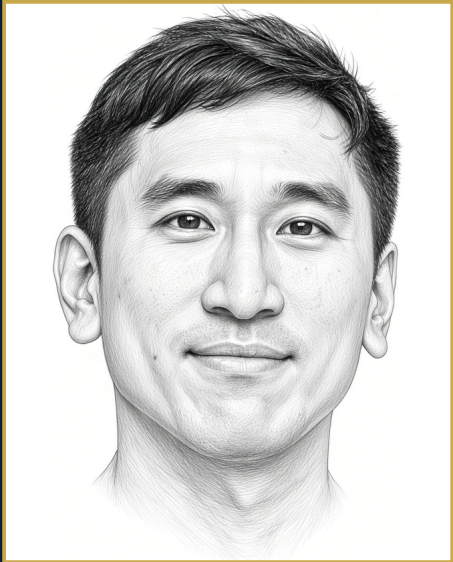


Kelvin Chiu

Trading Both Sides of Asymmetric Trades

The commodities trader who lost ten million dollars being right, then rebuilt his entire method around the shape of a payoff rather than its direction.



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THE VERIFIED RECORD

Seven-plus years trading own capital · S&P 500 comparator in brackets

108.7%

CAGR
S&P 14.5%

2.0

SHARPE
S&P 0.7

6.2

ADJ. SORTINO
S&P 0.9

5.7

GAIN-TO-PAIN
S&P 0.8

4.0

MAR
S&P 0.6

Source: Jack Schwager and George Coyle, Market Wizards: The Next Generation (Harriman House, 2026), Chapter 6 and Appendix I. Figures are published and verified by the authors. The Complete Trader's Edge has not audited the underlying account statements and does not present them as independently certified.

This sheet is a companion to the chapter, not a substitute for it.
completetradersedge.com/kelvin-chiu-asymmetric-trades

CAREER TIMELINE

The arc

2007	● Interns on the Goldman Sachs trading floor in London during his penultimate year at Cambridge. Picks the commodities desk a month into a two-month rotation.
2008	● Graduates Cambridge at 22 with an unbroken record of academic success, which he later identifies as the source of his low resilience.
2009–11	● Handed the agricultural options book at 23 after both senior options traders leave. No method. Down just under \$1 million in both 2010 and 2011.
2011	● The senior commodities partner removes his book and merges it into the sugar trader's. Demoted to junior on the combined desk.
2011–14	● The turn. Pressure lifts, curiosity returns. Learns fundamental supply and demand analysis from ex-physical traders. Settles on calendar spreads and relative value. Reads <i>Trading in the Zone</i> .
2014	● Leaves Goldman as the Volcker Rule pushes the desk towards client business. Joins Vitol in Singapore for pure proprietary trading.
2016	● Best year at Vitol: \$35 million. Also the year of the Kansas City wheat boundary trade and the soybean meal spread that costs roughly \$10 million.
Mar 2018	● Leaves Vitol. Goes independent a few million short of his \$10 million savings target, funded by a decade of banked bonuses plus around \$1 million from family.
2019	● Declines the obvious corn spread trade purely because the shape is concave. The discipline proof.
2021	● Drawdown of over 25%, double anything before. Turns to cognitive behavioural therapy. Expands beyond grains into equities, copper and EU carbon.
2018–26	● Compounds at 108.7% a year over seven-plus years. Builds SilverCape Investments and Silverstrand Capital in Singapore.

The pattern worth noticing

Every structural improvement in his method came immediately after a loss or a humiliation. The demotion produced the method. The \$10 million loss produced the convex rule. The 25% drawdown produced the psychological work. None of it came from a winning streak.

Convex and concave

Chiu classifies trades by the shape of their payoff rather than by direction or by a risk-reward ratio. This is the single most transferable idea in the chapter, and it is the reason his adjusted Sortino ratio runs at three times his Sharpe.

CONVEX

Downside limited by market structure. Upside open ended. You know the worst case before you enter, because something in the market prevents it going further.

Example: long nearby / short forward grain spread bought near full carry

CONCAVE

Upside capped by the structure. Downside open ended. You can be entirely right about the destination and still be destroyed by the path the market takes to get there.

Example: short a spread that should converge, with no cap on how wide it goes

Why storable commodity spreads are genuinely convex

A forward-dated contract normally trades above a nearby contract to compensate for storage costs and forgone interest. That premium has a ceiling called full carry. If the spread tries to widen past it, a trader can buy the nearby contract, take delivery, hold the commodity and redeliver against the forward contract at a risk-free profit. The physical market therefore caps how far the spread can move against a long nearby position, while nothing caps how far it can move in favour if a real near-term shortage appears.

Why this is not the same as a risk-reward ratio

Anyone can create a 1:5 ratio by putting a stop close to entry and a target far away. That is arithmetic you imposed, and the market has no obligation to respect either level. Asymmetry in Chiu's sense is a property of the situation. The test: if the downside is limited only because you promised yourself you would exit, that is a stop loss. If it is limited because the structure of the market prevents it going further, that is convexity.

Why the edge survives

The profit on any single one of these trades is too small for a large hedge fund to justify staffing, and Chiu holds an independent Chicago Board of Trade membership that puts his execution costs below a non-member's. On thin edges at size, cost is the edge.

Two trades from 2016

The loss: soybean meal old crop / new crop spread

The global soybean balance tightened sharply in March and April. Brazilian yields disappointed, rain hit the Argentine harvest, Chinese demand ran hot. Old crop futures began gaining on new crop across soybeans and soybean meal. Chiu judged the soybean move justified and the meal move unjustified, because there was no tightness in meal. He was correct. The meal spread was widening only in sympathy.

Structure	Short old crop July meal, long new crop December meal
Spread at outset	Around 2
Entry	Short at 14
Maximum available gain	12 points, capped by fair value
Peak adverse move	45, roughly 31 points against him
Exit	Average of 38, after adding to shorts at 45
Loss	Approximately \$10 million
Where the spread went next	Straight back to 2

The lesson

Maximum gain of 12 against an uncapped adverse path. A 70% chance of being right does not rescue a shape like that. He swore off concave trades and structured for bounded downside for years.

The win: Kansas City versus Chicago wheat

The same year, a huge hard red winter wheat crop pushed Kansas City futures to such a deep discount against Chicago futures that the spread hit a boundary condition. The discount became wide enough that commercial grain companies could buy the cheaper hard red winter wheat, rail it to Chicago and deliver it against the soft red contract at a guaranteed profit. Once that arbitrage is live there is effectively unlimited commercial buying of Kansas City and selling of Chicago at the prevailing spread, so the discount cannot get meaningfully wider. He bought Kansas City and sold Chicago in as large a size as he could. The downside was sealed by physical economics rather than by a stop.

The trade he refused: corn, 2019

Relentless spring rain in the Midwest, USDA cutting yield and acreage estimates in June, veterans expecting a balance sheet tighter than the 2012 drought. Then the Crop Production reports surprised in the other direction and the old crop / new crop July–December 2020 spread sat very elevated. His own analysis showed a wide margin of safety in shorting it. He passed, because shorting the front and buying the back is the same concave shape that cost him \$10 million, and he had a rule. Declining a trade you have correctly analysed is harder than taking it.

The nine questions

Drawn from how Chiu describes his own process. Print this. Question three is the one nobody else asks, and it is the one that would have saved him ten million dollars.

- ☐ **01** What is mispriced?
- ☐ **02** Why is it mispriced, and why has nobody else taken it?
- ☐ **03** What is the shape of this trade: convex or concave?
- ☐ **04** Is the downside bounded by market structure, or only by my own promise to exit?
- ☐ **05** What would change my mind, and can I argue the opposing case properly?
- ☐ **06** What do I lose if I am wrong, in currency and as a percentage of capital?
- ☐ **07** What do I realistically make if I am right?
- ☐ **08** Am I taking this because it qualifies, or because I am bored?
- ☐ **09** If the thesis weakens, what is the new price, today, not later?

His own risk parameters

Exit trigger	Conviction, not price. He exits when his conviction declines, because the end game value of a spread is fundamentally driven.
Single trade cap	Around 15% of capital on a high-conviction trade.
Directional trades	Technical analysis drives entry and exit timing. Fundamentals alone give no risk management anchor.
Adding to winners	Did so at Vitol. Stopped when independent, to keep total risk lower.

Where this collides with the 1% rule

His 15% cap is survivable only because he sizes into structurally bounded downside. Take away the bound and it is gambling. The usable version: keep 1% as the ceiling on ordinary trades, then hold a separate written list of what counts as exceptional for you, with a pre-committed higher fraction, a cap on how many you may hold at once, and a monthly budget. Decide before you see the setup.

The work underneath the method

By 2021 the method was already excellent. The constraint was upstream of it. After a drawdown of over 25%, double anything he had experienced, Chiu concluded that no amount of method would fix how he responded to losing, and went into cognitive behavioural therapy with extensive reading and a counsellor.

- **The limiting belief**

He measured his self-worth as the sum of his achievements. Framed that way, every drawdown becomes a crisis of identity rather than a business expense.

- **The reframe**

He attached his identity to three values instead: growth, resilience and courage. Measured against those he could be winning regardless of outcome, because every position either makes money or teaches him something.

- **The knock-on effect**

The same process removed a second limiting belief, that he was only good at grains. He expanded into equities, copper and EU carbon allowances, with sizeable wins in 2021.

- **The principle**

It is the process that defines a trader. Judging yourself by individual outcomes is a guaranteed route to disappointment.

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The counterweight

The record is published, not audited by us.

The figures come from the book, where the authors describe their verification process. We have not seen the underlying statements.

The edge is not available in the form he ran it.

A decade inside Goldman and Vitol, plus an exchange membership that lowers costs enough to make thin edges viable. Those are structural advantages, not insights.

Schwager's own caution applies.

In his closing note he observes that concave trades expose traders to large losses, are best avoided by most, and need an effective timing strategy and strict risk management.

The rule was a stage, not a law.

Chiu later reintroduced concave trades with much stricter timing, having found that refusing them entirely was costing him attractive opportunities.

Sources

- Jack Schwager and George Coyle, Market Wizards: The Next Generation (Harriman House, 2026), Chapter 6 and Appendix 1
- SilverCape Investments corporate information and public correspondence regarding PetMed Express
- PetMed Express filings with the US Securities and Exchange Commission
- Silverstrand Capital press and media archive, including the Aqua-Spark commitment