Jason Hitchings (00:00):

As mentioned, we're going to do earnings focus today. Thanks everyone for being here and as usual, we'll just start with the boring 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 obtaining professional advice from a qualified person, firm, or corporation. Trading futures and options involves the risk of loss. Please consider carefully whether futures or options are appropriate to your financial situation. Only risk capital should be used when trading futures or options. Investors could lose more than their initial investment. Past results are not necessarily indicative of future results. The risk of loss in trading can be substantial, carefully considered the inherent risks of such investment in light of your financial condition.

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There's quite a few places that earnings is captured within trade machine and there's a couple things that are a little bit involved and it's worth understanding them and they are kind of involved or have some details to them for a good reason because if they weren't intricate then it wouldn't work. It's actually one of the things that we've spent a lot of time refining and working on, especially in the first few years of having the back tester out because you would try to create an earning strategy and then you'd look at the trade details and you'd say, well, because I was trying to place an earnings trade and it opened a position before the earnings event, things like that. So we have a lot of logic in there to make sure that the strategy you are trying to trade is actually the strategy that does get traded.

(01:40):

And so we will dive into that today. I'm going to start on the today tab. It's going to draw attention to the fact that we actually do have a little earnings calendar here. So if you scroll all the way down on the today tab, you'll see this and you can view it in a couple different ways, but if you're ever just wanting to see what's happening in the earnings world, this is a good way to do it. You can view it monthly or weekly or as a list as you scroll down to the bottom here. See this earnings calendar. So these are showing everything happening today. Note the unverified ones. Basically I would just ignore, these tend to be more fringe companies, especially if it's sometimes soon people that just don't report in a normal way or very small companies. I have a very good source of earnings data and so if it doesn't say unverified, that means it's verified and you can rely on it pretty darn certain it's going to be correct.

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There's a little plus signs you can see more when you're in earning season. There'll be a lot of these and then it'll calm down as time passes. You can also view monthly and you'll notice these little more buttons. We always put the verified at the top and the unverified at the bottom. Also, if you're just wondering when the next earnings event is for some company, I'm going to click over here a few places. So if we have a position in a Y, I just wanted to know what's happening there. A good way to check when the earnings is, if you're not sure, is just to jump over to the back test. If you put a YI in and then you add any kind of meaningful earnings rule, I'll just say only trade earnings, just for the sake of example, if you just do any backtest, that will populate the earnings up here at the top.

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Once that's all done, and you can see that the next earnings is on April 3rd as before market, and it doesn't say unverified, so if it doesn't say unverified, then you can be pretty confident on that date. So it's a nice way to get a little extra value out of trade machine because you can quickly look up verified earnings events that way if it's faster than clicking through the entire calendar. And just as mentioned, if it says not verified here, then they're trying to infer it based on past dates and if it's a Wednesday or not,

but that it's subject to change and it definitely could change for bigger name companies. This is almost always something far out in the future where the company just hasn't officially announced when the next earnings event is going to be. So they just try to give you a ballpark based off of historical trends when it comes to actually placing a trade.

(04:11):

Please don't rely on anything that says not verified. Okay, so in the bottom of the today tab, there's a few different earnings strategies that are built in and we're going to look at two of them in detail today. We're going to start with this pre earnings call. So these aren't triggering today so far, at least when I was making this deck. We didn't have any in the today tab yet, but these will be perfect for just illustrate an example. So I'm going to start with a simpler one, which is this pre earnings three day call. So when I click on it, it pulls up this backtest and it says that we're going to be trading a 40 delta call. So a call that's a little bit out of the money, it's going to be expiring seven days in the future. And this says a pre earnings, like a three day pre earnings call.

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And so if you scroll down and I'll just kind of follow along in the backtester, if you scroll down here to custom earnings, you can see the specific rules that are set up. So I click that and I have to scroll back up to the top and it says, I want to open this position three days before earnings and I want to close the position one day before earnings. So this strategy is basically trying to take advantage of excitement around earnings without actually taking an earnings bet. We don't have a lot of strategies that actually hold through earnings, but you can certainly test your own. You have noticed some interesting trends about before earnings or after earnings where you can kind of benefit from market sentiment without necessarily taking the earnings bet directly. If we're going to open three days before and the option is seven days out, then the logic that the backtester applies that trade machine applies is it says, okay, you are going to be purchasing an option three days ahead of earnings.

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If you're saying that I want my option expiration to be after that earnings event, you're saying, okay, whether I hold it through earnings or not, I want to open a position that's going to capture that earnings event. So that logic here, this open position three versus this days to expiration is really critical for how the backtester sees the earnings. If you said, I want to open position seven days before earnings or 30 days before earnings, I'll just say 30 days before earnings, but your days to expiration was less than 30, back tester's going to think, okay, you want an expiration which is going to expire before earnings, and so it will enforce that rule. And likewise with this, if the open position before earnings, if this stays to earnings is less than the options expiration, then it will force the expiration to be after this date and that that's how you'd want it.

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And we're going to look at a couple examples here. It's actually greater than or equal to, then it will try to capture it. If you really want to be sure, then you could say open seven days before earnings with the seven days expiration call. But you could always just put this to eight days to expiration to be very clear with what you're trying to do. The option back tester will always, when it's looking for days expiration, it'll find the closest thing it can. But if this ded expiration is greater than this days before earnings, then it sends a clear signal to it to look for an expiration after the earnings event. And as I mentioned, the opposite is also true. If it's going to expire before earnings, it will force it to expire before earnings. Now, sometimes that means there just won't be an option.

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So if you say for instance, I want to open a trade three days before earnings and I want my option to expire two days before earnings, there might be a Friday expiration coming up right then it might be possible to trade, but most of the time it won't be possible to trade because it won't find an expiration that's expiring in the next two days. And so it will send a little warning message to the screen saying, Hey, I couldn't open a trade at this particular time. So no reason to be alarmed by that or think something's not functioning the way it should. It's actually doing exactly what you'd want. If you're trying to get something to expire before earnings, you don't want it just to be like, eh, I couldn't find something, so I'm going to look after earnings instead or vice versa. So it will force these rules to be true and it won't open a position if it can't make it true.

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Okay, so now in order to dive in deeper to why I'd want some things to expire before and some things to expire after and how it would really enforce those rules very strongly, I'm going to look at this diagonal, this pre earnings diagonal. So this is going to be a more advanced trade and it's going to look at, it's going to have one leg that expires before earnings. It's going to have one leg that expires after earnings. And we're actually going to dive into the trade details and look at one of the specific trades that it places to show you that it's doing exactly that. So looking at this trade, it's this diagonal. And then we're going to look at the custom strategy and the custom earnings. The strategy says I want to have an at the money call approximately 14 days out, and I'm going to be long that call, but I want to be short an out of the money call that expires seven days out.

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And when you look at the custom earnings, it says, I want to open this position 14 days before earnings. And so according to our logic above, this option will be forced to be greater than or equal to the earnings date, and this one will be forced to be less than the earning state. Now, not all options have, not all stocks, not all underlying, have weekly options. And so even without weekly options, it might have an option expiration expiring before earnings in the next 13 days, and it will always have an option expiration after 14 days. So if it happens to have an option expiration before earnings, it will do its best. It'll choose as close to seven days as possible, but it'll choose anywhere from one day to 13 days. It'll just force it to be less than the upcoming earnings event. And this one, it'll of force it to be greater than the upcoming earnings event in terms of the expiration date.

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And again, if it doesn't have weeklies, then that might be, it could be potentially 45 days out if it only has monthlies, like if one's expiring in a week and another one's expiring in 37 days or something. So let's look at that in some depth. And so when I click on this strategy and I look at the actual trades the first time that there's some technical conditions with this too, but the first time that this trade triggers is on the 3rd of November. So both, obviously both legs get opened at the same day and we see that one is this November 19 call and the short option is this November 12 call. And so one of these is basically nine days out and the other one is 16 days out. So it did a pretty good job of finding something close to the desired timeframe of seven and 14 days in the future.

(11:09):

And so you can zoom in. So if I go to the today tab and I click this thing, you can kind of zoom in on this individual trade. So I'm going to go down here, I'm going to scroll this over, kind of zooms in, and you can also move left and right this way, but I can zoom in on the trade, it's a little too far in the future. So this is the trade we're looking at, and if we look closely, you can see these lines, these little dotted lines going up and down, and those are the earnings events. And so when I scroll over to figure out the exact earnings date, I can see that that earnings date's on the 17th of November, and then we open the

position and close the position. So let's see if it did a good job. So as I zoom in here, I'm just putting strong lines there so you can see it sometimes these little es will get hidden on the chart when you're zooming in, but those dotted lines always show you what the earnings date is.

And we can see that we opened it a little bit before earnings and we closed it before the earnings event as well. So that's when that trade took place. I zoomed in on the map and I saw that it was on the 17th of November that that earnings event took place. And then we're going to look at our strategy. So again, we have this, we wanted to open this position 14 days before earnings. This description tells us why we opened as open 14 days, the long calls in the short calls, and this one is expiring on the 19th, well, the 19th is after the 17th of November, so that did it correctly. And then the seven day rule should expire before and the seven day short option is expiring on the 12th. So you can see that using these rules, the seven day role and this 14 day role, it is forcing the short option to expire before the earnings event and the long option will expire after the earnings event.

The nice part about that strategy is that when there's an upcoming earnings event, the potential movement of this stock is going to keep a lot of value in that option because even if the option's expiring in one day, if it's going to capture an earnings event, then it's going to have a lot of premium built into it because there's a lot of potential movement. This one that's expiring before, this one's going to decay pretty fast so that we open this thing for a dollar, that dollar is going to drop off pretty fast in value, and then this one's going to maintain a lot of value. And if we're lucky, there might also be some kind of pre earnings excitement and this one's capturing it and this one's decaying pretty rapidly. So that's kind of what this strategy is built around, and it's why we use a diagonal.

When you first get into trade machine, if you click and it's like a diagonal and it's a custom strategy, it's a lot for someone that's brand new and it's like all these custom rules and that kind of thing, but using these settings, you can have an option that this option is expiring very quickly. There's a lot of theta decay, and this one is maintaining a lot of value. So even if nothing happens, even if the stock moves sideways, this one's probably going to decay a lot faster than this. And so this strategy can do well even if the stock moves sideways a lot of the time. And so when you're constructing your own earnings rules, these are just great things to keep in mind about days, expiration days to the earnings event. It can be for earnings, et cetera, but that's how all of that logic takes place.

As mentioned, that short option is going to decay really fast because it's expiring before their earnings. So then let's just quickly look at when we're going to close it. So our rules to say close one day before earnings. When we look at this, we know that the earnings was November 17th, so we would expect it to close on the 16th, but this actually says on 12th of November it closed and it said based to expiration. The reason it's closing on the 12th instead of the 16th is because when we created this custom strategy, we said close all legs with front month options. And so when we sold this out of the money call, it was for the 12th of November. And so when this reaches expiration, it closes both positions. If you uncheck this, it will actually continue to then hold this long call up until one day before earnings because that was the earnings rule we had.

And then it'll close this on the 16th. So this would close on the 12th, and this would close on the 16th as is. It says close them together. And so when this front month expires, it closes both positions. If we just said, okay, let's just do a call, let's not do this diagonal thing, then we can see that it opens on the same

day that you'd expect and it waits until the 16th to close it. So nothing's expiring before the earnings event, and so it is just going to close it one day before as expected. So that's what that little close all legs with the front month options, that's relevant for all custom strategies, not just earning strategies. If the front one expires, it'll close 'em all. Okay, great. So that was one of the more involved earnings strategies with a diagonal. That one is expiring before and one's expiring after.

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If you understand that, then you really understand a lot about how earnings is handled within trade machine. But I'll look at one or two other little things. So there's also this little setting at the bottom here that says, only trade if the last earnings stock move was up down X percent. What that means is that the previous earnings event, so I used Nvidia for our example, so I'll just pull the chart up real quick. So if I look at Nvidia, because I think they just had a real big earnings move, if I just look at call and I look at really any kind of earnings move, let's see here. I'll just simplify this. I'll just say only trade earnings. So we can see the earnings events. I'm going to zoom in so we can see the data a little more closely. This dotted line is where their earnings event is, and you can see that we jumped from here to here, so we're at 6 74 ish and then we're up at 7 85 or something the next day.

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So that was a huge, huge earnings move. So if you place a trade that says, I only want to trade, if the previous earnings move was X percent up or down, it's talking about, so starting here, anywhere in here, if you said that I wanted a positive earnings move, then it's going to be active, right? And here it looks like if anything, it was slightly down after earnings. And so I would expect if I'm reading that chart from this zoom level correctly, then it wouldn't trade in this position. If I go into custom earnings and I say, for instance, two days after earnings, I want to open a position only if the stock was up 5% and then I'll go ahead and close it after earnings. And actually this is good, I had another slide this, but this is saying this is impossible because it's saying I want to open a position two days after earnings, but close it one day after earnings.

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That's not how this, that would be carrying it. That would be talking about two different earnings events basically. So it will send you that warning message if you try to have a setting like that. But let's just say that you wanted to hold it for 10 days or something like that, only if the stock was up 5% in the previous earnings event. So it's saying it's not active right now, but you can see after that previous earnings event, it pops and it's going to hold onto it. But not all earnings events like this earnings event didn't qualify. There's not a trade right after earnings here because there wasn't a 5% upwards move. This one did temporarily show a 5% upward move, but then it didn't last. So yeah, that's what that setting's doing. It's looking at the previous earnings event and then based on that you can create some interesting strategies around if there was bad news and the stock is, you can look at the moving averages that the RSI for what the trend in the stock movement has been, and then you can build strategies around that, whether you want to sell a put spread or buy a call or anything along those lines.

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But that's what that customs earnings strategy is doing there that, so those, now we've talked about most of the major earnings things as mentioned that one trigger for Nvidia, anytime that you set an earnings alert here, it'll say add alert, and then it'll create this days before earnings alert for you based off of your settings. If you also had a technical rule set, like if you said, yeah, that the stock P five, the stock is above the simple moving average 50 days, then it should capture that as well. Creates instead of just days after earnings, it would be days after earnings with technicals, and then the technical condition

is the stock is above the 50 day moving average. When you get that alert, it's going to send you this link, and this link is going to have a link to that backtest where it will pull that alert up.

([20:30](#)):

We mentioned it previously, but you can set this alert for multiple things at the same time. Make sure that the ticker you're looking at is the one that you got an alert on when you set that rule. Another thing you could do that I like to do is let's say that I was trading a strategy that was going to open 14 days before earnings and sell one day before earnings. I'll go ahead and set another rule in here that says days before earnings one, and I'll set, I'll say close Nvidia. So I'll set a close notification to myself just to kind of make managing my positions a little simpler for myself. So that's another kind of handy trick. You can also do it with, if you have a position expiring, for instance, maybe you set a limit to close out a position, but in case the limit's never met, you can set on a calendar day, whether it's around earnings or just on an expiration text at the position on a specific day.

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Finally, two more things. So on the today tab in terms of alerts that you can set, we have these earnings based strategies down here. If you set a today tab alert, all of these are these earning strategies at the bottom, all of these strategies, there's a lot of detail here. If you click the little question mark, it'll open some details about it. Oftentimes, a video can also go to, this is actually opening an article that kind of explains the strategy, which is good too. If you got a learn tab, you can find a lot more information about those. But yeah, you could just say, yeah, for the NASDAQ 100, I just want these alerts. You can save it, and then you'll get an alert when these specific today tab alerts are triggered, which have some additional conditions and criteria to say that they have a certain winning percentage, a certain total return, a certain average return.

([22:15](#)):

They've traded a certain number of times over history. So if it's only has one win in zero losses in 10 years, it's not going to make it onto this screen. It has to have a couple trades built into it. So there's a lot of logic that happens in order to get things to appear on this screen. And then finally, on the PRO scan, there's all of these earnings strategies down here. So we have only trade earnings, these long strangles, we have all these post earnings and pre earnings strategies. If there's ever one of these that you're interested in, you pick the strategy and then you pick what group of symbols you want. You can just say all if you want all or if you want to make sure that things are pretty liquid, you can choose the largest 500. Then you can sort by total back test return or average trade return, and look for some that have a couple trades in them to have a little bit of a trend that's going in your favor. And if you click this, this is the add alert column here, then when you have those alerts selected, you can add those alerts directly to this thing as well. Yeah, so that's another way to add alerts. Yeah, so I've kind of showed a couple different areas, really the most critical areas for how can play with earnings settings and add earnings alerts within the product. And I.