Trading Work Book 2016

I regard that the Trading Work Book (TWB) is an excellent training tool for Day Traders. Be aware that as circumstances change in the day – some trades will turn on and off by condition. I do not always execute all trades as advised by the TWB, in the debrief I will advise why I did not proceed. There are times my itinerary stops me from performing some conditional trades such as the Informed Drift or AST.

In 2016 we have made some basic changes to the short hand and daily descriptions.

First Paragraph - is a basic summary of the night.

Time Stamp - the time of production for the report. Sometimes due to travel the report must be constructed earlier than 8.00am Sydney. There have been errors in accuracy when the S&P has done something significantly different after the report has been written. Please note the time and check the values if it is an early report.

Oil – will be given as a $USD value at time of writing.

Gold – will be given in a $USD value at the time of writing.

S&P – as a value and if there is a pertinent change. (21) – indicates that the S&P has moved more than 21 points and to expect an S&P 21 trade. This is not indicated in all moves greater than 21 points and is only referenced when the trade is more than 50% likely to occur.

FTSE – as a value and if there is a pertinent change. (Switch) – indicates that a FTSE Switch Back Trade is possible if our market ends more than 28 points from the open.

Pertinent Data – world economic factors that are likely to affect the market today.

Open High low – The market expectations based on current expected range. Calculated by the models and modified by Jody Elliss.

Second Paragraph - is a list of likely trades.

First Trade – The first trade listed is the opening preference trade. It may be an SOS, Open, Open 1-2, Open 10-20, or Daily Chase. If the Open Trade is listed first and then the Daily Chase – this indicates that the preference is for the Open Trade, if you are choosing between the two trades. Sometimes both trades cannot be done at full strength in the same account.

(21/14) The numbers in the brackets are indicative of (Limit/Stop) you might consider using. These are written at time of report and upon occasion circumstances change and this will affect the limit. Changes rarely affect the stop. Eg – 6.00am report generated – S&P is up 20 points, FTSE up 50 points, SPI well below Fair Value Instruction Long at Open (21/14) Limit 21 – Stop 14. However, the Market then readjusts so the S&P is only 2 points up. We might consider making the trade Long (14/14).

Daily Chase – formerly the DRIFT Trade that attempts to capture more than 50% of the entire expected range. Typical values for the Daily Chase are (70/40), (40/30), (30/21). We have currently suspended the (30/30) for 2016 but it may return.
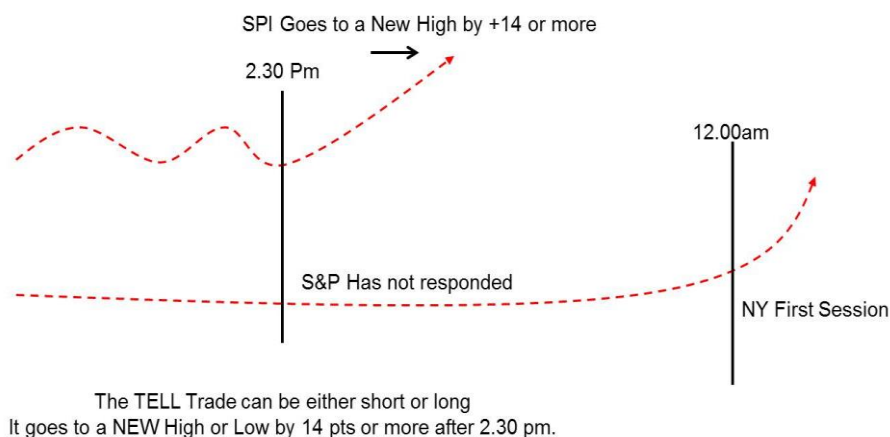
10.30 Trade – this now encompasses the 10.30 Attack which is conditional, the 10.30 Straddle which is not conditional and the AMR which occurs shortly after 10.30am. Where the 10.30 Attack is to proceed regardless of the condition it will say so in the TWB. Statistics for the 10.30 trades will be considered together as the "Mid-Morning Trade".

Midday Trade - This will normally be a Midday Straddle for STANDARD Days. This may be a special trade for SPECIAL Days. The Midday FADE is a special trade where we expect the market to look for a defensive formation after the initial opening of the Asian markets. As such we can go short after 12.00 on these days. This will typically occur the day before a public holiday or before a weekend. All midday trades will be grouped together for stats.

AST – AST will be considered with an AST SOS where it mentions SOS. The statistics of an AST SOS will be considered together with the AST.

Express – At the moment an Express is a hard thing to call at 8.00am. However, if we have an obvious move up or down by more than 30 points from OPEN, I will attempt the express if I am available.

Tell Trade – The Tell Trade is continuing to do perform well. We are looking for a significant change from open price that occurs in the afternoon. This should move by more than 14 points but a good Tell is made up of a move of 30 points to a new high or a new low.

SPI Goes to a New High by +14 or more

2.30 Pm

12.00am

S&P Has not responded

NY First Session

The TELL Trade can be either short or long
It goes to a NEW High or Low by 14 pts or more after 2.30 pm.

Turning a Losing trade into a Winning Trade

Quite often we have expectations of a day and we trade those expectations. If they suddenly and inexplicably go wrong it quite often indicates what is going to happen next. We can look at Friday 29th January as an example.

We expected FEAR to be the dominant emotion going into the weekend and so the expectation for the market was to FADE after 12.00 as the market went defensive. This was not the case and after an early fade it rallied back to open at 12.30. Then after 3.00pm it all changed.

FUT-SPI2016(1 Min TIC) - FUT-SPI2016 (29-Jan-2016 to 29-Jan-2016)   Last:- O: 4927.00, H: 4970.00, L: 4894.00, C: 4964.00, Vol: 469

Expectation
Bullish Morning
Bearish Afternoon in Defence

1) Unexpected buying in XJO arrived at 3.00pm on the dot. On a Friday afternoon this is unlikely (but not impossible) to be Australian Institutions. The precision and magnitude of buying was indicative of a well co-ordinated international buyer as a large single entity. This fingerprint is indicative of significant Asian money attacking our market. The expected motivation for the afternoon was FEAR but this motivation was GREED. If you think of the motivation it was desperate greed before the market closed on Friday afternoon. Indicative of something changing in the immediate future.

2) Institutions should be increasing insurance for the weekend and so at least initially push the SPI down. There will be some up-trend in a down day as indicated by the dotted expectation line. However, the SPI went to a new daily high in the last session – indicating that institutions are laying off insurance. The market literally went up about 30 points of insurance after 4.00pm. This is indicative of institutions preparing to buy or for the market to rally up.

This constituted a couple of losing day trades for us from the TWB. It also set us up for an exceptional TELL trade on Friday afternoon. I would normally activate a tell trade at 7 points (S&P) for 7 points stop. With this sort of information, I went for (10/10) and was tempted to go (14/14). As it turned out the traditional (20/15) from Tigers was the correct answer and the S&P literally crashed up on Friday night with the sub-zero interest rates announcement from Japan.

The 10 point S&P (30point SPI) victory covered the losses of the day. It is an example of seeing why we are wrong and deriving the next winning trade from the last losing trade. Will it work all the time – no. Has it got a better than average chance of success – yes.

Stats for January

Date	Open	Day Chase	Mid-Morn	In Drift	Mid Strad	Ambush	AST	Express	Tell	Ftse	S&P Other	Summary
Total Points	224	156	42	63	49	40	7	42	162	-40	-9	736
Total Trades	17	10	9	10	8	1	4	3	7	3	2	74
Losses	4	3	3	4	3	0	2	0	1	2	1	23
Accuracy	76.47%	70.00%	66.67%	60.00%	62.50%	100.00%	50.00%	100.00%	85.71%	33.33%	50.00%	68.92%