



WEDNESDAY APRIL 6, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,716.05	+112.73	3.75	328	350
Nasdaq:	4,920.72	+76.78	1.76	250	465
S&P 500:	2,066.66	+21.49			
10 yr note:	1.75%	+2bps			
Volatility:	14.09	-1.33			
EUR-USD:	1.140	+0.001	Crude Oil:	37.75	+1.86
USD-JPY:	109.23	-1.12	CRB-Com:	167.52	+2.30



Markets rally strongly, strengthening after the 2:00 release of the FOMC minutes. The Nasdaq (+1.6%) led gains in the S&P 500 (+1.1%) and Dow (+0.6%). The healthcare sector (+2.6%) led gains, fueled by a 6% rally in biotech stocks, now down 16% so far this year. WTI crude (+5.2%) rallied on dollar weakness and a bullish inventory report today, leading stocks higher after its release. The Dollar Index (-0.3%) fell to a 10 month low. Similarly the dollar fell against the Yen(-0.5%) and Euro (-0.1%). European markets (+0.8%) gained while the Chinese stocks (-0.1%) fell slightly.

Yesterday's risk-off trade eased somewhat today, as gold (-0.5%) fell, treasury yields gained, and volatility (-8.6%) dropped. The S&P 500 bounced off of its 15-day moving average but on lighter volume signaling a diminishing number of buyers present as this 2-month rally off of the market's February 11 lows begins to weaken.

I have so far been trading from a strict construct of setups: 9 when the market gains and 6 when it falls in an uptrend. Similarly I had 9 setups when the market drops and 5 when it rises in a downtrend. The setups all depend on the previous days directions and volume. The trend was determined by the direction of the market's consecutive lows.

The market entered a downtrend yesterday due to its lower low and also closed below its 15-day moving average. This sort of setup is usually very bearish, however I was expecting the market to rally today like it did, and profited from it in my personal account. However the algo was set in a very bearish manner due to yesterday's setup, and went short at the open when the market crossed into negative territory briefly.

I believe I need to relax my constraints in order to profit, and gain from my experience that cannot be quantified in categories. Sometimes a setup is bullish and sometimes it is not, it depends on a context that

cannot be programed. I need to use more of my experience while keeping my emotions at bay. I adhere to the rules that brought me here: never trade overnight and I will never look at the market from 9:25 to 4:00.

The setups have helped, with employment and when the vix is trending higher in low volatility. They are a great guide but they can be deceiving... I have also created a template of 5 (strong up, up, even, lower, strong lower) ways to set the algo for the next day depending on what I think it will do. I need to blend both strategies....

While I had tested my basic strategy on the past year of data to much success, I decided last night to test it on the past 5-years of data to the most miserable of outcomes. This strategy is very stable and profitable over the past year, and a train wreck over the past 5 years. I will play with the structure of the algo in an attempt for a more stable 5-year performance, however I believe I need to move away from a static system and integrate more of my intuition (without the psychology) to become successful. I believe I can do this if I continue to not look at the market. I just don't know at this point how I will organize my post trade notes so I can develop a comprehensive guide (and never make the same mistake twice).

The stop loss didn't initiate because my computer become disconnected today, compounding errors. I have set up the system to email me when it becomes disconnected next time, that may I can make sure the also is still running without checking the market.



ECONOMIC REPORTS:

Minutes from March FOMC Meeting: Fed officials deemed “that a cautious approach to raising rates would be prudent or noted their concern that raising the target range as soon as April would signal a sense of urgency they did not think appropriate” However they also noted “if the incoming economic data remained consistent with their expectations for moderate growth in output, further strengthening of the labor market, and inflation rising to 2% over the medium term.” Global growth concerns were more prevalent than they let on during their post meeting statement last month, as “many participants expressed a view that the global economic and financial situation still posed appreciable downside risks to the domestic economic outlook.” This mirrored Yellen’s sentiment during her speech last week as she said, “if I am seeing a downgrading of the outlook for global growth... we’d want to get ahead of that development.” Apparently they are doing exactly that.

Weekly Crude Inventories: -4.9 million barrels. Crude oil inventories pull back from last week’s record levels while gasoline (+1.4 million) and distillates (+1.8 million) stockpiles increase. Refineries are operating at 91.4% of capacity, a full percentage point higher than last week.

Weekly Mortgage Applications: +2.7%. Mortgage activity picks up slightly, gaining for its 2nd week in the past 7 as lower interest rates encourage demand. Purchase (-2%) activity fell while refinance activity (+7%) gained. Purchase activity is now 11% higher over the past year, down from last week’s 21% gain.

Rates:

30 Year Fixed:	3.86%	-8bps
15 Year Fixed:	3.10%	-9bps
5/1 Year ARM:	2.94%	-13bps