8.20

Where does your true advantage lie in? (perceived)

1. Automated trading
2. No emotions involved, no fatigue
3. Takes advantage of pmch reversal (statistically proven)
4. Delta risk is hedged
5. Only sell at highs, buy at lows. (percentileMATrader, intradayMA, firstTickAccu)
6. Hedge day hilos. (one direction is hedged, then the same direction cannot be traded again)
7. No chasing.
8. First tick on the index has predictive power on how the index goes during the day (perceived)

This week:

1. Keep tuning parameters, add weight to profitable strategies (last week, fut open, percentileMA was good. IntradayMA/profittaker was bad, china HiLo is good)
2. Last week the loss mainly came from intraday accumulation, these strategies are penalized.
3. Last wed’s futopen and firsttick were good orders. Thur’s hilo was good. Focus on these.
4. Pmch threshold changed to +-20 to avoid last Monday’s foolish accumulation.
5. Ftick MA can only happen if the first tick trade happened, and it cannot exceed the first tick size, and this type is being penalized due to bad performance.
6. intradayMA picks up too much units, being penalized (longer wait time)

Idiosyncratic risk is high with loss on one stock.

Yunnan Baiyao -10%. Others – no much impact.

Added index hilo accu, trade a few lots before 9:40 to catch sudden rises or drops in addition to opening china\_hilo. Only at extreme percentiles.

PM:

1. intraday MA: pm buy: increase size. Reason is if there is a signal, this order has a big probability of success.

Market end:

1. trade pnl was 3000 on today’s trades (3 lots was by chinaHiLo, 1 lot by intradayMATrader). ChinaHiLo needs to have an accumulator, not all at once. IntradayMA trader increase size when buy signal in the PM.
2. now the delta target is -1.7mm, which will be taken care of by percentileMA

8.21

**Markets:**

* Markets insanely volatile, rocking downwards with huge volatility
* Avoid shorting too much on Tuesdays, it is still the strongest day
* Keep delta fuse at +- 2mm delta for safety reason

**Problems**

* Trading too much
* Distance between trades too short (60 minutes a minimum), now it is overtrading
* Not taking enough advantage of hilo, need more of high low reducing hedge.
* Work on opening reducing hedge.
* Shouldn’t keep shorting today when AM breaks new highs (but should not buy either, if you cover you will lose money in expectation)
* Either space trades out even more, or increase delta.
* All trades should have positive expectation at the same time, don’t take on too much risk. percMA sell size has to be reduced, short positions add up very quickly.
* Buying has a much higher statistical advantage with winning when prev < 0, compared with selling when prev > 0 (unclear).
* percentileMA selling -> not good. PercentileMA buying on lows -> good
* you have to bet less when pmch>0 (fixed MA sell size to 2)
* futopentrader: sell is good but need to cover hedge if index is very strong. Perc MA/intraday MA will short for you. Futopen has percentile and pmch requirements.
* Cover hedge through hilo.

Overall:

1. Volatility very high at the bottom
2. Hilo trading is important to capture all day rise/fall
3. Mon/tue strength cannot be underestimated
4. First tick was triggered because of wait time = 60.
5. buy and sell size needs to be asymmetric. For firstTickTrader: buy: +3 lots, sell:-1 lot, when pmchy is down, there is more advantage than when pmchy is up.

Problems with the current system:

1. cannot consistently make money
2. need to combine all the knowledge you have to make it work
3. weekday delta addition is important.
4. Currently uses 2 day percentile, now index continuation lasts longer than 2 days, you will buy early and sell early.
5. Net profit is negative cumulatively for the last two years, most profit was lost in Feb, these few months with hedge, it is getting better.
6. Market is getting more directional. Meaning your hilo really needs to work, it needs to work independently from the percentile.

**Corrections:**

* Tuesday strength is apparent
* don’t short too much on Tuesday even with advantage (tues morning add weekday delta to 1mm to discourage shorting) (done)
* pmchy, when negative, stay unchanged. When positive, reduce shorting size. (done)
* percentile MA size: when shorting, reduce to 2, when long, keep at 4.
* Avoid overtrading : min trade time is 60 minutes between trades

**Experiments:**

Experiment with hilo direction

8.22

09:29:59.456=11277.114462, 09:30:00.457=11275.989675,

First day using open deviation – didn’t work.

First tick didn't work because both pmchy and 2dp didn’t reach requirement.

Open deviation didn’t work because there was no direction change – the code is wrong.

Changes

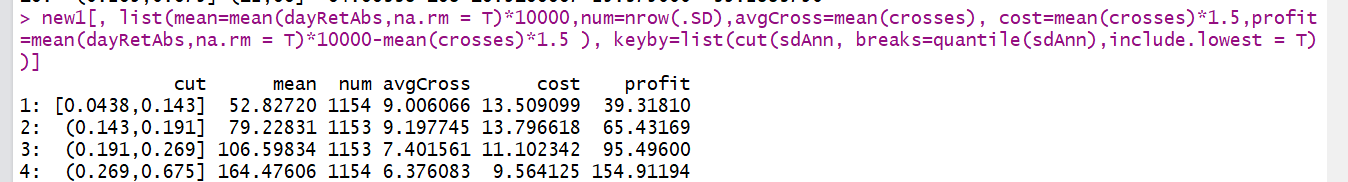
1. Unconditional trading of first tick

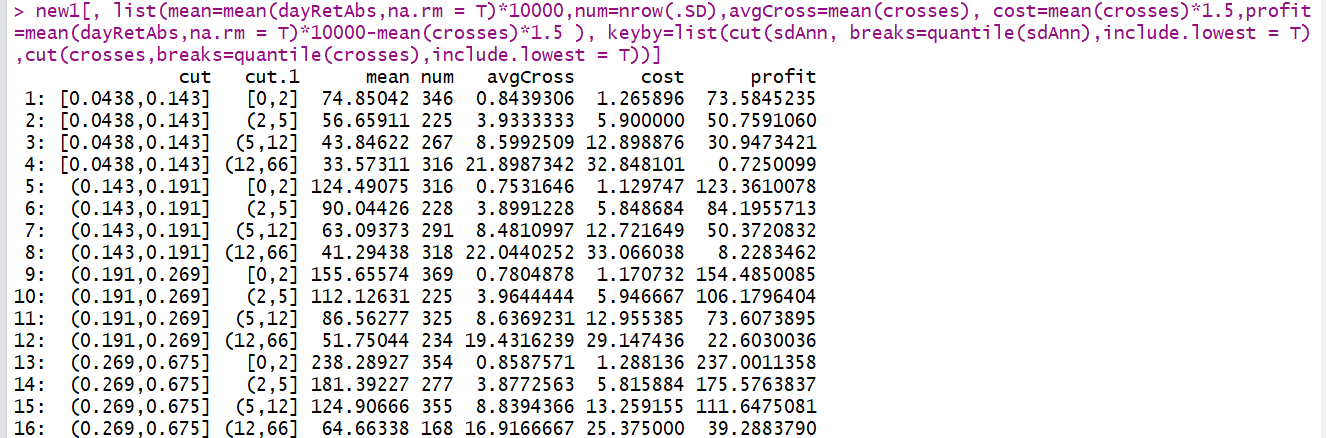
8.23

Research on openDeviation

High vol environment: more potential for profits, less crosses.

Currently market is above 19v, so it is profitable to trade open deviation.

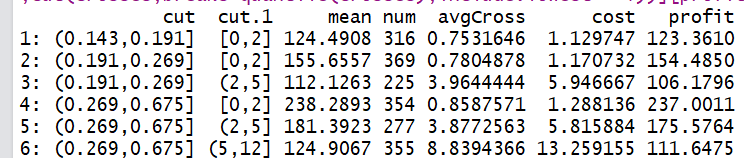




Shows vol/crosses and profits: limit total crosses to 5, (above 5 to 66, there isn’t much additional profit).

If you do 6 crosses, you are already covering 50% of the crosses case which yield the highest returns. If it goes above 6, then you want to give up on that day. 6 crosses will cost you 1.5 bps\*6 = 10 bps for transaction cost. Each minute only 1 cross is allowed. You will also need to take into account the slippage if no trading is allowed that minute, especially at the open when things are volatile.

Following cases are profitable:



When vol is low, restrict to 2. When vol is high, go up to 10 lots. Now vol is at 20 ish.

So limit at 6 is fair. Make sure it is even number so it doesn't actually change your net delta.

When vol > 19v, quite safe to trade openDev. You need to cover a lot of slippage, in some cases over 50 bps.

1. Self cancelling – even times of trade. If trades too many times, ends on an even number.
2. Possible use of leverage.