3.19

Fut open with no clear direction.

Last trading date:

1. market closed at lowest.
2. PM was down
3. no aggressive shorting, only hedging.

At close:

1. liquidate what was bought today
2. Keep hedge on for tomorrow AM and overnight
3. No need to hedge in the PM if previous PM was down.

After market:

1. Hedging lost money
2. Take profits on hedging often
3. Front put vols were very well bid, much better bid than calls
4. Put vols closed at the highs of the day (showing uncertainty
5. Hedging needs to take profits to intraday trade (avoid accumulating too much position)
6. Bought vanke which didn't rebound at all (high at open, never went higher than open)
7. Should buy on first pull-back (after breaking open level)
8. After index up day, hedge
9. After index down day, trade on first pull back. Buy stronger rebounders.
10. Trade less than original position, don't accumulate overnight delta
11. Fut always keep short delta to hedge stocks.
12. Intraday can have full delta on stocks. Make sure to liquidate everything that is bought at EOD.

3.20.2018

1. vix jumped 20% to 19
2. US indices drop -1% and more
3. FB dropped 8%
4. Position: short 500k futures, long 1.6mm stocks
5. Ytd china closed at the highs on Monday
6. News of increasing tariffs vs. China (by trump)

Trading plan:

1. No stock longs
2. Pure short play on the future side.
3. When in deep discount cover some futures and sell at premium/flat

After market:

1. US is experiencing jitters.
2. Net delta 1mm
3. Kept short fut pos to hedge 1.6mm stock delta
4. Tomorrow again no trading on stocks (mon, tues closed in high P%), keep shorting and covering
5. Call vols are aggressively up
6. Put vols retreated from ytd but longer dated put vols are up
7. Overall market sentiment is still weak -> keep short on and keep trading short position on futures while maintaining the hedge
   1. Wednesday, March 21, 2018
8. VIX flat (18.2), still high vol regime
9. SPX didn’t rebound, just lingered here
10. XU at +0.4% premium (ASHR at 20 bps premium, ASHS @ +0.66 premium, FXI @ 0.3% premium)
11. Current position: short -800k futures vs. long 1.6mm stocks
12. Ytd and Y2, index closed at high percentiles
13. No stock trading. Only futures hedging

**3.22**

Pre market

1. Vix down 2% to 17.9%. (high regime)
2. Futures rose from 6pm until close ytd
3. Ytd index closed at lows. PM negative. Today afternoon is an opportunity.
4. Wait until the first dip.
5. Cover futures short position
6. Max delta: stock: add and reduce by same amount
7. Max delta: fut: today trade long

Open:

1. Market opened at a slight premium
2. Cannot cover short futures here
3. Best time to cover is after market yesterday
4. Today there is no advantage for shorting

10:54

1. Market crashed in the AM
2. With liquidation covered futures position
3. Upside strikes up 2v.
4. Put vols lower -2v.

After market:

1. ATM vol up 1v (to 22v)
2. Fixed strike vols on the put collapsed due to vol curve shifting left
3. Upside vols come off in the PM as market failed to rebound

Problems:

1. AM coverage was too quick because thought missed the opportunity to take profits last evening so was eager to cover
2. Trade based on 15 min intervals. Don’t overtrade in any interval. Overtrading results in overly fast risk accumulation
3. Future did serve hedging purposes, which is crucial in volatile markets and bear markets
4. Keep short position overnight to cover stock position
5. Stock position is hard to day trade. Don’t take too much position.
6. Today all stock intraday positions were less than their open position which means can get rid of them at close, which is good because it avoided risk accumulation
7. Aim at trading 50% of open position.

**3.23**

Pre market

1. US crashed -3%, currently dropping further 40 bps
2. HK at 3% discount
3. Exposed delta is 1mm. (25% ptf)
4. VIX up 30% to 23.3%
5. Hedged ptf at flat PD (leave 1mm delta)
6. Do PM trading only to avoid trend pnl, wait until selling finishes, after lunch people are less prone to trading which fosters more stable markets compared with the AM
7. 15 minute trade intervals. Multiple stocks, ensure that risk accumulation is spread out.
8. Liquidate bought position at the close.
9. PM trading size is maximum 1/2 of the current stock holdings
10. High vol regime
11. US started raise rates -> this is a negative for stocks, prepare for more volatility
12. Advantage: Overnight can be hedged, unlike normal investors who take OPC loss as given. This way you can take advantage of the CO.

Mid market (10:18)

1. **Hedging reduced stress** and increased utility (utility coming from profit when market is falling, perverse human pleasure)
2. **Reduced volatility** of the portfolio, felt more OK
3. **Reduced PnL swing** at the open (only down 50 bps)
4. **More calm**ly did intraday trading which yielded profits
5. **Was not fearful** and was more able to **trade confidently** (due to small position)
6. Others suffered 3% on their position immediately, whereas I can buy dips at 3% discount
7. China follows drops more vigorously than rises (when US rises, China would sell off, when US falls, China follows the fall)
8. China chronically has bad OPC (costing a lot on a compounding basis)
9. Cutting bought position at the close is absolutely necessary
10. Hedging most of the delta to keep a small leftover delta is necessary.

**Optimal position**

1. Overnight keep under 1/4 net exposure
2. Keep short position throughout the day (keep short position throughout high vol regime)
3. 15 interval buying
4. Close liquidation

**PM:**

1. Bot position underwater
2. Market panicked again
3. Stock position full, no more flexibility.
4. Should hold less stock position to allow more versatile trading. Let’s say 50% stock and can hedge it off easily, as well as double up to full position and sell at EOD.

**14:10**

1. Front month put up 10v
2. Blue chips down 3.5%
3. Trading position under water
4. Last time when market was down 4%, ptf was down 12%, this time I am down 1%. Risk control has considerably improved through cutting leverage, hedging overnight risk, monitoring option vols and VHSI and VIX, and determining high vol regimes and hedging AM and overnight risks.
5. Panic is good, liquidates risk. Make sure to keep hedge on.

**Keys to long term trading**

1. Survival first, overnight position size under 50%
2. Use some sort of a hedge, either futures or options

**After market**

1. Front month put vols +20v to 45v
2. Front month atm vol over 30v
3. Put vols all closed at their day highs
4. Call vols crashed into the close
5. Market was down -3.5%
6. Ptf down was down 0.2%
7. Risk management key is firstly overnight futures hedging
8. Day trade profits were low because they were done too early. PM was better.
9. Key to success in trading bear market in A shares is hedging overnight and OPC losses and focus on trade pmcl.

**3.24**

Morning

1. US crashed again.
2. VIX cash at 24.9
3. VHSI @ 27.2
4. High vol regime – hedge required
5. Ytd didn’t touch the hedge -> correct

Weekly:

1. Dropped -45k on trend (some are overnight)
2. PM was generally good. Didn’t take advantage of PM enough.
3. Trades were done too early and clustered.
4. AM trading frequency should be every 30 minutes (9:30, 10am, 10:30, 11:00), whereas PM is every 10/15 minutes.
5. AM is traded too frequently, causing position to swell too quickly.
6. Leave hedge on overnight, the hedge was good.
7. Overall this week is good because hedging was aggressively done.
8. Next week: make sure AM trades are put on more slowly. Cut stock position so there is more space for intraday trading (higher turnover and intraday tradable position)
9. Hold 25% in stocks, -15% in futures (10% exposure overnight), intraday +25% (net intraday max delta is 35%.
10. At close, cut bought stock position and ensure overnight delta is less than 25%.
11. Currently, stock is 40%, fut hedge is 15%, (exposure is 25% overnight).
12. Next week: **cut stock exposure to 30% (to 1.2mm).**



