Twitter Thread by Alex Good



Alex Good
@goodalexander

I really like @sweatystartup's tone - and I think it applies to trading

Most fintwits try to sound smart and do complex formulas to convince you you're too dumb to manage your own $. It's marketing

For traders focused on cash flow:
A thread on what I call "the pnl grind".

1/ the grind is a grind because it's work ethic. 12 hours a day, min. And weekends.

The grind is a grind because it's hitting singles. 5-10 trade concepts a day. Hypothesize. Swing. Measure. Repeat.

The grind is a term that comes from gangster rap. And it's focused on ■

2/ what does a "grind trade" look like? Signal hit the top of the App Store. What's a basket of trades that will work in a privacy focused world?

Long Eqix short Twtr - private cloud vs regulation
Long Z cash short bitcoin - private crypto vs censored crypto

Just examples

3/ grind trading is all about 1 off events that diverge from history. Quant traders don't model them well bc lack of history. Fancy long / short guys are slow moving their books. Day traders aren't focused on fundamentals.

And let's be honest - grinding works bc it's brutal

4/ when Biden said he was going all in on cyber security, due to Russian hacking - it meant Russia was the new media scapegoat, so Blinken could deal w ■■. Blinken is a communist boot licker. So what. Don't get emotional. Monetize. You went long $Feye/ $JD. Got paid. Moved on.

5/ when you get paid on a trade like that - don't overstay your welcome. The confirmation bias crew will come in and take the trade off you and linearly extrapolate years ahead. By then you should be long gone, looking for the next spike.

Spike. Roll. Spike. Roll

6/ you can risk manage grind trades by cutting quickly. If Biden says he's going all in on cyber security and the stocks don't rally within 24 hours - that means people probably expected it. Means it's time to run for the hills.

No spike. Roll. No spike. Roll

7/ most times, grind trades don't go anywhere. People forget about them. But sometimes, they spiral. Covid was a good example. A spiral is when the previous media narrative gets cancelled and replaced with a new one. Your pnl should rip - here is a guide to managing that

8/ if you do something like catch the covid move, take 75% of your chips off the table after the first day and roll the pnl all into options with some thoughtfulness around dates. With covid it was all about predicting lockdown dates.

9/ most of the time - you should be trading single stocks in response to grind moves. The bare min due diligence is read the company's last transcript, know its valuations and its products. 1 transcript per hour means it's best to always be reading on spare time so you're ready

10/ why not futures? Honestly if you're reading this and getting any value out of it chances are you stand no chance trading futures against the pros. You don't have the research or data needed. Stocks are a more even playing field.

11/ when you trade like this you need to keep track of the types of baskets you do and their pnl. Each trade should have a tag, whether you do it manually or via api. Over time you'll get a sense for what worked and didn't. On weekends you should spend 6+ hours reviewing losses.

12/ the most important part of the grind is calibrating yourself to pick up on what moves stocks, vs what doesn't. Reflection is absolutely imperative.

13/ let's talk about risk. 2.5% of Capital max per trade. Run market neutral. That means shorting stocks or credit instruments against your ideas. Ideally You want both long and short ideas but if you only have 1 kind , use an index. Don't short stocks below $30b market cap.

14/ I still trade like this - especially if my quant strategies aren't working. It's been absolutely critical for long term thinking and quant strategy generation. It keeps me grounded.

Grinding pnl is out of sample credibility and $ to risk on process r&d.

15/ and when you know what moves stocks, what's important, you build statistically rigorous causal understanding which is key to making leaps of faith on longer term investments.

16/ finally to go full tactical:
1) read all transcripts of $5b+ stocks that moved 20%+ every day
2) read Bloomberg or wsj in entirety each night
3) follow data releases intraday via https://t.co/bJXpecyIOC
4) build tools to measure your beta to stocks bonds, and max dd

17/ that’s the grind. and if the trading grind doesn’t work for you I hear guys are getting filthy rich doing self storage.

Best of luck.