade because ytd closed at the highs and ptf made money yesterday, which generally implied that today would be weaker, however, the market is so bullish that the usual rules don’t apply. Under these market conditions, trading T would generate handsome returns but it would have a high sharpe ratio if you look at the long term.

Do modest T trading during this market since it appears bullish. However the trading should be more symbolic and definitely not leveraged.

XU futures is rising very rapidly recently at 11920, almost a 20% increase in a matter of 3 months.

The presence of changjiang elec is like a pillar in the portfolio.

Doing T on the other big cap stocks is also quite comfortable and convenient.

**Some misc stuff:**

Advantages in xin50: for the first half of this year, I have been stably profiting in XU, as trading in futures is generally hard and making money in it is quite an accomplishment. The general reason for this is doing T on positions and understanding of the probability distributions and also asset base is much larger.

**Some key notes on trading XU:**

1. Monday risk control is paramount, cut pos at Friday’s close and Mon morning if needed. No speculative trading on Monday, rebound very unlikely.
2. Rest of the days can freely trade PM
3. Tues AM pay attention don’t get buried.

Today (720) risk cutting in the AM was quite aggressive but this reduced the volatility of the position over the day. Paying out a bit for a calmer state of mind was good.

Previously the requirement on position pickup was quite stringent and was only allowed when **previous day closed low** and only in the PM.

In more bullish scenarios, these restrictions should be more relaxed and general pmcl trading should be carried out even in days succeeding a strong close day.

After a round of risk liquidation on Mon/Tue, markets seem to have entered a brand new rising channel (for big caps).

7.22 Some keys on using leverage

1. stock ptf needs to emulate index to single out idio risk, you need exposure to all sectors. Financials, banks. Stock ptf did better than the index for that reason on Friday. Less exposure to financials and more to construction/cars/traditional “safe” stocks on Friday.
2. Normal positioning should not be full position

Misc:

Further cash injection:

7.23.2017

Wishful thinking is one thing that is detrimental in all aspects of life.

Always look at what you paid vs. what you received up at that point to decide.

Ephemeral nature of payments: their utility lasts in the magnitude of days. Not much reciprocity.

**Reduction to first principles:**

If something adds less utility than it costs, there is no point in doing it.

If something causes confusion, err on the side of caution.

There was some attempts at emotional manipulation which doesn’t work because I am more rational than emotional.

Concept of minimalism:

It is best to get rid of something if it is of negative value to you.

Treat it like a stock in a portfolio, give it some time and if it doesn’t perform just cut it.

Being minimalist means to get rid of all that is not necessary.

Don’t go in circles or keep coming back. Just turn away and be gone for good, fast, even if it constitutes just a little bit of negative utility. I don’t need negative utility.

You notice that the best time to cut is the first time you become confused instead of letting it prolong to the point of no return, usually 3 weeks or so it’s enough to decide. Once negative feelings, feelings of low self-worth, doubt, anything objectively negative creeps in, it is not useful to maintain anymore. It is usually hard to cut losing stocks because people have unrealistic expectations.

Anything that works usually is easy and effortless, if it consumes a lot of effort it is not meant to be.

When you speak/write, eliminate extra words.

When you deduce, use occam’s razor, use 0 assumptions and work with facts, not deductions.

When you decide whether to get rid of something, look at overall net utility.

When you look at a habit, look at time utility gain + actual gain vs. time consumption + utility loss.

If you have to squint to see it, it’s not there.

There is no difference between something that exists and inobservable to something that doesn't exist at all

Trading:

Weekly percentile is quite important.

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