



Disclaimer

Trading Futures, Options on Futures, and retail off-exchange foreign currency transactions involves substantial risk of loss and is not suitable for all investors. You should carefully consider whether trading is suitable for you in light of your circumstances, knowledge, and financial resources.

You may lose all or more of your initial investment. Opinions, market data, and recommendations are subject to change at any time. Past performance is not indicative of future results.

What I am discussing today is the way I trade with my risk parameters.



Setups vs Behavior

- Are you looking for setups?
- Setups/Trade Rooms are not the basis for professional trading education
 - Learn market behavior
 - Then figure out how to exploit it
- It is the market behavior that gives you confidence, not the setup
- Don't take my word for it!



Conventional Wisdom?

- Don't Trade The Open
- Too much going on
- Too volatile
- Wait out the first 15 minutes
- Unconventional Wisdom
 - Not all opens are equal
 - Why would they be?



What is the open anyway?

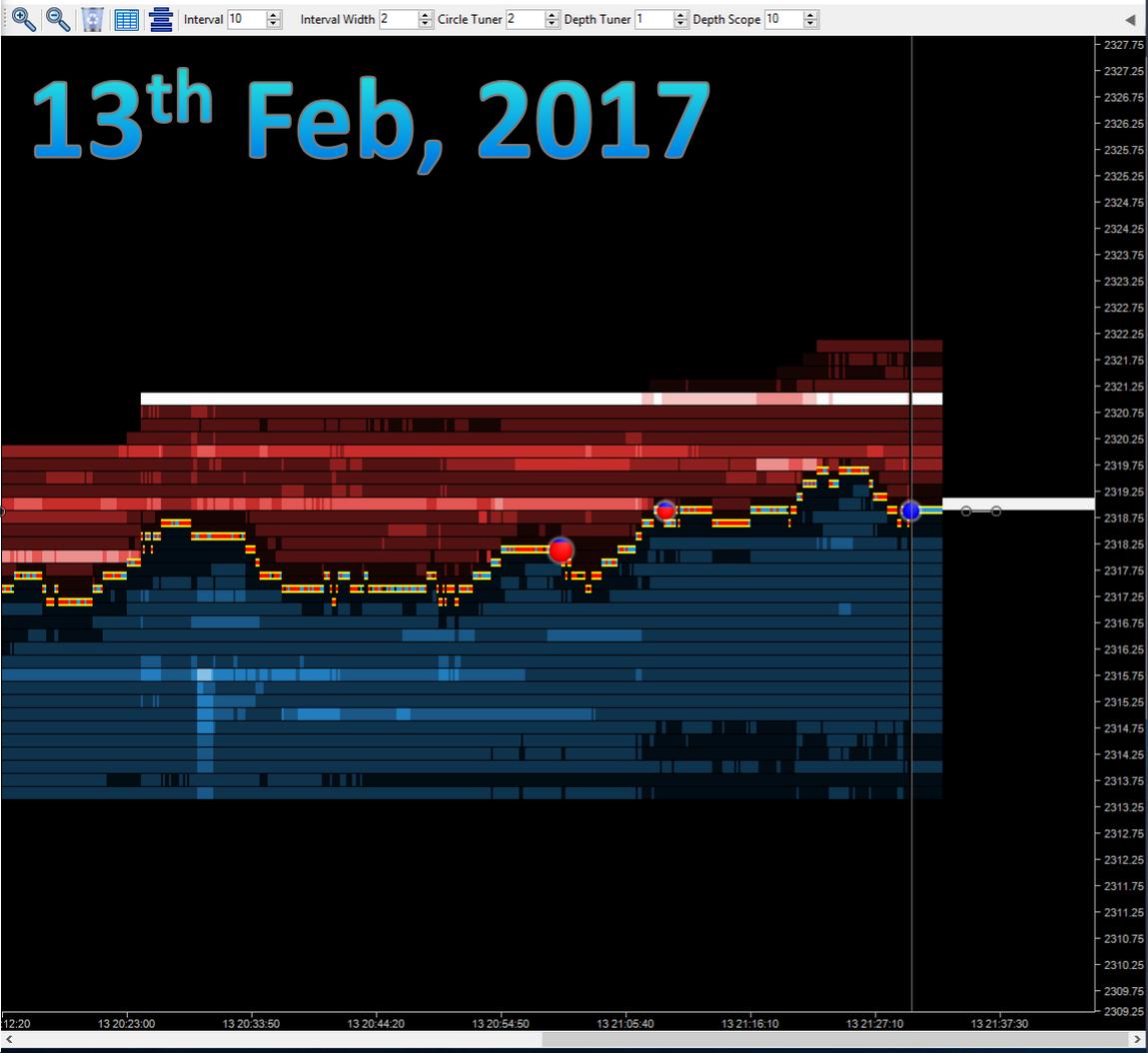
- Many markets open 24 hours a day
- Futures markets 'open' was for many years tied to the trading pits
 - Which of late has accounted for less than 1% of volume
 - Most trading floors closed on July 2nd
- Index Futures are tied to the open of the underlying stocks
- Some markets open like my ideal job...
 - Corn 9:30am – 1:20pm Central (with 2 hours for lunch!)
 - With overnight trading at 7pm – 7:45 am central
- Asia -> Europe -> US -> dead spot
- Open times may become obsolete at some point but basically – people are involved & the working day has to start some time



The key to trading the open

- We consider the US open times as “the open”
- The action can be very volatile
- For sure – some US Institutional traders are getting positioned on at the open
- But it hasn’t just opened
- There is significant activity in terms of overnight positions and liquidity that can be very significant in the first few minutes

13th Feb, 2017



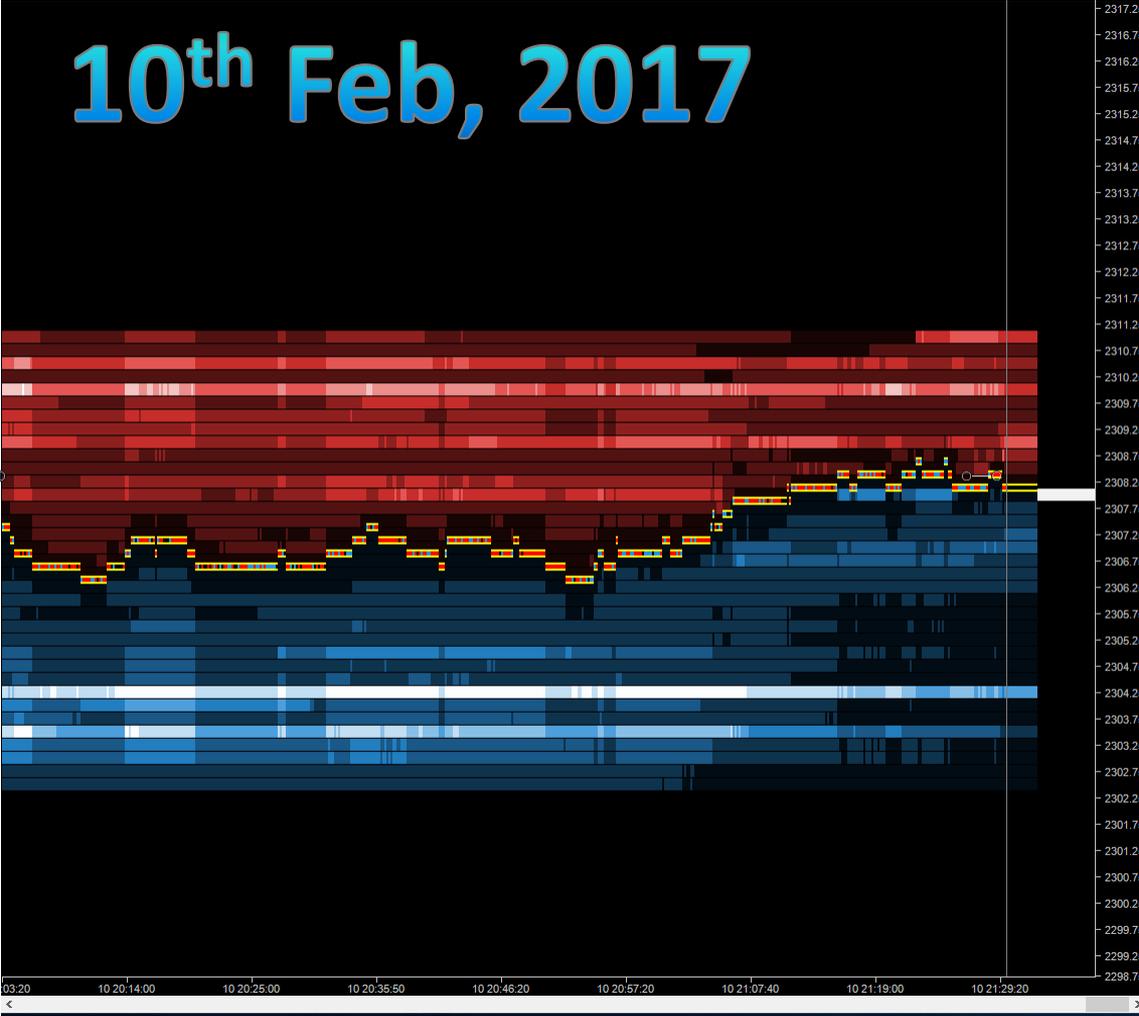
Time	Price	Volume	Order Type	Price	Volume	Order Type	Price	Volume	Order Type
2327.75	2325.25								
2327.25	2325.00								
2326.75	2324.75								
2326.25	2324.50								
2325.75	2324.25								
2325.25	2324.00								
2324.75	2323.75								
2324.25	2323.50								
2323.75	2323.25								
2323.25	2323.00								
2322.75	2322.75								
2322.25	2322.50								
2321.75	2322.00								
2321.25	2321.75								
2320.75	2321.50								
2320.25	2321.25								
2319.75	2321.00								
2319.25	2320.75								
2318.75	2320.50								
2318.25	2320.25								
2317.75	2320.00								
2317.25	2319.75								
2316.75	2319.50								
2316.25	2319.25								
2315.75	2319.00								
2315.25	2318.75								
2314.75	2318.50								
2314.25	2318.25								
2313.75	2318.00								
2313.25	2317.75								
2312.75	2317.50								
2312.25	2317.25								
2311.75	2317.00								
2311.25	2316.75								
2310.75	2316.50								
2310.25	2316.25								
2309.75	2316.00								
2309.25	2315.75								
2308.75	2315.50								
2308.25	2315.25								
2307.75	2315.00								
2307.25	2314.75								
2306.75	2314.50								
2306.25	2314.25								
2305.75	2314.00								
2305.25	2313.75								
2304.75	2313.50								
2304.25	2313.25								
2303.75	2313.00								
2303.25	2312.75								
2302.75	2312.50								
2302.25	2312.25								
2301.75	2312.00								
2301.25	2311.75								
2300.75	2311.50								
2300.25	2311.25								

1	6	7
4	4	0
1	1	7
2	3	7
2	3	9
8	2	8

19.00	95
19.00	90
19.00	200
19.00	50
19.00	70
19.00	80
19.00	95
19.00	50
19.00	126
18.75	122
18.75	136
18.75	89
18.75	50
18.75	160
18.75	53
18.75	97
18.75	150
18.75	268
18.50	50
18.75	74
18.75	153
18.75	64
18.75	73
18.75	63
18.75	60
18.75	119
18.75	229
18.75	100
18.75	50
19.00	50
19.00	185
19.00	100
19.00	73
19.00	80



10th Feb, 2017



Time	Symbol	Price	Volume	Open	High	Low	Close	Delta	Open Int	High Int	Low Int	Close Int	Delta Int
2317.25		2313.50											
2316.75		2313.25											
2316.25		2313.00											
2315.75		2312.75											
2315.25		2312.50											
2314.75		2312.25											
2314.25		2312.00											
2313.75		2311.75											
2313.25		2311.50											
2312.75		2311.25											
2312.25		2311.00											
2311.75	ONH	2310.75											
2311.25		2310.50											
2310.75		2310.25											
2310.25		2310.00											
2309.75		2309.75											
2309.25		2309.50											
2308.75		2309.25											
2308.25		2309.00											
2307.75		2308.75											
2307.25		2308.50											
2306.75		2308.25											
2306.25		2308.00											
2305.75		2307.75											
2305.25		2307.50											
2304.75		2307.25											
2304.25		2307.00											
2303.75		2306.75											
2303.25		2306.50											
2302.75		2306.25											
2302.25		2306.00											
2301.75		2305.75											
2301.25		2305.50											
2300.75		2305.25											
2300.25		2305.00											
2299.75		2304.75											
2299.25		2304.50											
2298.75		2304.25											
2298.25		2304.00											
2297.75		2303.75											
2297.25		2303.50											
2296.75		2303.25											
2296.25		2303.00											
2295.75		2302.75											
2295.25		2302.50											
2294.75		2302.25											
2294.25		2302.00											
2293.75		2301.75											
2293.25		2301.50											
2292.75		2301.25											
2292.25		2301.00											
2291.75		2300.75											
2291.25		2300.50											
2290.75		2300.25											
2290.25		2300.00											
2289.75		2299.75											
2289.25		2299.50											
2288.75		2299.25											
2288.25		2299.00											
2287.75		2298.75											

ESR

10194

15532

1841

825 95

825 116

825 52

825 52

850 278

850 116

850 79

825 64

825 52

825 54

825 50

825 120

800 50

800 70

800 55

800 100

800 60

800 90

825 150

825 50

850 200

875 50

850 100

850 100

850 100

850 181

850 100

825 140

850 228

850 251

850 80

825 664

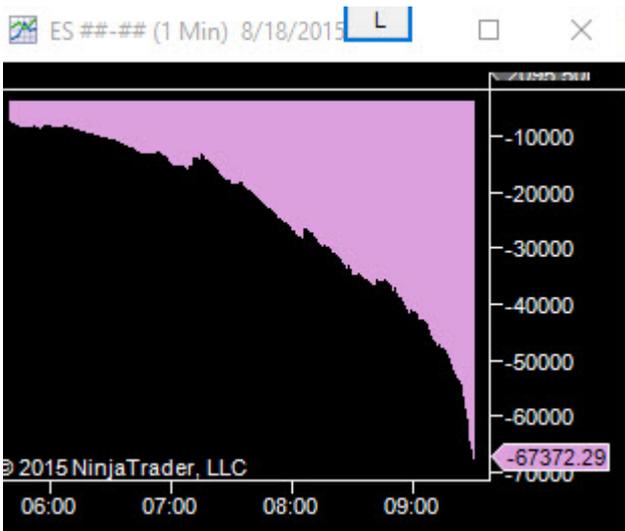
825 54

825 153

825 50



Aug 18th 2015



		2099.50							
		2099.25							
		2099.00							
		2098.75							
		2098.50						715	
		2098.25						634	
		2098.00						677	
		2097.75						621	
		2097.50						541	
		2097.25						498	
		2097.00						469	
		2096.75						438	43
		74 2096.50					74	411	
xx	Open	693 2096.25					681	386	63
xx		1940 2096.00				877	114	317	82
xx		3054 2095.75				725	216	397	-45
		4619 2095.50				1042	798	471	92
		2225 2095.25				207		425	76
		664 2095.00				127	38	233	134
		51 2094.75	-101	338		51			
xx		2094.50	-82	333					
xxx		2094.25	34	381					
xxx		2094.00	10	473					
xxx		2093.75	-78	326					
xx		2093.50		474					
		2093.25	-16	548					
WVAH		2093.00		499					
		2092.75		482					
		2092.50		654					
ONL		2092.25							
		2092.00							
		2091.75							
		2091.50							



The discretionary 'rules'

- Volume builds in areas before the US open
- The more volume in those areas, the more positions and liquidity there, the more likely they will hold
- Liquidity may well NOT be visible in terms of limit orders on the DOM
 - Do not expect Limit Orders to help much
 - Do expect “lack of desire to trade a level” to help



The discretionary 'rules'

- The closer you are to those areas into the open, the better
- The further you open to those areas of high volume, the more likely those positions are washed out anyway
- The smaller, more focused those volume areas are – the easier they are to trade
 - Smaller stops
 - More obvious



Next steps

- Study your chosen markets – and their ‘open times’
 - And WHY the open that time (the underlying)
- Get to know the sort of volume that indicates significant liquidity & positions
 - 5k on the ES is insignificant, 10k is significant
- Decide how you want to trade it
 - Attempt to catch the bounce or the follow through
 - Scale out/Scale in/All in & out



Will this work for you?

- Can you exit a trade when it's moving against you?
- Can you do that quickly?
- Are you going to start trading this tomorrow?
- Are you disciplined?



Q&A Time

- Expect about 20% of trades to move against you immediately with no chance of profit.
- Of the remaining 80%
 - Some will move a few ticks your way and then fail
 - Some will give you 1-2 points
 - Some will give you a decent run
- How you manage these trades will determine your profitability. Especially those that move your way and then fail.

