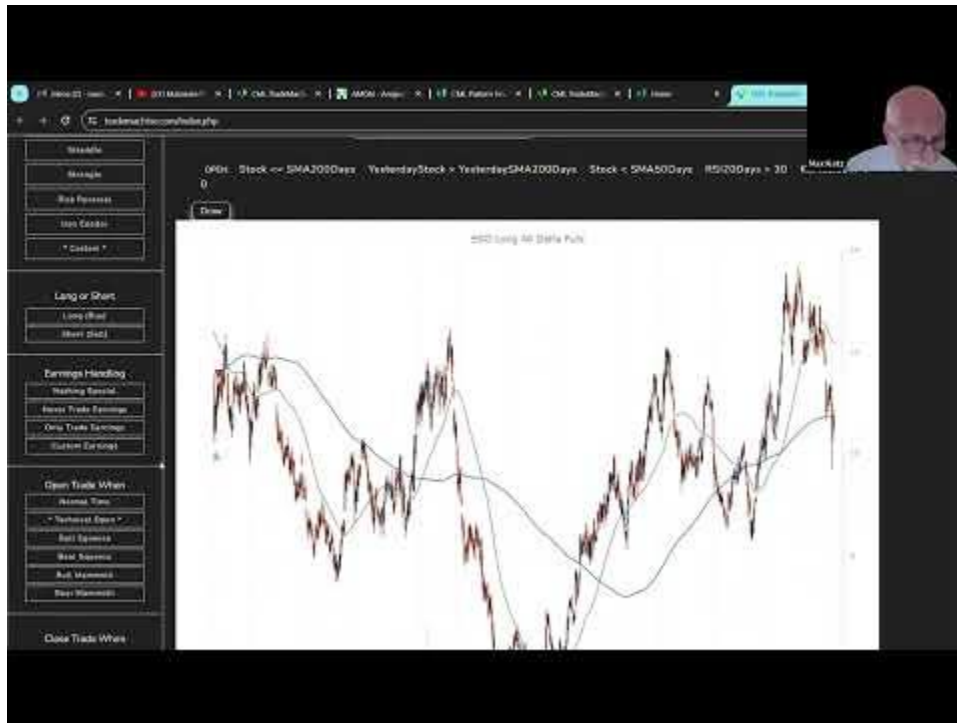


## February 2024 Live Help Sessions

### TradeMachine® Live Help 2-27-2024: Understanding Technical Open and Close Conditions



Amanda Kelley ([00:00](#)):

I will go through disclaimers quickly. Results here are provided for general informational purposes. As a convenience to the viewers, the materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation. This is not a solicitation to buy or sell any security ever. This is not advice and past performance is not necessarily indicative of future results. That is all that I have. So I'm going to turn it over to Max.

Max Katz ([00:30](#)):

Sometimes you're going to get an alert that that only has technical open conditions on this back test for XLU, for example, an old trade from one of the really good contributors to the community yet another. Dave, you want to follow him for sure. We have many good traders in the community, but yet another Dave is right there at the top. So this XLU trade, which is a bullish trade, it's going to be a long diagonal, but we're not really concerned about the option trade. We're going to focus on the open and closed conditions. You'll see a whole bunch of open conditions. This trade's been updated by the way, so don't worry about copying it down and it's in the community today so you can get it from yet another day

there. And most alerts will have technical open conditions and they all have to hold it's RSA 14 greater than 48 and MAC D 12 EMA 26 greater than EMA nine and kurtosis one year less than zero.

[\(01:44\):](#)

But sometimes you'll have some technical close conditions that you will find either at the bottom of the back test page for that specific alert and back test. In this case, RSI 14 greater than 60, stock greater than the SMA 50 and the AV WAP 30 day is less than the price of a stock. Now the close conditions, it's the RSI 14 greater than 60 stock is now greater than the SMMA 50. The AV WAP 30 day is less than stock. Now I don't know about you, but once I put this trade on or a trade like this, I'm not even if I write it down, I'm probably not going to refer to it very often to see if any of these closing conditions are holding. But what you can do is set up a closing alert in trade machine, which we'll do in a second.

[\(02:46\):](#)

The other thing I want to just highlight is if you scroll down below the technical open conditions, you can look at the technical close conditions right here as well by just clicking on close trade when technical close. And there they are. Site 14 above 60 stock above the SMA 50 and the AAV wap. Alright, so you can find those technical close conditions in more than one place. It's going to rerun the back test very quickly. All but let's say I just want to set an alert for the first one. You can set alerts for all three. I would do it if I was taking the trade, but just so we don't spend a lot of time, I'm just going to do the RSI 14 greater than 60. So I want to get to the alerts tab. I want to keep this tab open. So let's go to a copy of the today tab.

[\(03:42\):](#)

So let's just take one of them and go to the alerts tab, which you can get from several of the other tabs of trade machine. And we are going to do that RSI greater than 60. So we'll put the ticker in. It is XLU and now we're going to look at the alert type. And we don't want days before earnings, we want a technical alert. So we click technicals in this box and then we set the technicals down here. So I click on set technicals and look down and we want the RSI and we want the RSI 14. You can set that. We want it above 60 and let's just assume that was the only technical close condition. I can then save it there. Okay, we see it on an alert for X-L-U-R-S-I 14 above 60. And then I will click at alert and ticker is XLU alert created and I can double check that it's there by clicking on this box and just putting XLU.

[\(04:54\):](#)

And indeed you'll see this alert created RSI 14 is above 60. And of course I did want to enter a note. So very, let me quickly just do it again and we'll do technicals and we'll do set technicals at the technical indicator and RSI 14 above 60 and it's save. And now that's the closing condition. That trade machine every day will test for us and to help us remember what this is related to. It's XLU from Yad, yet another Dave and it's a long haul diagonal and RSI 14 is now above 60 close trade. So now I know what this alert is all about. Now I will add the alert that's, I don't know who's outside calling for me, but they know I'm not available until three o'clock New York time. We'll go back in here XLU to make sure that alert was created. And there it is. And now we have the note that I just entered, which is XLU from Yad, yet another day long call diagonal. Slide 14 is now above 60 closed trade. So that's the very easy way to set a closing condition or multiple closing conditions and let trade machine do the work every day and test for it while you are looking at more important things.

Amanda Kelley ([06:38](#)):

Additionally, one thing to note is that with the close trade win settings, if you are looking at closing based on a specific calendar date, close trade win uses trading days based to expiration. For example, functions as calendar days and days after earnings also function as calendar days. However, if you're looking at closed trade when it is using trading days,

Max Katz ([07:08](#)):

Right? And if you can see my screen, I've scrolled down for this specific back test, closed trade when after open a specific number that you enter of trading days right there that Amanda was just speaking about. Let's go back to the today tab. One of the other things that came up yesterday in the community was the desire for more bearish potential trades. And I just want to highlight too, one is bearish burst, which is a bearish trade, hence the name. And the other one has bearish components. And that would be the long strangled technical where you're buying both. I believe the default is a 40 delta put and a 40 delta call. You're basically buying volatility because you think there's going to be a big move. You're not sure which direction, but this is both a bearish and a bullish trade. The long strangled technical, and here's an example of that back to the bearish burst.

([08:16](#)):

And you'll see that the opening technical conditions are stock has gone below the SMA 200 yesterday. It was above stock is also below the SMA 50 and we want to make sure it's not oversold yet. So we have this RSI 20 is still above 30. And then the option trade is to for 14 DTE is to buy puts out of the money, put the default is the 48 delta. So very simple trade, straightforward opening conditions, all bearish. But we want to make sure the last one, the RSI 20 is not too bearish. We want to make sure there's still room for it to go down. So those were the two things that I wanted to highlight.

Amanda Kelley ([09:07](#)):

Alright, can you layer the AI on top of your own technical criteria? The words, the words that starts with KI have seen in other videos. So the word you're referring to is kurtosis and max, would you like to give an example of layering on AI with your technical criteria?

Max Katz ([09:28](#)):

Certainly. So let's go back. We have this ego long put bearish first and let me just move my little chat out of the way. So these are the current technical open conditions to get on today. Tab. These are the technical open conditions and there are some other conditions in order to get onto today tap that we've discussed in the past. So I'm going to go down to technical open and I can add, I'm going to add, since this is a bearish trade I would like, now there's kurtosis one year, kurtosis six months. Most of the work that's been done has been on ketosis one year. So that's the one I'm going to select. And so I've added a new additional technical open condition and in the last year, the ketosis, which is also called the tailed ness of the stock returns, since it's a bearish trade, we'd like to see ketosis one year below zero. So there is my new condition, I save it and it will back tester rule automatically rerun the test.

([10:51](#)):

And guess what? The back test now doesn't like this trade. So if the ketosis is less than zero, it's a failed trade. Lucky for us the ketosis one year, the current condition in a box right here is a positive number. But the point of the exercise was to show how to add a technical open condition. But that's a way to add anything you like, whether it be or any of the other conditions. Sometimes people add RSI above 70 or they're testing for RSI below 30 because they don't want it too overbought or too oversold. That's how you add any of these conditions that you like in addition to what your alert already has or someone else is alert has. And then if you don't like it, you just delete it and it'll rerun the back test without it there. And those are the original bearish burst conditions. Okay,

Amanda Kelley ([11:54](#)):

Perfect. Could we take a look at the current guild spread the sell off set up? I have a GTC order in for a 60 cent credit. I was wondering if it's the credit max loss ratio that is most important assuming the deltas are reasonably close to 37, 25 and 10.

Max Katz ([12:16](#)):

Okay, let's try and do that. So let us gild, it's no longer on the today tab. I'm 99% sure, so we'll just build it. So we want spread to sell off with AI to

Amanda Kelley ([12:30](#)):

Yes, spread the cell off is always ai,

Max Katz ([12:32](#)):

Right? Yes it is now and it'll do it by default for Amazon, but we're going to just to load up the strategy, we are going to do, he wants he or she wants to do guild.

Amanda Kelley ([12:46](#)):

Yeah, GILD.

Max Katz ([12:49](#)):

GILD. Alright. And of course Amanda is just waiting to correct me. I must have the end date be the current date.

Amanda Kelley ([13:04](#)):

I've done that about 10 times today.

Max Katz ([13:06](#)):

Okay. So you'll see that besides either the options expire, there is an 80 limit, 80% profit limit on this trade. If you scroll down and look at gains above 80% close when that's where that comes from. So we'll go back to the back, the top. And so we're looking at 80% of whatever was collected of the credit collected for the entire trade. Let's say it was a dollar. When you can buy the one by three by two back

for 20 cents, you've made 80% of the credit and can close that trade. Now what was the other part of the question, Amanda?

Amanda Kelley ([13:59](#)):

If it's the credit max loss ratio, that is the most important thing. Assuming the deltas are reasonably close to 37, 25, 10,

Max Katz ([14:08](#)):

That

Amanda Kelley ([14:09](#)):

Was the total question.

Max Katz ([14:11](#)):

Okay, so I guess what the person is saying is we put it on at 37, 25, 10, it's remained close to that. Once again, we put it on for a \$2 credit.

Amanda Kelley ([14:24](#)):

Well, they specify that they have an order in for a 60 cent credit.

Max Katz ([14:30](#)):

Okay, so let's assume the 60 cent credit gives them their 80% profit limit and if it's a GTC, good till canceled order to buy back the guild option spread, which is long 1 37 delta put short, 3 25 delta puts and long two 10 delta puts. If that unbalanced butterfly is worth 60 cents because they put it on for \$3 credit, then that trade, that GTC trade will be executed and they will close the trade at that 80% limit. And after 60 cents stands for something other than the 80% of the credit, then you can decide not to wait for 80%. I don't know the details of when the trade was put on, what the exact credit was, but if it's at 80% based on that closing trade order, then the trade was put on for approximately a \$3 credit.

Amanda Kelley ([15:41](#)):

Sure. Hi Max. I have some experience with trade machine, but it hasn't amounted to much probably because my time spent with it has been very inconsistent. I am retired now, ready to put work in and suspect what you are doing could really help me. Could you please talk about a roadmap that could help me develop skill with trade machine first time on the live session? Thank you. Well thanks for joining us.

Max Katz ([16:05](#)):

Yes, welcome. I would suggest that a learn tab, there are some excellent videos and articles I would start and they're all pretty short and most of them are from some very competent people like PHE and Jason who's the CTO. And I would start with the getting started one and just let it go through, have your trade machine up and running next to it so you can figure out, see what they're talking about and what tab they're using, et cetera. But I would definitely start with getting started new to trade machine, trade

machine strategies. Then when you get through those three categories, there's a whole bunch of articles that answer frequently asked questions, join the trade machine community is fantastic. We have a whole bunch of experienced trade machine traders who not only comment on other people's trades or help them answer by answering some questions, but also share, as you can see right here, target potential trade share the actual link to the alert back test for you to look at it and analyze for yourself and see if you think it's a good trade and potentially ask Hakeem a question.

[\(17:41\)](#):

Well this is what's holding me up from taking the trade. Have you looked at this? What do you think about this? So first would be the learn tab videos. Second would be get in community, ask any questions that you want. I'm there during the trading day plus other times when I have nothing better to do. But I do enjoy this. So I try and pay attention even on the weekends. I will pass through and see if anybody has any questions. Community is the great place to be and don't be afraid to ask questions. Now if it's 3:45 and everybody's trying to get their trades on in the last 15 minutes, you may have to wait a while to get an answer to a question. But during the day before the trading day even starts, I'll be checking, I usually check to see if there are any questions. So the learn tab, the community, and then go to the today tab, make sure you understand the different strategies that are on the today tab. Start with a simple one, A by the dip, a bullish burst, a bearish burst, and we can get into the more complicated ones. So those are the three things I'd focus on first.

Amanda Kelley [\(19:01\)](#):

Yeah, I would agree with everything that Max just said. I think number one is community. I wholeheartedly believe that that is the best place for you to jump in, get started, really get your feet wet and seeing what other people are successful with, what other people have struggled with beyond just specific trades. It also opens up to features of trade machine that maybe others have struggled with. So it's not just about specific trades, but it's really going to give you a deep dive into trade machine and you have access to traders of all different skill levels. We have some that have been new-ish to trade machine have been around for a while like you and are just really diving in. And then we have others like Max that have been here forever and have a lot of experience and success with trade machine. So definitely take advantage of those.

[\(20:02\)](#):

I would also add, you can tag any user in the community, so you can use the @ symbol and then start typing their name. So if for example you wanted to tag Max, you just start typing @ chat Uncle Pops and you can ask him a question and I highly, highly recommend that you can also tag anyone that's in the community as Max said. Also the learn tab and there are updates coming to the learn tab very soon to make it easier to navigate, get you more content, more resources to really get you started. So that's coming very, very soon.

Max Katz [\(20:43\)](#):

Now Amanda, I thought you were going to also add, but PHE says, well one of the many things PHE says, and that is you need a portfolio of different option trades. You don't just want to do selling put spreads every two weeks. For example, you want trades that are bearish. You want trades that are bullish. You want trades that are short volatility. You want trades that are long volatility. You want an assortment, you don't want to be too focused in any one kind of option trade. So that's one of the reasons why I like

looking at the trades on the today page, the today tab, because it has that assortment right there and you can pick and choose and then as you put trades on, you'll see, oh man, I'm too long. I've got to put on some bearish trades or Oh, I have too much long volatility, I need to put some short volatility trades on it.

Amanda Kelley ([21:47](#)):

Exactly. And PHE actually has a very detailed video that solely talks about that idea that's called What is effort, and that would be something be a great place to start because he talks about having a portfolio of trades. So that is also another resource for you.

Max Katz ([22:06](#)):

Yes.

Amanda Kelley ([22:07](#)):

All right, let's jump into the next one. It looks like the market's puked. Are we in a bearish period? The durable goods orders are terrible.

Max Katz ([22:17](#)):

I think I mentioned this last Thursday night. You should take, if I offer an opinion on the market or a specific stock, costanza it. If you are old enough to know the show Seinfeld, my thinking, my judgment on stocks and or the general market and where it's going are usually 100% wrong. So whatever I think go the other way and you'll be more successful than wrong. I could not tell you that today's action indicates we're in a bearish market. Not, I really don't know. I don't know that anybody really knows it's one day, but that's another reason why you never want to be too long or too short. That's why you want that assortment. So you can't get hurt that badly. I mean I haven't looked at the current market since about 145. It was only down, I don't know, a couple of tenths, maybe two, three tenths of a percent. But if it's gotten worse in the last hour and I only had short put spreads in my portfolio of auction trades, I would not be a happy person. You need that assortment. You need a little bit of everything. You never want to be too long. Deltas too short, deltas too long volatility, too short volatility.

Amanda Kelley ([24:04](#)):

Alright, what short exponential averages are used on back tests? The eight, nine or 10 period,

Max Katz ([24:13](#)):

You can use whatever one you want. So let us look at technical open conditions. If I'm understanding the question correctly,

Amanda Kelley ([24:24](#)):

Correct. You're understanding it as I'm understanding

Max Katz ([24:26](#)):

It. Okay, so we're back on the bearish burst, but I can add whatever I like. In this case for the bearish burst, it's a stock below the SMMA 200, but I can go up here and click on stock price. So here's a new condition down here and we want the stock to be below. For example, the EMAI can put in any value I want. I can put in a five and it'll add a technical open condition at the stock. Must be below the EMA five days. What's the other part of the question? So you can select whatever EMA or SMA you like to the number. It's a daily, it's a daily EMA trade machine uses daily data, alright? And you can go above the stock can be above a moving average. The stock can be below a moving average. The stock can cross up through during the day a certain moving average. The stock can cross down through a certain moving average during the debt. You can set any of those conditions that you like

Amanda Kelley ([25:45](#)):

For spread the sell off trades. Do you have any rules that you adhere to when determining if you want to get into the trade?

Max Katz ([25:54](#)):

Must put it on for credit. I don't want, this is just me personally. Now I don't want, if my one long put spread, the 37, 25 long put spread, let's say that's five points wide width of the strikes. I don't want my short put spreads, the 25 10 deltas, I don't want that wider than 10, twice as much of the width of my long put spread. So if my long put spread is five, I don't want my too short put spreads to be 15 or 20. Too much risk. That's how I control risk on data entry. So I must put the trade on for a credit of at least a dollar and I want the width of my short put spreads to be no more than twice the width of my one long put spreads. That's how I manage this red risk right here. Alright, this is a payoff diagram for the 1, 3 2.

([27:03](#)):

I always have it up for every zoom. I always like to use it. We're putting the trade on for a credit. Here's where the 37 delta is. Here's where the 25 delta is and all the way down here is our ultimate protection. Our long to 10 delta puts this maximum risk is composed of the width of those two short put spreads. Let's say they were 10 each, so that's 20 points of risk minus your credit of a dollar. So there's a 19 points of risk minus the width of the one long foot spread, which in this example is five points. So we have 20 minus one minus five, we still have 14 points of maximum risk. That's what I want to minimize. If each one of those short put spreads was 15, then my starting point here would be 30 points and I'm subtracting one for the \$1 credit and five for the one long put spread. Now my maximum risk is 24. It's a lot larger. I don't want that. So that's why I have my own personal condition besides putting the trade on for credit at a dollar. I don't want the width of my short put spreads to be wider than twice as much my one long put spread. All

Amanda Kelley ([28:31](#)):

Right. I think you answered the next question too. Do you have a minimum credit on the one by three by two commission decent percent of gain on TOS if the credit is small

Max Katz ([28:42](#)):

Dollar? Yeah, I think I've answered it.

Amanda Kelley ([28:45](#)):



Yep, I think so too.

Max Katz ([28:47](#)):

Okay.

Amanda Kelley ([28:48](#)):

Alright. I have noticed that sometimes these one by three by two trades can be closed for a credit. We insist on it. I have an RM one by three by two for three, one which opened for \$3 and 80 cents credit last Friday. I closed the PDS portion for another \$1 credit. Theoretically the trade should close at a 56 cent debit. Can you talk about how you work these trades?

Max Katz ([29:20](#)):

I don't work 'em the way you just did and this is once again, this is my personal preference. The one long foot spread is your prime protection against your maximum risk. Besides if you take this off, I the one long put spread off for a dollar more than you put it on for. So now you said you had \$3 and change credit or you have \$4 and change credit, but this is still your maximum risk. I don't care if it's out of the money by a significant amount. I've been burnt in the past. Any experienced trader has been burnt by assuming if you are making an assumption, there's no way that this stock is going down past this point right here. I'm going to take in most of my credit that I have on the \$3 and change and the extra dollar by closing this before I close my short put spreads, you're taking a risk and you don't have anything going for you.

([30:31](#)):

You wake up one morning and your stock is down another \$20. You're sitting over here and then you're going to try and roll this out and down. You're not going to be able to do it for a credit. You're going to be paying more. You're going to use up all your credit. Plus it's not the way I trade. The only exception is if we're over here and the long put spread has achieved 90% of its potential value, minimum 90 to 95% of its maximum value. If I put this long put spread on and it was \$5 wide, unless I can sell it for four 50 and it'll have minimal additional help for this maximum risk, I am not selling it to bring in an extra dollar. I'm only selling it because there's not much more to be gained by having it on. But I'll summarize this like this.

([31:34](#)):

If the stock goes down and it gets to the \$25 delta short strikes that I have three of them on one associated with the long put spread, two associated with the short put spreads. The first thing I'm going to do when I talked about it in detail on Thursday, last Thursday night Zoom, I will take one of my short put spreads that are \$10 wide and I will roll it out and down. I will roll it out 30 days in all likelihood until lower strikes. That's how you minimize your maximum risk in my opinion. That's what you do first. And I just so happen to have an example of going out and down that I wanted to share. We have another couple of seconds. So I'm going to do new share and I'm going to go here hopefully and I'm going to share and I'm going to go to Apple.

([32:30](#)):

It looks like the markets came back. Nasdaq future is up 36 right now. All right, but that's not what I'm going to talk about. I'm using a hypothetical example of the apple, apple stock and let me move this out of the way and let's assume it's a hypothetical example. Let's assume I'm short the 1 77, 1 72 and a half put spread. And I'm worried, even though apple's up a dollar 62 today, I'm worried about this short put spread. So what I'm going to do, and right now it's worth about 66 cents, but I'm still concerned. I want to roll this out and down. So here's an example of out and down. We're in the March 15 strike. I'm going to go out a month or so. I'm going to go out to 52 days and I want to go down to the one 70. I want to go down to the 1 75, 1 70 foot spread.

[\(33:27\)](#):

I want to roll 1 77 and a half, 1 72 and a half in the March 15 expiration. I want to roll it to the April 19 expiration and I'm going to buy back by March 15 short put spread, and I'm going to open a new short put spread by selling the 1 75, buying the one 70 and I can do this whole thing for a 20 cent credit. Now, I'm not going to execute. I don't have, it's a hypothetical. I don't have the short side on the trade, but you can see that I rolled it out a month and I rolled it down two and a half points. I've minimized the risk of that short foot spread. That's how you roll out and down. Okay,

Amanda Kelley [\(34:17\)](#):

Perfect. Right. The next one,

Max Katz [\(34:20\)](#):

New chair. Let me go back to, okay, I guess it's this

Amanda Kelley [\(34:24\)](#):

Next question is more of just a clarification of an earlier question. What short-term exponential averages do you guys use on charts? You mentioned it previously. I think I saw it on one of the videos I watched on trade machine. I thought you guys said it's typically the eight day exponential moving average that is the most common in back test for longer term. You use simple moving average. Is that correct? So depending on the strategy, you're going to see a variety of different conditions including different exponential or simple moving averages in trade machine. The most commonly used for EMAs are 8, 10, 13, and 21 are simple. It's 5, 100 and 200 that are the most common.

Max Katz [\(35:14\)](#):

Yep, 50 and 200 right at the top of the list.

Amanda Kelley [\(35:17\)](#):

But it's

Max Katz [\(35:18\)](#):

Really strategy dependent.

Amanda Kelley [\(35:20\)](#):

Exactly. And you can edit that to be whatever your trading style reflects. If you want to look like Max said earlier, if you want to look at the five day exponential, then you can backtest for that. It's very flexible for all of that. We put a closing order for a broken wing butterfly as a close when debit is say 20 cents and the BWB went to a credit of 50 cents overnight. Will the closing order work?

Max Katz ([35:50](#)):

This is a question for you, for your broker. Hopefully I'd like to when I have the time, and not that I have the time every time, but every day I try to look at all of my GTC orders and see if they're going to be close to where the stock is trading. So if I see that the stock for the broken winning put butterfly has rallied another \$5, for example, hypothetically, and I do some quick math in my head, I might take that GTC for 20 cents and change it to a dollar just to see how the market opens and if I'm going to get it or not. Now, if you don't do that, you have your 20 cent limit in. I don't know about the market makers for that specific stock, how generous they're going to be, or they're just going to take advantage of you and fill you with 20 cents even though you could have got 50 cents or a dollar additional credit. Some brokers insist that market makers be lenient in that case and some don't care. But yeah, you try at the start of a day before the start of the trading day, I like to look when I have the time and make sure that A GTC is still in line, otherwise I modify. But it could just come down to your trading software broker and the market makers behind that stock. I really appreciate everybody coming today.

Amanda Kelley ([37:31](#)):

Yes, thanks everybody for being here. We will be back on Thursday evening, so come prepared with your questions and we will see you then,

Max Katz ([37:40](#)):

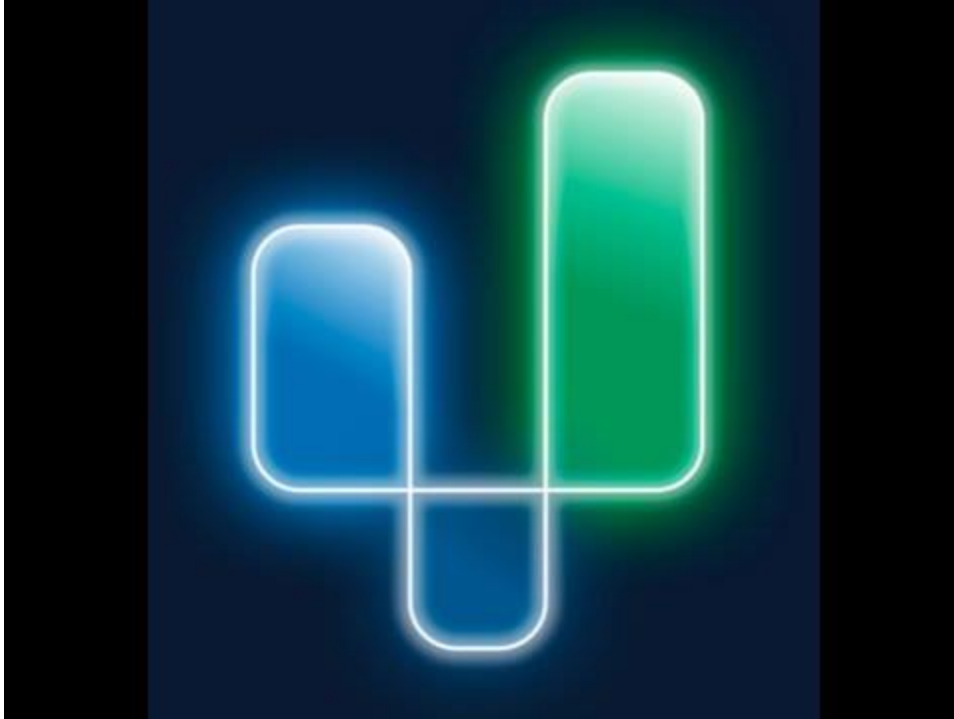
Right? Join us in community. It's the place to be.

Amanda Kelley ([37:43](#)):

Thank you everybody. Have a good day.

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**TradeMachine® Live Help 2-22-2024: 1x3x2 Strategy**



Amanda Kelley ([00:00](#)):

Hi everybody. Hope you're having a good night. All right, so disclaimers, 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. This is not a solicitation to buy or sell any security ever. This is not advice and past performance is not necessarily indicative of future results. I had some questions come in regarding adjusted close price and if you were unaware, trade machine does utilize adjusted close pricing and also if you're also using pattern finder, we also use it there. The reason that we utilize it is because it's more nuanced. It allows us to calculate in dividend stock splits and things of that nature that are going to affect the overall impact to profitability long-term. So we do have a detailed resource available in the Learn tab that talks about not only how it's used in trade machine, but exactly what it is and how it's factored.

[\(01:14\)](#):

So just wanted to point this out. Again, if you're looking for this, it's under the FAQs. It's actually the first thing there, but as we talked about the other day, I think the biggest thing with the learn tab is how easy it is to search for something. X was talking about a spread the sell off strategy, so I can just start to type it and it takes me right to what I need, and I would say that's probably going to be your fastest resource for getting up to speed on these strategies if you're new to trade machine, but also it just makes it so much easier to find stuff when you have questions. That way you're not waiting on an answer, but we're always happy to answer those questions in support in the community.

Max Katz ([02:01](#)):

Welcome everybody. Thanks for coming out whether live or on tape seeing you at a later time. I was hoping, as I was telling Amanda to have a live example of a 1 3 2 put spread the sell off trade, but

unfortunately the market did not cooperate and I ended up not having a problem with the trade and closing a winner today. But I still want to talk about the concept. I still have a hypothetical trade. I'm going to be sharing my trading software and hopefully I can do it pretty quickly. This diagram is ingrained in my head. It should be ingrained in your head if you want to take this trade like a spread to sell off all of the spread to sell off. Technical open conditions are holding, you're looking out either 30 days or sometimes some people have alerts for 14 DTE one by three by two, but we'll focus on the 30 DTE and we're looking to buy 1 37 delta, put sell 3 25 delta puts and buy two 10 delta puts the key to me.

[\(03:21\):](#)

Know what the trade does that you want to trade, know where the profit potential is and most importantly, where's the maximum risk on any trade in this case, the one by three by two. So we put the trade on for a credit. If there's no credit, then this green area over here will be below the line, the zero line and will be red. We want to put it on for a credit. So if indeed from the current price, the stock goes up, we're banking, we're booking this credit and these, the short 3 25 delta puts and the long two 10 delta puts and even the long 37 delta put will all go out worthless and we'll bank, I believe the profit goal is 80% of your credit. Now, things don't always happen that way. You'll see that what this trade is, this one by three by two, and you might see it a little easier when we go to my trading software.

[\(04:29\):](#)

It's an unbalanced butterfly, it's an unbalanced 1, 2, 1, and then to get more premium in, we're selling an extra put spread. That's the way I think about it. It's a butterfly with an extra short put spread. Alright, if the stock starts going down during the 30 days and it goes down nice and slow, this diagram is at expiration. So during the life of the trade, things will be more curved than these straight diagonal lines, but still it's representative of what I want to highlight. If the stock key goes down and the 37 delta gets close to the 50 delta and the 25 delta gets close to the 37 delta because the stock is moving down, we'll be getting into this area, we will be potentially making more if it's a nice slow move down than just the credit that we initially received, and if it's towards the end of the life of the trade, we will achieve more than 80% of the credit. If stock goes down too quickly and it gets to a short three puts, which originally were 25 delta and breaks through there, we have some maximum risk down here that we need to pay attention to.

[\(06:07\):](#)

What are some estimates of the maximum risk in comparison to the potential gain? Usually my long put spread is five points wide, \$5 wide, and my short put spreads are \$10 wide and I don't like to go more than one by two, right? I don't want to be five by 15 or 10 by 30. I want to be 10 by 20 or five by 10 because we have two of these. We have two short put spreads. So our maximum loss, let's say each short put spread is \$10 wide. We have two of them. Our maximum loss is \$20. Keep in mind you have to multiply everything by a hundred in options, but let's just deal with \$20. Now your maximum loss is to \$20. If the stock goes down past your short put spreads and you don't do anything, it'll be a little less than \$20 because hypothetically we took in at least a dollar at the start of the trade.

[\(07:15\):](#)

So your maximum loss is 19. But we're not going to just sit here and believe that just because we saw something that looked like good support on the chart, we don't have to worry about it. It's going to

come back in less than 30 days. That's not the way I trade and I don't suggest that that be the way that you trade. So if the short 25 delta gets up to 37 delta because the stock is going down, XCA is concerned, then the first thing he's going to do is not see how much he's making on the original 37, 25 delta long put spread. He's going to say, I've got to get rid of one of these two short put spreads. I've got to cut my maximum risk in half. And the way to do that is to roll out one of those short put spreads, which were originally 25 and 10, and now maybe 37 and 20, roll it out.

[\(08:20\)](#):

I usually start looking 30 days out to a later expiration for that one short put spread, and I am able to roll it down to lower strikes and I'll show you a hypothetical example of that in a minute. That's the first thing I do. When am I left with, I've cut my maximum risk in half by just doing that. Hopefully when I roll out and down, I'm doing it for no debit, a small debit or a small credit. I still have a remaining credit and my remaining shorter term position is long one, short two, long one, and my maximum risk is 10 points, \$10 minus whatever remaining credit I have. And that gives me more room to wait to think about other potential adjustments to let some time go by. But the last thing I'm going to do when I first encounter trouble and my short 25 delta three of them are getting approached is get rid of the protection that I have by selling the 37 25 delta long put spray.

[\(09:42\)](#):

That's the last thing I'm going to do. Now, if there's one day left in the trade and the 37, 25 delta long put spray, which is \$5 in width, I can sell it for four 50, at least 90% of the maximum value. Then maybe I take it off, but not at the beginning of a trade, not in the middle of the trade. That's not the way I think you should manage the risk of this trade. So hopefully I didn't raise my voice too much, but you must know how the trade operates. You must know where the profit will potentially come from and most important, you must know where the risk is and what I believe is the best way to manage it. So I'm going to load up my trading software, and this is a hypothetical trade that if I had received an alert from Microsoft today, let me move this out of the way as well.

[\(10:45\)](#):

Okay, so this is my one by three by two. I'm just using approximate. Here's my Delta column right here. I guess Microsoft went out trading four 11 and change. I'm going to use the, I could use the 4 0 7 and a half and move everything up two and a half dollars, but it's just easier to talk about 4 0 5 and 400 into three 90. So I'm going to buy 1 4 0 5, I'm going to sell three of the 400 strike puts. This is March 8th. So I'm actually doing a, what I did last time was a 14 DTE. I'm going to do it again this time since I already have the example set up, but this could be 30 days to start as well or anything in between. Just backtest it, make sure it works well. Alright, so I'm long one short three \$5 away and in \$10 away to close the loop so it's not undefined risk.

[\(11:51\)](#):

I'm going to buy 2 3 90 puts. So my long put spread is \$5 wide, my two short put spreads are \$10 wide. My maximum risk is the two short put spreads, \$10 each wide, \$20 minus the dollar 50. Hopefully I would get in credit for putting the trade on. Ballpark speaking. Alright, this trade has a buying power requirement of \$1,358 at least with my trading provider. Tasty trade, end of commercial. Now, I'm not going to move the strikes, but let's assume that my short three is approximate 25 delta short here. Short put is now approaching 37. What I'm going to do is I'm going to roll out one of these put spreads, right?

So let us, let's just do it. So I'm going to buy back one of these. Alright, I guess I got to clear this, everybody remember it was the 4 0 5, 403 90. So I'm going to buy back one, okay?

[\(13:15\):](#)

And I'm going to look out 30 days more. I'm going to go out a month. So I'll go to the April 5th and I want to move out, so a later expiration and later expiration, and I want to move down the puts, which is actually up on the screen. So my trouble area was 400 and 400, 3 90. So let's look at the, let's try the 3 90, 3 80, alright? And that's going to cost too much, which is good because I'm going to go down to the 3 73 8, alright? And I guess I got to go up, go this way. Clearly something's not working and I'm sure it's me. Let's go back to our original example because clearly I've done something wrong. So let's put the trade back on. This is live. Alright, let's get rid of that. Oh, I know what I did. We'll go back here. I'm going to buy four or five, I'm going to sell three of these and I'm going to buy two of those.

[\(14:22\):](#)

Alright, this has moved against me. We're going to imagine that the 4 0 5 is now my short three, right? So I'm going to roll everything, roll everything up, \$5 to higher strikes. This is when I start to get concerned, right? Because my short three is starting to approach, I don't want to deal with the two and a half dollars strikes. So we're just going to assume this is approaching the 37. I want to move out one of the 4 0 5, 3 95 short put spreads. So I'll clear this. I'm going to buy back one of those. All right, I'm going to go out a month and hopefully this will work and I'm going to go down going out a month and I'm going to go down at least five points. So I'm going to sell, not buy, I'm going to sell the 43 day out. Now I realize what I was doing wrong before, all right?

[\(15:23\):](#)

I can do this trade, I can get out of trouble. I can roll down five points from the 4 0 5, 3 95 down to the 400, 3 90 and receive an additional credit. But let's see, I'm more concerned about rolling this out of trouble. So let's roll it down to the 3 95, 3 85 as my short out 43 days. It's too much of a debit. So we'll go back to the 400. These are the gyrations that I go through. I would execute this trade and get rid of one of the short put spreads in my original 1, 3, 2. I hope the second time I was clear, but I think the first time I was buying and buying and that's why I kept getting a bigger debit. My mistake. Alright, so let's clear this. Let's go back to the 15 DTE trade. Let me recreate it very quickly. I just want to highlight one other thing and then we'll go to questions.

[\(16:27\):](#)

Sell three by two. There's our original trade, we want to do it for a dollar 50. Okay, we'll see the margin requirement is 1358. I moved out one of the short put spreads. Here's what's going to be remaining in the shorter expiration. This one, the three 90 will only be long. One of them, the 400 will only be short. Two of them, alright? This is a simpler butterfly, long one, short two, long one. It's unbalanced because the long is only five point wide and the shortest 10 points wide. It's a smaller trade though. Look at the buying power. If I just put this trade on now the one by three by two was \$1,350. By moving my short, one of the short put spreads out for this part in the shorter duration I've saved five 13, I've saved \$850 in buying power. Now there will be some buying power in the short put spread in the later expiration, but it'll be less.

[\(17:38\):](#)

But this demonstrates this buying power difference demonstrates how we have minimized to the extent that we can our risk, we have a much lower risk as we rolled out one of those two short put spreads, and that's what I wanted to highlight. This is the way I trade. That's how I want to manage the risk of a trade That's not going my way. It could always be in your mind, what can I do to minimize the risk in a trade that is going against me? If not just closing the whole thing and taking a loss.

Amanda Kelley ([18:19](#)):

I'm in a call diagonal for BA from an alert a couple of weeks ago. What's your view of BA with the early call expiring three 15 BA not moving much on a big update overall for the market?

Max Katz ([18:35](#)):

Yeah, I have no talent in the area of what I think a stock is going to do. So if I were you or anyone and I give an opinion, I would. Stanza is stanza is if you are a Seinfeld fan, you'll know what I mean. If not, if I say I think BA is going to rally, it's going down. I thought Nvidia was going to go down today or starting last night, and of course it went the other way. So I can't tell you I have no informed opinion of what VA is going to do, but here's how I manage those diagonals. I always look at the remaining premium in the short call. In this case when it is minimal because the stock's not moving or enough time has passed, if I've already taken advantage of 80 to 90% of the short premium being weaned off, I will close it and consider making my long call a long call spread.

([19:49](#)):

If I want to still be long BA closing the entire trade, you only have a couple of options. There are two ways it's going to turn against you. One way is a good way and one way is a bad way. The stock goes down, you're losing on your long call, you're losing on your short, but there's not enough premium in the short to cover what you're losing on the long call. You should have, depending upon the trade, there may be a loss limit. If not, you can have your own loss limit and you close the whole trade. The good way is the stock goes up and it starts to go past your short call strike. When it does that, you must either close the trade because it will be profitable or roll that short call that's being violated into the same expiration as the long call and make a long call spread out of the entire trade because you think BA is going to keep going up and that long call spread in the same expiration will appreciate in value. Okay, what's next?

Amanda Kelley ([20:57](#)):

Is this a credit spread? I'm guessing that they're talking about spread the self.

Max Katz ([21:02](#)):

We insist on it being a credit spread, the one by three by two. If you look at the 37, 25 and ten one by three by two and it comes out as a debit, I pass on the trade, but before I pass on the trade, I might go down to 30, 20 10, 1 by three by two and see what that looks like. I must have a credit. Otherwise this green, you see the diagram, Amanda? Yes. Okay. The green here will be red and underneath the line and don't if this stock goes up, I want to be guaranteed of a profitable trade and a credit

Amanda Kelley ([21:46](#)):



Right with the spread, the sell off condition to close is 80% of gain. In this case, we buy the broken wing butterfly for small credit negative debit. It. Does it mean that we close by buying the butterfly back for 20% of the credit received? Or do we need to wait until the stock goes down a bit and gets below the hill? In this case, we could expect to get additional credit. The additional credit expiration would be equal to top of the hill minus initial credit and we could wait for this to happen and use 80% of this as a gain additional credit. I think that part was repeated, sorry.

Max Katz ([22:34](#)):

Okay. Alright, so the guideline on the one by three by twos spread to sell off is 80% of your initial credit. If the stock is going up at some point, this unbalanced butterfly is only going to be worth 20% of what it originally was and you can close it and take your 80% gain. The exception for me, and it doesn't have to be for you, is if the stock is just lingering around its current price and slowly starts to go down and enters this little triangular area where it's broke through the original 37 delta long and it's just hanging in this area. If it's acting really slow and moderate coming off, I will go past that 80% gain because after initially the one by three by two will go down initially if it goes down too quickly or too soon, eventually it will start to come back and be profitable.

([23:44](#)):

And then I'm going for more than 80% of the dollar 40 or dollar 50 credit that I originally started with. But this is the kicker. This is why we do the unbalanced butterfly. It doesn't happen very often, but when that potential trade is about, it looks like it could happen and it's not going to just blow through. It's slow moving or it's towards the end of the DTE, the days to expiration. I'll take a chance and if I've done multiple, I might take some of 'em off at the 80% of the initial credit, but I'll leave at least one on going for a bigger payoff.

Amanda Kelley ([24:26](#)):

Do you ever split the initial one by three by two trade into two separate trades to maybe get better fills? Example the BWB plus spread or two PCS and one PDS?

Max Katz ([24:39](#)):

I have no problem if you want to do it that way because you think you're going to get better bills. I have had zero problem because keep in mind, I'm always, the first thing I do for any trade is check the bid offer of each of the options that I'm going to be using and make sure that they're tight enough. And when I put the one by three by two spread up there as I was showing on Microsoft earlier today, if the spread is really wide, then yeah, maybe I'll break it up, but I'm not breaking it up because I think it's one put debit spread into put credit spreads as a trade. I'm breaking it up just to get a better, more reasonable fill. It's still an unbalanced butterfly plus another short put spread. At least that's the way I think about when does the green arrow appear on the charts.

Amanda Kelley ([25:40](#)):

That is a very valid question. Do you want to answer this or would you like me to?

Max Katz ([25:46](#)):

I think it's the next day after you put the trade on, but please

Amanda Kelley ([25:50](#)):

It is, so generally speaking, it is confirmed. All of the trades are uploaded at around 11:00 PM Pacific time. So basically the next morning is when you'll see the green arrow pop up.

Max Katz ([26:07](#)):

So let me switch to this just to show what the graph looks like. There you go. So I guess the arrows are what you see here. Is that a fair representation?

Amanda Kelley ([26:20](#)):

Correct? Yeah.

Max Katz ([26:22](#)):

Okay.

Amanda Kelley ([26:23](#)):

Do you adjust PCS in a similar manner?

Max Katz ([26:26](#)):

Yes. If I want to stay in the trade, so if it's a fade to dip, put credit spread and it starts to approach 37 to 40 delta. Let's say I put it on 2025 for the short delta and 15 with the long delta as it a short put spread and that short approach is 40 delta. I'm not waiting for it to get into money. I am rolling out and down If I still want to stay in the trade and I try it and do it for flat to a small credit to a small debit and I keep doing it. Once again, if I want to stay in the trade, you can do it multiple times. I hope people took my comments in the spirit of this is my way of operating, of trading. Over many years I've developed these guidelines and conclusions and I just get a little emotional because I want to make sure that you guys think about where the risk is. We try and put the probabilities in our favor so that most of these trades going to be profitable. It's when they're not, that we have to have heightened interest in the trade and how can we salvage it if we don't want? Just take the loss and move on.

Amanda Kelley ([27:51](#)):

It looks like there's one other question. Are there any additional, yeah, are there any additional points to consider if we like to trade in multiples of one three twos? To increase the size,

Max Katz ([28:03](#)):

You must be comfortable with the margin requirement. You must be comfortable with how much buying power you're willing to spend on one kind of trade, and at least initially don't do too many of them. We demonstrated where the maximum risk is. The maximum risk is a lot larger than 80% of that initial credit that you're trying to take as your profit. So just be mindful of that. Come visit us in the community. Ask any questions. There are no bad questions. There might be a bad answer, but there are

no bad questions. Ask away. I'll get to it as quickly as I can and if I can't answer it, I'll call the team in led by Amanda and they'll help us.

Amanda Kelley ([28:57](#)):

All right, I think that's a great place to stop. Everybody. Have a wonderful evening and please join us if not in the community, back on Tuesday,

Max Katz ([29:08](#)):

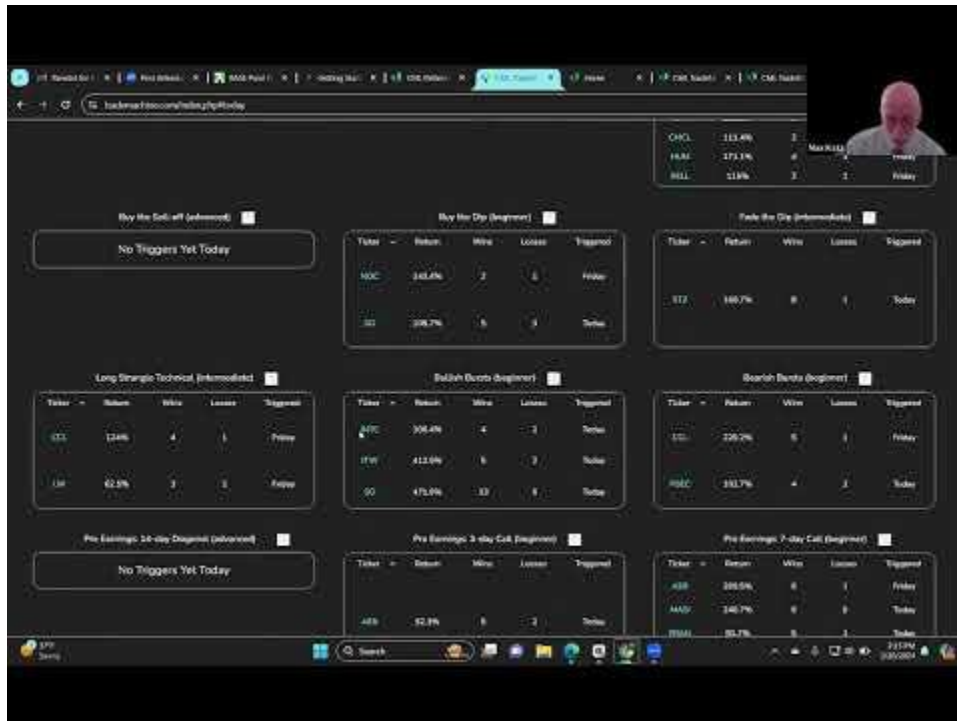
Tuesday afternoon. Be there.

Amanda Kelley ([29:10](#)):

All right. We'll see you soon.

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## TradeMachine® Live Help 2-21-2024: Backtesting and Setting Alerts



Amanda Kelley ([00:00](#)):

Hello everybody and happy Tuesday morning slash afternoon depending on where you are. I'm going to go ahead and just go over the usual disclaimers first. Results here are provided for general informational purposes. As a convenience to the viewers, the materials are not a substitute for obtaining professional

advice from a qualified person, firm, or corporation. This is not a solicitation to buy or sell any security ever. This is not advice and past performance is not necessarily indicative of future results.

Max Katz ([00:37](#)):

Okay, you see my today tab?

Amanda Kelley ([00:40](#)):

I do.

Max Katz ([00:42](#)):

Okay. Alright. So periodically you get a whole bunch of questions on how do backtest alerts get on the today tab, what are the requirements? Because sometimes someone will get a personal alert and look at it and say, Hey, why isn't this on the today tab? So there were a couple of extra conditions that I'll quickly read. So this is from the learn tab. Amanda very nicely showed me how to find it and the requirements, the back test to qualify, it must show a win rate of over 50% for both the one year and three year time periods. There must be multiple wins over the three year time period, at least two. And then there are also requirements. This is what I always forget. There are also requirements for percent gain, which vary by scan, but at a minimum are at least 15% over one year.

([01:45](#)):

All reasonable requirements. And the other thing that I wanted to show is on today's today tab, and I discussed this in community earlier, one of the backtest alerts that I really liked was this didn't know what BASE and what the stock was and I just liked the fact that it's five and zero. There were no my favorite trade as most people know as the 14 day diagonal. There were no new diagonal trades today and I liked this overall return of 346%. So I decided to investigate it and the first thing I did was click on that alert from the today tab and look at it without the comma name of the stock. Here I like to see the different deltas and how they compare. And the default is the 40 delta call, but they all have, except for the 20 delta call, they all have very good results.

([02:55](#)):

And then I as someone will always remind me when I forget since it's what you must do, you must make sure that the end date is today's date. So you get the latest statistics and it is today's date. So I'm not going to rerun the test. I then do it for two years, one year, six months. You'll have to trust me that it had similar, very positive results. I just want to minimize the amount of time for something that you can do on your own from the today tab. And I also, if you look across here, you'll notice that skew and kurtosis one year, especially the kurtosis one year is a negative number. So you'll just have to additionally entrust me that I did just back testing the current condition. It's not what I'm using to determine an alert or not, but it's an extra test that I like to do to see if kurtosis being negative is going to have any effect on the results.

([04:07](#)):

And it did not. It left the results. Five zero may have become four zero. The percentages pretty much stayed the same. So I did not dwell on it. I think it's a good alert. I also took a quick look at on pattern

finder, great p and I zones, but not terrible. I just happened to like the trend lines and the overall look of the graph. I'm not a graphic expert look good enough to me to continue 40 delta highest overall return five and zero since I'm a platinum user. And by the way, it's still triggered at least as of 1155. I guess I could run it again very quickly. Hopefully my computer's been a little slow today. Okay, very nice. Okay, still triggered as of 2 0 8. And since I'm a platinum user, I can also look at the suggest suggested option trade. And it is the March 15 expiration and it is the 30 call to be long, which is the closest to the 40 delta.

[\(05:21\)](#):

And the March 15 expiration is the closest to 30 days and everything looks good, but being the penetrator that always likes to spread, if I'm buying options, I want to sell something against it. If I'm selling options, I want to attempt to buy something against it, even though it's only a \$26 stock. I decided to make long call spreads out of this. So I set this up in Lo and behold, the results are excellent if not slightly better. And the amount is smaller. It's a smaller trade. I like that. I like to do multiples of smaller trades when I see the potential. And if we look at the option chain by clicking on show option chain, this is delayed data, but it'll give you a good basic idea of what I was looking at when I was putting the trade on. Now you'll notice that BASC, the stock only has monthly expirations.

[\(06:29\)](#):

See, it jumps from 24 days to 59 days, which is usually a concern for these kind of alerts. But 24 days in my mind it's close enough to 30 days, which is the default for the trade. And there are enough strikes. You'll remember just for the long call we were going to go with the 30 strike, 30 strike call. And what I like about potentially doing this as a spread is if you look at the call IV 30, strike call is 83.9. That's what you're buying. If we do the thirty thirty five call spread, we're selling a call, the 35 strike call that has an IV of 88.2. I like that. I like to buy something less expensive IV and sell something with a higher iv. I always look for that when I'm doing spreads, if not higher, at least close to what I'm buying to what I'm selling.

[\(07:41\)](#):

I now have a good approximation for a spread. I had modified one of their out five back test boxes to look at the 35 delta long. The 15 delta short has a very good result. And we'll take a quick look at the options once I say, I understand this information shown is not a recommendation. And sure enough it's the thirty thirty five call spread in the March 15 expiration, which is what I concluded was the best trade as well subject to your analysis. And you'll see that the width is \$5 wide and you can put this trade on the last time I looked for 75 to 80 cents. So that's better than a five for one return to risk return. I like that as well. So that is the trade that I will be putting on towards the end of the day. I put one on already just so I can track it easier.

[\(08:45\)](#):

And it's only technical requirement is to be above the SM A 50 and the SM A 50 was \$24 and some cents pretty far away from the current value 26 68. So I was very comfortable putting one of those on. Okay, that includes my formal presentation for today. So let us proceed to the q and a of our strategies strategy categories is spread to sell off AI with ai. All of the potential alerts in this category when there are any will display here and they all have the AI component, but what we wanted to stress is if NLC had ai, it would be NLC and then a little space and then this AI symbol, which I'm highlighting here. So it

would be NLC, A little space and then AI and the lightning bolt. And that's how you can, there aren't any right now, but that's how you can very quickly see which alerts have the AI component as part of it.

Amanda Kelley ([10:01](#)):

I've actually got some questions and want to start rolling on those.

Max Katz ([10:05](#)):

Let's roll on those.

Amanda Kelley ([10:06](#)):

Please explain what you mean by 14 day pre earnings.

Max Katz ([10:10](#)):

So what that means is 14 days before the earnings event, we put a trade on if it meets the technical open condition and that technical open condition is a stock being greater than the SMA 50. If it was 14 day pre-running long call diagonal with ai, it would have another condition. Ptois one year. I believe it's greater than one. I think I answered the question. It's just 14 calendar days before the actual earnings event.

Amanda Kelley ([10:50](#)):

Do you want to show where they can find that information on a back test?

Max Katz ([10:54](#)):

Yes, I do.

Amanda Kelley ([10:55](#)):

In the custom, it's

Max Katz ([10:56](#)):

Right here. It's under the symbol under the name of the stock and it says Next earnings, well

Amanda Kelley ([11:05](#)):

The custom earnings settings so that they can see.

Max Katz ([11:08](#)):

Is that what you wanted me to show? Yeah, just

Amanda Kelley ([11:10](#)):

Go ahead. Well, you can find the earnings date there as well, so you have a reference point, but if you want to further test or see the exact settings used, you can go to the earnings handling and then

Max Katz ([11:25](#)):

Right to go to earnings handling and then custom earnings. And for this event, it's open position 14 days before earnings. Thank you Amanda. And close one day before the earnings event. So that's the custom earnings handling for the 14 day pre earnings, long call diagonal and just long call or in my case, I also made it a long call spray as the same custom earnings handling condition.

Amanda Kelley ([11:56](#)):

Can you please share a bit more about your strategy regarding IV when looking at spreads? Thanks.

Max Katz ([12:02](#)):

Okay. Ideally, let's go back to this one and let's look at the option chain. I'm always, if for some reason, let's look at this March 15 expiration option expiration, and let's look at the 22 and a half call just as an example. If I wanted to buy that, it's got an 84.7 VV is used to help determine the price of the option. If I was looking at the 22 and a half 25 call spread, which I wouldn't be, but just for this example, I'm not happy that the IV of this strike, this is called fixed strike. The IV of this fixed strike is only 81.9. So I'm buying the 22 and a half call and an IV of 84.7. I'm selling the 25 call and its IV is only 81.9, so I'm buying something more expensive than I'm selling when comparing the two IVs to each other. I would much rather be in a position of buying the 25 with its IV of 81.9 and selling the 30 30 strike 8 83 0.9 higher. Always prefer to see what I'm selling, have a higher iv.

Amanda Kelley ([13:35](#)):

And I would just add, we actually have a very, very detailed video on the Lauren tab that Ofir did a while back about volatility. And I think that would be very beneficial if you're looking more into researching IV impact with back testing. Would you agree?

Max Katz ([13:58](#)):

Oh, absolutely. And I think our CTO also mentioned it in his four hour course on options education,

Amanda Kelley ([14:08](#)):

Jason, four hours, I think it's longer. I think it's like seven.

Max Katz ([14:13](#)):

It was supposed to be four one hour sessions.

Amanda Kelley ([14:15](#)):

Yeah, I think he went over on a couple. But yes, I do believe he touched on that as well. All right. Does it make any difference? That base is down today because of a broker downgrade as well as a down day in the market overall.

Max Katz ([14:31](#)):

The one thing that I'm concerned about for base is the technical open conditions when it's 14 days to earnings and that condition is this individual stock has to be above the SMA 50. It doesn't matter that it's a down day for base and or the market. As far as this strategy, this backtest is concerned and I like to use the CML vis pivot points tab. You can also do it in trade machine on the create tab, look at the pivot points and you'll see that the price right now is 26.66 and the 50 day if you hover over it is only 24.1. So it's not close to its 50 day, it's above it. So I would have no concern putting the trade on.

Amanda Kelley ([15:26](#)):

I always put trades for a price too good to be true before 1:00 PM, then close to three 30, I put a price closer to the one which I am ready to pay. Is it an okay strategy? Second question, what about S-T-Z-T-Z?

Max Katz ([15:44](#)):

Okay, we'll look at STZ in a second. Yeah, that's a good strategy. I do that sometimes, but sometimes, especially if I mention it in the community, which I highly recommend everybody visit and interact. We have some really good traders who share their ideas. I want to do at least a one lot trade. So if it's far enough away from the technical open conditions that I'm not really worried about whether they're going to hold or not, I'll put one on early, but I go in at the mid between the bid and the ask sometimes one tick below and give it a few minutes. And if nobody hits my bid, then I will raise it to the mid and worst case, I might go a tick or two over the mid, but I never pay the ask. So what you're doing is an excellent strategy.

Amanda Kelley ([16:36](#)):

I would also add that generally speaking, unless you have edited the settings in trade machine, it is looking at the midpoint as well.

Max Katz ([16:45](#)):

That's right. I believe that's to default.

Amanda Kelley ([16:48](#)):

It is the default. So if you go into the little settings button, I don't know what to call that simple, but you can change from mid-market to your preferred settings, but it defaults to mid

Max Katz ([17:06](#)):

Right. And that's what most people use. And I think that's very fair because one of the first things I do when I consider an alert is I look at on my option trading software with how wide narrow is the bid price versus the ask price. I want that to be relatively close. If it's not, it's too wide. I usually pass on the trade. Okay, now what was the second part of the question? Oh,

Amanda Kelley ([17:40](#)):

What about STZ?



Max Katz ([17:42](#)):

Yeah, let's find it. It's got to be here. Ah, there it is. Fade the dip in favor in the community, the fade to dip strategy. So let's click on it and the first thing we do is make sure we have the end date correct. It is today, three year back test looks great. Let's take a look at the still triggered. Still a good trade. Let's take a look at the option suggestion from trade machine. It's suggesting selling the 2 45 put, buying the two 40, put March 22 expiration. Let's take a quick look at the option chain, even though this data is delayed and is it the 2 40, 2 45 on the put side, right?

Amanda Kelley ([18:28](#)):

I believe so,

Max Katz ([18:30](#)):

Yes. So of course by being set up, we're going to sell the 2 45 and its IV is only 20 and we're going to buy the two 40, but and its IV is 23.5. So I look at this, I look at the premium that I'm collecting in comparison to the \$5 width and decide that I'm, whether or not I'm going to take the trade anyway. In this case, if we use the mid prices, it's 1 72 and 32, so it's a dollar. I'm taking in approximately a dollar 40 on a \$5 wide spread between the 2 45 and the two 40. And that's pretty close to the one third of the width of the strikes that I like. So I would consider that trade, even though I'm selling 20 IV and buying 23 and a half iv. So it's not an absolute, it's preferred but also close to one third. The width of the strikes is important to me. So everything's a trade off. You balance it all out.

Amanda Kelley ([19:48](#)):

Alright. Do you get out prior to the earnings announcement and is this a bullish strategy? I believe that was in reference to the 14 day pre earnings question from earlier.

Max Katz ([20:02](#)):

Yeah, yeah, yeah. It's definitely a bullish strategy. You're either long a call or long a call spread. The way those make money is if the price of the stock goes up. I always, okay, I can't say always because I didn't do it last week on a stock, 99% of the time I close before the earnings event. If it's a long call diagonal, your long is 14 days out approximately and you're short is only seven days out and the strategy calls for closing the trade after the short call expires unless you've made a modification to the trade before then. So yes, the general answer is, I always close. I always should be closing the trade before the earnings event. Then you make a separate decision. Do I want to trade earnings? I usually do not because I consider the earnings event a 50 50 bet and I like to have the probabilities in my favor by a lot higher amount than a 50 50 shot. Okay.

Amanda Kelley ([21:23](#)):

Okay. Is there a way to select option strike prices for back testing based on expected move rather than delta?

Max Katz ([21:31](#)):

There is not currently. However new feature ideas, write 'em up, send them to the support team. I think it's support, that's cml vis.com. If enough people ask for the same thing, I'm sure they would consider it. But what you have to do is look on your training software, see where the quote expected move is and look at the closest strike and what delta it is. And that would be the starting point for a back test using the delta. Yep.

Amanda Kelley ([22:11](#)):

All right. What is the community hyperlink? So I can give the hyperlink, but go ahead and show how to get to it. The hyperlink is community dot cml vis.com, but it is so much easier if you just go right from your trade machine and click the community button.

Max Katz ([22:30](#)):

Yeah, so I'm on the today tab as we see here, and what I do is click on community. At first you have to read the codes of conduct. I'm not going to read it. I'm sure you all have it memorized by now. You must agree. And there we are. I'm in two communities, the CML Pro community and the trade machine community. There's our good friend of fear, he sent a risk alert. You're not supposed to see this if you're not in the CML community. So my bad that you sent the risk alert for Nvidia Globe and DOCN, which I believe are reporting earnings tomorrow after the market closes or maybe before the market opens, but we'll go to trade machine where we supposed to be.

Amanda Kelley ([23:13](#)):

I think we have one of each to answer your question one before and one after.

Max Katz ([23:18](#)):

Okay. Lemme see. Yeah, I think Nvidia is after and Globe and DOC nano before I wrote that down. Alright. And you'll see various posts, this gentleman, very good trader, host his back test, ask for others to share their opinions there I am talking about time to meditate over my peanut butter and jelly sandwich in preparation for today's Zoom and reminding everyone what the link is and it just goes on and on.

Amanda Kelley ([23:57](#)):

Hey Max, can you scroll back up to the very top?

Max Katz ([24:00](#)):

Yes.

Amanda Kelley ([24:01](#)):

So I just wanted to point out something that was requested significantly after we updated the community was to bring back the following tab. So I just wanted to point out while we have everybody here that it is back, if you click on that tab, it's going to only show you the people that you are following. I don't know who Max is following, but if he clicks over there, it's only going to show those users. It's

going to filter out all other community users. So I know a lot of people like to follow a select few including PHE and see a much more concise list of posts. That's where you would do that?

Max Katz ([24:47](#)):

Yep. I'm not going to click on it because I follow pretty much everyone and just in case I miss someone, I don't want to embarrass them by them, not by their posts not appearing. So I'm not going to take that risk. So I always go with all posts, especially since during certain hours I'm responsible for responding to those kind of posts. Okay. That's your community. I already have it open, so I'm going to close the second version.

Amanda Kelley ([25:19](#)):

Okay. Do these trades go to expiration or at a target percent.

Max Katz ([25:23](#)):

Okay, so there is no target percent on the base long call there is, I take that back. There is a profit limit of 40% and there's also a 40% stop. My bad, I was thinking of the diagonal, the long called diagonal, which does not have a limit, but I have a personal limit where I watch that short option. When most of its premium is gone, it's not helping the trade anymore. So even if it's not close to the seven days where it will naturally terminate the entire trade, I will buy back that short, decide if I want to stay in the trade and because I'm still along the call that was originally 14 days at the 50 delta. If I still want to stay in the trade, I'll make a long call spread out of it in all likelihood by selling 30 delta call against my long call. In general, I'll find a strike that I want to be short, make a long call spread out of it. But strictly speaking, these are the limits when you just do the 14 day long call and the long call diagonal closes when the short option expires. Right.

Amanda Kelley ([26:51](#)):

Next question you mentioned about the CTO four hour training or plus a few hours. Where can I find it?

Max Katz ([26:59](#)):

It's on the learn tab.

Amanda Kelley ([27:01](#)):

It is on the learn tab if you are struggling to find it. It is under education.

Max Katz ([27:10](#)):

It's under education. So I went back to the home screen on the learn tab.

Amanda Kelley ([27:18](#)):

This is also where you were going to find that volatility webinar that I had mentioned. But something that I would also point out is that you can use the search bar. It is highly intuitive to help you find these different resources. So if you just start typing options education, it's going to pull up everything that you

can possibly. But first one there is the one that you'll be looking for to get her to intermediate. That's going to get you to the extensive training. And if you have any questions, need any additional resources or would like to see parts three and four, which are not on there right now, please email [support@cmlviz.com](mailto:support@cmlviz.com) and we will help you out. Alright, next question on STZ. Would you better consider

Max Katz ([28:16](#)):

By

Amanda Kelley ([28:17](#)):

Didst Z?

Max Katz ([28:18](#)):

I thought it was STX. No,

Amanda Kelley ([28:21](#)):

No. STZ? Is that

Max Katz ([28:22](#)):

The alert?

Amanda Kelley ([28:23](#)):

Yes,

Max Katz ([28:24](#)):

I got it. TZZ as in Z? Yes.

Amanda Kelley ([28:29](#)):

Would you better consider buying the 4 42 0.5 in the spread with better IV and smaller spread?

Max Katz ([28:37](#)):

Well, that's the balancing act that you have to go through. Did I save it? No, I didn't. All right, I'll load it up again Is you want to see what kind of credit you're going to get for a two and a half point wide spread and look, it's no longer meeting one of its conditions. Interesting, but let's assume it still is. We're not going to take the time to figure out which one it's not. It's a 30 day trade. So we go to, I guess it was March 15th,

Amanda Kelley ([29:10](#)):

I believe. So I think,

Max Katz ([29:12](#)):

Let me do it again, just to be accurate, that's not the button I wanted to hit. Oh, it's not letting me look at the strikes. Yeah, it's closest to 30, so we'll do closest to 30. Bummer. Okay, so we will, 24 is six days away from 30 and 31 is one day away from 30. So we'll assume we're doing it in this expiration, the 31 days and March 22nd, we don't have those quarter strikes. So we're going to go down to the 24th and look at the March 15, and I believe the suggestion was the 2 45, 2 40 and the person is asking, well maybe we should, and look, the put IVs have changed again, maybe we should do the 2 42 and the two 40. Was it 2 42 and two 40 or 2 45 and 2 42 and a half.

Amanda Kelley ([30:14](#)):

They just specified the 2 42 and a half.

Max Katz ([30:18](#)):

Okay, so let's assume we're selling the 2 45, which we were in the other example, the \$5 wide one, and we are buying the 2 42 and a half.

Amanda Kelley ([30:33](#)):

Yeah, they added 2 45 and 2 42 and a

Max Katz ([30:38](#)):

Half. So now these are almost equivalent on the iv. I feel better about putting a two and a half point wide trade on, but it's really going to depend on the credit. So roughly speaking it's a dollar to dollar five on a two and a half point wide spread. Everybody see that you're selling \$4 and 30 cents option, you're buying three and a quarter. It's probably is that a third? Yeah, it's actually a little more than a third of a two and a half dollars spread. So I like it. I'm more inclined to put that one on, but it is a smaller trade, but also it has smaller risk. But yeah, dollar five on a two 50 sounds good to me. I'll do more.

Amanda Kelley ([31:27](#)):

And the user said that was their point, sot point you got right

Max Katz ([31:31](#)):

To

Amanda Kelley ([31:32](#)):

It.

Max Katz ([31:32](#)):

Point, excellent point. Come to the community, correct me, it's one of the most valuable things the community can see. Nobody's part

Amanda Kelley ([31:41](#)):

Well, and everybody has different trading styles, so what works for one person might not work for you. And that's what the community is all about, is sharing those ideas and finding new resources. Some people don't trade using specific technical indicators, they don't look at them, other people find them extremely valuable. So that's what it's all about. Just sharing ideas.

Max Katz ([32:08](#)):

Yep.

Amanda Kelley ([32:08](#)):

Alright. I was looking at this TM strategy on base diagonal 42 21 DTE.

Max Katz ([32:16](#)):

I don't have to look at the alert because unfortunately it's not a valid trade to put on or a 14 day pre earnings trade. Your shorts must, well, I won't say must, should be if you're doing a diagonal, you want your short option to be before the event, you want your long option to be after the event. So you take advantage of the fact that the long option will experience minimal theta decay until the earnings event happens. While your short option will have its normal theta decay because it expires before the earnings event. That's the number one advantage of doing a diagonal around an earnings event or really any event you want to take advantage of the minimal theta decay before the event by being long something that's just accurate.

Amanda Kelley ([33:21](#)):

Right. Next question, is there a way to select option strike prices for back testing based on expected move rather than delta? We already answered that.

Max Katz ([33:32](#)):

Okay.

Amanda Kelley ([33:33](#)):

Will that base trade be for the day or GTC?

Max Katz ([33:38](#)):

Well, I'm already in the one. I'm going to try and add to it between three 30 and 3 45 today. Unlikely that I'll do any after today, but if I was busy today and didn't have an opportunity to trade it this afternoon, early tomorrow would be no problem to execute unless base dropped below, its 50 SMA.

Amanda Kelley ([34:05](#)):

All right. Next question is, is this a spread for an option trade?

Max Katz ([34:09](#)):

Is this a spread for an options trade?

Amanda Kelley ([34:12](#)):

Yes.

Max Katz ([34:13](#)):

Yes. Yeah, yeah. I mean in general, I'm not exactly sure which example you're referring to, but we've only been looking at option trays.

Amanda Kelley ([34:22](#)):

Yes. Would you review your adjustment for the spread, the sell off when price is approaching the short strike?

Max Katz ([34:30](#)):

When spread the sell off, which is a 1, 3 2, I don't know that we have any examples here today, but in general, along the 37 delta, put you're short 3 25 delta puts and then to protect yourself. So it's not a potential unlimited loss, you buy two 10 delta puts. So in effect, if you just think about it, you're long 1 37, 25 delta put spread and you're short, 2 25, 10 delta put spreads. So along one spread, if the stock keeps going down towards the two short put spreads starting at 25 delta when you originally put it on, my first adjustment as it gets close to that 25 delta short that you have is I will take the 25 10, 1 of the 25 10 short put spreads and roll it at least to the next expiration.

([35:47](#)):

Whatever it's going to cost me to buy back that short put spread, I will look to sell something of at least that amount as a credit. So the rolling out and down doesn't cost me any money. And I'll put together a better example for Thursday night since this question comes up on occasion. Now that's what I do. There are other people in community who treat it completely differently. I personally would never do what they do, but they're comfortable with doing that. What they do is they look at that one long put spread, the 37 25 delta put spread, and they say, wow, I only paid X and now the stock is down. I can sell that for X plus, whatever, 70%. And they'll do that, they'll leg out of the trade that way, but they're still, now they're naked short to put spreads that are rapidly being approached by the stock, unless the stock turns around and goes back up, they're in more trouble than if they still had that long put spread as some level of protection. I view it, I want to get rid, I want to move out, move out of potential danger. One of those short put spreads, and then what's left in the earlier expiration is I'm long, the 37 25 delta put spread. I'm sure it only 1 25, 10 delta put spread. It's a more manageable risk in my mind, especially if that stock keeps going down. But I'll write it up, we'll have hopefully a concrete example to talk about at the next zoom.

Amanda Kelley ([37:45](#)):

Sounds great. All right. And there's only one more question showing here, and we've actually already answered it. The question is, where can I get the training videos? And that would be in the learn tab.

Max Katz ([38:00](#)):

There you go. Alright, if we're done, I'd like to thank everybody for coming this afternoon.

Amanda Kelley ([38:09](#)):

Yes, thank you for joining us and we hope to see you back on Thursday. If you have any questions in the meantime, you can always ask within community.

Max Katz ([38:19](#)):

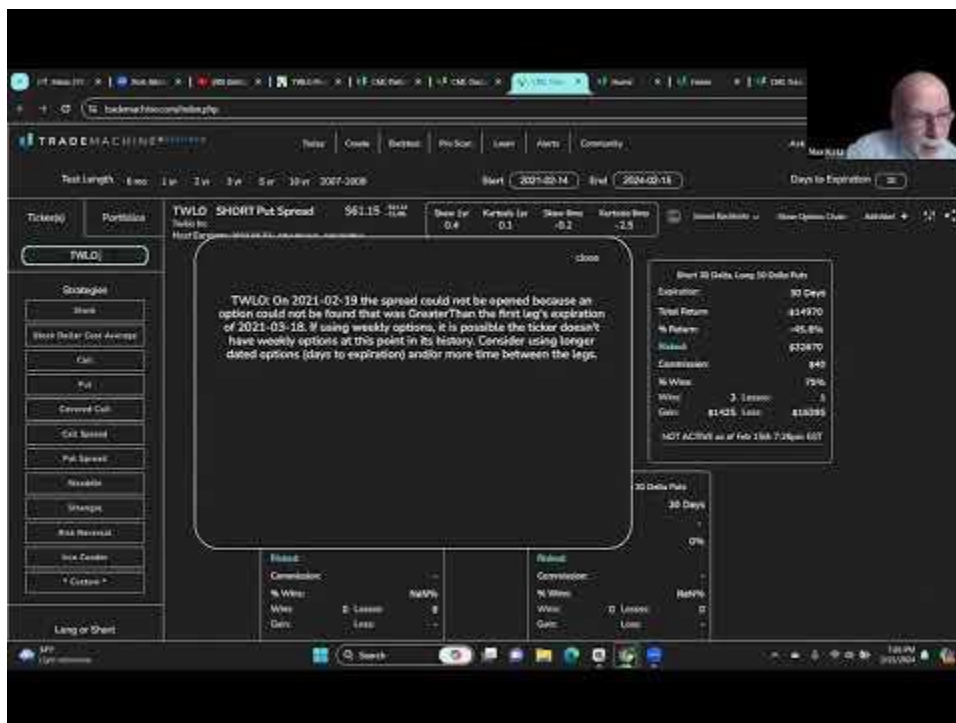
Looking forward to seeing everybody in community.

Amanda Kelley ([38:21](#)):

You guys have a good week. Bye.

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## TradeMachine® Live Help 2-15-2024: How to Navigate the Learn tab



Amanda Kelley ([00:00](#)):

Good evening everybody. We're going to jump right in and not delay so we can get to everybody's questions this evening. I've got a little bit that I'm going to share and then I'm going to turn it over to Max to see if he has anything that he wants to share. Without further ado, let's jump right into the disclaimers. 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. This is not a solicitation to buy or sell any security ever. This is not advice and past



performance is not necessarily indicative of future results. The focus of Tonight by Popular Demand actually and Max is one of the ones that asked me to cover. This is the Learn tab. This can be a very, very powerful tool if you know how to use it and it seems more intimidating than what it's, so there's a few things that I wanted to walk through to kind of get you familiar, at least more familiar with the Learn tab.

[\(01:04\)](#):

There are so many resources in here, but if you're brand new to Trade Machine, this tab right here is going to be your savior. So it takes you right to a very, very short video and then walks you through some additional resources with a layout view of each tab. If you click any one of these, it is going to take you to an article about that section of trade machine. So from here we go to the backtest image. Click on that. It's going to take you to how to use the Backtest tab. It's going to have a video. It dives into the features of the backtest tab in detail and you can read through it. You can just watch the videos, but get a really good detailed in-depth. Look at basically where to start and how to use each and every single one of these tabs.

[\(02:02\)](#):

And that is all in one place for you, including the community. I need to update that image. This is from the old community, but talks about how to set up your profile and everything. Probably my personal favorite section is education, and I think this is the one that Max just discovered is that we have a ton of educational resources including Options Education that was hosted by Jason. This whole section is just detailed articles that dive into each and every part that is attached to trade machine detailing out pivot points, talking about moving averages, how they're used. So all of these resources can really benefit anybody that is just starting out to, we have things that are going to be beneficial for somebody that has been options trading for decades. We've got detailed videos on skew and ptosis as well as a section in here, tail and Skew that actually breaks down and defines those terms and tells you what to expect there.

[\(03:19\)](#):

But for everyone new or experienced in Options, this is probably the place that I would go first. This is a four-part series. We did it each I think right around an hour. So you can break it up over time, but it starts you off at very, very basic and ends you in a very advanced state. It's going to be a great spot to just get started and learn all the basics or refresh yourself on all the basics. Now if you don't know what you're looking for, say you wanted to know about the MACD strategy that is on the today tab, but clearly you can't tell here where to find it. The search feature is very, very intuitive and it's going to go through and it's going to find not only if it has it in the title, it's going to find it if it has it anywhere in the article.

[\(04:21\)](#):

So you can see that we talk about macd on the back test tab on the Today tab. We've talked about it in life help. So you can find everywhere that MACD has been discussed and go directly to that. So you want to look at the detailed strategy. So it'll take you to the strategies tab and give you the video that you can review. One thing to point out, if there is a password, you're going to find it right above the video box and we make it very, very clear that that is a password. So if for some reason the box is saying you need a password and you don't see it right above the box email support, we will find it for you. We don't

intentionally have that, any of those, but sometimes they pop up every once in a while. But we will get that over to you in no time at all.

[\(05:13\)](#):

And one final thing that I wanted to touch on, I know we've touched on this basically every other time, but you can go to the live help sessions for Trade Machine and you can review the entire history of these sessions all the way back. These were fear and actually this one was fear. We've got some with Jason and then we've got even the ones with Max and I the last few weeks, we've got a variety of resources here and it can seem like a lot. But the biggest thing is if you utilize that search bar, it's going to save you so much time to just dive in and find whatever you need. If you want to read only about ptosis, we've got everything about Ptosis. If there's something in here or that's not in here that you want to see in here that you feel that would help you in trade machine email support, if we have a resource that we can tag to make it easier for you to find, we will do that. Or we are always looking for new education articles that we can publish or anything that's going to make Trade Machine more simplistic and easy to use. And the biggest thing is you have to be able to find your resources. So we want to make that possible for you. All you have to do is let us know that you need something and we will do our best to get that out for you.

Max Katz [\(06:50\)](#):

And that search on the homepage of the Learn tab is incredible. Someone asked me in community about Gamma could I guide him to some reference information about learning about Gamma and all I did was type gamma.

Amanda Kelley [\(07:10\)](#):

There you go.

Max Katz [\(07:11\)](#):

And up pop this four part option education series.

Amanda Kelley [\(07:15\)](#):

What we've done is if PHE knows that something is covered in a video that it's not clear as covered, we go ahead and tag it on the side and that becomes a search function as well. So if you're looking for anything, we try to make sure that it's clearly noted that that's where you're going to find it. That's why I was saying if you want something and maybe you don't see it, you can email us and we will help you find it. And then in the future we will have it tagged so that it's easier to find. But the people that like it can switch it to dark mode.

Max Katz [\(07:51\)](#):

Oh, that's great.

Amanda Kelley [\(07:54\)](#):

So a little bonus there. Dark mode,

Max Katz ([07:57](#)):

That's a beautiful thing.

Amanda Kelley ([07:59](#)):

Alright, that is all that I had to cover. I will turn it over to Max. Okay.

Max Katz ([08:04](#)):

Alright, so just wanted to show if we're on today tab, you can find community right here at the end. All you have to do is click on it. It's going to ask, it's going to tell you you must observe a good code of conduct, no exceptions. We have great people in community. I'm in both the CML Pro and the trade machine community. So we'll switch over to there's picture of with his cap on and this is the trade machine community. And like I said, we have a couple of dozen great contributors to the community. This gentleman right here is excellent, has suggested some great short-term trades. The Daves yet another Dave and Kook Dave are also great contributors. And there's Susan, very experienced trader likes to do short put spreads in the 1, 3 2. And you come in here and all you have to do is post a question, post a potential trade or a back test or alert that you may have questions on. And if I'm not available to take care of it right away, there'll be someone else in the community who will jump on in and help out.

([09:27](#)):

So the other thing before we start answering questions very quickly, although I guess all right, I just want to go over, I hope this is large enough, this is from Old Fear's last video and it's a graphic diagram describing the one by three by two options trade, right? It's for puts in this example and it's long 1 37 delta put short 3 25 delta puts and long two 10 delta puts. So even your worst case risk has a maximum. There's not unlimited risk to the downside. And you want to put this option trade on or a strategy and you want to put it on for a credit. I like my credit to be at least a dollar for the option trade so that if the current price stays above the 25 delta or in this case it actually is good until the 20 delta, you will at a minimum capture the credit that you received when you put the one by three by two on.

([10:45](#)):

If you're lucky and the current price slowly drips down towards the 25 delta, you will see increased profit potential in this little triangle. Now this graphic is showing you the options at expiration. So they won't be this squared off during the life of the option trade, they'll be more curved. But at a minimum, as long as the current price stays above the 25 delta, you are locking in the credit that you received when you put the trade on. Here's the potential for a big payoff. It's not a high probability, but it does happen. And here's the risk. If the price gets below where the 20 delta put was, you will very quickly be in trouble. And my strategy is if I approach the 25 delta too quickly, I am increasingly concerned about the risk here. And at a minimum will roll one of the short 25 10 put spreads out to a further expiration and to lower strikes within that further out expiration. And then I just have an unbalanced butterfly and I've minimized my risk. Alright, so that's all I wanted to say about the one by three by two. So why don't we start reading the questions?

Amanda Kelley ([12:26](#)):

You got it. So I'm going to start with the question that came up and kind of jump to the rest of the hope that we have. So go ahead and head to the back test tab. We're going to walk through this trade a little bit.

Max Katz ([12:39](#)):

Okay.

Amanda Kelley ([12:40](#)):

I think you're going to be building it.

Max Katz ([12:43](#)):

Yeah, but the question revolves around waiting two days after earnings in this case for a stock called TWLO. Correct. And I'm just going to use as a starting point, I could start from scratch, but we have on the today tab a post earnings short put spread. In this case it was flagged yesterday for ANet and then it became not active, but let's look at it as a starting point and then as we get more information from the person, I can change the parameters of the trade. But I want to highlight a couple of things in there.

Amanda Kelley ([13:22](#)):

I was going to say that's a perfect workaround. You can do this. I tell people all the time from the today tab or the ProScan tab, if you have a strategy that you want to test for another ticker, load it so that you don't have to rebuild everything.

Max Katz ([13:39](#)):

So the first thing we do when we get on the back test screen is we click on a test length to make sure that this last day is today, which is Feb 15. So I'm going to do a three year, and this is going to sell a put spread in this case, 30 delta, 30 delta short put 10 long put. This is a, if I move this stuff out of the way, this is 30 days to expiration. And guess what? It says it right there if I was paying attention. And here are the AI related skew and ketosis information for ANet. But the key thing about this back test and this strategy is first of all, the stock has to be above the SMA 50. The RSI 20 has to be less than 70. And the other key is that it has a customs earning technical open condition.

([14:42](#)):

So we click on earnings handling, custom earnings, scroll up and you'll see we open this position two days after earnings. We closed this 29 days after earnings. And another condition for this strategy is that the stock was up at least 0.1% after earnings. Now that's not the case in Twilio. That's not the kind of back test that this person wants to execute. So I'm going to take that off. So I've changed the technical open conditions and it changed the percent return and the win loss slightly. So we have two technical open conditions and we have the custom earnings handling opening conditions. So that's how that today tab after earnings short put spread for 30 days works. Now we can change to Twilio. I did this afternoon, it did not have as good results, but it's not the back test that I think this person wants to implement. It's a good starting point.

Amanda Kelley ([16:00](#)):

Looks like the user, the only thing that they added is that the main question is that they're bullish on Twilio.

Max Katz ([16:08](#)):

Okay? So they're bullish. So short put spread could work, but we need the right opening conditions, right? I have to put the comma in. Otherwise we're going to get five spreads, some of which are not set up. So as you can see, the today tab strategy waiting two days, I guess I'll put it over here for now to keep it out of the way. Oh, okay. Even better stock rated than the SMA 50 and the RSI less than 70. I think that what we want to do is, well first of all we can look at the pivot points. Twill, TWLL, it's trading 61 and change. Now it's underneath the 200 and it's underneath the 50. So this strategy would not be a good an actionable back test for Twilio right now, but we can change that if I get on the right tab. So I'm going to go in and we're going to look at technical open and we're going to say we want the stock below the 200.

Amanda Kelley ([17:24](#)):

Yes, the user says they would like under the 50 day and the 200 day moving average.

Max Katz ([17:30](#)):

Okay, we've got to do him one at a time. Does he have an RSI requirement?

Amanda Kelley ([17:34](#)):

None.

Max Katz ([17:35](#)):

All right, that's good. So stock price below SMA 50 and we will eliminate the RSI requirements and let's see, we'll do a short put spread starting two days after earnings have been reported. Let's see if the results change. Alright, we still have a negative return but we have more positive occurrences than negative occurrences. The date is correct. So us, we can do a couple of things right now we're doing short put spread. We can change that very quickly to a call spread, but we don't want to be shorted because the person wants to be long, he wants a long strategy and a long call spread is not going to work either. So I think we need some more conditions. But let's go back to the technical open. This is the kind of iterative process that you want to do as you're building a custom strategy.

([18:40](#)):

So I think gentleman said that the stock was down 15%. So let's look at conditions where, and we can change this, but this is another technical open condition that trade machine has. So let's say just to be safe, I'll say in the last three days, stock moved down more than and we'll just make it 10% and let's add that technical condition and let's see how it changes. Alright, so now there were only three occurrences. The long call spread still not working. So let's go back to the short put spread. So I click on put spread and I click on short. And there you go. Now we have a starting point, 30 days to expiration. Bullish trade is a short 30 delta put long or 10 delta put over the last three years it's happened three times and every time was a winner. There's your starting point back test that you can build on to get more occurrences

and to fine tune your strategy. But that's how you do it. If you don't, if something doesn't work, you try a different possibility. So

Amanda Kelley ([19:58](#)):

They're pointing out that it says not active. Well go ahead. I was just going to say that's based on current conditions, that means that one of these open conditions is not being met.

Max Katz ([20:11](#)):

Okay. But I think the opening condition is, I think Twilio reported yesterday, so it's not two days after, it's not two days after earnings yet.

Amanda Kelley ([20:22](#)):

Yes. And you should be able to see that on the backtest chart as to where they reported. All

Max Katz ([20:28](#)):

Right.

Amanda Kelley ([20:29](#)):

Are you ready for the next question?

Max Katz ([20:31](#)):

Yes,

Amanda Kelley ([20:32](#)):

Please reinforce. What are the tools to set up stop-loss for options? Thanks.

Max Katz ([20:37](#)):

Okay, so if you're on a back test and you want to set, go down the left-hand column, close trade win. We're not going to set any technical close conditions right now, but you can set a profit limit gains above. You can put a number in here, take 50% and you can also set a loss limit. In this case I'll say 40%. You can also set close it after X number of trading days and you put a number in here. So it's pretty simple at least for these three conditions. And of course that changed the percent return and the wins and losses for Twilio on this one example. But that's the way to set a hard loss limit and profit limit on the back tester.

Amanda Kelley ([21:25](#)):

In case you weren't aware, each of these dotted lines for everybody that's new reflects the last earnings date or the earnings date for that period so that you can actually see where earnings fell in relation to each trigger. It can be extremely helpful even when you're not doing earnings, place to know where it responds in relation to the earnings. So something else you can look at. Alright, on today page there are

beginner strategies, long call or long put. Is it okay to replace the long option with the corresponding diagonal? If so, is there a simple rule how to create the corresponding diagonal?

Max Katz ([22:10](#)):

Yes. So let's go back to the today tab and let's look at, here's a good way to describe this. Let's look at move this out of the way. Let's look at where's my 14 day long call? Okay, there it is. So let's look at one of these and then I'll show you how to create a diagonal. Alright, I don't think it matters which one I pick. I'm looking for one. I recognize pizza. You never have enough pizza. Come on pizza. My computer's a little slow tonight. Today. Alright, so the first thing we do is we make sure the last date is the end date is today's date. We have a nice back test for this was 14 days long call pre earnings and we want to compare this to a long call diagonal. So all we have to do is build a custom strategy and I want to edit this.

([23:19](#)):

I'm going to just leave it my strategy one 70. We'll do this long call Diagonal 14 slash seven DP. All right, so we're going to make this a long call diagonal instead of just a long call Very quickly, our first option is going to be long a call 50 delta day expiration is going to be 14. We're going to add one contract. Our short is also going to be a call. But the delta, I just happen to know that the long call diagonal has a 30 delta short and the day's tax expiration, because it's a diagonal are seven. Also one contract, we add it, we now have a option strategy, long call diagonal 50 delta for the long 30 delta for the short 14 DTE for the long seven DTE for the short. We hit save.

Amanda Kelley ([24:22](#)):

One thing that I will point out there that you didn't highlight is that in this case, he left the box checked for close all eggs with front month options.

Max Katz ([24:36](#)):

Yes. Let me highlight that because you're absolutely right. It's very important.

Amanda Kelley ([24:40](#)):

Absolutely. It can completely change your strategy if you're doing this or if you're not doing this

Max Katz ([24:45](#)):

Right. And this is what we want to do. We want to close the diagonal trade when the short call expires or there's no premium left and we close it before seven DTE.

Amanda Kelley ([25:00](#)):

So essentially with this checked, it goes from a 14 day strategy to you're holding it for no more than seven

Max Katz ([25:10](#)):

And then at the end of seven days you can decide what you want to do. You close this trade and you may want to put on a seven DTE trade because you still think the stock is going to rally into earnings or you may want to put on a long call spread at 70 DTE. All those options are up to you. But as Amanda has told us, and it's a good thing that it comes up as the default. This diagonal trade closes all legs of the trade in the back test when it's doing its back testing work to see how successful it's going to be when the front month, they call it the front month when the front month option expires. In this case, the seven day option expires. Thank you Amanda.

Amanda Kelley ([25:58](#)):

You're welcome.

Max Katz ([26:00](#)):

Right, wonderful.

Amanda Kelley ([26:01](#)):

There's a lot to remember to point out. So that's why there's two of us here.

Max Katz ([26:06](#)):

That's a beautiful thing. Okay, so here's your PZZA long haul diagonal 14, 7 70 5% win rate, total return, 36.5% decent. If I was smart, I would've written down what the long call results were to see how they compare. But that's all you need to do to customize a simple strategy, like a long call off the today tab and make it into a diagonal or a call spread or anything else. You may decide, hey, I don't want to be long calls. I want to be puts, and you could backtest that very easily as well as I showed in the last example by just changing long calls to short puts. Okay.

Amanda Kelley ([26:54](#)):

All right. Do community posts sort by newest on top sort of so the community sorts by newest activity on top. So it may not be the newest post, but it has the most recent comment,

Max Katz ([27:10](#)):

Right? Right. I understand that distinction that you're making. So it may not be a new post, it just may be someone has commented on an existing post and that'll bring it all the way up to the top.

Amanda Kelley ([27:21](#)):

Exactly. It does sort by if we're strictly looking at posts, it does sort by newest on top, but it does pull in the comments. Anything that is commented on is going to also go to the top.

Max Katz ([27:33](#)):

Okay.

Amanda Kelley ([27:35](#)):



I saw someone created a link to a post in community for future reference. Can you please show how they did that?

Max Katz ([27:42](#)):

Sure. Let me find a post that has a, well, you posted, Amanda, you posted the back test for the Dell 14 day long called diagonal using AI right there. So am I answering the question or do they want me to take a back test and copy the link into community? Is that what they want me to,

Amanda Kelley ([28:07](#)):

I am not sure if they're looking for how to get a back test link or if they're trying to save a community post. So if you click on where it says eight hours ago, we'll just cover both of them. So do you see where it says eight H ago? Yeah, click that and then in your bar, that is going to be the link in your URL bar that is the link directly to my community post this specific one,

Max Katz ([28:34](#)):

Right, right. So then I would just save that someplace.

Amanda Kelley ([28:38](#)):

Exactly. And that will bring you right back to this post. However, if you're looking for the URL of a back test, there is an option to do that within trade machine. And if max would like to pull up just a trade machine back test,

Max Katz ([28:55](#)):

Yeah,

Amanda Kelley ([28:56](#)):

It's going to be right off to the side. This little,

Max Katz ([28:59](#)):

Little mostly triangle thing

Amanda Kelley ([29:00](#)):

Right here? Yeah, most of a triangle there. That's going to be your back test link.

Max Katz ([29:05](#)):

Yeah. So if you wanted to post this in community, as Amanda said, you just click on this right here, sideways triangle and the right most, and it says copy to clipboard. Then you go to community and we're going to put it in here as a new post and there it is. Yep.

Amanda Kelley ([29:28](#)):

And then again, if you were looking for the community thing, if you just click on the time that the original post was made, that will bring up the unique post link that you can save as well.

Max Katz ([29:40](#)):

Okay. Well just have a book. I'm going to delete this post now that we've done it.

Amanda Kelley ([29:46](#)):

Perfect. Alright.

Max Katz ([29:48](#)):

Alright. What's next?

Amanda Kelley ([29:50](#)):

I've got a long one for you.

Max Katz ([29:52](#)):

Oh, I hate long

Amanda Kelley ([29:53](#)):

Ones. I just did a sample back test with selling and Nvidia 30 day 50 delta put no strategies. It shows triggered at seven 10 the time when I did my search. What price is it actually using? It shows 18 wins and eight losses with a net of 13,002 30. Is that using yesterday's closing price or today's closing price? If I ran the scan during market hours, would the back test be using the current price at the time of the back test or is it still using yesterday's closing price at 3 45?

Max Katz ([30:32](#)):

It uses the intraday price if you did it during the trading day. Correct. If you look at it after the end of the day, it should be using the current day's end of day price. Did this person want me to build this thing right now

Amanda Kelley ([30:50](#)):

Or is he just asking a say that? I think they're just asking a question. So in this case, if we were looking at, do you want to put back over to trade machine so we can look at the one?

Max Katz ([31:01](#)):

So let me just interrupt for one quick second. When you look at a back test, once again this date has to be the current date, otherwise the back test results are not going to reflect anything after whatever date is in there. So the first thing you must do is check that end date to make sure it's the last date, it's the current date, excuse me. And I do it very easily by just clicking on one of the test lengths and if it's not the end date, it'll quickly reset to the end date.

Amanda Kelley ([31:42](#)):

I was going to add to that is since it's triggered those 18 wins and eight losses is going to reflect one loss. That is the current trigger. So when you go into the trade details, you're going to see that it is showing an open trade. That loss is actually the commissions for that active trigger that hasn't closed yet. So you can almost just in default back that out because it's just, and you can verify that by looking at the cost of it. It's just going to be a few dollars generally.

Max Katz ([32:17](#)):

Yeah. And under the p and l column you'll see a \$1 or a \$2 and you'll know that it's the current trade that was just active and it has no results yet. It's still open but it's going to show as a loss because of the commissions that were paid. Alright, so first thing we're going to do is we're going to make sure it's on the last day and then he's interested in Microsoft.

Amanda Kelley ([32:45](#)):

Yes.

Max Katz ([32:45](#)):

Otherwise we're going to have to sit through all this MSFT. Okay, I received this alert today, but it's not active. Can you explain Microsoft CML spread to sell off? Put one by three by two. Alright, so the spread, the selloff trade uses the option trade one by three by two puts, but the spread the selloff strategy, technical open conditions, the stock over the last 30 days has had to have had moved down at least 10%. The stock currently has to be below the 200 ma skew. Six month has to be less than zero. Six month is not less than zero. The ketosis one year has to be less than zero. It is not. So there's two conditions right there that are not valid and that's why it's coming up as not active.

Amanda Kelley ([33:41](#)):

Additionally, on this one it looks like today's close price was 406.56 and that is actually above the SMA, which is the SMMA 200 is 346.49. So it looks like there's multiple reasons why this one is not currently triggering,

Max Katz ([34:03](#)):

Right? But what else can we talk about as far as explanation? If I click on the custom strategy, you'll see it's what we talked about earlier tonight. Long 137 delta put short, 325 delta puts long two 10 delta puts all 30 DTE 30 days to expiration. I think that about covers it unless the person has something more specific that he'd like, he or she would. Oh it's a he that he'd like to know.

Amanda Kelley ([34:40](#)):

Yes. If you have more questions, please go ahead and drop them in and we will definitely come back to this. I think I recall that once Jason showed us how to copy a group of stock codes from a back test link and paste it into the ticker field in trade machine, this saved me manually retyping them all in from the back test list. Yes,

Max Katz ([35:01](#)):

Me too. And it was oh fear because he showed it to me and I was like dumbfounded that I had not figured that out for myself. So let's open up another window. Hopefully I won't crash another tab here and let's re paste what I had just copied from chat. And you're going to see a whole bunch of symbols that were used for the spread to sell off. Alright, a total of seven of them. It says, says eight entries, but the eighth row is the total row. So here we have seven symbols. So I'm on the back test tab, I'm going to highlight these seven symbols, copy, and I'm going to go to alerts and I can copy those seven tickers right there. Now if you're starting with tickers on the alert tab, you can copy 'em here and bring it to the back test tab and you've not typed anything in except you've highlighted and copied and moved it right over. You're not retyping in all the symbols. I think that and no fear was the one who showed that to me during a live Zoom.

Amanda Kelley ([36:13](#)):

I would also add that if you are back testing consistently the same group of tickers over multiple strategies, like for example, this would be a great example of things that you would want to save as a portfolio if it doesn't already exist. I believe this is already in there. But

Max Katz ([36:37](#)):

Yeah, let me go back.

Amanda Kelley ([36:39](#)):

If it's not a prebuilt portfolio that's provided by CML, you can build an unlimited number of portfolios and we have a lot of users that have both CML pro and trade machine. They will add the top picks list into their trade machine for back testing and they'll just have a portfolio of top picks. Or you have 10 tickers that you always look at for multiple strategies. Go ahead and custom make your own portfolio so that you don't have to retype those out every time. You can just load up the portfolio and backtest away.

Max Katz ([37:20](#)):

Right? And that's what I did in Max oh one. I built this custom portfolio. It has about 46 stocks in it. And these are stocks that I think are liquid enough in the options bid ask to be traded. So I'll load that portfolio in for various different strategies and see which ones outperform. And since I'm a platinum member, you'll see how quickly this scrolls through. You'll see that for my custom portfolio and spread the sell off. It had an average return of 16.49, it's double digits. So I would then organize it by the highest average trade percent. Look at the wins and losses. I'm doing a three year back test, so I want more than just one zero. I wanted at least two occurrences. So I would click on Marvel for spread to sell off. I would click on ai. Microsoft Nvidia only has one occurrence, so I'm skipping it in this back test Qualcomm and it's four and oh and I'd go down maybe to the 20, anything or higher that has a good number of positive occurrences, a desk. And those would be the ones, the stocks that I would select to create alerts for.

Amanda Kelley ([38:46](#)):

Alright, when I was checking the today tab this morning, most of the yesterday triggers were not showing active today before the market opened. Does that mean that all stocks that I checked triggered yesterday did not meet the conditions today? And if I in theory took the trade off of the today ticker today trigger yesterday, I should close it today or keep it open and wait for the stop loss to be met.

Max Katz ([39:11](#)):

Stop loss is one way to close it. Profit limit. Your profit limit has been met is another more positive way to think about it. A lot of the alerts on the today tab are time dependent. All the earnings related ones, seven days to earnings, 14 days to earnings, three days to earnings. So if 14 days to earnings was yesterday, well today it's 13 days to earnings. And even if all the other technical open conditions are holding, it's still going to say not active because it's not the right time. So you'll see a whole bunch of those. So you don't want to close something that was active yesterday and you took a trade. You want to look at the technical conditions, see how the trade is developing, decide if it has a profit limit or a stop loss limit or how you're feeling about the trade. If you've changed your mind about the stock and the trade, then you close it, your discretion at any time. But don't close it just because it says not active the next day.

Amanda Kelley ([40:22](#)):

So I would channel my inner fear on this one and PHE would say that you should have had a plan going into it. You should have written it down

([40:35](#)):

And you just follow your plan. Because when we get into that, it starts to be a little bit of an emotional decision. So if you have a plan and you stick to the plan that you wrote it down on paper and you trust yesterday's you that they were making an educated decision, you just roll with it. And PHE actually did an entire live help session all about this. And I believe it's in the help section or the learn tab as what is effort. I believe that's what it's titled. It's worth watching if you are one that doesn't make your plans yet. That would be my only advice in this. Make a plan, write it down, and trust yourself.

Max Katz ([41:27](#)):

I need to watch that video and observe its rules. Alright, any questions we didn't get to? Please bring it to community. Ask away in community. I'm there every day. Other people can be there to help out. So

Amanda Kelley ([41:44](#)):

You can tag Max, myself or any other member of the community. If you have somebody that you've seen in there that you really respect as their strategies, you've seen them post you. Trust their opinion, tag them and ask them too. We're all there to help each other. That's the whole idea of the community.

Max Katz ([42:02](#)):

Could not have said it any better. On that note, I wish everyone a good night. I'll see you in community tomorrow.

Amanda Kelley ([42:11](#)):

Have a good night.

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## TradeMachine® Live Help 2-8-2024: Adjusting Deltas



Amanda Kelley ([00:03](#)):

Good evening everybody. We are happy to have you back with us for another live help. Hopefully you are learning something each time that you come in. I'm going to go through our usual disclaimers. So the results here are provided for general information purposes. It's a convenience to you, the viewers. The materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation. This is not a solicitation to buy or sell any security ever. This is not advice and past performance is not necessarily indicative of future results.

Max Katz ([00:42](#)):

Alright? So I wanted to, as I was telling Amanda earlier, I was in a personal fast market today. I didn't do much trading or review of a lot of the alerts on the today tab, but I wanted to highlight the community. It is so valuable in my opinion. We have a wealth of information every day. We have a bunch of fellow traders. It's not just me, I'm a relatively small part of it just to try and keep everything flowing together. And I just wanted to highlight, this is one of our top contributors, the WAC two and he found another put credit spread PCS with certain technical open characteristics and you can use it for different DTEs. And he developed it, tested it, and is sharing it with the group. And if we click on this alert, we get this screen which is five different delta combinations of PCSs.

[\(01:56\)](#):

Put credit spreads three year period for this stock, SYY, which is Cisco core. And our next earnings are approximately the end of April. So this is a 21 DTE trade. So we don't have to worry about the earnings event. It's got a 50% limit as the closing condition unless it runs out of time and okay, yeah, so that's what the alert does. Lemme see if I can move this out of away. These are most of the technical conditions he's missing. He's missing kurtosis I believe. I'll fine tune it. What I wanted to highlight is the great contributions that happen every day from various people in community. We always are going over the today tab and what alerts are there and how they be best used. I'm always encouraging people don't just do one type of trade. You don't want your portfolio of option trades to be all short put spreads or all long call diagonals pre earnings.

[\(03:18\)](#):

You want an assortment of long delta, short delta, long volatility, short volatility, a nice assortment. I believe PHE has at least one webinar on that subject as well that you can find in the learn center. So what I did very quickly, I took WAC two's opening conditions and I tested it on a portfolio rather than just an individual stock or a group of stocks. So I pre-ID it just to save some time, so that'll be right here. I looked at the XLK sector, which is tech companies. I did it for three years. Going back from today's date and I believe there were 51 entries. The 52nd entry is the total line. So there are 51 stocks that were evaluated. The average trade return across all 51 stocks is 8.38% over this three year period. That's acceptable for me. That means I want to look for the positive average trade results for the top stocks and those would be the ones that I would select to create alerts. So definitely something that has an average trade return of 60% would be a consideration. What turns me off slightly is it's only slightly better than a 50 50, but I will go through two year, one year and six months. I've done that in a previous Zoom, I'm not going to repeat that tonight. But the second one, HPQ, nice winning percentage, 74.2, average trade win percentage, 34 in dollars to 34, 34 0.7% profit STX. Even better, I would go down this list and pick out some of these for now.

[\(05:30\)](#):

WDC, anything double digit for an average trade return over three years, I'm going to want to create an alert. So I just wanted to show that very quickly, not take time away from potential questions. This is the kind of thing that goes on in community every day. You can just watch, you can ask questions, you can ask questions about the trade machine software. It's the place to be when you have the time. And you can ask

Amanda Kelley [\(06:01\)](#):

Questions of Max,

Max Katz [\(06:03\)](#):

You can ask me questions or you can ask smarter people questions. I might jump in and answer those questions. Tag user, I might jump in and answer those questions anyway and if available, there's even people in here on the weekends. I try and pass through on the weekends when there's no Super Bowl just to see what's going on and if anybody needs any help. So that's the home, that's to learn. And this is our good friend, the today tab. And just to highlight when this is a fade to dip category, which is selling

put spreads and if an alert has the AI component, it's signaled this way so you can pick 'em out pretty quickly.

Amanda Kelley ([06:52](#)):

Max, if you go down to, I believe it was 14 days, BKNG actually had a trigger that was with AI up one, sorry, in my, not this one, BK NG in that box.

Max Katz ([07:09](#)):

Oh yes,

Amanda Kelley ([07:10](#)):

It had a trigger with AI and without, so you can kind of see what the difference is showing the returns. It does reduce the number of wins as you can see there, but it's a stronger alert overall if you want to dive into actually looking over exactly what happens with each of those. I know Max has spent some time researching that you can find out if it's something that fits your trading strategy or not, but we're just trying to make everything easier, quicker, and simplified as much as possible for you guys to make educated decisions on yourself, on your own.

Max Katz ([07:52](#)):

So I just clicked on the BKNG with AI and you'll see I can very easily quickly explain this is 14 days before earnings. It's a trade machine diagonal special. I'll show you the details of the option trade in a second. But you can see the win rate is five and oh, the back test without the AI component, kurtosis one year greater than one was seven and oh and the basic back test is we want the stock to be above the SMA 50. It's SMA 50, the kurtosis. We want a nice positive kurtosis greater than one one year. You can see for this bookings holdings the kurtosis one year is a positive 19.4 and that's why it qualified. I'm a platinum user so I not only get to see the alerts of is it still triggered, but I also get to see as a platinum user, you get to see starting points suggested options to be used if you decide to take this alert and make a trade out of it.

([09:06](#)):

So in this case, we're long the February twenty three, thirty eight sixty call and short the February 16. So you see a longer dated long call and a shorter dated short call that's further out of the money. If we look at the details of the diagonal special by just clicking on the edit button, you'll see that the basic option trade is we went out a long call 50 delta, approximately 14 days expiration and the short call 30 delta seven day expiration. And these are approximate trade machine will find the nearest expiration that meets the requirement of BDE of being after the earnings event for the long and then for the short, the closest expiration, that's before the earnings event.

Amanda Kelley ([10:09](#)):

On that note max, I was just going to add two things. If there are not options that fit the requirements of the back test, you're going to see a message here instead of options displayed. It's going to say something along the lines of there was no options found so that you know that although the technical conditions have been triggered, the options are not available. And one other thing that I was going to



add, you kind of skimmed over it, but we did have one other little tiny secret upgrade that we made. You can now see the ticker name in that top corner. It was not there before. So now you can know what company you're trading without having to go between sites,

Max Katz ([10:57](#)):

Right? So the only other thing I'll say about this alert, BKNG is a \$3,800 stock. So this diagonal, I looked at it pretty quickly earlier today, range of the price for the diagonal was between 7,680 \$100 per one trade. So it's a significant big boy trade. I did not take it for that reason. I'd rather do multiples of smaller stock price trades. But if your account supports this kind of trade, this was an excellent trade to take today and I know some people in community who did take it. Okay, so let's start.

Amanda Kelley ([11:45](#)):

Alright, is it a good time to ask questions? It's always a good time to ask questions. That's how we learn.

Max Katz ([11:51](#)):

Yep.

Amanda Kelley ([11:54](#)):

Like your screen, my today tab, I see the tickers were triggered yesterday or two days ago. How can I set it to show only today or current active triggers?

Max Katz ([12:03](#)):

Okay, right now you want to answer that, go

Amanda Kelley ([12:06](#)):

Ahead. Right now you can't. If you would like that as a feature request, certainly submit it to support Max, do you have any tips that you wanted to share beyond that?

Max Katz ([12:17](#)):

Yes, I've submitted that request and I know a couple of other people in community have already submitted that request, but I would say that what you can do for any column, let me move this out of the way. If we're looking at the pre earnings 14 day diagonal triggered, you'll see these are all over the place today. Yesterday. But any column can be organized by, I guess it's alphabetical. So you'll see two days ago then today all the today's are one right after the other. And it's a great feature, it helps organize when I'm looking for just today's information. So I'll scroll down, I'll do another one three earnings, 14 day long call. Alright, they're all together. I can quickly go through them, see which ones I like or don't like. And another thing you can do today is you can look at all tickers, just the Dow 30 tickers NASDAQ 100 or largest 500 companies and that's the one I usually look at after I do a quick scan of all of them and it'll cut down the number of displayed alerts and that helps me focus in on the larger companies that are likely to have the better bid ask for options.

([13:51](#)):

That's what I do.

Amanda Kelley ([13:53](#)):

So I agree. What I do most of the time when I'm looking at the today tab is I immediately go to largest 500 and if I'm looking for specific triggers for today, I then filter by the triggered. Sometimes if I'm looking for specific win-loss ratios, I will filter by those columns as well. So any of those titles you can filter down if you want it to be by return rate, whatever, you can filter it, you can filter it in reverse order as well. So I think it makes it a lot easier to look at things just keeping that in mind, right? Okay. Also, why is it showing triggers as active after market is closed? You can't do options trading after market closed. Am I missing something here?

Max Katz ([14:47](#)):

No, you're not missing anything, but it's letting you know that basically it's letting you know that as of the end of the option trading day, even if you're checking it at 7:24 PM New York time, that at the end of the day it was still an active trade, the end of the option trading day was still an active trade and it's just including the current time. Now during the trading day, you could look at it at 11:00 AM you could look at it again at 1:00 PM and look at it at three 30 or 3 45. Those are the critical times to make sure that it's still active before you potentially put a trade on.

Amanda Kelley ([15:26](#)):

And I would add the big component of that is things like S-M-A-E-M-A. So it's actually looking at technical conditions that are really based on stock price. So that can have slight after hours fluctuation. So that is where that triggered is still reading off of is based on stock price too. But yes, max is absolutely correct. It is basing the options on end of day.

Max Katz ([15:56](#)):

Okay,

Amanda Kelley ([15:58](#)):

I have not seen any iron condor trade put and call spreads. Long short suggestions since I signed up, even though I ran the back test on 30 to 40 different stocks. Am I missing something?

Max Katz ([16:11](#)):

You just haven't experienced them yet. I'm just looking at the pre earnings 14 day call. This trade is long calls. Now what I will do, and I believe I did an example in one of the last two zooms, if something's just a long call or long put, I always backtest a call spread or a put spread just the way I am. My experience over the years, I always, if I'm going to be long an option, I want to be short an option against it. Lower delta, it just minimizes the risk that you're taking by just being long or shorter call. So I'm always looking and back testing spreads whether they're part of the today tab alert or personal alerts that I have. And I can also tell you that I've been testing out a 1D TE trade on SPY and QQQ, that's an iron condor 15 5 11 8 short, the 15 delta along the five delta on both sides of the market. So keep watching, keep do your own back test. The capability is there. Let me move this out of the way and you can do anything you want.

[\(17:45\)](#):

Well besides you can do the stock and et cetera, but you can be called, you can do trades with just long or short calls and you set it. Okay, this is a customer alert, so alright, let me do one. I can do call spread. It's going to ask me do I want to be long or short? I want to be long. Here's expiration. 14 days. You can change this days to expiration and you can, here's three year back test, it's three and two, just being long called spreads that met these two technical open conditions we can look at put spreads if you like. It's got horrible results but instead of being long to put spread, let's be short to put spread. All right, now it has similar win-loss ratio to being long call spreads. I believe this return is less. These are the gyrations that you can go through with trade machine back tests. There's not much you cannot do. I know that's a double negative, but there's not much you cannot do.

Amanda Kelley ([19:00](#)):

And if you're looking for inspiration, that is what community is there for 100%. Pop in there, see what others are doing, get ideas and then tweak it to fit your preferences

Max Katz ([19:13](#)):

Or ask a question, ask away.

Amanda Kelley ([19:16](#)):

Absolutely. And that actually kind of rolls into the next question. Hi. Sometimes the trigger goes back and forth from inactive to active. I think yesterday that was the case with V-E-R-S-K and today was bang, it didn't come back. EOD thanks for responding by community and email. I actually looked at FANG today.

Max Katz ([19:39](#)):

Yes, so did I and

Amanda Kelley ([19:41](#)):

It, if I remember correctly, it was the 50 day sma. That's correct. That pause it.

Max Katz ([19:48](#)):

Yes. It was bouncing around. It needed to be below the 50 SMA when the first alert happened it was, but during the day the stock went over the 50 SMA and invalidated the alert. That's the beautiful thing about retesting the alerts towards the end of the day before you take a trade. This is all daily data and that's what the back test is based on. So you double check it if you have the time starting it within the last half hour of the trading day to make sure it still says triggered. But that's what happened with bang. It was bouncing around above and below the 50 SMA and it needed, the stock needed to be below it,

Amanda Kelley ([20:37](#)):

Correct. Everything else was correct. Everything else had met the conditions. But you've got to remember that everything has to be there. And that, I know this question I think came up on maybe our

last live help session and in community, but that also is going to apply to any earnings handling. So if you have custom earnings set, if it triggers on, it's supposed to trigger on 14 days, it's not going to trigger on 13 days or 15 days even if every other condition is met, you're not going to get that alert.

Max Katz ([21:14](#)):

Yes, I did not state that in the first zoom and you confirmed it and let me know and I let everybody in community know that. Yeah, so even Nvidia, I can click on it. Let's see what it has to say. But this alert is from yesterday. Let's see if it's what it says about triggered. This is a test. See, it's saying not active now even if the stock is above the SMMA 50, and I bet it is because it's Nvidia, there are now 13 days to the earnings event, not 14. So it's not active today. Strictly speaking, if you missed this at the end of the day yesterday and put it on at the beginning of the day today, I would not be upset with you. So there's a little leeway, but I wouldn't wait till the end of the day. I would do it early. If you missed it late yesterday, the day the alert happened,

Amanda Kelley ([22:17](#)):

Max, why don't you scroll down to the bottom and show them how they can zoom in on the daily handle to review if it's crossed over the SMA or whatever. So if you go all the way down to the very bottom of the back test.

Max Katz ([22:33](#)):

Yes, that

Amanda Kelley ([22:35](#)):

Little slide bar, it's very, very well hidden. It's a very good secret that we keep. But you can zoom all the way in and you can actually pinpoint candles on a chart when you're looking at a three year back or three or more even. Did we update the back test of the day?

Max Katz ([22:56](#)):

I didn't click on the date. So that's me. That's my bad.

Amanda Kelley ([23:00](#)):

That's okay. I didn't tell you to either.

Max Katz ([23:03](#)):

I just did. We're okay now I got to do that. I got to do that again. But it's all right. I

Amanda Kelley ([23:09](#)):

Need to practice. Unfortunately, every time you load it, you do have to redo it and I can promise you that even I on a daily basis have to go back because I forgot to update the date so you guys are not alone.

Max Katz ([23:23](#)):

So there you'll see a summary of the EMAs and price for today and

Amanda Kelley ([23:30](#)):

And this is all intraday. It updates as we go through the day with the high low and you can monitor it ongoing.

Max Katz ([23:41](#)):

Yeah, the high low, all the SMAs and EMAs are calculated during the day to make sure that all the technical conditions hold.

Amanda Kelley ([23:51](#)):

Correct.

Max Katz ([23:52](#)):

All right.

Amanda Kelley ([23:54](#)):

Right. User that wanted to point out that today triggers are in blue text on a white background so you can spot them easily after sorting. Yes. Max's computer is a little different than everybody, but you're correct.

Max Katz ([24:09](#)):

Yeah, I configured mine through Windows to be on a dark background because the older you get, the harder it is to read a screen. Let's not focus on that all. Go ahead. Alright,

Amanda Kelley ([24:25](#)):

Next question is, I believe referencing one of the other questions that we had about the iron condors and it said, could it be a glitch if you think that you're not getting alerts that you are supposed to be getting. If you think that it triggered and you didn't receive an award, please email support and let us know. You can send us a back test link and we can look at the exactions that you have set.

Max Katz ([24:51](#)):

You can also ask in community, if I have the time, I'll take a quick look at the back test myself and see if there's any easy answer.

Amanda Kelley ([25:00](#)):

Absolutely. But definitely if you ever have any doubts, somebody else already pointed out that they've reached out, we are happy to look at the back test to make sure that we can help guide you through it and see if it is in fact a glitch or if it's just something that was easily like a stock bouncing around at the end of the day or one that had a big jump at the end of the day. I've seen that before too. That kind of

throws everybody for a loop. All right. Iron condors were once popular as trades a day. A day before. Oh, a day before earnings. Are they still used?

Max Katz ([25:40](#)):

You can use them. I haven't seen, best of my recollection, I haven't seen any significant discussion of them in community. I may have missed it. My strategy for earnings is I consider them a 50 50 bet and iron condor or short strangles because you think the volatility is very high. Those are not the kind of trades that I would take because I'm always worried about the outlier and earnings events can generate outlier events. Okay,

Amanda Kelley ([26:23](#)):

Next question. Could you run AutoZone, A ZO?

Max Katz ([26:28](#)):

Do you remember what category it was in?

Amanda Kelley ([26:31](#)):

This is the same user that was asking about the iron condor. So I'm wondering if maybe he means in an iron condor. I don't think there was an A ZO trigger today.

Max Katz ([26:44](#)):

Yeah, I don't remember seeing a trigger wrong. Okay, well let's see what I got here. Let's make bn, let me move this over to this side now and let's make this a ZO and we'll leave it at 14 days to expiration. We'll do a three year back test. I'll click on it so it'll go through today. I don't know if the gentleman wants, does he want an iron condor?

Amanda Kelley ([27:17](#)):

It's not clear.

Max Katz ([27:18](#)):

All right, well here's the short.

Amanda Kelley ([27:22](#)):

Yes, yes. They just confirmed they would like to see the iron condor.

Max Katz ([27:28](#)):

All right. What would he like the deltas to be on this iron condor?

Amanda Kelley ([27:35](#)):

If you want to drop in chat Preferences on deltas?

Max Katz ([27:39](#)):

Yeah,

Amanda Kelley ([27:42](#)):

Any He says any. Okay.

Max Katz ([27:45](#)):

Well this example right here. Yeah, we're short the 40 delta call and put and we're long the 30 delta call and put back three years. There are only two events. It's not active today. Slightly negative overall return 50 50 win rate. Now just a quick review. If you want to change the deltas, you can, we're only going to do one out of the five, but I can change this. 40, 30 to 15 and 10. Let's see is some low delta high in condors? If this helps the results, we'll save it. So now you'll see the shorts. Okay, at least we have a positive return. We still have a 50 50 event, but total return is 3.4% of the amount risk. 14 DTE on the ion condor. Hope that helps.

Amanda Kelley ([28:52](#)):

Yeah, it looks like we're going to have that person reach out to support. It looks like there might be a different issue going on there, but I will definitely follow up with that user. Is there a way to configure community to make it easier to follow?

Max Katz ([29:09](#)):

This is an improvement over the way it used to be.

Amanda Kelley ([29:13](#)):

I think I know what they are referring to.

Max Katz ([29:16](#)):

He or she only wants to follow certain people and we have that capability and we don't have it now.

Amanda Kelley ([29:23](#)):

Correct. I believe that's what they're looking for. And that is something that is on the table for the community development team. I don't know when it's going to come back just yet, but it is supposed to be coming back. I know a lot of people look for that to filter out PHE and a couple other specific users. So that is something that they're looking at bringing back. It's just a matter of getting it back in there.

Max Katz ([29:52](#)):

Cool.

Amanda Kelley ([29:53](#)):

All right. Next question for Max is I would be interested to research back test results on stocks that reach their 52 week high. Might that be able to be added as an opening trigger?

Max Katz ([30:07](#)):

I know that came up earlier this week in community and I asked that the person to submit that as a new feature request to the support staff.

Amanda Kelley ([30:20](#)):

Yes.

Max Katz ([30:21](#)):

Support@cmlvis.com

Amanda Kelley ([30:25](#)):

Email support. We will add it to the list. I do believe we touched on that on the last live help as well. But submit that in and I will add it to the list. Alright, I thought FANG stock has to be above SMA. That's what it states. Am I wrong? Can you pull up the FANG trigger? I believe that it is SMA 50 is,

Max Katz ([30:52](#)):

I'm very sorry to tell the person that I believe he's incorrect, but I can double check it. I could be wrong. I make mistakes.

Amanda Kelley ([31:02](#)):

I believe it was by the dip or bullish burst.

Max Katz ([31:08](#)):

I think it was bullish burst. Here's fang, right? FANG is what we're looking for.

Amanda Kelley ([31:13](#)):

Yep. Yep. Fang.

Max Katz ([31:14](#)):

Okay. So the back test will come up and you'll see it's a little tricky because everything else says stock above 10. Yesterday's stock was below 10, stock above the SMMA 200 and then it reverses the terms. It says SMA 50 above the price, not stock above SMMA 50. Alright, so stock has to be below the SMMA 50 for this to be a valid active trigger.

Amanda Kelley ([31:52](#)):

And that's where it was getting tripped up today. Yes. Is that it was bouncing around on that line pretty hard.



Max Katz ([31:59](#)):

Yes. I thought I answered that question in the community today, but maybe I forgot.

Amanda Kelley ([32:05](#)):

That's why we're here. Alright,

Max Katz ([32:07](#)):

What's next?

Amanda Kelley ([32:08](#)):

Tesla triggered today, macd momentum, QA diagonal 50 20 custom strategy. Could you please deselect and walk through, dissect and walk through this trade trigger?

Max Katz ([32:22](#)):

Hey macd momentum?

Amanda Kelley ([32:24](#)):

Yep. And Tesla is right there towards the bottom.

Max Katz ([32:32](#)):

Alright, I'm going to click on three year anyway even though it looks like it has the current date and all right, so it's got a 67% ballpark speaking over the three years. Four and two trigger today was good at the end of the day and total return of 206%. And the conditions for opening RSI 14 below 40 macd MA 12 days EMA 26 days is greater than the EMA nine day. And I assume we want to focus in on the option strategy 50 20. So this is probably going to be a 60 DTE 30 DTE timeframe diagonal and it's going to be long to 50 delta and short to 20 delta calls both calls. So let's see if I'm close. All right, so along the 50 delta 60 DTE and we're short the 20 delta 30 DTE and we close this trade when the 30 days are up, unless there are some closing conditions that we're looking at right now and there or are not. So this trade runs, I mean you can close it earlier. You achieve your profit objective, but this trade runs until the 30 DTE short 20 delta call expires. Alright, so it's a 30 year long isn't 60 DTE at the start of the trade, but the trade only runs 30 days. And we went over what the option trade looks like. We can show the options that trade machine suggests and it's long, the April 19 expiration short, the March eight expiration. And this one, the one ninety five call has to be close to 50 delta and the two 15 call has to be close to 20 delta. I think I've dissected it.

Amanda Kelley ([34:57](#)):

Thank you. Did a great job. Thank you. And Max, we've answered all the questions. Somebody just popped in with one more what's, what's the program upgrade? I believe that they're probably referring to Platinum Max. Did you want to as a platinum user discuss what you're getting?

Max Katz ([35:19](#)):

Well we're not only getting whether it's triggered or not during the trading day starting about 10 30, 10 45 eastern time. But let me do this again. Let's do two year. We also get suggested options, show options that can be used. It's only for the platinum people at the present time. I think that's going to stay that way. Everybody's going to know whether it's triggered or not. But only the platinum users will get the show options. And it says I, it's asking you to confirm that this is information shown. It's not a recommendation, it's just a place to start giving you details. Click okay. And it gives you the detailed option suggestion for this long call diagonal. And it also operates a hell of a lot faster when you're doing back tests. And your portfolios, I believe can contain up to 200 stocks, whereas the limit on your monthly trade machine account is 50, correct? Am I correct? Amanda,

Amanda Kelley ([36:31](#)):

You were correct on all accounts. So back testing speeds are about five to 10 x what you'd see in the pro version. And you can back test four times as many stocks. You get to see the options, chain data, that trade machine, this is what you would see since this particular trigger held until end of the day clearly. So tomorrow you should be able to go in and review the actual trade that's in the backtest tile and see that it took the April 19th 1 95 calls and the March 8, 2 15 calls. If you have more questions about platinum or anything, just email support. We're happy to give you all of the details that you need. If you want to upgrade, you can reach out to us there and we'll help you upgrade. But that's what we're there for. So don't hesitate if you have questions to message us. We'll get back to you. We try to get to you as quickly as possible so it's not generally a very long wait to get a response. We are done Max.

Max Katz ([37:44](#)):

Thank everybody for coming. All my family members and acquaintances, very nice of you to show up tonight.

Amanda Kelley ([37:51](#)):

Absolutely, and Max and I will be back next week on Tuesday and Thursday. Everybody have a wonderful evening and if you're watching the Super Bowl, hopefully your team wins.

Max Katz ([38:04](#)):

Take care. Everybody Seeing community.

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**TradeMachine® Live Help 2-6-2024: How to Set up Alerts**



Amanda Kelley (00:00):

Good Tuesday afternoon everyone, or morning or evening depending on where you are in the world. We're going to get started, do the usual disclaimers and then I'm going to walk through and show you where you can find Max every other day except for Tuesdays and Thursdays. And then I will give max the floor to answer questions. Do you have a trade to share today, max?

Max Katz (00:24):

I want to go over a couple of things. It's not my own trade. Just two quick things. It won't take more than five, seven minutes. Just to clear up one thing. I'm in the community Monday through Friday. Is that what you say?

Amanda Kelley (00:39):

Every trading day I may have said every day, but every trading day. Good call out. Got All right. So we'll jump into disclaimers. The results here are provided for general information purposes. As a convenience to the viewers, the materials are not substitute for obtaining professional advice from a qualified person, firm or corporation. This is not a solicitation to buy or sell any security ever. This is not advice and past performance is not necessarily indicative of future results. Alright? And as I said, we'll just quickly walk through where you can find Max on Monday through Friday. So if you're not familiar, for those that are new with us, we do have a community and you can find that right here in your trade machine every time you log in. And I know it can be a lot, but this is what keeps everybody nice and honest in the community and makes it such a great place is we have you agree to this code of conduct every time you sign in.

(01:47):

So once you get in, if you have both subscriptions, you will default to CML Pro. If you only have trade machine, it's only going to show trade machine. I have both subscriptions so I'm able to see both communities and once you're in you can see what everybody else is doing. We have constantly, we're sharing trades in there how people are using pattern finder in conjunction with trade machine, which we do get a lot of questions about that. So there are a lot of resources here. We have a huge variety of people with different backgrounds, new to options training or like max years and years of experience with options training. But one of the best things is that you can tag. So say you want to ask Max a question, he is chat Uncle Pops in there, you just drop his name after an at Simple and you can say, Hey, answer this question and he's going to get a notification of your question and as soon as he's back online he can ask that. You can tag anybody in the community. It doesn't have to be one of us or Max, you can tag another user to ask them a question. We definitely do that a lot too. So those were the only things that I really had to go over. I think Max has a few things that he would like to do. Let me make sure he has co-host and I will hand the floor over to Max and I will be here in the background if you need anything.

Max Katz ([03:28](#)):

Okay, thank you so much Amanda. Okay everybody see I'm on community as well. Everybody see that?

Amanda Kelley ([03:36](#)):

Yep, we see your community.

Max Katz ([03:38](#)):

Okay, and there's my little picture with a nice red tie on. I had a little more hair when I took that picture. Alright, so I just want to go over a couple of things very quickly. We get community is great, there are a lot of users who contribute potential trades or post something from the today tab with a question and a lot of interactivity between the users. It's great. I encourage everyone to do that. Alright, so today someone posted a trade on Marriott personal alert, interesting trade. It's got a custom option strategy. I'm going to click on the edit button if you can see the bottom of my screen and you'll see that it's the one by three by two monthly. It's labeled 37 25 10, but in actuality the person modified it slightly so it's long 1 37 Delta put 30 days out short, 3 25 Delta puts also 30 days out and long two 12 delta puts 30 days out.

([04:59](#)):

So the spreads that you're short, the two spreads that you're short, the 25 12 is slightly tighter than the 25 10, which is in the default one by three by two. So I just wanted to highlight that. So we'll cancel out of that. And then the first thing that I do, I did this previously, but the first thing that I do is click on any of the years just to make sure that the end date is today's date, February 6th. And it is. So looking at this Marriott trade, you'll see the technical open conditions stock has to be above the SMMA 50. The SMMA 50 has to be above the SMA 200 and the EMA 10 has to be above the EMA 21. So all alerts on moving averages, it looks like if you looked at a picture of it, the shortest term will be above everything else and it'll be like a line descending from top right to lower left.

([06:15](#)):

So I'm looking at this alert and there's a lot of occurrences in two years and I'm saying I wonder how he handled the earnings. I don't see anything checked off or highlighted and it looks to me like it's nothing special. So if I click on the nothing special button and nothing happens, then I know that that's what they're using for this back test. And sure enough, when I click on nothing special, nothing changes. So I know with certainty that they did not select a custom earnings for this. So what we want to do is you never want to trade within two days of an earnings date. And if we just happen to notice on Marriott, the next earning date is February 13th before the market opens. And that's seven days including today, after today. So first thing I do is I click on the never trade earnings.

[\(07:15\)](#):

Keep in mind this was 59 and two with a percent return of 15 and a half. So I'm going to click on never trade earnings. It's going to redo the two years. And low and behold, we now have a 91% win rate and 151% return. So things have gotten better. I checked the one year, things are still beautiful. Check the six month, very nice 20 and 1 2 60 4% total return. And you'll notice that this trade's only going to be open for seven days. So just to satisfy my curiosity, I go in and I want to create a custom earnings trade, not just never trade earnings, which will close the trade two days before, but I want to create a custom earnings. So I click on custom earnings and don't worry about that message. I didn't fix this yet. I want to open it seven days before and close it one day before and I don't care where the stock trade move was.

[\(08:22\)](#):

All right, so I'm going to hit that. And there's only one occurrence in the last six months. It's a winning occurrence, very small. Let's go back to two years and the results change dramatically. It's a 50 50 bet and the total return, total percent return has turned negative. So now I'm not as enthusiastic about this trade as I was before when I just selected never trade earnings. So this is the kind of analysis I do with the backtester and trade machine. I'm a little anal, so I like to think of anything that possibly use against taking a trade. This latest result will prevent me from taking a normalized trade. If I take this trade at the end of the day, it will be small one to five lots that I will trade. This I'm leaning slightly against, but it was a good idea, it was very well presented in the community.

[\(09:30\)](#):

I just happened to do this kind of stuff to find potential reasons not to take a good looking trade. So the other thing I just wanted to highlight, this is the today tab. On the today tab. Today we have the Walmart trade. All right, so I've clicked on it. First thing I do is I'll use two years again, I just want to make sure that the end date is today. As much as I say this, I still forget on occasion it's got good results and if you're a platinum member, you're seeing that it's already triggered and you can look at the suggested options to be used by trade machine. Alright, two and a half points wide, it's a diagonal. The long call is going to be in the Feb 23 expiration. The short is going to be in the Feb 16. So it's as close because this is a 14 day pre earnings diagonal.

[\(10:37\)](#):

It's as close to 14 days for the long and seven days for the short as possible. All right, so community immediately raised an issue with two issues with this trade potential trade and ask for feedback. You'll see that kurtosis and SKU both for the one year and the six month are negative. Now I don't know all the details of skew and kurtosis, but that's a potential warning

signal. So what I do not as a back test for general alerts, but just to test the current skew and kurtosis current conditions for a potential trade is I will go down to the technical open. Right now it's only stock above SMMA 50 and I will add kurtosis one year and all I care about is it's below zero and then I'm going to go and look at sku. It's still called return asymmetry, but that's the skewness variable and I'm also going to set that to below zero since the current conditions both below zero or negative.

[\(11:55\)](#):

And I'm going to save that and it's going to redo the two year back test. Alright, we still have good results. I'm still taking this trade. I want to highlight one other thing before the last thing I want to mention, and that's this one loss. I see a one loss for a dollar. Why? As we talked about the last time Jason was with us, and we may have mentioned it last Thursday as well. I'm going to click on this tile just to look at the detailed back test and I'm betting that it's today's trade that is showing a dollar loss because of commissions. So I'll go to the last page and sure enough, six Feb 24, this is today's trade. So I still don't know if this is a feature of the upgrade to trade machine or something that they're going to fix before it's released to everybody.

[\(12:54\)](#):

But this is today's trade and you'll see that in the p and l column it's showing a dollar loss, which is there may be a slight adjustment on the actual values of the options and when you're factor in commissions, it's showing a dollar loss. I disregard that as a loss. It's not a loss as far as I'm concerned. So this three one in my mind is three zero and the percent wins is a hundred. So it's still a good trade then. Alright, so that's what I did. And then the other concern was Walmart, I'm not going to pull up a graph, you'll just have to trust me. Walmart is an year or making 52 week highs. Some people are skittish about taking, some people are skittish about taking a trade when it's near the 52 week high and we expect it over the next seven days to go higher.

[\(14:04\)](#):

I can see in, see in the chat, someone's asked a question about the ketosis settings. The current ketosis settings is right across the top. These are the values as of today. Skew one year minus 3.4, ketosis one year minus 31 skew six months minus 4.2 ptosis six month minus 26. So they're all negative. That was the concern and that's why I tested for it. Just testing for current conditions. It's not a general back test, it hasn't gone through that scrutiny of fear in the team developing additional alerts and back tests using SKU one year ketosis one year and the six months as well. I'm just looking at the current condition for a specific stock to see how it affects the back test results. All right, so the other concern was it's near the 52 week high. Okay, so just looking at the last back test that I just set up, we have stock above the SMA 50 ketosis below zero for one year, the one year back test, one year asymmetry below zero, and that's kurtosis value as of the last year.

[\(15:36\)](#):

And then all I did was say in the last 10 days, the stock moved up 2% or more just to see how it affects and it does take the number of winds down. Keep in mind it's one and zero still has a 24.6% return. I will put one of the at least one quantity Walmart diagonal trade on before the end of the day. This concerns me a little bit. There's only one other recurrence, but I still want to take the Walmart 14 day diagonal special trade. Alright, I'd like to go three months. Alright, so you can see it has risen nicely. I look at nine months looking for p and l zone in any lines. All

right, so this is a nine month chart. You can see the move that it's made and if you look at the bottom, the bottom within pattern finder, you can see the pivot points that I think will include the 52 week high if I can move my face out of it away. And 52 week high is one 70.58 and it's trading 1 69 0.66. So it is near the 52 week high, which was the reason for the concern in the community. It does take away the number of occurrences in the last three, two in one year. Still gave a positive result. I'm still positive on the trade, but I'm going to take it in small size. Alright, that concludes my presentation. Good afternoon everybody. Thank you for coming.

Amanda Kelley ([17:23](#)):

Are you ready to roll on some of these questions?

Max Katz ([17:25](#)):

Oh yes. Oh, that's right. You're reading them. Thank you so much.

Amanda Kelley ([17:31](#)):

All right, so we've got some hellos and everything. We'll jump into the first question holding a long call. ITM and company is reporting earnings today. Any preference to close before report this afternoon?

Max Katz ([17:45](#)):

Okay, and Amanda, you can comment on this. I'm sure you've had this similar situation either stock or an in of money call unless it's a long-term hold, I'm closing this position. I don't want take, I'm assuming I've made money on this long call in the money. I don't want to take my profits through a 50 50 bet in this case, the earnings event. Now you may want to, that's certainly something you can do. Just keep in mind the earnings is a 50 50 bet and supposedly nobody knows what the details of the earnings event are. Now, you could also minimize your investment that you're going to carry through earnings by selling an at the money call against your long call in the money or out of the money call if you want to give yourself some extra room, if you think it might go up to a certain level and if it goes against you, you've taken in that short premium at the money or out of the money call to go against what you're going to lose in the money call going down. But it really is your decision. Do you really want to trade the earnings event?

Amanda Kelley ([19:05](#)):

Yeah, the only thing I would add to that Max would be that there's very few scenarios that are in the prebuilt strategies where we are not intentional in trade machine with our earnings handling. So we don't go blindly into earnings generally speaking, we're closing most of the strategies two days before earnings and not reopening in them until two days after earnings. So there's a five day window there that you're not holding the position to minimize risk. And you can backtest both ways and see, it could be that the company that you're holding has the potential that it doesn't fluctuate a lot through earnings and it's going to minimize your risk, but the only way to be sure is to backtest it.

Max Katz ([19:56](#)):



Yep, you can do that. And I'd say most of the time it is two days, but there are trades like the, well the 14 day, like 14 day long call is one day just there were a couple of exceptions, but it's either two days and once in a while. It's one day before.

Amanda Kelley (20:14):

That's correct. Okay. Yep.

Max Katz (20:16):

Next.

Amanda Kelley (20:17):

All right, we got a good work. So I don't remember what part that was on, but good work, max.

Max Katz (20:22):

Thank you. Thank you. I'm sure you participated in that. So you get some of the credit.

Amanda Kelley (20:28):

Can you please show the kurtosis settings on Walmart trade one more time? Thanks.

Max Katz (20:33):

Okay, I did that.

Amanda Kelley (20:36):

Okay. Would you take the Walmart diagonal if the entry price is more than the width of the second strike

Max Katz (20:43):

Of the two strikes? Yeah, two strikes. This is my personal, I happen to know that it's as well since I learned this from him. If the width of the spread is less than the debit that you are paying for this diagonal, I will move one of the calls to widen that width and make it greater than the debit that I'm paying. That's what I do. So if it's a \$2 and 50 cents width for Walmart, which I believe it was, and you have to pay 2 89, I'm looking to move that 50 delta one more strike in the money for the long call and or the 30 delta short call, I may go down to 25 or the next strike as the short just to widen the width and make sure that it's more than the debit that I'm paying just gives me in my mind a little more flexibility. If we wake up tomorrow or two days from today and Walmart in this case has jumped up to the short strike or past the short strike, then you very quickly will get into trouble because of the fact that you're short gamma because of that short call. So that's my personal preference. You don't have to worry about this, but that's the way I trade it, the diagonals.

Amanda Kelley (22:13):



Alright. Question on how to manage a put spread specifically when you sell a put spread, if the stock increase within the first couple days, what are some actions that could be taken outside of closing the trade or just waiting?

Max Katz ([22:27](#)):

Okay, I'm sure to put spray, I'm looking at the premium in my short side of that. As that gets more and more minimal, I'm potentially buying it back if not closing the trade. Now what you could do if you want to increase your premium and you don't want to just get out of the trade or buy back your shorts as they have just minimal premium and minimal further profit to gain, you can roll the short put spread up. So for example, if you were short the 40 delta put and long, the 30 delta put, which is your fade, the dip trade in default and now 40 delta short is because the stock has moved up is now a 25 delta put and the long, which was 30 delta is now 15. I'm just making assumptions. You can roll the whole thing up by that back and sell the current 40 delta put and buy the current 30 delta put. So you're going to make money on closing your winning trade and you're going to get additional credit by selling a new 40 30 delta put spread only if there's still significant time left for the trade. Otherwise, when there's minimal further premium to be gained, I am closing the trade and looking for better opportunities to use my buying power.

Amanda Kelley ([24:08](#)):

Right. Next question. How to check profit and loss zones for three months or less? Okay,

Max Katz ([24:15](#)):

That's in pattern finder.

Amanda Kelley ([24:17](#)):

Yep. So with pattern finder, anything under nine months does not have profit or loss zones because of the way that it is algorithmically determined, the data is just not significant enough that we can accurately determine the three months or less on those. The team has looked into ways to kind of improve that and see if we can get a good quality result, but thus far that's why it's left out because it just doesn't return high quality results. And that's all we're going to put in front of you guys is the highest quality. Anything to add, max?

Max Katz ([24:58](#)):

No, no, you have knowledge more advanced than I do as far as pattern finder goes. I'm a very basic user. I am not a charter, so thank you very much.

Amanda Kelley ([25:12](#)):

Absolutely right. The Walmart strike difference is \$2 and 50 cents wide. The cost looks about \$3, which is above my 75% difference in premium to put this trade on.

Max Katz ([25:25](#)):

So for this person, I would say before you give up on the trade, move the long one strike in the money more than at the money, the 50 delta. So it'll have a 53 55 delta that'll gain you \$2 and 50 cents. And also look at moving the short strike one strike further out of the money as long as

the short strike still has some premium. I don't like to be selling a short strike if it's a lot lower than a dollar. So if it's 20 cents or 30 cents, I'm not going to be interested in selling that. And if that puts a kibosh on the trade, then I might want to keep, if the Walmart was also in the 14 day pre yearning long call, I might want to do that or I might want to make it a long call spread. I always like spreads of diagonals than just being long calls. But you're right, I would be looking for alternatives as well if the debit is going to cost me \$3 and it's only a two 50 wide on the difference in strikes,

Amanda Kelley ([26:38](#)):

Right? The next question is where do we find pattern finder? They did put the in there or somebody else contributed the link, but it's pattern finder dot cml vis.com and if you are a trade machine member, you do get an additional discount on Pattern Finder. So if you are looking to add Pattern finder and you don't currently have it, email support@cmlvis.com and we will make sure you have a coupon code before you sign up so that you get that discount.

Max Katz ([27:07](#)):

Amanda, it used to be like if you had Trade machine, you could get Pattern Finder for what was it, \$11 or something? Is it still that?

Amanda Kelley ([27:16](#)):

Yep, absolutely. So pattern Finder, if you have an active trade machine is \$11 per month.

Max Katz ([27:24](#)):

It's an incredible bargain for \$11 a month. It's my personal recommendation, I'm not acting on behalf of CML, I'm telling you I'm not a charter and it's worth \$11 a month to me for sure.

Amanda Kelley ([27:38](#)):

Pattern Finder has an incredibly powerful screener if you use nothing else to filter down your results in trade machine, but we can definitely send you more information if that's something that you want to look at. So just email us right? Next is mini pre earnings call trades seem to have IV over 50%. How does this affect your comfort with taking the trade?

Max Katz ([28:02](#)):

Okay, it does not affect my comfort for the following reason. One, okay, he's saying pre earnings call trades. So maybe he's just doing the long call, but even if it's just the long call, well let me back up for a second. If it's diagonal, you're trading a long option against a short option. It's minimizing the impact of volatility, but what's also minimizing the impact of volatility and theta decay is the earnings event. You'll notice that the decay will be minimal until the actual earnings event. So I am not as concerned with the fact that the IV may be over 50% or IV rank or IV percentile is relatively high because 30 decay is going to be minimized because the volatility is going to keep going up as you get closer and closer to the earnings event and you long, you're either just longer a call, you're longer a call spread or you're longer a call diagonal, you're not going be hurt by that significantly if at all, you will be hurt if it goes down. If the stock goes down significantly, then you're going to lose on that long in any case. All

Amanda Kelley ([29:24](#)):

Right. I did not understand why the Marriott one by three by two trade is not a good one. Can you please explain one more time? It looked like it was winning a lot. 50 wins, zero losses irrespective of earnings.

Max Katz ([29:38](#)):

Okay, good. That I didn't delete it right? That's Walmart. You want Marriott? Alright, because what I did was you are correct in the initial trade it was 50 wins, zero losses, but that was before I checked the never trade earnings. And when I did that, and I don't know if I saved that one. No I didn't. Okay, I can recreate it very quickly if I just save for earnings handling, nothing special. Will we do the back test very quickly and it's 59 and two, close enough to the 51 0 losses going

Amanda Kelley ([30:17](#)):

Back actually be 59 and one. It looks like it's triggered right now,

Max Katz ([30:24](#)):

Right? So the last loss for a dollar or \$2 or 50 cents is because it immediately entered to trade into the backtest. And since it only works with end of day pricing, it's going to put it in as a small loss until tomorrow. It only takes the values at the end of the day. Okay, so 59 and two great, but we're not accounting for, we're not accounting for the earnings event, which is on, if you look up here, which is on February 13th, which is seven days away, including today. So the first thing I did, so that was 59 and two, the first thing I did was say let's click on the box that's never trade earnings and now you look at the results and there were actually more occurrences in the last two years and it has even better results. So this is even looking better, A couple of more losses but still overall a very good trade.

([31:29](#)):

But then I said, you know what, seven days I'm going to do one more backtest, which is I'm backtest a customs earning where I'm going to open a position seven days before earnings and I'm going to close it one day before earnings. I want to see just those occurrences and how well the back test does if I open seven days before and close one day before. All right, and now you'll see that it was four and four, now it's three and five. Let's assume that three and five is correct. I think I have the days right? Yeah, two year days, right. Okay. So it's a negative return and even if we discount one of these losses, it's going to be three and four or the last time I did this it was four and four. So four and three it's, it's not as positive a trade. So my thinking, my analysis is if I take this trade it is seven days before the earnings event, I'm going to trade it very small because it does not have in my mind a back test with all these kind of occurrences and the great results, 91% win rate, percent return 151%. So that's why I was holding or am holding back about taking this trade.

Amanda Kelley ([33:00](#)):

Great, thanks for going back over that. Any chance RSI will be added to pattern finder screener in the near future. Email support will put it on the feature request list. I cannot say yes or no, but we will certainly share it with the team. And then it looks like that was the last in chat. Let me move over. There's one in q and a.

Max Katz ([33:24](#)):

Okay, beautiful.

Amanda Kelley ([33:26](#)):

I've seen trade machines say the stock is over the 200 day moving average when in fact it is incorrect. This is an algo. How does that happen? Not even close to being a one-off.

Max Katz ([33:38](#)):

Well there's a couple of things Amanda, you want to answer this? I know the answer to this.

Amanda Kelley ([33:43](#)):

So first of all, one thing to consider is that we use adjusted closed pricing for all moving average calculations, which may result in a difference between us and other providers. There is a pretty lengthy answer to why we use that, but basically it takes into account dividends and everything else that is going to ultimately impact your final positive or negative results. So it is the most in-depth way that we can track that and I think that's kind of the biggest thing that I see answering support questions is why people are feeling like it's incorrect. It's just that difference in the adjusted close versus whatever everybody else is using. Some people opt to not include dividends or they kind of cherry pick what they include and what they don't include in their adjusted

Max Katz ([34:45](#)):

Right. So I would add to that a couple of things. One, only use the values that are TM generated. You can find them in several places. I have an open tab for CML vis and I can look at pivot points anytime I want for anything I want just happen to have this set up for IWM when it, and it's telling me the TM 200 day SMA, the 50, the 21, the 10, the eight, here's the current price, here's the low and here's the high. You can also check off additional moving averages that you may want to see and immediately they'll be on your little chart to the right. This pivot point chart is also on pattern finder and it's also on the ProScan tab, create tab, trade machine create tab, right? It's on the what?

Amanda Kelley ([35:48](#)):

Create tab.

Max Katz ([35:49](#)):

Oh, it's on the create tab. I thought it was on the, okay, it's on the create tab. My apologies.

Amanda Kelley ([35:54](#)):

No worries.

Max Katz ([35:55](#)):

And the other point is it could be a valid alert at 11 o'clock in the morning because it's above or below the SMA 200, the TM SMMA 200, but by 1130 it's reversed. Send your specific example

to the send your specific example to support and they'll go through it and see if it's a bug or if it's something else.

Amanda Kelley ([36:23](#)):

Exactly. Yep. Anytime you have something that you have a question about that's very specific like this, just email [support@cmlvis.com](mailto:support@cmlvis.com) with the backtest link, which max can you show since you have the screen where to get the backtest link?

Max Katz ([36:42](#)):

Absolutely.

Amanda Kelley ([36:44](#)):

Just copy and paste that back. Test link into your email and say this is what I'm seeing. Can you help me find the answer? We'll take a look at it.

Max Katz ([36:54](#)):

It's right here. I apologize, Amanda for interrupting. If it disappears, it's the last symbol on the right here and you click this icon and it'll copy the back test link into your, what do they call that?

Amanda Kelley ([37:11](#)):

Like the clipboard? Like the clipboard?

Max Katz ([37:12](#)):

Yeah, the clipboard. That's the word I was looking for. Yeah. You can also ask in community and if I have time I'll take a look at the back test and see if I can come up with some explanation, but if I can't and or we're busy talking about current trades, then I might ask you to just reach out to support.

Amanda Kelley ([37:38](#)):

And that is also how you can share backtest that you come up with in community is by using that link and just pasting your link right in the community. That's how Max or I or anybody else shares their fact test. So in case you didn't know that, that is another available feature. While we were talking Max, we did have a few more questions come in. So let's go back to the chat section and looks like we were at what is the adjusted close? I think we answered that, but if you have additional questions about that or how we factor it in trade machine, just email [support@cmlvi.com](mailto:support@cmlvi.com) and I can give you all the details.

Max Katz ([38:19](#)):

You may also want to just click from the today tab or from any individual back test. You can click on the learn tab and it'll open up a new tab for you. And then you can search for TM adjusted I type very slowly, also averages.

Amanda Kelley ([38:39](#)):

It's right there for you Max.

Max Katz ([38:40](#)):

Okay, there you go. I don't even have to finish. And you click on adjusted closing pricing and how it is used in trade machine and it'll give you a concise article on how to do that.

Amanda Kelley ([38:52](#)):

Yes, and it does include the details as to how to look at exactly the numbers that we're looking at during intraday. So if you need to check a trade before the end of the day, how we would do that on our end.

Max Katz ([39:07](#)):

Okay. Next,

Amanda Kelley ([39:08](#)):

When I see something that's off, should I email or say something in chat? Email support for sure. You can also ask Matt in the community in chat and see what he has to say. But always, always, always, if you have any questions we're here to help. So please just reach out to support if you have questions. Alright, what does it mean when it says 40% or 50% limit in a spread and is that the stop or when it reaches that percent of profit then sell it?

Max Katz ([39:40](#)):

Okay, so limit is your profit limit. Stop is your loss limit in general, it's a debit spread that you are trading and the profit is 40%. It's 40% of the debit that you paid and 50% of the limit, 50%, 50% stop, excuse me, is of the debit that you paid. If it's a credit spread, it's 40% of the credit that you received for profit or 50% of the credit you received is your stop limit to get out. I think I said that correctly eventually.

Amanda Kelley ([40:26](#)):

I think so if you still have questions about that one email support and if we don't answer it I will have max answer it for you.

Max Katz ([40:35](#)):

Okay, no

Amanda Kelley ([40:36](#)):

Problem. Can the pivot point be placed on the candlestick chart? I'm not sure if you mean can you move it over and if so, no, if you're requesting a feature email support,

Max Katz ([40:47](#)):

Beautiful.

Amanda Kelley ([40:49](#)):

A lot of time the markets move before or after the open, you are using end of day data. How does that change the actual returns versus the backtested returns?

Max Katz ([40:59](#)):

Okay, so first of all it does use the trade machine. The Backtester uses near end of day data. If you want a specific time, it's around 3:45 PM Eastern time. I confirmed that with Jason on previous Zooms. So yeah, after the first you won't see any alerts for at least an hour after the market opens. So hopefully the market settled in, but after that time, like we were talking about before, at 11 o'clock, all the technical open conditions for a specific alert may be met or it may be on the, and it may end up on the today tab as well. So at 11 o'clock they were all valid and it's a valid alert, but by 12:31 of the technical conditions, one or more are no longer meeting the open requirements, then that alert is no longer valid. At the end of the day or near the end of the day, I start reconfirming the technical open conditions probably by three 30.

([42:10](#)):

So for me by three 30 and later if those technical open conditions are holding, I am considering it a valid trade. Now very soon and platinum members already have this, you will see trade machine back test will provide like it did for this one for Walmart. This 14 day TM diagonal trade is still valid as of 2:15 PM it's now 2:53 Eastern time. So I'm just going to click on a test length and let's see if it's still valid. Alright, as of 2:53, all these conditions are still being met. Skew and kurtosis is not going to change. They don't change intraday, but the stock can move above and below the SMA 50 and that would change whether this is triggered or not. So I think eventually every trade machine member is going to get this part is an alert triggering or not only platinum members, at least initially, and Amanda, correct me if I'm wrong, will get the suggested options and expirations that you should trade. Is that correct, Amanda?

Amanda Kelley ([43:29](#)):

That is correct, yes. Everyone relatively soon will be getting the triggered option. We are still testing the options comes at a pretty significant cost to us. So we're trying to test to see what that's going to look like on a larger scale. And to add, these are going to be the options that trade machine is selecting, which kind of goes into everything else. Trade machine is utilizing 3:45 as the time for the back test to be completed. That doesn't mean that you necessarily have to follow that if you're following to be as close to the back test as possible, yes, you want to use end of day purchasing and then the options that trade machine is using. But I can almost guarantee you that Max doesn't always do that. I know PHE and Jason don't always do that.

Max Katz ([44:32](#)):

Right, right, absolutely right. And I'd also add if you are only available from two to two 30 or 11:30 to 12 and you want to trade, then that's when you make your decision. Amanda, there's one more question. We're almost out of time. There's one more question I want to answer in chat. You want to read it, you see it. Two 50 came in at 2:53.

Amanda Kelley ([44:57](#)):

Yep. If there is no gains above or losses above information, when is it ideal to close the trade one day before close or personal loss acceptance capacity.



Max Katz ([45:09](#)):

Okay, so if there's no specific limit condition or loss condition, then it's really, it's up to you. You can wait till the end of the trade or the last day of the trade or one day before the last day of the trade as the backtester does. Backtester goes until the last day. But personal preference, absolutely it's what you are comfortable with regardless of what the technical close conditions are specifically mentioned or not. If I've sold something, if I'm short an option or an option spread and I've made most of that premium, let's say I've made 90% of the credit that I sold initially, I'm closing that trade. I'm not risking losing the 90% that I've made now for loss limits. I take a hard look when I'm down 50%, that's me. That's my personal preference. Sometimes I let it run, sometimes I take some off at 50% and leave a couple on just in case the market reverses and I minimize or go back into the black and have a gain. That's what I do. But it is your personal tolerance and risk appetite.

Amanda Kelley ([46:35](#)):

I think that's actually a really great place to close is just to kind reiterate that trade machine is here as a tool for you to educate yourself and to adapt to your personal trading preferences. So make it work for you ultimately, is what I'm saying. It's going to be a huge guide to tell you how it's performed in the past and you can adapt it to your personal trading preferences. I know for a fact PHE does, Jason does. I'm guessing Max does. You make it work for you and if you have a stronger risk aversion, then you adapt it to reflect your comfort level,

Max Katz ([47:18](#)):

Right? So that's a beautiful way to wrap this up. I thank everybody again for coming. Please come to community, ask questions, volunteer information, make comments, but nice comments only. And the one other thing I am going to share with you is after this is over during the last hour, I'm going to be looking, besides the Walmart pre earnings trade, I'm going to be looking at these AI enhance trades and fade the dip to see if any of them are liquid enough. And by liquid I mean the bid ask spreads for the options are relatively tight to take some of them. I personally like to take as many of the AI based trades or enhanced trades as possible. I believe there's stronger tests, stronger back tests. So that's it for today. See you in community or see you Thursday night.

Amanda Kelley ([48:21](#)):

Sounds good. Thank you guys for coming and we will see you soon.

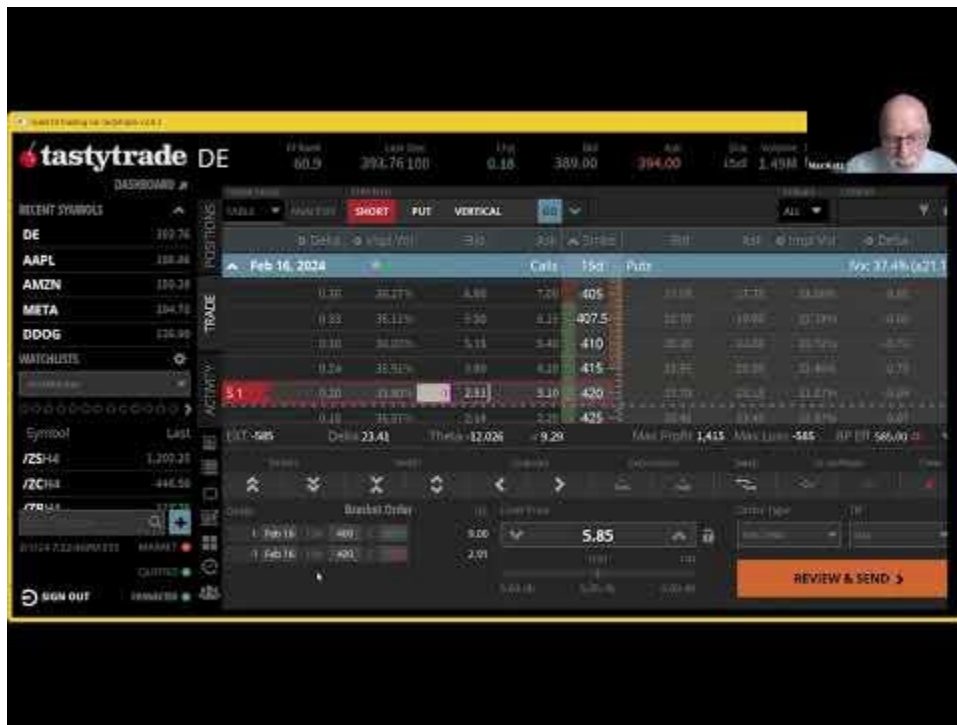
Max Katz ([48:25](#)):

Thank you so much.

Amanda Kelley ([48:26](#)):

Bye.





Max Katz (00:00):

Welcome to Trade Machine After Dark.

Amanda Kelley (00:04):

I'm going to go over a couple things and then I'm going to turn it over to Max. Disclaimers are the results here are provided for general information purposes. As a convenience to you, the viewers, the materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation. This is not a solicitation to buy or sell any security ever. This is not advised. Past performance is not necessarily indicative of future results. So for the most part, max is going to have the floor Right now. Jason is out on paternity leave through the end of February, so you're going to get a lot more max for the next month or so. It sounds like Max has a trade that he wants to go over, so I'm going to hand it over to him and I will be here to help with questions.

Max Katz (00:48):

Beautiful. Let's see if I can get Zoom to work. Alright, so share screen. Welcome everybody. A lot of people have indicated that they like to see a quick review of a current or recent trade and how the trader arrived at their conclusions and what trade they put on. So today I was looking at my favorite trade, which is the pre earnings 14 day diagonal, and I see the John Deere and John Deere not only on its own but John Deere with the AI component, a stronger trade, fewer trades, four wins, two losses versus five and three less of a return, but in my mind, a stronger trade, it has that AI component. I believe it's kurtosis one year greater than one. So that's the trade that I'm interested in. You'll note that not only does it have a regular DE for the diagonal, but it also has deer for just a long call, and we're going to get to that in a minute.

[\(02:05\):](#)

So I click on DEAL and of course the first thing we must do is make sure we're on the current end date. So I click on one of the test lengths and we see four and 2% wins, 67% percent return, 69.6. Not bad. I then quickly go down, I look at the two year, 2.0 nice percent return one year still has a win one in oh good percent return. And lately I've been checking this six month as well. All right? Still has one same results as the one year, and it's a good trade. I'm not terribly excited about it, but it's good skew. One year is above one kurtosis. One year is above one. That's part of the technical open conditions for the newer people. If you want to see, well first of all, if you want to see what the, well, let's look at the technical open conditions first.

[\(03:19\):](#)

So you go down to open trade, technical open, click on that, and you'll see there are two conditions, stock above SMA 50 and kurtosis one year above one. And we save that and it'll quickly rerun the back test. We want to see the details of the TM diagonal special. We see that for this trade it's a diagonal, so our long call 50 delta is going to be in the expiration closest to 14 days, and our short call, which is going to be a 30 delta, is going to be in the seven day DTE or closest to it. And since I'm a platinum member, I not only get during the day, is it still triggered or not, which is a beautiful thing, but it'll also show suggested options. In this case, we want to be long the February 16 expiration three ninety five call short, the Feb nine, four oh two and a half call.

[\(04:34\):](#)

All right, so that's just a starting point. We can vary that. This is seven and a half points wide. I'm not sure how much this spread is going to cost. It's going to be a debit, but let's see if I can throw my trading software. Tasty trade up here. All right, so I originally looked at the 3 95 in Feb 16 and selling the 4 0 2 0.5 in the Feb nine. This was the closest to 14 and seven, it's 15 and eight, and the width of the strikes is seven and a half points. The cost of that spread, I'm not going to do it over again right now was eight 70, so my debit was going to be larger than the width of the strikes. I like that to be the reverse. I like my debit to be less than the width of the strikes. So I went a little bit in the money for the long, it's now 10 points wide, 3 92 and a half, 4 0 2 and a half, and the cost is approximately nine 90.

[\(05:49\):](#)

So just inside the width of the spreads, I'm not terribly excited about that. If it was seven \$58, I feel much happier, but it's still a good and it's a good possible trade. So I'm going to minimize that. We go back to the today tab very quickly and we go down to, we just did the 14 day diagonal for deer with the AI component. Now we're going to take a look because I'm always looking for alternatives at the pre earnings 14 day long call. Click on that. It's got a higher return, better win rate. Let's see what the details look like. So the first thing we do again is we fix that last day. Now because I'm a platinum member, I get to see whether it's triggered or not right now. This is still in development, but close to being finished and also that show options component. There's one little glitch that Jason and the team are working on. You'll recall that from the today tab, it was six wins, two losses, and 75% wins, and now all of a sudden it's six and three. So the last loss really isn't the loss. And if you click on the tile, you see all the trades. I'll go to the last page and you'll see the current page.

[\(07:20\):](#)

And what it's doing is it's showing that the trade is still open. It's the same day. The only thing that's changed since it uses the end of day option price for the price is the commissions. So it's showing a negative \$5 and it's adding one to the losses column, but we know it's not a loss, so it's a glitch right now the record really is six and two and it looks better than the long call diagonal. So I'm very quickly going to go through two years in one year, four in 1, 3 13 return one year. It's really one in zero because that one loss is what I just showed you, that \$5 loss and six months will probably be the same thing.

[\(08:18\)](#):

So we go back to three years and I can move the pictures down. Beautiful, because what I want to highlight is two things. If you're a newer user, you're only seeing the long 40 delta call. If we go over to the name of the stock and we get rid of that comma and we click enter, you're going to see five boxes and you're going to see 60, 50, 40, 30, 20. Now you can set these to any delta that you like. You click on this little icon, I forgot what the boys called it, and it lets you set some things. Set. The number of contracts to default is five set how you want to assume execution, I always do mid-market, get any trading fees that you want to Default is 50 cents per contract. And here's the important thing, strategy Deltas, you can use your own deltas, you click that and if there's only one leg in the option strategy, it'll just go across the top line.

[\(09:25\)](#):

So it's preset to 60, 50, 40, 30 and 20. I can reset that to, I want to see the 10 delta instead of the 20 delta. And then I click save, and then very quickly will go through those five different deltas and you'll see then instead of this being 20, it's now showing the 10. Alright, so I like these results. I would probably go with the 40 delta call. It's six and two 75% win rate. And because the return is so much higher, I believe it was only double digits in the diagonal, I would probably go with this. But Deere is a \$393 stock. Hopefully it's going to be over \$400 very soon. And I want to see what a long call spread result is going to look like. So very quickly, I'm going to go back and make this, I'm going to make this 20 again, I'm going to look at the now because there are two legs to the option trade, we're going to use the entire column.

[\(10:36\)](#):

So I want to look at the 2010 help, the call spread. I want to look at the 30 10 help, the call spread. I want to look at the 40 20 help. The call spread 50, 30 and 60 40 more experienced traders know how to do this. So I'm probably boring you, but I'll be as quick as I can. All right. Now, I had been on the call. Now I'm going to go down and just click on call spread. We've already clicked on long, so we're going to see what the long call spreads look like. They look pretty good to me and we're looking at the three year, we'll check the two year very quickly still very good. The one year it's one N. That's what

Amanda Kelley [\(11:17\)](#):

I mean. Max. I just wanted to pop in and say for anybody watching that's newer for the annual members that are getting the triggered, now it's a little more vibrant In regular trade machine, max has different settings on his personal computer, so it's going to show up in green, it's going to be very, very obvious that it's triggered. I just wanted everybody to know, especially the new people joining us, that it is very easy to see and it's definitely simplifying what trade machine can do. Before you had to actually look for to make sure it was still triggered. Now we're just telling you it's triggered,

Max Katz ([11:59](#)):

Right? Very good. So you can see that even the one year results and the six month results are good. Keep in mind, this loss really isn't a loss. So it's one zero and 46.9 is I think a little higher than the long call diagonal. So I'm going to go back to three years and I want to just do one other quick thing. I see I've spent too much time on this already, but this is the earnings event is two 15 before the market opens. A long expiration is 16 days and it's 15 days from today. So what I'd like to do, especially when I'm buying, paying a debit and buying something, I like to look at shorter expirations because it'll be a cheaper trade. So I look at 15 days to expiration, which is the Feb 16 date, which is right after when this earnings event for deal will take place and you'll have to trust me, the results are slightly higher and it results in a less costly trade and it's still after the earnings event. So I'm going to new share going back to my trading software. I'm assuming everybody sees it. You've

Amanda Kelley ([13:34](#)):

Got it.

Max Katz ([13:35](#)):

All right, and now I'm going to go to the 15 day. I'm going to, I guess I got to make this a little bigger. I'm going to clear that and you're going to see what I put on in this account. I did one in this account just to show that what I ended up doing was the four hundred four twenty call spread and I ended up paying about 5 75. The price went up a little bit. You'll see that it's a smaller trade. The long call diagonal was going to cost 9 91. So it's almost half. It's only half or a little more than half I can do. My objective is always to have smaller trades that I potentially can put on multiples of. I would put on two of these for every one of those long call diagonals, I went with this one. It's a 20 point wide width of the strikes.

([14:41](#)):

I'm paying 5 85, it's almost a four to one return to risk, and I'd like this trade better than the diagonal. Now, I could have done the diagonal for a week and then when that short call came off, I could have put on a spread, but I decided to do it this way and I believe that it makes the points that I wanted to make about today's trade that I focused on. So I'm going to go back to the screen, I think it's that one and go back to the today tab. All right, and that concludes the discussion of the trade I did today. I'm only eight minutes over the 15 minutes I wanted to spend, oh, we started at 7 0 1, so I only went seven minutes over. So let's look at the chat. Let's look at the chat and see.

Amanda Kelley ([15:42](#)):

Do you want me to read for you?

Max Katz ([15:44](#)):

Whatever you prefer, I can do it.

Amanda Kelley ([15:46](#)):

It's up to you.

Max Katz ([15:48](#)):

I'm here to help. I'll do it. I'll do it. You relax until I get in trouble again. Good evening. Good evening. Howdy. Glad to be here. Nice to have you here. What is Kurtosis? Very good question. Kurtosis talks about the fatness of the tails. There is a definition of kurtosis and let's see, I don't want to, let's go back to the deer trade. We're going to go down to the technical open again, and you can see if I move this little chat out of the way that one of the technical open conditions is the one year kurtosis or tailed of the stock returns is above one. And right here, learn more about kurtosis.

Amanda Kelley ([16:46](#)):

I will throw in that we also, in addition to where Max showed you how to get the definition of kurtosis, we have learn tab articles available as well as a pretty lengthy video that PHE made when we introduce kurtosis. That goes into a lot more detail.

Max Katz ([17:05](#)):

And not only that, we have a learn tab that will get you to some of those videos, if not all of them. Alright, so anyway, that's where you're going to find all the details of kurtosis. My simple definition is the fatness of the tails, and if it's a positive number, it means the positive tail is kind of fat. It's kind of wide. Alright, let's see, what is kurtosis set date? Thank you, Larry. I think I did all the time. If I didn't, I apologize. It did not change the results though. Yes, the return shown is the total return across all back tests. So to compare return percentage, you consider the number of back tests when comparing across strategies, for example, yeah, yeah, of fear always looks at the average return rather than the total return. I thought I was already in the weeds so I didn't show the average return.

([18:15](#)):

But yeah, you can look at the average return across different strategies as well. In the comparisons that I did, they were very close. The average winning trade was like 58 to 67%. That's how it varied between the long call diagonal and the long call and the long call spread. And if you want to see an example of one, you can see, let me move this thing down. When you click on the tile, it'll give you the details, not only the individual trades, but it'll tell you the average win, the average winning percentage in comparison to the average loss percentage. I always like to see that pretty close. I don't want to see a three digit loss and only a two digit average win. So some people would just compare the average winning percentage. Alright, we'll close that. We'll move the chat back up and let me make this a little bigger.

([19:24](#)):

Well, is the dark mode available to other members yet? Yeah, for trade machine it is. You see this little moon, if you click on it, it'll fluctuate between the moon and the sun. Now I have set a dark background for my computer in Windows and that's why you're not going to see any difference between the sun mode and the moon on my screen. But if you play with that on your screen, you should see a difference. If not, you can do what I did. We'll just go to Windows and create a dark background for everything. Alright, let's go back to the today tab. So if we enter a trade based on the recommendation after a few days if the situation changes, does trade machine generate an exit signal? How will we know that we have entered to trade and track the exit? Well, if you've entered to trade, you should know and you want to know that you have an active trade on that you should check periodically. Trade machine is not

going to let you know that an exit condition has been met unless you set it. So you could do that. Let's do fade to dip.

[\(20:54\)](#):

Let me move this out of the way. Did not want to do that. Alright, so let's do a fade to dip on Apple. It'd be nice if I spelled it correctly. Alright, I left the comma out. So let's move this up. Let's close this. Let's keep it simple. Put the comma back. Alright, it's 40 30 stock. The technical open is stock must have crossed over the 200 day moving average and a couple of other conditions, you can go in and create an alert. Well, let's see. The easiest way to do this is let's go to technical open.

[\(21:48\)](#):

Let's set a new, we're going to create a new alert and we're going to get rid of these. We're just going to keep it simple and we want to close this trade. We want to get an alert that tells us that the stock has now gone back below the SMA 200. So that's what we're going to say. That's the condition. It's not active at this time, which is good because we want it to be active to open. And then we're going to go to add alert. And for Apple, we want to be told when the stock crosses below the 200 SMA and we're going to make a little note that says, well, we can say Apple a PL now below 200 SMA close fade, the dip straight, and then we add the alert and that alert is now created and we can double check and make sure it's there. I just type in a APL L and we'll click on last created and you'll see the brand new alert that I just created now will be sent to my email address created today. Apple now below 200 SMA close pay the dip trade. There it is.

Amanda Kelley ([23:12](#)):

You can also set those alerts for calendar dates. A lot of my stock trades, I will set a calendar date to close so it will just alert you. You can put your personal stuff in there too. You want a text reminder that says

Max Katz ([23:29](#)):

Amanda's birthday, pick up groceries. Amanda's birthday is whatever that date is. Yes, thank you so much Amanda. That's why this is the Amanda and Max trade machine after dark show. She knows this stuff. Alright, so we just answered that one. Does the release of employment data affect your thinking on these trades release of employment data? I don't know that that's going to bother John Deere, so it didn't really concern me if I had a SPY or QQQ trade on. I might be more concerned. I also wasn't that concerned about the fact that Amazon, apple and Meta were reporting tonight the night before tomorrow's trading. I didn't think that any of them were going to be introducing a new tractor, so I didn't think that would affect John Deere as well. If I did, I'd wait until the start of trading tomorrow morning and do a 13 days before earnings event trade. Alright, Sony triggered yesterday, but today Sony is not triggered. Is that trade no longer valid? Well I took that Sony trade yesterday and I thought it was up today, but let's take a look at the today tab and see if it's on there or not. So that was all 14 day trade. There it is. See that it triggered yesterday. So let's click on it, see what it says.

Amanda Kelley ([25:02](#)):

We can zoom in on the chart and look at the close price, but first we'll need to update the date.

Max Katz ([25:08](#)):

Oh man, I am so bad. I tell people you must update the date and then I don't do it. I'm not perfect. I am not perfect. Alright, so Jason showed me that if you go down to this little thing that looks like a, I don't know, I don't know what it is, but trashcan and you spread it out and then you go back up to the price data, it's very easy to get to that last day. He says, alright,

Amanda Kelley ([25:43](#)):

Zoom in a little bit more.

Max Katz ([25:44](#)):

Okay.

Amanda Kelley ([25:45](#)):

I find going in really, really tight, it makes it easier to see all of the triggers.

Max Katz ([25:51](#)):

Okay,

Amanda Kelley ([25:51](#)):

Sometimes those candles are hard to identify.

Max Katz ([25:54](#)):

Let's go see if this works. Alright Amanda, once again you are the expert. Alright, so today is February 1st. The 50 E, the 50 SMA is 92.54. It did, yeah, it's 98.89. So like I said, it's after hours and I don't think that it's reflecting the accurate information because the only technical open is stock greater than the SMA 50 and the stock is greater than the SMA 50.

Amanda Kelley ([26:30](#)):

Is there any specified earnings handlings?

Max Katz ([26:33](#)):

Well it should be 14 and one, right? So custom earnings 14 open a position 14 days before close, one day before nothing else is checked. So it's still active, my opinion, and I think if I had checked it during the day it would say that it's still active unless it's just part of the development that they haven't finished yet. But I'm pretty comfortable that it's still active. Alright,

Amanda Kelley ([27:06](#)):

I'll monitor that one in the morning.

Max Katz ([27:08](#)):

Okay, thank you. Let me know so I can let the community know. Wow, we got some big questions. I just want to make sure. Okay, so that was a Sony question on my version. I can't change the expiration. Will that be coming? I've always been able to set the end date. Is that what you mean by the expiration?

Amanda Kelley ([27:31](#)):

I think that question is referring to the DTE settings and if you're looking at a custom strategy like Max has up right now, those settings are within the custom strategy, but all others you should be able to set the DTE if you're having problems with that email support

Max Katz ([27:49](#)):

If you're just like the long call was only using the basic strategies down this left-hand column here. So we were using Call and long I guess it's covered up now. We were using long call and then I did long call spread and by doing that, the basic strategy, not a custom strategy or a CML strategy, I'm able to set the days to expiration to any day I want. If it says custom, then you have to do it through clicking on the strategy to change the dates, which I can quickly show you and clicking edit on the qa TM diagonal special and I can go long, a 50 delta call and I can make this 18 days if I want and add that and then I can delete the 14 day one. I'm not going to save it. I don't want to mess up the strategy, so I'm going to cancel it, but you can change the expiration dates of the options.

([28:57](#)):

Okay, that is the expiration question. Are there any strategies that you have tested where you trade just two, three stocks over and over again and you're in and you're out on a weekly basis or every other week? Strategies that have more occurrences than 20 or less every three years, maybe 20 over the course of a year. For example, trading channels or horizontal support or resistance, et cetera. Most of my trades are not that short. I have done some experimenting in the community. I've shared some trades on SPY and QQQ that are one DT that have very liberal. I consider opening conditions, but you can create custom alerts and strategies for anything that you want. So you can definitely do that. You can create an alert for a strategy that opens regardless of any technical open conditions and you'll get a new potential trade every day.

([30:06](#)):

Then you can look at your chart or your other technical criteria that you want to use and see if it makes sense for you to open and trade that day. For strong stocks that have pulled back and you are looking for a good entry point. Do you have any more strategies besides the one you have on your today alerts or backtest that might yield more results? Can you give an average gain or loss trade in the backtest? Yeah, I click on the Sony one and your average win percentage, your average win as a percent is 39%. Everything money that you were risking, your average loss is that it's that \$3, so it's a zero. So you can always see what the average win average percent win and the average win amount on the back test tab by just clicking on the details and you can set up alerts like besides what's on the today tab, we have some canned saved back tests that I know Amanda was just waiting to tell us about. Yep, you

Amanda Kelley ([31:21](#)):

Beat me to it.



Max Katz ([31:25](#)):

And some of these you experiment with them, you'll see all the technical conditions for technical open and if there were any technical close conditions and you can put portfolios of stocks in there. You can put whatever specific tickers you want to play, whatever you consider a strong stock, you can build a portfolio of strong stocks. You'll see that right here. Trade machine provides the NASDAQ 100, the Dow 30, and then a whole bunch of sectors and then software stocks and top ETFs, the magnificent seven mega banks. You can select a strategy for that. You want a backtest with any set of stocks that you want. You have a strategy, a backtest on selling puts with low delta. Yeah, once again you can set all that up and find the right delta that works for you. And the right combination of low delta selling puts selling, put spreads on stocks that have certain conditions that you are interested in. It's very liberal about what you can create if you don't just like these initial long call short call, long call long put short, put in ease. You can create almost any combination of custom strategies that you like. You're going to get personal alerts for the custom strategies that you create alerts for. You're not going to see 'em on the today tab and no, you cannot just set the today tab to be your stocks.

([33:26](#)):

You can get alerts via email or text messages to your phone. You can set up any portfolio you like. If you are a regular monthly subscriber, I believe the limit size of your portfolio is 50 stocks. If you are a platinum member, I believe it's 200 now Amanda,

Amanda Kelley ([33:49](#)):

It's 100, I believe it might be 200. I'll double check on that. It's definitely 50 per monthly users plus annual users also get faster backtesting speeds so it loads significantly faster if you are a

Max Katz ([34:05](#)):

Member. Right, right. And I believe Jason mentioned at the last Zoom that the actual potential option strikes to use may only at least initially only be available to platinum members and not available to the regular monthly users because there's a significant cost involved.

Amanda Kelley ([34:30](#)):

That is absolutely correct Max. We are evaluating kind of usage and everything during this beta testing that we have with our platinum users to see what that's going to look like and see what is going to roll forward. We definitely know that the active the triggered now is going to all users and probably in the very, very near future all users will see that part of it, but maybe not the options chain data.

Max Katz ([35:00](#)):

Right. And the default is come into community and ask me and I'll tell you what trade Machine says and I'll tell you what Max says because sometimes it might be slightly different than what the options that trade machine is recommending. So here you see I clicked on, okay, I'm not holding trade machine responsible for the options they're about to recommend, but here you can see a sample for what we were talking about at the start. Dear the diagonal getting along the Feb sixteen, three ninety five call selling the Feb nine, four oh two and a half call. Is there a trading style that we can do for small accounts trading for joint accounts with miners? You can't write or buy any options. The only thing you're allowed

to do is cover calls. Alright, I'm recommending any trading brokerage software, but there is at least one that gives you more capability, I believe even in joint accounts with minors.

[\(36:11\)](#):

So I would don't know what platform you're using. I'm not supposed to be recommending any, but I believe you saw what trading software I was using. I would talk to those people. They're pretty liberal. I know for retirement accounts they let you do almost anything. I don't have a joint account with a minor, so I don't know what their rules are, but I bet they're as liberal as possible for a lot of these indicators. Self-fulfilling because they're used by so many traders. We just have to figure out which technical indicators are the most used. That's a subjective question. I know that for the today tab, any of the strategies on there or for any of these save back test strategies that they've gone through thousands of tests with different groupings of stocks across different timeframes and they have relevance and significance. Are most of these indicators lagging?

[\(37:11\)](#):

Yeah, most indicators are lagging. Is there any way, instead of looking at the daily technical back test, you want a shorter timeframe? Well trade machine uses for the back test, the end of day data, so it's daily data. Now during the day it will look at the real time price and technical open conditions and see if an alert is triggered and give us an early heads up and let us know as latest 3 45 if it's still active. But trade machine is based on end of day daily data. Someone is saying the name of another, oh, I believe it's the same person. I'm not mentioning any names, but if that's your current trading software trade station, like I said, you may want to consider at least for that account some other trading software that might be more liberal in what you can do. But for small accounts, I look at spreads, I don't know about the restrictions of joint accounts with minors, but spread it off. Stay with stocks that are \$20 to \$60, \$75. Don't look to put on long calls in a \$400 Microsoft stock or short, wide put spreads that are going to cost you thousands of dollars in margin required. Okay. I appreciate Amanda being here and I appreciate all of you people being here. And the next zoom will be next Tuesday afternoon at two o'clock New York time.

Amanda Kelley [\(39:04\)](#):

Yes, we will see you. It'll be max and I for the next few weeks while Jason is on paternity leave. So we will see you on Tuesday.

Max Katz [\(39:14\)](#):

Alright everyone, enjoy the evening and good trading tomorrow. Good night.