The Many Benefits of Micro Index Futures

- Published on September 25, 2019

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Anyone who's familiar or curious about Futures markets may find this to be useful in how you choose to build a non-correlated portfolio, and the strategy's and markets deployed within it.

Mini ES(SP500) contract has a margin of $6300, while the MES (Micro SP500) contract is $630. This opens the doors for brokers, portfolio managers, & traders alike to more easily diversify & deploy strategic concepts which are designed for optimal outcome consistency, and pursue clients which may not have > $15K accounts, helping asset managers attract clients from a younger age, potentially producing lifelong clients & widening the potential client pool.

In our years of research, the biggest source of risks(failure) is due to outcome being dependent on a perspective of singularity. Whether thats exploiting a single source of Alpha and/or a single variation of value. That in mind, lets dive into some of the benefits offered by Micro Index Futures, compared to mini index contracts..

You can design a multi-Alpha strategy for any market, however the flexibility offered with just a $630 contract margin, offers the ability to deploy multiple entry & Multi-Alpha concepts, similar to our Stock & ETF concepts and structures. Traditional portfolio managers pursue diversification via allocating to multiple sectors, however that resides on the surface, so lets dive a little deeper shall we..

When you combine multi-Alpha strategic concepts & allow multiple entries with an intelligent & dynamic money management model with internal efficiency analytics, you can not only exploit multiple sources of alpha, but also multiple variations of value within a single systematic, market, & frequency structure. This reduces factor dependency of outcome, increasing the variable routes to achieve profitability, and compounding varying Alpha probabilities.

Comparing apples to apples, lets say you design a robust ES(mini) 1 contract($6300) strategy, and configuring draw down requires $15K to comfortably deploy. This executes 1 contract and 1 entry, so even though you may deploy a multi alpha structure, outcome is dependent on 1 in and 1 out. It makes exploiting randomness much more difficult, not only is it more difficult but more then likely randomness is a risk factor, and outcome is strictly dependent on price moving in the direction of the position more times then not. However since 1 mini = 10 micros, we now have the ability to exploit multiple sources of Alpha, Value, & Randomness. Now we have 10 contracts to deploy, up to 10 entries per position, if we wish. This acts as an additional layer of diversification and buffer of alpha correlation+synchronization, and creates an opportunity to implement additional layers of intellect within the systematic structure or internal performance & efficiency analytics.

First you source the Alpha's which only require a single entry. Because randomness is somewhat stochastic in nature, additional entries act as a buffer, a means to improve the probability of positive outcome, per trade, either by improving avgentryprice and/or compounding the probabilities of the different sources of alpha. Once the initial entry models have been designed, and combined within a single strategy, you can allow multiple entries to execute. Criteria is linked per individual model, per entry, & market classification basis, all of which are dynamically controlled. This goes for both random & cyclic value variations. Once all the initial & additional entry logic is tuned, you can apply an intelligent money management which dictates how many contracts each entry & additional entry will execute. Each entry can execute 1-6 contracts, all of which are dynamically controlled and based on a combination of historical performance of that model & entry, as well as real time probability for that entry. For a 10 micro contract system, we may allow up to 6 entries, per position, because the majority of entries will execute more then 1 contract. Due to random value usually being the highest risk source of value, we can set ranges for the contracts to be within 1-3 per entry, per model, and because cyclical value is the lowest risk source of value, we can set ranges of 2-6 per entry, per model basis.

Multiple entry systematic structures, along as you have a healthy allotment of max contracts, offers a bountiful number of ways to implement structures that aim to reduce risks & increase positive outcome. Thus, outcome may not always be reliant upon the perfect alignment or synchronization of X or Y source of Alpha. Its the optimal & ultimate form of diversification. Even though the objective is to always include the most robust concepts & criteria, you're not always going to be correct, and with this method, you dont have to be to generate positive a result. Multi-Alpha (Multi-Model) & Multi-entry systematic structures, combined with the ability to internally analyze efficiency & performance, takes you on a journey light years beyond traditional diversification methods. When this is applied to each asset within a portfolio, THEN traditional methods are applied, you start to see how markets which offer the ability to deploy these structures are by far the optimal option to pursue, for both individual & institutional investors. Pursuing consistency, instead of return, will more times then not improve longevity & reduce the risks of failure.

Anytime you can add a different & proprietary data set, to derive additional analytics, this may yield a result applicable beyond the concept applied. Advanced money management models with performance analytics, is a great place to start to give additional methods the strategy can adapt to changing environments. Dynamically adaptive, on multiple levels. As such, Contracts per entry can be any combination such as:

1 2 3 4, 4 3 2 1, 4 2 2 2, 3 1 1 1 4, 1 1 2 3 3, 2 1 1 1 5, 1 1 1 1 2 4, 1 1 2 6

etc etc etc

basically any combination that will allow up to 6 entries with 10 max contracts..

Because of the additional layer of intellect & performance analytics applied, multi-alpha systematic strategies that deploy multiple entries, diversifies factors which produce outcome at a much deeper level then simply allocating across sectors or a multi alpha & single entry system. These concepts are designed for optimal outcome consistency, with a lower risk profile, because the 10 micro contracts are not deployed on a single signal/source of value, unlike a 1 mini contract. Thus allowing investors to leverage, if desired, and achieve a higher rate of return with a much lower risk profile. Risk of Drawdown, risks of strategic/conceptual failure, & risks of randomness negatively impacting outcome can all be reduced with the right systematic structure. In these scenarios, you can actually exploit randomness and flip it from a negative factor, to a positive one.

Single model or single entry strategies carry a lot of limitations, just like a traditional pm, there are only so many ways to diversify. However when you open the doors using a smaller contract, you can achieve more, & more consistently. When your strategic & systematic structure objectives are to maximize consistency & reduce the many factors of risks, you can actually achieve more, with less stress, by far the optimal choice, compared to pursuing structures which maximize $% with a higher risk factors/metrics.

Attached below the disclaimer are some screenshots of www.optimizeyourtrading.com new Atlas_MES_Micro_C6 (Allows up to 6 contracts), $7500 initial investment. We also offer a Atlas_MES_Micro_C3(allows up to 3 contracts & $5000 initial investment) and will soon launch Atlas_MES_Micro_C10(allows up to 10 contracts & $10000 initial investment).

All of our Atlas products deploys a multi-alpha systematic structure, with internal efficiency analytics, which aims to produce high outcome consistency, by increasing the factors which produce positive outcome & reducing the factors which nurture risks.. To ensure outcome is not dependent on a single model, source of alpha, or variation of value. In a leveraged market and a world increasing in Volatility, concepts which are designed to handle both record breaking price movements & deviated ranges of randomness will surely help mitigate the risks of failure or time between new equity highs. These concepts may not only be better for investors with smaller accounts, but also experienced & institutional investors, as multiple units or leverage can be applied to aim to achieve certain performance or risk objectives. EX: 1 ES(mini) may require $15k-17.5K, however 10 MES(Micro) may require $10K, with a much higher consistency rating & lower risk rating. Index Micro Futures is a win/win, for those who wish to deploy absolute return concepts and/or simply aim to diversify from traditional portfolio (CAPM).. I suspect in time, we will continue to see the volume for the micros increase, as more become aware & tuned to the benefits of outcome diversification on a strategic, systematic, & asset level.

*Disclaimer: Historical Performance, whether Live or simulated, may not be indicative of Future performance. Trading Stocks, ETF's, or Futures involves significant risks of loss, which may not suitable for all investors. Investors should only choose to invest funds they can afford to lose, without negatively impacting lifestyle. Price characteristics are not predictable or repetitive, thus any strategy developed using historical data will be equally unpredictable. We do not guarantee nor claim our strategies will perform positively and/or reflect their historical results. In fact, there can be significant differences between historical & live results. Please consult your investment professional before choosing a trading or investing strategy, to ensure it meets your investment objectives & risk tolerances. All results shown are historically simulated.


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TradingApps
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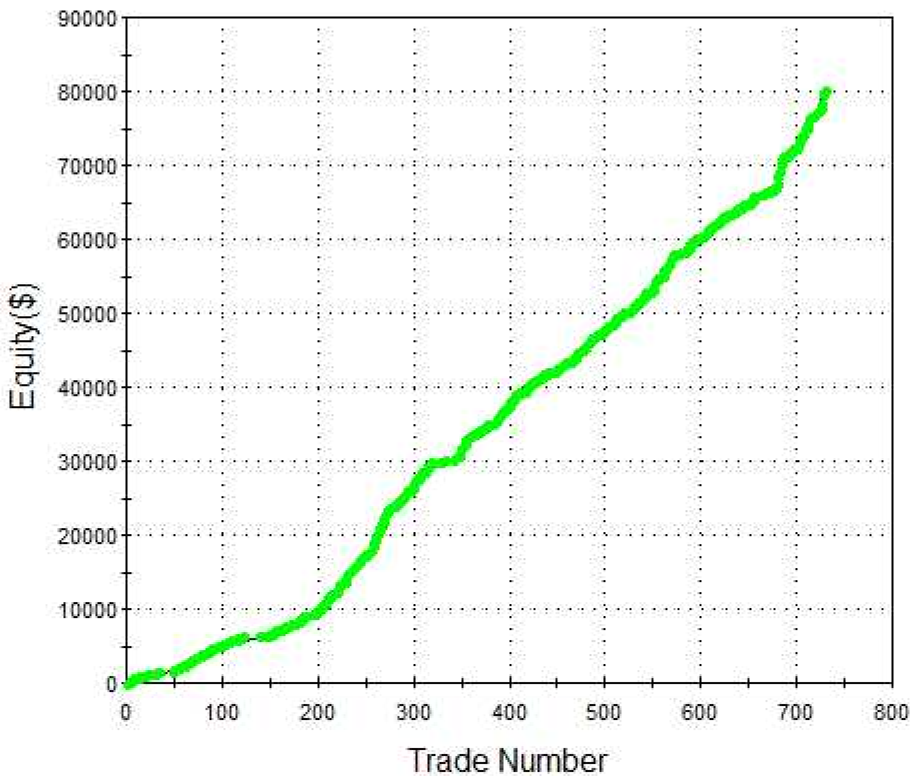
Equity Curve Line - @MES 1440 min.(9/24/1999 17:00 - 9/24/2019 17:00)



Mark-To-Market Period Analysis:

Period	Net Profit
Last 12 month	$8,016.75
1/1/2019	$5,097.75
1/1/2018	$8,097.75
1/1/2017	$4,072.50
1/1/2016	$7,219.75
1/1/2015	$5,072.75
1/1/2014	$2,269.00
1/1/2013	$4,531.50
1/1/2012	$5,177.00
1/1/2011	$5,464.25
1/1/2010	$3,414.50
1/1/2009	$6,473.00
1/1/2008	$11,158.75
1/1/2007	$3,600.50
1/1/2006	$1,801.25
1/1/2005	$979.25
1/1/2004	$2,410.25
1/1/2003	$2,454.50
1/1/2002	$1,019.00

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