Investor Centre

Day Traders Blog February 2017

What's here:

IMPORTANT CHANGE to SPI

The Australian Stock Exchange (ASX) has changed the rules for the open of the Share price Index Future (SPI). Prior to 2003 the market opened at 9.50am and institutions and traders alike would via for positions in a free market. This made the opening highly volatile – especially if there had been significant moves in the market overnight. In 2003, the ASX introduced a 9.49.30am tick that institutions could trade and match out on. This greatly reduced the volatility of the 9.50am open with as many as 9,000 contracts trading hands before market open.

On Monday 20th February, the ASX ceased the 9.49.30 tick and has reverted to a free market commencing at 9.50am. I have yet to find someone who knew about this in advance but obviously, someone must have. Regardless, this has caused significant volatility at the open. Institutional Insurance now competes directly with the free market for a position. It also means that City Index (and other providers) are having a hard time coping with the initial volatility at 9.50am. If the volatility is too great City Index is delaying orders for the first 2 minutes. The market then moves back to fair value and commences trading normally. This makes an entry at the Open difficult.

City Index is accepting orders prior to open. This is an EXTRAORDINARY advantage for us. We can place an order above fair value to sell an order below fair value to buy in a STRANGLE (page 26 of your manual).

Shotgun Entry

I have performed a number of SHOTGUN entries with success since the change of the market.

A Shotgun entry is a number of ORDERS with no stops and limits spread above and below fair value. If we estimate the market is opening at 5700, we can place orders to sell at 5610, 5620, 5630 & 5640 and buy orders at 5590, 5580, 5570, 5560.

We do not put stops and limits on these orders. We have to be careful here because there is a potential for all 4 orders to fill (I have had this once already) and this can overload your margin rules.

The Shotgun Strangle can interfere with the Open trade so if we are going long for open you may choose to close short entries within the first 5 minutes and keep long entries (as long as you are not over margin).

<div align="center">

Order to SELL 5740

Order to SELL 5730

Order to SELL 5720

Order to SELL 5710

Estimated FV/ Open 5700

Order to BUY 5690

Order to BUY 5680

Order to BUY 5670

Order to BUY 5660

</div>

1) No Stops or limits
2) Order set before market opens
3) Do Not over-margin after 9.55am

To be sure of setup start with extreme level orders at 9.30am and move in progressively. Remember – the S&P futures are OPEN and trading and this will have an effect on the fair value for the market. Keep an eye on the S&P 500.

February 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

Monthly totals for February were significantly higher than 2016 and 2015. Open trade scores were almost identical but improvements came from all the other trades with increases in performance across the board for Daily Chase, 10.30 attack, Informed Drift, Midday Straddle, AST and particularly S&P trades which were negative in 2016 and 2015.

Tell trades had a negative here. The Tell trade is working effectively and we are accurately indicating the open of New York. However, we are not surviving the oscillation of the UK market in February that is drawing away from our general direction – affecting the S&P futures, prior to open.

AMBUSH at RANGE

This will become part of the main text for Day Trading. Whilst I deemed that an Ambush at range was self-explanatory, some Day Traders have pointed out that it does not follow the rules and format of the other trades. As discussed in the Trading School – this is a 1 year and we will experience sudden movements followed by long periods of dormant range.

Ambush at Range (69.16% Conditional)

Expiry: 4.30pm

Low Volatility: Limit 14 / Stop 14

Medium Volatility: Limit 21 / Stop 21

High Volatility: limit 30 / stop 30

- The TWB will refer to an Ambush (at range) with a direction Short or Long.
- The Ambush is always trading back towards the Open price.
- The Ambush at range can be set before market opens at 9.50am
- The Ambush Order can be made Good till 3.45pm – we do not want the ambush to fill in the very last part of the day.
- The Ambush – once filled - will normally expire after the Express at 4.30pm.

The Ambush at range should be at least its target from the open price. If an Ambush (short) is set for 5660 14/14 and the market opens at 5655, the ambush is less than its target away from the open, it can be moved to be at least 14 pts from open. This problem is particularly common on a Monday where the open is hard to estimate.

The TWB instruction will be to go short at a price above the market or go long at a price below the market. Upon occasion, there can be 2 ambushes – Long and Short where we are "strangling" the market on a fixed price range. (See STRANGLE – page 26)

The Ambush is particularly useful in a low volatility market where the market is constrained to move very far in a single direction.

6th March 2017
TWB
Ambush long at 5700 21/21

+21 Pts

Order Expiry
if Not Filled

Order set before open of market – good till 3.45pm.

Halifax

With the changes to the open price, it is important to have a secondary account. Halifax Sydney has agreed to our terms and conditions for a SPI replication. They continue to offer the MT 4 platform.

The code for our SPI instrument is:

IC.Australia 200 Q2

This contract will expire on Thursday 15th June at 6.59am. The IC. Australia 200 Q3 contract will then commence at 9.50am.

The Halifax system offers no spread in the night market making it good for the Night Market Ambush, Inversion trade, and Trading Tigers targets.

The account does not need to be funded immediately and is beneficial to have where City Index has some problems.

It is beneficial to advise Trish@investorcentre.com.au if you are opening an account.

Issues with City Index

If you have a dispute with CI you must:

1) Take a screen shot of the Trade history.
2) Get an email away to clientservices@cityindex.com.au with your account and the ORDER NUMBER found in your trading history.
3) If you have an open losing position that you do not agree with, set your limit to your entry so you can argue that at no time could you have profited from the trade.
4) Phone through to City Index as soon as you have done the above three steps taking note of the time you phoned and who you spoke to.
5) If the error is in your favour – place the limit on your trade that was your original target. Close it at expiry if it has not reached limit. Treat it as a normal trade.
6) Do not try to withdraw the money.
7) Do not change trading size.
8) Do not tell anyone else if the trade is in your favour. It may go unnoticed if City Index is not alerted to the error.
9) If City Index remove the trade (as happened to some clients on 29th March) immediately notify client services that you had a trade with your original intention (Market open with limit) in an email. If City Index have removed a trade because of their error, they should compensate you for a winning trade. It will be down to your tenacity as to the outcome.

Remember – if the error is in your favour – TELL NO-ONE (not even your mother). Once you have about 10 trades on top of it and a week has passed it is probably yours.

As City Index struggles with the changes to Open there have been some errors in our favour. They all emanate from having orders in the market prior to open. I have not been overly disadvantaged by these changes and have had some advantages. Certainly, I was happy with 29th March where I was given an open 400 pts below market. If I had not closed it manually I would have had a better argument with City Index if I had placed my limit in there when they removed it. Note – City Index only found the error because someone rang them and advised them of the error.

Good hunting

Jody