11.21

Problems with stock delta neutral

1. Mishedging risk, PDD went up 30%, apple went down 20%, FB went down 13%. Nasdaq down 6%, stocks not scalable, idio risk high
2. Too much volatility, one month vol is about 30%. (annualized to 100%)
3. Illiquidity risk
4. Earnings risk. (happened on PDD, AAPL, Tencent:was up 4% overnight)
5. Stock short fees higher than ETFs, which in turn is higher than futures

Solution

1. Switch from stocks to ETFs, QQQ, SPY (ETF for smaller size, as grows bigger, can use futures, future is $100k USD per lot, Futures size too big in US, around US$ 100k per lot, so stick with ETF long/short for now, costing about 0.5% to short.)
2. Diversify across countries and asset classes
3. smaller position, do 1 direction consistent with yDev and mDev)
4. spread different markets, countries and asset classes.
5. Futures strategy: wait until market overbuys and oversells. Observe at open: overbought (at a few day high) + dayDev<0, can short. Oversold (at a few day low) + dayDev>0, can long.

After market opens:

1. No advantage with shorting today, covered in full (correct)
2. Side needs to be consistent with yDev+mDev (no random flipping)
3. Once index closes at high(or recent hi), look for T+1 dayDev<0 (when year direction is down)
4. US net short should have made money, but spreading (AAPL-, FB-, PDD+) killed it. Switch into ETFs.
5. In general, look for short term weakness(overbot, oversold, and look for day sentiment against that overtrade, never go against dayDev)

11.23.2018

Covered my position.

1. Always wait until after market opens to trade, depending on day Dev
2. Only tradable direction is mDev/yDev (switching direction and cutting at unfavorable level is one reason for loss)
3. Trade when markets are not moving, once it moves, only cancel position
4. Never go against dDev
5. Cover once flat at dayOpen (accept loss, done for the day, max 2 trades per day)
6. Trading time: pre-open, based on ytd’s