

Investor Centre

Trading Work Book March 2016

March continued with very average days and a loss of volatility. Easter is always a depressed time for the market. The US market has rallied up on nothing other than an increase in oil prices. Volatility dropped to an average of 50 points (medium volatility) with a few days of sub 42 points (low volatility). Most of our Trades are segment trades (trading a combination of institutional events). The weeks leading into and out of Easter traditionally do not have very effective segment trades and so trading has been down for the month. Open trades, Daily Chase, Midday Straddle and Midday fade have continued.

This month my account has gone negative with additional Tigers trades (2 losing 1 winning) and some S&P trades outside the parameter of our Day Trading course. The US market continues to diverge from the Australian and European markets. The S&P has gone to a yearly high at 1270 returning to 30th December values. Commodities are flat apart from OIL which is expected to fall in April back towards \$35. This will take some of the steam out of the US market.

April

Traditionally, an early Easter will see a rally next week (as seen in 2008 and 2013). However, if the Oil falls the US market will cool back below 1250. Despite this, the extremely low parity (2.4 the ratio of adjusted S&P to adjusted XJO) is indicative of our market being oversold – a common phenomenon in early Easter years. Fair Value for our market is closer to 5350. It would be easy for the Australian market to put on 150 points with S&P flat at 1250. Light Institutional Insurance (-18) is indicative of low stress in this area and the possibility of a passive rise in our market. We expect the segment trades to return next week.

Banks

Industry talk has the 3 of the 4 majors in concern over property values on the East coast. Of particular concern has been apartments and townhouses. Two of the major banks have agreed to finance no further developments without 40%+ cash deposit and off the plan purchases to also require 40% deposit. Banks are looking to go defensive on both commercial and retail real estate and with commodities down and the \$AUD up, we will settle in for a quiet year.

Hence the old saying “Down in January, Down for the year”.

March Trades

Date	SOS	Open	Day Chase	10.30am	Informed drift	Mid Strad	Ambush	AST	Express	Tell
1/03/2016		21	-30	-14		21		14	14	
2/03/2016		-14			-14	21	27			
3/03/2016		14						8	-3	
4/03/2016		14				8			-3	
7/03/2016		-14	10		4	-14		2	1	
8/03/2016		-14			21					21
9/03/2016		-14					-14			21
10/03/2016		-14						-14		
11/03/2016		21				14			14	21
14/03/2016		14						-14		
15/03/2016		14				21		-5		-21
16/03/2016		14			-14	-14		14		
17/03/2016		14			-14	-14				
18/03/2016		-14	-30			0				
21/03/2016		21	30							
22/03/2016		21	30							
23/03/2016		14								
24/03/2016										
29/03/2016		-42	40							-21
30/03/2016		14	-30			21		-14		
31/03/2016		-42			14					
Total Points		28	20	-14	-3	64	13	-9	23	21
Total Trades		20	7	1	6	10	2	8	5	6
Losses		8	3	1	3	3	1	4	2	2
Accuracy		60.00%	57.14%	0.00%	50.00%	70.00%	50.00%	50.00%	60.00%	66.67%

Comments

There are some trades I did not participate in as noted in the TTWB. If they were technical victories or technical defeats they are noted here as well as trades I did do. I note that I missed more winning trades than losing trades.

No points were allocated to Easter Thursday as the TTWB was unable to be issued.

Open Trades dropped in accuracy from previous months with the divergence from the S&P. The points count was impacted by some of the 1-2 trades turning over. These are noted as -42 losses which are true for me. However, if you are executed them as per the book, your losses would be Half this (-21). It should be noted that their were NO double wins in the 1-2 open for March. Hence the low return for opens (+28).

Daily Chase dropped in accuracy from previous months and resulted in a low return (+20) due to low volatility.

Midday Straddle and midday fade continued to yield with a significant degree of accuracy (70%) and was the Big returner for March (+64 pts).

Looking forward to a push back over the +200 points in April.

Midday Fade Review

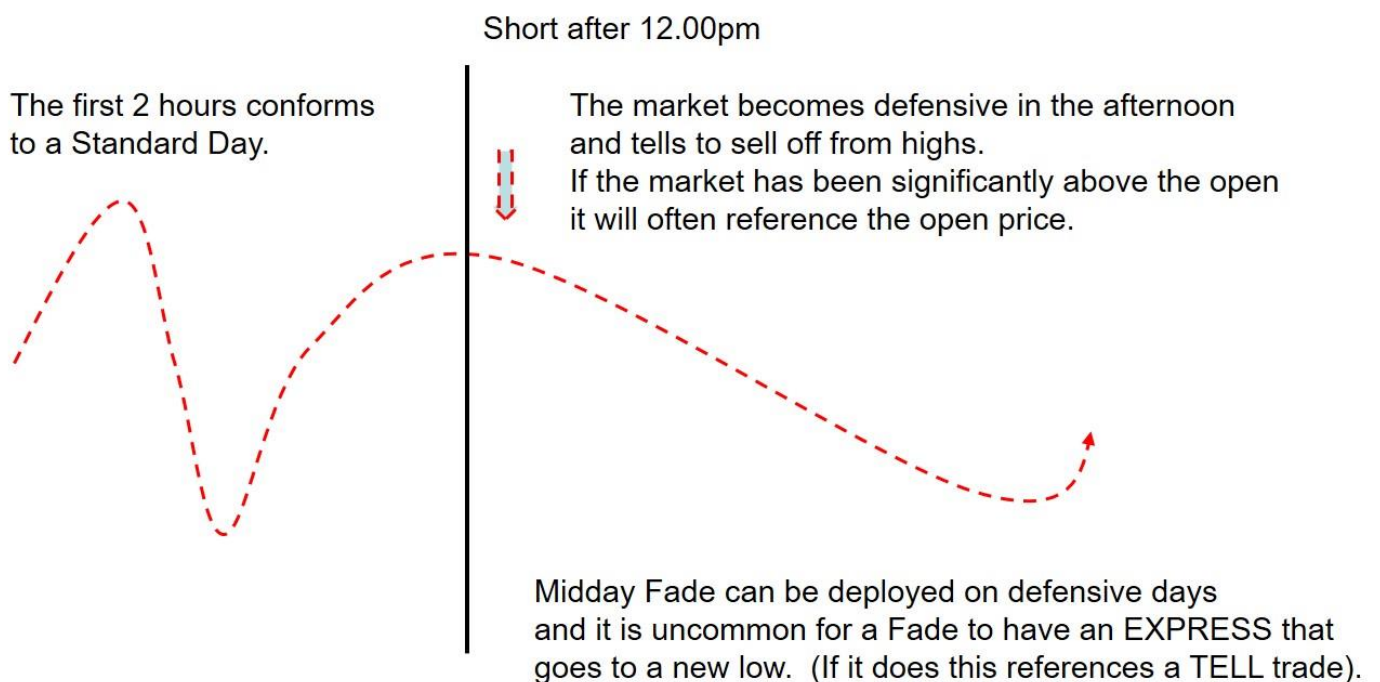
The Midday fade is included in the statistics for the Midday Straddle as a Midday attack. However, this relates to the old Platinum Tigers trade “Death Valley “and goes in the opposite direction to the Straddle. It is deployed when the market is likely to go defensive in the afternoon after the informed drift. Market will often go defensive for a public holiday, long weekend, public holiday in the US where the night market is closed, or specific Fridays before a weekend – particularly the last Friday of the month at the end of a bullish month.

The Midday Fade is a short trade at 12.00pm. It has a standard stop of 14 points and a limit of 21 points. However, the Fade is an expectation to not go to a new high and so the stop can be made to be 5 pts above the high of the day to that point. This may be more or less than 14 points. If the market is trading well above the open price, another effective limit is the open price. The trade expires at 4.00pm.

Alternative Entries for the Fade

If the market is trading at a significant high at 11.45am (more than 21 points away from the open) it can be preferable to enter the trade between 11.45am and 12.00pm as the market will likely turn down for lunch time.

If the Chinese market is expected to rally it can be more preferable to wait till after China opens and depending on daylight saving and the time of the year this can be as late as 2.00pm. This surge up in the Asian markets can sometimes be enough to stop out an otherwise successful Fade. This likely surge can quite often be detected by big initial moves in the Nikkei (Japan 225) at open (which varies through the year with daylight saving).



Example



The FADE is a defensive formation where institutions have adjusted portfolios and then trim off the tops. AST is not likely in the defensive formation and the FADE will often reference the open price if it has moved more than 21 points above it.

Good hunting

Jody