Ophir Gottlieb (00:02):

Answers. That's what this is about. And look who else follows our research article after article after article. Goldman Sachs, BlackRock, bank of America, Merrill Lynch, the largest institutions in the world follow our research, but they don't have access to it. Only trade machine members do. We're going to look at one of the most remarkable phenomenon we have ever seen in retail or institutional finance, which has persisted over the last 15 years to bear markets and a bull market. But if this phenomenon exists, we need to prove it. There must be verifiable entry exit rules. There must be a technical indicator safety valve that learns to avoid the trade when the market changes direction and the results must be empirical and explicit. And that's it by now. The rest of the world has picked up on our published research that there has been in the last 10 years during the bull market, pre earnings optimism, in particular in technology companies.

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We're talking about this period right before earnings. We're not talking about what happens after earnings, but there has tended to be pre earnings optimism a week or 14 days before earnings where owning calls and then selling them before the earnings event has been a fantastically good trade. Let's just take a look at how good it has been. We'll look over the last 10 years, we'll look at Microsoft, Google, and Amazon. We'll look at buying a call. We will do it with custom earnings timing. That is we will open the position seven days before earnings and we'll close it the day of earnings. Since all three of these companies report after the market closes, this trade does not take an earnings bet. If these stocks reported before the market closed, then we would have to put a one here. And here are these fantastic results. We can see across the board from Microsoft, Google, and Amazon.

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Just staggering results. 340% to 497%. The win rates are all above 60%. But there's a fair criticism which says, sure, if we could guarantee that we would be in a bull market tomorrow, then we could put this trade on today. But we cannot guarantee if we're in a buller bear market. And the end of 2018 has been a perfect example of how quickly things can turn. So let's take this exact same test and let's just look at what happened over the last six months and what do you know? All three of these have now turned into losers. Google and Amazon in particular have been monstrous losers on just two trades. So does that mean this pre earnings optimism that we talked about before, does that optimism no longer occur? Or if it does, how do we know when it's going to occur? We're going to apply a technical trigger.

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We will go down to a technical open rather than normal time. And all we're going to do is enter this trade seven days before earnings if and only if the stock price is above the 50 day moving average. That's it. We are going to do the same trade, but only if the stock price is above the 50 day moving average. For those of us that are more visually, this is exactly what we're doing. We're waiting for the seven days before earnings. That's the screen E icon. We're checking to see if the stock price is above the black line. The black line is the 50 day moving average since it is that triggers an entry and that is the momentum we seek. We fast forward one earnings session, and again, we look at seven days before earnings, but now the stock price is below the 50 day moving average.

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It's below that black line. And so no trade is taken. That is our safety valve. And here are the results. Now, even over the last six months, you'll notice that one of the earnings was skipped. You'll see each of these stocks only have one trade, even though there have been two earnings in the last six months and which trade was skipped, we can just click on a back test tile. We can see the only trade placed, for example in Microsoft was in summer. Same thing with Amazon, the one that was in summer. And you'll find the same thing with Google. We applied a simple rule and now we can compare these last six months using the technical indicator without the technical indicator. And here they are side by side. Look at the difference that just eliminating one trade has had. But now let's look at the impact of this little filter over the last 10 years.

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That is what if we used this technical open that is trade the one week before earnings if and only if the stock is above the 50 day moving average, but let's do it for the last 10 years. And here are those results. And since we're dealing with a lot of numbers here, here we include the results without the technical trigger. To make things easier to read, we'll just show the total return of the back tests and the win rates. First we found the pattern and then we found the safety valve. Using the simplest of technical opens, we have seen higher returns using just one of the phenomena that we have identified that exist in the market during both a bull and bear market. Of course, there's no reason to only look at one week before earnings. We can also try looking at short-term momentum trades.

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That is just three days before earnings and looking for that pre earnings momentum. And in this case, we'll look at Tesla and Nvidia. And here are the results over the last year for those two stocks you see both of them have four wins and no losses totaling over 500% or 200% on just four trades each. It turns out that we can also look at the 14 days before earnings for this pre earnings momentum. So we have three days, seven days, and even 14 days. And how do we find all these ideas? How do we know which stocks are working the best? That goes to the pro scanner. We'll click on ProScan. We'll select by strategy. We will choose a ticker group of the NASDAQ 100. And you can see there are so many scans that we have for idea generation. But in this case, we're focused on the pre earnings scans and we're looking at pre earnings optimism.

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So we have the seven days, 14 days, and three days pre earnings optimism calls. We can even tap on the three days and look at those results. You can sort by the number of wins by the win rate, by the average trade return. You can even sort by the length of the back test. But if we scroll down, we can see even more. Not only do we have the three day, seven day, and 14 day pre earnings long call, we also have the three day, seven day and 14 day pre earnings long call with the technical requirement imposed on it. That is those trades are back tested and scanned if and only if the stock price is above the 50 day moving average. So you can see even for the single type of trade, we have six different scans to find the best of breed while we're here.

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You notice that we also have pre earnings volatility plays. That is four days, 14 days and seven days before earnings. Looking to own a straddle just to capture that rise in volatility and then closing it the day before. You can always just tap on a ticker in the scanner and it'll bring up the back test tile and show you those results in the back test tab where you can customize it further. And finally, no back test is complete without setting the alert. So I go to the alerts tab, I'll add two tickers. I want to look at Nvidia and Workday. It turns out Workday is a great stock with this pattern three days before earnings for the alert type. I'm not going to go days before earnings, but rather I'm going to go days before earnings with technicals. I want the alert to be three days before earnings and the technicals that I want to set, I'm going to click this button, are that the stock price is above the 50 day moving average. Then I add my email address and I actually like getting text alerts for these things too. So I'll enter my phone number and then I'll add some notes and then I'll add the alerts. So we have found the answers that we sought for momentum trading. We found a verifiable entry and exit rule. It was absolutely structured and methodical. We found the technical indicator safety valve that learned to avoid the trade if a bear market or a correction was starting. And finally, the results were empirical and explicit through a bull market and a bear market.