Trading thoughts:

The key is to have a hedge that is trend following.

Long the underlying market. Short to hedge risk, be careful with naked shorts.

Be flexible and trade based on

1. Relative position
2. Direction (don’t go before the direction shows, follow, do not predict), people react very slowly to changes in direction due to confirmation bias.
3. Follow big probability events. Humans tend to be bad with probability and do things that have no probability feedbacks. (Checking phone habitually, staying online)
4. Go into a trend early, once found have made a mistake, exit and reverse. This is extremely difficult for most people.
5. Don’t stare at random Brownian motion, look for trends and join them.

Issues:

1. Hedge Hedge Hedge. Reduce risk per trade to 40k. Especially when shorting on the lows.
2. Confirmation bias
3. Paralysis (not able to change direction although the market has already changed direction) (Tend to follow too late)
4. Lack of flexibility (related to point no.2 )
5. Hope instead of managing risk and assessing the situation realistically
6. Want exposure to 2823, 2822, 3147 and 3188.
7. When trend is just starting, tend to think, it is already too late to join, but it is still early in the game. Trend lasts for a while.
8. Overtrading.
9. Trades with huge MAEs justify the need to cut loss.

Comment mar26/2016

Every day except Thursday has an expected positive afternoon session. Shorting systematically is dangerous except Thursday. That is the reason no position was bought on Thursday until the close on Mar 24.

Due to the initial small capital allocated to the account, the position size of even 1 lot initiated stress and caused emotional fluctuation which is detrimental.

This journal was written during the period of chasing. Confirmation bias arose because trading chased and stayed put when market turned against him.