



Investor Centre

 @InvestCentreOz

Day Traders Blog May 2018

May Debrief

- Events
- City Index
- June
- May Debrief
- Inversion Trade.

Events

www.investorcentre.com.au/events

Market Brief – Covers market conditions – seasonal facts for the next quarter and trades that I have placed or intend to place for medium term and long-term profit that do not qualify as Tigers strategies or short term business model trades. These include, OIL, Gold, Commodity and Currency trades and long term Index positions.

Live Trading – Incorporates TWB day Trades but also other opportunities as they arise in **Australia 200, S&P, and FTSE**. Live Trading is specifically kept to SMALL Groups to create an intimate environment where over 2 days – all markets can be discussed. This is also ideal for people who have not traded and are thinking of trading or have been away from trading for a while. This is an open format conference that has been highly praised by attendees. **Positions Limited.**

Perth this weekend, BOOK NOW! 0400 094 848

City Index

The current night spreads on the futures CFD are 7pts from buy and sell. This means 14 pts between the bid and the ask and these are rarely as little as 1 pt at night. We can not lower some of our night trades significantly and consequently we are not getting fills at this level.

The Australia 200 CFD has a 5 pt spread which is substantially better. Currently, City Index is keeping the Australia 200 CFD moves relational to the Futures moves at night and so it is recommended that people trading in the night market use the Australia 200 CFD. Be aware that we have no contract with City Index for this instrument and so it is open to manipulation.

June

8th June is the G7 meeting with Tariff wars at the top of the list with a potential to disturb the international markets this year. Expect some ramifications for Australia.

12th June – proposed Nth Korean summit – expect a quiet market prior to this.

June seasonally runs down passively into the Queens Birthday holiday (2nd week of June) which is on the 11th June this year. The 2nd week of June will depend on market conditions, but the S&P runs up at this time.

Inversion Trades – this is a primary month for Inversion trades as the S&P spends a lot of time going in the opposite direction to our market. Expect the US market to drag our market up and then during the day it will fall back below open. See Inversion Trade below.

Open Trade – historically going with the S&P is traditionally not an effective strategy for June and Open trades are better based on Fair Value (even though this didn't work well in May – see below). June 2017 lost money on the Open trade and June 2016 broke even on the Open trade with the S&P lead bias.

11.00am Trades – the 2nd buying session has consistently been more effective for trading and normally operates at a higher accuracy with the Informed Drift (ID). This year we will use 11.00am as a pivotal point in the market, going Long or short at 11.00am as we have seen in certain months like June, this can improve on the ID outcomes. Be prepared for 11.00am Short or 11.00am Long orders in TWB.

Middy Straddles (MS – return this month with a reasonable accuracy level over the last 5 years.

AST's perform poorly in June with less than 60% accuracy and small overall yields. Expect conditional AST's combined with Fade at 2.30 based on market position.

NMA – catering for an increased night market spread with City Index is affecting fills on NMA. We had several SPI fills that never occurred on City Index in the AUS 200 June contract for May. Recommend using the Australia 200 CFD for night market attacks as it has a significantly smaller spread (see above).

S&P – recommend short positions above 2800 for a run down. Unless something changes dramatically – S&P fair value is at 2730. June is typically a passive BOOMERANG month for the S&P. S&P seasonally oscillates in a 70pt range from 2765 to 2695 this year. June S&P has done this for the last 5 years.

FTSE – for those attending the LIVE Trading Session where we use the FTSE Morning Straddle – this has been working well in May and we expect it to continue in June. FTSE is expected to continue to oscillate between 7630 and 7770 for June.

Gold – seasonally reaches a peak at the end of the first week (8th June) and then runs down towards 4th July. The expected low is \$1250. This did NOT apply in 2016 with Brexit voting on 23rd June which saw gold spike from \$1250 to \$1368 in one session. June is the low of the year in most years for gold.

Oil – Oil seasonally slides from the last week of May into the 3rd week of June. All else being equal – this could see Oil back at \$64. Those attending the market brief managed a short at \$72 and we traded back to \$66 and exited on target. Ideally the next Oil trade will qualify as a Tigers trade and be the source of an OT bulletin.

May Trading

The Day Trading Results are now available from the Investor Centre Web site under the Day Trading Menu

<http://www.investorcentre.com.au/dtresults.php?id=35>

Open Trades – despite our best efforts to counter the effects of May, our OPEN trades lost money again this year as the did in 2017,2016, 2015 and 2014. Actually – deploying a “MAY” counter strategy biasing towards Fair Value (FV) instead of market direction, resulted in our worst accuracy on record at 38%. Once again we are left with a stay away in May philosophy. Note that deploying the standard Open strategy would not have ended in a 62% accuracy and still would not have made significant money. It is a poor month for OPEN trades.

Daily Chase (DC) – Statistically inline with previous years but with a low yield – inline with previous years. This is normal for June where we get a Daily Chase but it ultimately turns back without meeting the larger limits.

Ambushes – unseasonably poor performance this month. Normally we expect good hits on ambushes with hits running above 70% and a good yield which has balanced poor OPEN trades. This did not prevail this year with an incredibly low 22% accuracy and a significant negative yield.

AST – traditionally not effective in May – this year we placed position conditions on the AST which achieved average accuracy. The conditional AST improved overall profitability and so it turned into a significant profit centre this year with \$650 for the month.

Calculating Size of Position.

Maximum Size is account size /400 for the Australian position. Then multiply the Australian position by 2.5 to get the US position.

We most commonly use: S&P 500 vs. Australia 200 June CFD

 Gold vs \$AUD

 Australia 2000 vs Nikkei

The current Ratio (June 2018) for S&P 500: Australia 200 June CFD is 2.5 S&P CFD: 1 Australia 200 June CFD.

Example: \$10,000/400 = 25 Australia 200 June CFD

25 Aus 200 X 2.5 = 63 US S&P 500 CFD

We of course do NOT have to trade at maximum strength.

A more convenient trade is

10 Australia 200: 25 S&P 500

Or

20 Australia 200: 50 S&P 500 (Inversion Trades in the TWB account use this ratio).

It is RECOMMENDED that if you are inexperienced with Inversion Trades that you try them with a small number of contracts first (2 Aus.: 5 S&P).

Inversion Guidelines:

- 1) Markets do not always move back towards equilibrium. Be prepared to be wrong and move out of the trade.
- 2) Holding an Inversion trade for more than 3 days is normally detrimental to the trade.
- 3) If I have 3 big winning Inversion trades on consecutive trades I prepare for a reversal of that trend.

Questions to:

Questions@TradingTigers.com.au