Jason Hitchings (00:00):

Hey everybody. Thanks for being here. Today. We're going to talk about bullish bursts, just going through kind of strategy by strategy for things we haven't covered yet in live help. It should be a pretty short and sweet session. You can take plenty of questions if there's a lot of questions. Otherwise we'll just have a nice 20, 30 minute session today. And as always, I'm going to just start off with the disclaimers. This is not a solicitation to buy or sell any security ever. This is not advice. You should read the characteristics and risks of standardized options. The results here are provided for general information purposes. As a convenience to the viewers, the materials are not a substitute for pertaining professional advice from a qualified person, firm, or a corporation. Trading features and options involves the risk of loss. Please consider carefully whether futures or options are appropriate to your financial situation.

(00:48):

Only Risk capital should be used when trading futures or options investors could lose more than their initial investment. Vast results are not necessarily indicative of future results. The risk of loss in trading can be substantial. Carefully consider the inherent risks of such investment in light of your financial condition. Great. So I'm Jason Hitchings. I'm the CTO at Capital Work Labs. Been working with PHE for a long time and been working in financial data for a long time. Okay, so I'm going to give my quick one minute speed on the path that we think is best to becoming successful in trade machine. I'm going to give a really quick kind of two minute overview of what's in the platform for anyone who just signed up and is kind of logging into one of these for the first time. And then we're going to talk about bullish bursts and then q and a.

(01:31):

Okay, so real simple with trade machine and with trading and investing in general, we are firm believers in writing down your plan writing when you're going to get in and when you're going to get out. This takes a lot of the emotion out of trading and then you'll have a track record to point to say, Hey, these strategies are working for me or these ones aren't. Sometimes we might place a trade and it's kind of like the most recent trade or two is what feels like how things are going. We have a big win or a big loss may feel like things are great, but this lets you look back and say, Hey, how have I done in the last three months or six months? And really assess how things are going. We also think it's going to take, that didn't really matter, thinking even if something won 60% of the time and when it won, it won more than it lost.

(02:15):

If you take one or two trades, you're going to have no idea if that's a successful strategy. I haven't actually taken the time to do the statistics on it, but ballpark 10 trades is going to let some of the random noise of trading get balanced out a little bit. You also want to trade in different trading conditions. You can have up weeks or down weeks, so even if you place 10 trades all in the same day, if the market's going great and they're bullish trades, your trades are going to go great probably and vice versa. So spreading them out over time and trying a few different strategies is also helpful. And then my personal view is that it's great to start small, take some small bets, track your wins and losses. Once you start building up some positive returns, then you can increase the size of your risk capital if you will.

(02:58):

So you're kind of playing with house money at that point. Just an example of my own little spreadsheet of writing things down. Yeah, just real quick, we took a trade in Sky or I tracked one last week, just a three day pre earnings call was not a huge winner, but it was a small winner, so just recorded that one. Okay, so we're going to dive into Bullish Burst in just a second. Before I do that, I want to just show a really quick overview of what people are seeing when they first log into the platform. So this is the today tab. Up at the top you can filter by different groups of tickers, Dow 30, NASDAQ 100, or the largest 500 by market cap. You can also filter by liquidity and that basically means the widths of the market. The bid asks spread for options about 30 days out in the future.

(03:41):

Things that are a three plus are what we deem to be pretty reasonably tradable. Things can be very wide and you can still get filled. You can get a good fill on things that are very wide sometimes, but it could be harder to get out. Or if you're doing a multi-leg strategy, you might get filled well in one leg. Three plus is around the time that you're going to start to see, you're going to look at an option spread and you're going to say, okay, they might not be nickel wide bid, ask spreads, but they're going to be tradable if you go to four plus, it's also going to exclude any stocks that are trading below. So starting at a three plus or four plus is probably good just to make sure that what you're looking at is nice and liquid. So these are things that have traded in the last few days.

(04:20):

Anything that's blue here that says today traded today, there's about 13 different strategies here. When you're in earning seasons, you see more pre earnings stuff and then when you're kind of coming out of earning season, you see a little bit of post earning stuff depending on what's going on these individual trades, this isn't all the things that triggered for this strategy today. We put a lot of additional filters to create a curated list here. So we're going to enforce that it has more wins than losses, that the average trade return is reasonably high, that it's won not only over the last year but the last two years and the last three years and that the total return is something reasonable. So this is basically a curated list of back tests that have worked well. And then for each one of these strategies, we did a bunch of testing to make sure that it outperforms this kind of similar trade.

(05:10):

We kind set up the technicals and the stops and limits, all that kind of stuff to show that it was working well against lots of different baskets of stock. And if you see a little AI symbol here, it means that we're using the algorithm that we generated with AI that uses what's called SKU and ketosis. But basically what it means is that whether the stock tends to move up or tends to move down and how big the jumps are when it does, if it tends to jump a lot, kind of be more volatile or not, but we found some really good additional returns and we found additional edge using that ai. So those are pretty powerful trades. So when you see those, those are definitely worth considering. And so then if you just, yep.

Amanda Kelley (05:46):

Just to circle back to the liquidity filter currently that is exclusive to platinum members. I just wanted to point down

Jason Hitchings (05:53):

Yes, yes, yes. Thank you.

Amanda Kelley (05:55):

And then somebody was also asking if you could show the three plus again, which I believe that's what you're on right now. So if you're still looking at that, Jason is on the three plus filter currently.

Jason Hitchings (06:06):

Yep. Great. Thank you for, it was a little choppy on her audio, but what she was mentioning is the fact that this liquidity filter is a new feature features go out to our annual subscribers first, partially because they're just the more experienced people for giving us feedback partially just as a thank you to them. For anyone that switches to annual, you get about a 17% discount for the month over month price and you get faster servers and you get some cool new features and stuff. So that's what that's showing here. We might roll a version of this out to users or we might for instance just make it for monthly subscribers that we only show three plus for instance, but not worry about the ability to tweak it at that level. But that was great point. So thank you Amanda. And then when you click any one of these tickers, it'll actually pull up this sort of simulated market simulation over time.

(06:53):

That's called a back test in the parlance, this is just saying, Hey, on this date it didn't trade. Could be for a variety of reasons. That's generally not a big concern. So this is a good point. It was active earlier today, but it is not active in the moment that just the way the technicals have changed since this started, these show that they triggered at some point during the day when you click the back test, it says whether all of these conditions are still active. Specifically this strategy has a technical open where the RSI has to be below 40 and the MACD has to be greater than the nine day exponential moving average, and it's not right now. So that's great. So that can tell you that it's not a great time to take it. So this shows the ticker, this shows the performance or this timeframe.

(07:33):

We tend to show the three-year timeframe as the backtest result, even though we test a lot of other timeframes. The results here tend to show how it's done in the last three years. Over here you'd see the strategy, what strategy we're using. This one is a little more fancy, it's custom. If you click edits, then you can see the specific legs. You can build your own custom strategies up to four legs. And so this one says it's a long 50 delta, meaning at the money call that expires as close to 60 days in the future so we can find it and then short a 20 delta out of the money call about 30 days in the future, and you could always add up to four legs and do your own things. And it says we're going to close the strategy as soon as the front month options expire.

(08:12):

So that's what this staal call spread is doing. Yeah, there's technical conditions. I went over those briefly, but if you click the technical open, then you can kind of see the additional things and this is where you could add more if you ever wanted to add more. So that's the strategy in a nutshell. And then as I'll show you for strategies that are still active, it'll show you the one I was looking at earlier today is this bullish bursts. Anytime you click the little question mark here, there's going to be a video or a help article that explains the strategy and why it exists and why it has edge. But looking at this LNW, so clicking on this specific strategy showing that it triggered right now and that things are still active, that these technical conditions are met. If you see that yesterday the stock was below this EMA 10, but the stock is now over the exponential moving average, the 10 exponential moving average, it means it crossed up above.

(08:59):

So in the technical conditions, you'll see crosses up through and that's just the way it gets broken down for the market simulations today, it's above yesterday, it was below and the other technical conditions, it says it's still active and this is another nice little feature for platinum users. So this is now just kind of going straight into what I wanted to cover in terms of the strategy we're going to cover today these bullish bursts. And so this particular strategy, I'll just start from the top so it's nice and clean. So I'm looking at this bullish bursts. These are the four that are showing up. This is the one that triggered today that has liquidity of at least three. So I'm clicking the ticker. It shows that this is a strategy that's looking for at options about 14 days out. It's looking for a 40 delta call.

([09:42]()):

And so a 40 delta call means it's slightly out of the money but not too far out of the money. You can see that it's a call strategy here. We're long, we're buying the call. It's a never trade earning strategy as a lot of ours are. We generally either are intentionally taking an earning strategy or not. We don't just sort of stumble through earnings. So never trade earnings means you would exit the strategy two days before earnings and then you'd wait for the technical conditions to be true again before entering it again. So these are all the little earnings events along the way and there's these technical conditions that we went over. That's when the stock crosses up through the 10 day exponential moving average that the stock is above the 200 day moving average that the simple moving average is above the stock price, meaning the stock is below the 50 day simple moving average and that the RSI looking at the 20 day history is below 70.

([10:32]()):

So the RSI being below 70 means that's typically when people say that they mean it's not overbought, meaning it didn't have a huge runup recently that might indicate that the sort of bullish bursts that the run is over and the stock crossing up through the 10 day exponential moving average kind of means that it has some near term momentum. The stock being above the 200 day moving average means it's not basically that stock's not in a longer term decline and the stock being the simple moving average for 50 is being above the stock, which is another way of saying that the stock is below the 50 day moving average means it hasn't been doing that great in the last 50 days. So take it altogether. What we have is the stock's not humbling, but it is having a bad couple months, but recently it's popping.

([11:21]()):

It just crossed up through the 10 day exponential moving average and it's not overbought. So that's kind of the summary of the technical conditions here and you can see that on the chart that it's kind of coming up right through. If you scroll down to the very bottom and you grab this little scroller, you can slide it over. When you do that, you can kind of zoom in and see what's happening more recently. So this line here is the 50 day moving average. This little kind of green one is the 10 day exponential moving average, and you can see that these black bars is finishing at the top here. So it's just below the 50 day moving average, but it's well above the 10 day exponential moving average and it's well above the 200 day moving average. All those things are true and if you scroll down, this is the RSI.

([12:00]()):

If you hover over it, you can see that the RSI is 53, so it's below the 70 mark. So this 70 mark, you can actually drag this little line if you ever want to reference point. So it's below that kind of 70 line that would indicate that it's over lots. So all the technical conditions are true. The strategy is never trade earnings. We can see that there's not earnings anytime soon. This will become verified once earnings get closer, but we just had an earnings event, so this got pushed out three months and so they don't have a specific date. Companies basically never announced earnings dates three months out. Great. And so this is our strategy. So we want a 40 delta call about 14 days in the future. So for annual users you have this nice little nifty feature where we hold the live options chain or the chain that's only slightly delayed and it says, okay, well it's looking like we're going to be doing these, the a hundred strike, we're going to be looking at the June 21 options.

([12:50]()):

So June 21 is exactly 30 or 31 days in the future right now. So you might ask, well, I thought we were looking for options that are only 14 days in the future. Why did it choose something a month out? So if I click the show options chain, and this is the way you can look up the option real quick, if you are not an annual subscriber, if you're a monthly subscriber, so here's the options chain so I can filter on expirations, but we can see the first expiration is actually 31 days out. This is not a stock that has weekly options and that's fine. The strategy might be to buy something seven days or 14 days in the future, but if it doesn't have weekly options, the backtester is going to do its best to find something that fits and if it can't, for instance, if you're trying to buy something before earnings and there's not options that expire before the next earnings event, then that's when you might get a warning message saying it couldn't place a trade on this particular day, but that's fine.

(13:39):

It's still following all the same rules and conditions and it's still a completely valid simulation of the market. So I'm looking 31 days out and we know that we want a call delta or as close to 40 as we can get it. We can see that these are the deltas we have to look at. And so the 33 is the closest to the 40 delta, and so we're going to be looking at this a hundred strike as we mentioned. Okay, so just clicking through here. Yeah, so looking at that tile 40 delta 14 days from expiration, it's active. These are the technical conditions. If you click show options, it gets to show that a little kind of shorthand. It's actually especially helpful when there's multi-leg options, especially if you have one expiration before earnings, another one after earnings, then having it really show that details is a big time saver.

(14:25):

But we just did the little lookup here and confirmed it's the same thing that it showed to us so that let's get rid of this. That's sorry, a vestige of a previous slideshow. So yeah, when I log onto the thinkorswim web version, this is what it chose me. If I go to the light and wonder options chain, I look at the June 21st options and then I look down here for a delta as close to 40 as I can find it. 32 is the closest and it's the 100 strike. And then in the web version, if you just click the offer, it will populate an order ticket for me. So I click the offer and I changed the price. The market was one 40 at one 50. I put my bid in my, I tried to buy, I put my bid in at 1 45 hoping to get filled at the one, kind of the midpoint, and I did more or less get filled at the midpoint.

(15:16):

I got nine contracts last I checked. It might have filled since then or it might not have and that's fine. So I filled nine contracts out of the 10 I was looking for at the midpoint, and now I want to look at the closing conditions. So on this trade we talked about when we're going to get in, but when are we getting it out? So you could set a technical closing condition. For instance, if the stock crosses below the 50 day moving average, or in this case it's already below the 50 days, so that could be interesting. It would mean that the stock went above the 50 day, then cross below it, so that could actually be a perfectly reasonable closing condition. The only closing conditions, the way that we've set up the strategy from the testing that we've done is that you exit if you've made 40% on the strategy and you also exit if you lose 60% and people ask, why do you end up with these numbers?

(16:01):

Well, we ended up with these numbers just because we tested a lot of different variations. We found those to be the most profitable. Anytime you for limit meaning you're taking a profit, anytime you bring that number down, you're going to win a higher percentage of the time, but you're going to win less. So you can actually kind of tweak strategies and you can backtest a whole portfolio. So if I click portfolio, I can actually test against a hundred or 200 at a time, 200 because I'm a platinum annual subscriber, but you can test against the s and p chunk of the s and p stock. So you can test against, or actually I think actually platinum now even above 200, but you can test against the NASDAQ 100 et cetera, and you say, Hey, I can click that in just a second. But if you look at the overall returns and you're like, yeah, the win rate's nice, but I think the average return's not that great, you can always crank up your limit and that means you're going to exit early for winter.

(16:52):

Less often you're going to kind of let it run a little bit more. You're going to have a chance of locking in a bigger percentage, but your win rate is pretty much mathematically always going to go down a bit, but you can kind of tweak these things. So I'm just going to put a limit order in on the platform, and so when I look at this, got in for a buck 45, so 140% of that would be around two or two, and so I just put a limit in on the strategy. I say good till canceled and I could have chosen 2 0 5, I chose two and I just put that goodell cancel order in there and it will exit the position for me once my limit is hit. Great. So just because we talked about it for a quick second, I might just show what I was talking about.

(17:30):

This is not, I haven't done anything specific with this ahead of time, but if I look for the last year and I do a portfolio back test for the NASDAQ 100, this is going to run this bullish burst strategy for the last year on the NASDAQ 100, looking for this exact same thing. It's going to get as close to 14 days out as it can. It's trying to buy a call that's a little bit out of the money it's going to exit if it hits a limit of 40% or a stop of 60%. We can kind of see how that's done and then you can always start with one of the pre-built strategies that we have as a baseline and go from there and kind of build upon it if you want to, but I'll just tweak the limit and we can say, Hey, would a 60% limit actually be better?

(18:11):

I'm just waiting for this to finish. When it does that, I'm also going to show you how to set your own custom alerts against these strategies. Make sure I chose the right basket. Yeah, not SEC 100. So if these back tests look like they're running a little faster on mine, it's the annual platinum subscribers get access to faster servers because we can rent them from Amazon for a year ahead of time and it is kind of like some of the benefits that we get, we just kind of pass transfer on those users. So yeah, this has gone pretty solid. Average trade percent, 13%, that's pretty good. That's pretty darn good. You might think a 51% win rate's not phenomenal, but this is a strategy with a 40 delta and mathematically, when you have something that's a 40 delta, it means that you have a 40% chance of winning.

(18:55):

So the fact that what the options montage is saying is you have a 40% chance of winning, but the strategy is resulting in a 51% chance of 52% chance of winning. That's pretty solid. Obviously it's been a good market the last year. You wouldn't want to just look at one year if you're trying to tweak and create your own strategy, you'd probably want to look in the last few years when we had chop your markets. But yeah, those are pretty handsome returns. So if you said, Hey, I like what I saw on the today tab, that's cool. You might want to tweak it or do something else to the strategy. You might want to add additional conditions for skew and kurtosis or anything else in the technical conditions. But once you've created a back test like this in the portfolio, what you can do is say, well, let's look at average trade return for these trades and then pick the ones that I like.

(19:39):

I might not take something that's only one trade. I might want to say at least two trades, but you could sort of hand select, so this is a 50 50 win rate, so I might pass on that. So if you click any individual tile, you can see all the details. You have all the trades in here, but I could go down here and sort of pick my favorite results. And then if you click add alert, what this will do is take these tickers, create a link to the back test with just those tickers and you can add a note saying, I want to trade these, or whatever you want. And you can add a phone number if you want to get texted as well, and you can click add alert, and now it's create an alert and it's going to check the technical conditions individually on each one of those tickers and you're going to get an email or a text that says, for instance, the bullish burst in Tesla triggered, and these are the conditions that caused it to trigger, but pay attention to the subject or the content of that text because the link that it sends you is going to be the same back test link that you created.

(20:38):

So it's going to be just for the tickers there, but when you pull up the link, it's going to show a bunch of different tickers, but in the actual text of the email that you get the alert email, it's going to say which one tick that trigger that you care about. So once you click that link, then you can say, okay, it was an alert for Tesla and just pull up this specific trade. One last note before I move on to questions is that you'll frequently see us put a comma in over here. The comment is there so that you could test different tickers all at the same time. So here's this back test on Tesla and a MD. If you don't include the comma, instead of testing multiple tickers, what it'll do is test multiple strikes, multiple amounts of moneys using the delta. We use the delta because it's more precise than saying, I want to buy something $10 in the money or $5 in the money or at the money or $5 out of the money because things like that change a lot from stock to stock.

(21:31):

If you tried to use a certain number of dollars, if you tried to use a percent out of the money, well 1% out of the money means one thing. If it's a week out, it means something else if it's a day out, whereas Delta captures all of that, Delta tells you the chance that the options market thinks that this thing is going to finish in the money. So if it takes into account implied volatility, it takes into account timed expiration, the strike, how far in or out of the money it is. So Delta captures a lot all in one and that's why we use Delta for new users. Delta might sound a little confusing if you click this, what is Delta? It'll take you to a nice article and there is a lot of resources on the learn tab as well, but I just wanted to point out if you don't put a comma here, you're going to get a back test on a bunch of different deltas.

(22:15):

Anything below 50 is in the money. Anything above 50 is out of the money and the higher the number, something that's like 99 will basically act like stock. If you ever want to tweak these, this little settings gear lets you change some things you can put in your commissions, you can say, Hey, actually you guys are saying assuming I can get mid-market fills, but I think I don't normally get that good, I only want to look at halfway between, or I want to be more pessimistic and say, what if I can only trade at the market prices? So you can change that here. You can say typically I'm trading 10 lots or one lots or two lots, and here's where that says custom deltas. So for a one-legged strategy, if you put a comma, it's only going to use the middle one or if you put multiple tickers, it's only going to use the middle one.

(22:56):

If you don't have that comma, it's going to do five back tests and try each one of these tickers. So you can see a range say like, okay, so what's the best performance for this particular strategy? This can also be helpful. Sometimes today there was like a 32 delta or something and we're looking for a 40, but you might say like, okay, well my options are a 50 delta or 20 delta, which one is performed better? So if that was the case, then you can look at the 232% return, which is the 364% return. They both have two wins. You might say like, Hey, I'll take the slightly riskier bet, I'm going to put less money down. Initially I have less chance of making a little bit of a profit, but so far in Tesla it's actually worked quite well. I have a 364% return instead of a 232% return.

(23:39):

So that's why that ability to test multiple deltas is there, but frequently when we're just looking at one back test at a time, we might put a comma. So we can just look at that middle delta, which is the 40 as you can see right there. Okay, great. Well of course I could go on forever about trade machine, but we're at about 30 minutes and if you guys have any questions, we'd love to take a few questions. So I'm opening up the chat right now. Yeah, so Kata asked if we could show the three plus. Yeah, so when you're on the today tab, if I put all this is all of the results, so for instance, when you look at this bullish bursts, we're seeing seven different results. When I go down to the three plus, it's filtered that down to the four that have triggered in the last few days, but the only the one today that's triggered that had good liquidity, and when you looked at this, it was dime wide.

(24:25):

It was like one 40 at one 50, so that was nice. That's good liquidity, and this is saying three plus, so it's anything three or better, that was probably either a four or five liquidity to be nickel, nickel wide. At that point you can also say, look, I only want to look at things that have a high market cap. So you can say the largest 500 and between those two filters, there's nothing that happened to trade today, but you have the ability to kind of filter and control on these different market conditions cause different things to trigger more or less frequently. Really the main reason we had this initially was because they were more liquid. So the liquidity is a pretty powerful tool. I find myself not using ticker filters that much anymore and really using the liquidity filters. Will today's webinar take us from beginning of the process to entering a trade?

(25:09):

Sam, I tried to show that. I hope, and I know you asked this question before we were diving in, so I hope that it was helpful. Also, if you go to the learn tab, if you go to these live help sessions, there's a lot of different live help sessions and many, many of them, including last week's, have trades shown from the beginning to the end of placing a trade. Great, glad that helped. I see that you said thanks, but I'll just note to everyone else, I'd say probably half the sessions that I've done show some trades in them or show a trade. So you'll find a lot of good examples in the live help on the learn tab, there are

Amanda Kelley (25:42):

Some that are even labeled as taking a trade into your brokerage so they're easy to find. So if you search brokerage, you might be able to find one popup for you and save you some time.

Jason Hitchings (25:54):

Great. There's an example. Good to know. There are smaller companies in the five plus liquidity. What's the definition of liquidity? Yeah, it's about the market width. Sometimes people ask us, Hey, is this about open interest or volume? It's really not, and the reason is if you're BlackRock and you have to place a hundred million dollars option position, then that's going to impact you. How liquid is the market? How much depth to this market is there? Can I place a thousand contract trade for mere mortals? Unless you are really, if you had an eight figure trading account and you're placing trades at the 50, a hundred thousand dollars per trade level, then the width alone might not tell you because maybe on the bid or on the offer is only 20 or 30 or 50 contracts. But if you're doing really sized trades, then that might not be just enough information.

(26:44):

But for the vast majority of retail investors, if a market is D wide, you're going to get filled as much as you want in that range. And so we're looking at the width. There is a whole article on the specifics of this. The fundamental measurement is how wide is at the money option market. When you look at both the call and the put compared to the stock price. So for instance, with a 20 cents wide, we would look at that the same as if it's a $500 stock and it's $2 wide because as a percentage in the amount of shares that you're moving around would be the same. So we have a real specific breakdown. We also have some additional rules saying that if it's nickel wide and the stock is over $5 and it's automatically a five, we also have something that says that the stock is below $5.

(27:35):

They can't be above a three. It's just kind of as the markets get tighter and tighter and we have the whole formula broken down here, we did some kind of testing on what worked and what made sense. It's even a pdf d factually transcript. Okay, yeah, yeah. So that was the transcript of what we kind of covered there. So there's a whole webinar where I cover a decent chunk of that, a live help session, but here's the basic formula. If it's a nickel or it's this percentage of the width, it's a five, et cetera, and it goes on down. So this is 3% wide. So if it's a hundred dollars stock and it's a $3 wide at the money option, that would be a liquidity of two. So that was an in-depth answer. Hopefully that was the right amount of information people can you change the show option so I don't have to answer the popup every time I click it?

(28:22):

Yes, that's something that we're happy to look at. We know it's annoying. People also ask about community. When you click on community, which I hope you can join us in a community, they say, Hey, I don't want to have to respond to the same question over and over because we just say, Hey, basically please be nice to everyone and we have people click. I agree every time that is potentially something that we will change or at least give you a week or something like that where you don't have to answer it again. When will this recording be posted? Generally it's the next day, Sam and I see Amanda has answered a few questions to, if your exit is 40%, how do you get a 132% return? Two different parts of that question. So that's the total return for all of the back tests. And if you look at the risk webinar, we go into a lot of detail about how we calculate risk and what the returns are, but two part question.

(29:08):

So looking back at this light and wonder, so it's 132% return. This isn't the average return, this is the return on 10 trades combined. So we took in 3,600, we lost 1500 along the way, so our total return was 2040 bucks. The way we calculate risk, which basically like a Reg T risk, like a margin calculation on risk, we risked the total return was 2000, and so we have 132% return on the amount that we risked. So that's the basic calculation. If you click this tile, you can go down and see every single trade. So you can say, we opened because their technical conditions were met on 2nd of August and we closed five days later because it was two days before an earnings event because this is a never trade earnings, and so we don't hold it through earnings. In that particular case, we lost $35 on the trade, so that would get chalked up as a loser.

(29:58):

The next time that the technical conditions were true was on the 20th, and that time we exited for a 40% gain. But now this is the second part of your question I wanted to get into. We entered at 2 75, we exited at 4 25. That's more than 40%, that's probably going to 70%. The reason the way that we do stops and limits and all trades in the system is that we look at the price of the market in the last 15 minutes of the market for all trades. So for that reason, it's a little bit like if you entered a position late at night and then the stock opened up substantially. You might even though you set a limit for 40% the next morning, you might end up closing for 60 a hundred percent just because the stock gapped open and there wasn't an opportunity to, basically, you already made more money before the options first posted on the chain, and so therefore you filled at that point.

(30:53):

The same can happen in reverse if you put a stop in and it can catch people off guard because the stop is not a guarantee that you're going to stop out. Let's say you have at a 50% stop, you might take more than a 50% loss if the stock gaps down overnight, hopefully. I mean, it's relatively rare, and so I hope that doesn't happen to any of you. But in an earnings event, for instance, if you're trading through earnings, you can definitely, even if you put a stop in there, you can definitely go well through your stop. So because we're using end of day prices, so the simulator is saying at the end of the day is the current price of the market up 40%? If it is, I'm going to close, but it might not be exactly 40%, and we don't cap your returns at 40%.

(31:35):

We give you the price at the end of the day, same for the stops. So that's just the way the simulator works. All of the trades that we place are using the data at the very end of the day, partially the most liquid time in the market, and partially when we're creating a backtester, you need to have a consistent rule to go off of every time, and our consistent rule is that we trade at the end of the day. Okay, so how about making back test settings persistent? Yeah, we need to do something to make that a little bit easier. So what happens is that when you click any one of these links, anytime you click a share link, it needs to, we're telling you XRX has an 85% return with four wins and zero losses. Okay, 85% return, four wins, zero losses. In order to make this exactly the same, we have to update every aspect, and that includes deltas, it includes commissions.

(32:27):

If I now trade at market price and I have my middle delta here at 70, all of a sudden we're two and two and the return is 20%. So if we always forced your specific tray conditions to be true, that's the problem we run into is people are like, Hey, I thought this was a great strategy. I returned four and oh, but it's only 20% your system's broken. That's what we would hear early on to address that. We always update all of the settings anytime you take a back test, but we know that's annoying for people because now whatever your setup was has been overwritten. So they actually are persistent. If I leave the tab and then I come back, when you click save, it does save this setting. I drag that over there accidentally, but every time you click a share link, this stuff gets overwritten, and then if you open it and click save again, then it saves it in a new state.

(33:22):

So we planned an update for this where basically it will show you that you can kind of click a little reset button that will take it from the settings from the ShareLink to your own custom setting. So that's on our list and we'll try to get that done pretty soon. Does Delta take into account the increase in volatility before earnings? Yes, it does. Delta includes the implied volatility, and as an example, if something, and you can pull up an options calculator online and look at this, but let's say you're looking 30 days out. Let's say the stock's at 50. Let's say the strike's at 55. If you put the implied volatility, meaning how much movement the stock is expecting that the options market is predicting the stock is going to have, if you take that down to 1%, then that 55 strike option 30 days in the future, even though the stock's at 50, so it's a 10% move for the stock.

(34:13):

But that option, as you decrease the volatility, the delta will go higher and I mean will go lower and lower and lower that it'll view it as further and further away from a possible place to enter. So for instance, if there's a buyout in a company, it'll still trade for a little while, but it'll trade in a really tight range. So let's say that the stock gets bought out at 50, that 50, that 55 strike will be like a one delta. It'll be like the options market will be predicting there's a 1% chance of reaching that point. By contrast, if you're looking at that 55 strike, the stock's currently at 50 and then they announced the earnings date and people were expecting the earnings date to be after that expiration, but now it's before the expiration. All of a sudden the implied volatility is going to increase for the stock for almost any stock that's sensitive to earnings events, which most stocks are.

(35:02):

So now all of a sudden you might've been looking at that 55 strike, that 55 strike might've been call it a 40 delta. That might all of a sudden show up as a 45 delta because they're saying now instead of the stock moving like this, the stock's going to be moving like this, and the chance of reaching that strike increased, and especially if you're looking at something like a 60 delta or something like that, or the 60 strike that would have something like a substantially smaller delta, call it a 30 or 25 delta out in the future, that 25 delta might come down to a 35 because they're saying, Hey, there's an earnings event. The chance that this stock goes from 50 to 60 is substantially higher. So yes, that all gets baked in. Delta is a pretty powerful, as they call it, a Greek sort of a metric on options.

(35:47):

There is also a lot of courses on the learn tab. So there's this education stuff that I worked on, but there's part one is really, really new to options, but part two gets into Delta implied volatility and that kind of stuff. So this is a great place to start if you want to learn more about all those things. How often does it today tab update? Every five minutes, 10 minutes. It's updating, it's running constantly, but the entire basket of everything updates in about 30 to 45 minutes to get a complete refresh on all strategies. But you'll see individual things updating constantly if new things are hit, new things can show up as much as every two minutes. What you can do is set today tab alerts, and if there's strategies that you want to follow, you can click here and you'll get an alert very quickly within five or 10 minutes on anything new that shows up for the tickers and strategies that you care about.

(36:35):

And you can just go down and say, I want everything, if that's what you want. So that will come to your email. So if you don't want to sit there and stare at it and be refreshing all the time, then you can get an email alert that way. When did you say liquidity filter will be available for us monthly? We don't have a specific date, but we'll try to get that out soon. It's a pretty new feature. I think it's only been out maybe six weeks or something, but we'll get it. We'll try to get at least a version of it out to you guys. I have liked the platform, just didn't get a chance to use it in the first nine days. Yeah, well just send an email to support and we'll see what we can do. So it's a port@cmlvis.com for any questions you have or any account related questions or anything else.

(37:14):

Okay. Default quantities five, you can make one. Yes, you can do that in the settings, pj. Okay. Delta 40, we are buying out of the money. That means the profit might be less as well compared to a higher delta value. When as the delta, we'll talk about calls right now, if you're at a 40 delta, it means, yeah, you're slightly out of the money that if the stock doesn't move, that option's going to expire worthless, and you're going to lose a hundred percent of your investment, but you're spending a lot less. You spend less on a 40 delta, you spend even less on a 30 delta, even less on a 20 delta, and the higher up the delta goes, the less expensive that option will be. Actually, I'll just pull up an option montage quick, just go a md. So here's a visual cue. Let's see here real quick, sorry with that.

(37:54):

So when you have the options montage, so when you have the Deltas getting smaller and smaller, you're spending less and less. So the sort of potential for a really large return kind of increases. It's kind of a higher risk, higher reward to be buying what they call out of the money options or wings. So if you're buying something that's 10 delta, you might be spending 50 cents instead of $3 on a contract. It's less likely to reach in the money by expiration, but if it does, then the returns are substantially higher. So if you're just getting long a certain contract, the higher the delta sort of the higher the risk and the higher the reward of the strategy. And yeah, there's a lot to it. You can also do something like a call spread where you could say, I want to buy the 40 delta, but I want to sell the 20 delta.

(38:41):

So your profit range gets capped because if the stock goes to a million dollars, you're not going to make money all the way up there, but you end up spending less and you make money between the two. Drakes, if this is pulling up as expected, so this is looking at Apple options, looking at 1 95, apple is currently trading at 1 92, looking at the options that are expiring in 10 days, the one 90 fives have a 33 delta and the midpoint in terms of the price of about a dollar. The one 90 sevens only $2 more out of the money, but they cost 50 cents less. They cost less than half as much. So if the stock ends up going to 250 in a wild scenario, these options at expiration are going to be worth the difference between the strike and how high the stock gets. That'll be the intrinsic value and the option, so the options will expire and be worth dollars and 50 cents.

(39:31):

These options are going to be worth $2 and 50 cents more, so they're going to be worth 55, but you spent $41 to get into this contract and it became worth 52. You spent a hundred dollars to get into this contract, and it became worth 55. So that's an extreme example, but your return here would be more than twice as high, even though you only bought a slightly more out of the money option. Now, if the stock ends up at a hundred ninety six fifty, these are going to have a 50% return because the intrinsic value is going to be a dollar 50. These are going to be worth zero. So 33 delta this, you would've spent a basic a dollar and gotten out a dollar 50. This one, you would've spent 40 cents and gotten out zero. So higher risk, higher reward. Sweet. Okay. Well, we're coming up right on an hour and I don't see any more questions.

(40:16):

We're at 52 minutes. Great. Glad that was helpful. Thank you all so much for being here. We do these every week. We covered quite a bit of different stuff. I know it feels like a big product, a lot of stuff going on initially. There's a reason that there's a lot going on. If you don't have a lot of levers and things to control, you're probably not going to find edge in the market, and so we definitely just encourage you to, yeah, there's a lot of learning resources. We're here every week, so just come check out community. We've got Max and community. He's a former options market maker on the Merck, so he's an amazing resource. We have an amazing support team. But yeah, come to community. Go to the learn tab, ask us questions, join these life help sessions. We're really thankful to have you be part of our community, and yeah, invest in yourself a little bit. I think if you take the time to learn the products, my personal belief, just speaking personal opinion here, is that it's going to make a really big impact on your financial and investing future. I know it has on mine, but yes. All right guys. Thank you all for being here. I hope to see you in the next sessions. Have a great day.