March 2024 Live Help Sessions

TradeMachine® Live Help 3/28/2024: Active Now, Show Options, and Understanding Backtests.

Jason Hitchings (00:00):

Okay, great. We'll get started. Thanks for being here everybody. So today we're going to talk about a couple things, but we're going to dive in a little bit to the Active Now feature that we added to trade machine and answer a couple questions around that. I'll also show the show options feature that the platinum members have, and I'm going to take a look at a liquidity test. We have some real liquidity metrics coming in soon, so there'll be an upgraded with respect to liquidity, but I'm going to dive into a little test that I do for liquidity before I place trades and it's kind of a strange scenario, so I thought I'd just document it so that everyone can just learn some of the in and outs of trade machine and help you understand your back tests in the future. And with that, I will get started. I'm going to just start with the disclaimers.

(01:05):

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([01:45]):

I'm Jason Hitchings. I'm the CTO of Capital Market Labs. So yeah, this is the main bullet points of what we're going to cover today. Look at some liquidity testing. I'm going to look at something funny that happened in an example I was looking at that I hope will be informative for everybody. Look at the active now feature and then look at some of the live option, show the option strikes, and then we'll just kind of do a live version of checking out the adjusted stock price and talk about some of the works there. Okay, so for this example, this is actually yesterday I was looking at back tests on the today tab and I saw this alert through into it, thought it looked good. So just walk through this example. This trigger did actually hold through the entire day, so we'll look at that too.

([02:41]):

Okay, so this is the back test tile and this is with all the information shown with the triggered and the options, but I'll kind of walk through this piece by piece. So when I pull up a back test tile and I get the result to test for liquidity, the first thing I do is I go to the top right and I click the settings gear and I check what happens if I switch from mid-market execution to halfway to mid or to market fill because if my performance plummets, that's a pretty strong indication that the markets are wide and then that could be a little hard to get into and out of, especially the more legs a position has this bullish bursts happen to be just a single call. So you could see if you could get a good fill, but if it's a multi-leg strategy, and then when I switch to market fills, if it's no longer a good back test, I don't generally trade it myself. So there's little setting gear in the top. Generally today, tab backtest have mid-market as the execution type. That's kind of what people ask for by request, but it's not a bad idea to kind of test it. You can also just look at the option montage directly, but this is kind of a fast way to see the results over time. So I clicked the little setting gear, I went to market price saying that basically the worst case scenario in terms of fills, you're going to buy at the highest price and sell at the lowest price.

([04:10]):

And something very strange happened instead of the returns going down, the returns went up. So why could it possibly be that if I'm getting a worse fill price, that I'm getting a higher return? So we get questions like this into support and they're very, very good and reasonable questions. Seems like something's not working. It's kind of like, Hey, what's going on? This doesn't make sense. I have a worst fill type. Why did the return go up? So let's dive in. So I'm going to actually look at the individual trades here. So I'm going to click on the actual tile and look at the trades. I'm going to look at both scenarios, the kind of mid-market fill and the market which will give worse prices, but how could the percent return possibly go up for the more experienced trade machine users here? You might start to imagine how that could possibly happen, but it's not obvious, especially for newer users. So okay, I click on the actual back test and when I pull it up and I click the tile and it pulls up the actual trade list and I start looking and I say, okay, well it opened initially March 31st, then it closed with the 40% gain and then it reopened on the 14th of October and then it closed on the 15th of October also for a gain for 40% gain.

([05:42]):

Okay, so how could it possibly be that if we switch from mid-market to market, we're getting worse fills that we're going to be more profitable? And so you look here and you can see that the price that we open edits we're paying more to get into this position and then when we close, we're closing for less. So that makes sense and you can actually see it got a little cutoff here, but you can see that we have a 2,900 p and l here and we have a 2300 something here. So that makes sense so far we're opening on the same day and we got a better price and a better price. But now's the tricky part. When we opened at six 90, we have it set in this particular back test to close after we hit a 40% limit. So if the position goes up 40%, we close and this just barely qualified.

([06:40](#)):

One day later it closed and it locked in that nice gain and that's excellent for this back test when we opened at 7 80, 9 70 wasn't quite enough to hit that 40% limit, but what happened is that we went across the weekend, we ended up holding the position for one more day and then the position jumped up, the stock went up substantially and we're closing at the end of the day. Even with the stops and limits, we don't assume that it's going to get filled at exactly 40%. We actually use the price at the last kind of most liquid part of the trading to get that stop and limit. So the stop and limit we hit is at this point well above 40%. And this can happen even if you are using an automated stop and limit in your brokerage, the stocking gap up or gap down, and you can go right through that limit.

([07:38](#)):

There's no guarantee you're going to get it filled at exactly that price. The backtester uses end of day prices for everything including the stops and limits. So in this case, instead of a 40% gain, we get over a hundred percent gain. And so this return is 1300 and this return is 4,600 and that's just from that one extra trading day. And we can see when we zoom in on the back test that the stock is moving up substantially through here. So instead of closing on this day, we're closing the next day. So even though the fill price was worse, we ended up holding the position another day and it happens to go up substantially in that day. And so that's why in this position, even though you're getting a worse fill type, you end up holding it and the actual trades change slightly and because the trades have changed slightly, you happen to get, it could have gone up or down, you might never have gotten filled in that position, could have been a loser. It had the stock just plummeted from that point. I think the stop in the bullish burst is at 60%. So you could have ended up with a 60% loss, but instead it gapped up or it moved up substantially the next day and it ended up locking a big winner. So sometimes some of those nuances, if something doesn't feel quite right, can always dive into the trades and look at the individual trades and normally that will kind of make it all make sense.

([08:58](#)):

So just when comparing two different positions, if you put a stop or a limit, it can hold the position at different lengths of time. It can actually, sometimes there'll be multiple triggers in a short period of time and it might hold the position through all of them. So actually if you put more stops and limits, oftentimes you'll get more trades because you end up getting out of a position than reopening one. So just something to keep in mind when you're changing deltas or you're changing the limits, then the actual positions can change and the actual trades can change a little bit too. And so sometimes you see things like that that happen that aren't very intuitive but are very logical if you dive into it. Okay, so this little green symbol here says that when I loaded this back test that this position was active and what does that mean that it's active or that it triggered on the day that I was doing this back test test, I'm in

Denver, so I'm getting mountain daylight time and it's saying that, okay, when I checked it at this time it was active when I checked it at a different time, I just took this image at slightly different time.

([10:07](#)):

It was kind of going into and ad of being active throughout. It wasn't at 1143 and it was at 1204 and then it ended up being inactive at the end of the day.

([10:16](#)):

So what this is doing is it is checking the technical conditions and it's checking their earnings conditions to see if the position is active. So we'll look at the actual technical conditions here in just a second and if you have earnings conditions that'll look at those. So this is one way within the back test. There's kind of this printout, it's not the prettiest, but the information is all there and what it says is that the stock has to be above the 10 day exponential moving average. And you can see in this little chart that greenish kind of turquoise line teal line here is the 10 day exponential moving average. So it has to be above that today, but yesterday it had to be below that, meaning it has to cross up through. So this was yesterday when I was trading it, and so the closing price which is right here, or when I say closing price, I mean that the current stock price, the latest price from the bar at the end of the day it'll be the close price.

([11:17](#)):

Right now it's just the latest stock price. You can see that it crossed up through but just barely crossed through that 10 day exponential moving average. Additionally, all of these conditions have to be true. So if you have technical conditions and when you add technical conditions, it means all of the technical conditions. So you can think of logically and the stock has to be above the 200 day moving average, which was way down here on the chart. So it's way above the 200 day moving average, no issues there, but the 50 day simple moving average actually has to be above the stock price. So the stock has to be below the 50 day moving average and this gray line is the 50 day moving average here and so that it's kind of blue gray, but the 50 day moving average, you can see it's a pretty tight band in here where it triggers the stock has to be up above the green line, but it has to be below the green line.

([12:18](#)):

So that's a pretty thin band where this thing will be triggering and the way the back test works is that the next day, even if this was within this band and it triggered at some point during the day, the next day if it ends up finishing up here, it'll no longer be below the 50 day moving average and so that'll no longer show as active. And so that's why we see it going back and forth between being active and inactive as the stock is moving in this range, if it goes below the 10 day, it'll be inactive, it goes above the 50 day, it'll be inactive. The logic behind this particular trade is essentially that it's trying to catch the upward movement and you're saying that the stock has to be above the 10 day exponential moving average. You're saying like, okay, the recent data is good.

([13:08](#)):

When you're saying it's below the 50 day, you're saying, okay, but it hasn't just been ripping for the last two months straight and so it's trying to catch this burst of motion. The RSI being below 70 means it's not overbought. So that's another way of measuring that it's hasn't just been tearing straight up where you kind of missed the technical first. So it's a sensitive little period here. So I went ahead and just, I placed the trade and this is a matter of, it's a question we get frequently. It's a good question. It's kind of a matter of personal taste whether when this a position like this trigger is intraday, do you want to wait until the end of the day or not tomorrow If this condition doesn't hold true, the backtester will not show that it traded.

(13:57):

Now does that mean it was a bad trade? Well, not necessarily. So it's a little bit of a judgment call if you want to place the trade or not. Practically for me, if I'm only going to trade half an hour a day, I'm going to look at the today tab and maybe place a trade. Typically, if I happen to be, I'll try to check at the end of the day, but if it's in the middle of the day, oftentimes I'll just go ahead and take the trade. I think PHE kind of does the same thing, but if you want to be really true to the back tester, then you wait to the very end of the day and you only place it if it's still active at that point. And that's the way to get the returns that are closest to the backtested returns. The backtest is always looking at that last little slice of the day.

(14:39):

So for platinum members, for people that sign up annually, they also get this little show options button. When you click show options, it says, Hey, please verify these numbers with your, and then it'll actually show based on the SIBO data that position that you need to open. And so this is saying that you'd need to open the April 12, 650, 2 50 calls and into it if you want to place the straight so long means you'd be buying. So I just opened up the kind of web version of thinkorswim. I went down to the April expiration. I found we have the calls over here and I was looking at the 52 fifties and it was kind of this line. Here was the position, and you can see it's eight 70 at nine 30. You can think like, well, is eight 70 at nine 30? Is that wide markets or not wide markets?

(15:39):

It's actually pretty tight. And one way to think about it is to say, well, if the stock was trading at $64, then the exact same options would be trading at 87 cents at 93 cents. Like okay, that's tight. When you get stocks that are well over a hundred and higher, then even if something is 60 cents wide, that's actually quite tight because you're just controlling a lot more stock, a lot more sort of dollar buying power so you can just mentally move the decimal place over and kind of see how those markets feel. So I went ahead and placed the trade. I was looking for a mid-market fill, so I set it to 9.05 and ended up getting filled right away at right around $9 I think. Yeah, it just shows a $9 fill.

(16:34):

And so that trade went through fine, a different screen here showing 8 99, but it's the same trade. I think it's just a little rounding thing within Thinkorswim. Now this particular bullish bursts trade has a 40% to limit your gain or 60% to stop your losses. And so these prices would be around oh 58 and around 360. So I went ahead and put the limit in. So I kind of selected this position and just said, okay, well I want to close this thing out. You have to make sure that you're not just closing for the day, you want to close good till canceled. I put that position in and then I actually checked the day just to check on the position. I actually had got limited out of that just overnight. So I placed the trade in the middle of the day. It didn't end up being true throughout the entire day, but I hit my 40% limit. So that particular one worked for me.

(17:37):

That's just kind of my personal trading experience is that I'm generally okay to place in the middle of the day just out of personal convenience. It will also do more complex examples, so that was just a single leg, but looking at this UNF, I saw that that triggered, and this is a diagonal, so this is showing, so it's triggered and for people that have platinum annual subscriptions and anyone can change to annual, anytime you just email support. When you click show options, now it's showing, okay, well this is actually a diagonal, you're going to be long, the May 1250s, you're going to be short the April fifteens, so it will show more complex trades including three or four leg trades.

(18:22):

But I also, when looking at this, did the same liquidity test and I said, okay, instead of doing a market fill, instead of doing mid-market, do market price and you can see that this particular position got crushed. So I went from being a four and oh winner to a one and three loser and very positive to very negative. So for me personally, I don't mess with this. Good news is that we're actually pretesting all of the option chains for you. And so in the today tab you're actually going to have some liquidity metrics on a scale of one to five in the today tab, which will tell you even without having to do this, we'll put it in the back test too just to give you a little more liquidity information. Sometimes you might see that I had a hard time filling on a certain day or that markets worldwide.

(19:04):

We do show some of that information in the back test, but we're going to take it one level further and scan the current montage and give you a sense of how wide the markets are there. So yeah, that's a little bit about how that position works. Here's a couple of things to keep in mind. So active now is checking days to earnings and then technical conditions. It's not looking at whether this back test has just triggered or not. So it won't take into account that this thing triggered three days ago and you're supposed to hold it for 30 days and a stop and a limit hasn't been hit. It's assuming that your back test is starting today and it's asking is this position active to enter today? If I started my back test today, so if you set the back test to a month, a year, 10 years now you're going to have a position which might be active and it's not going to reopen the position.

(19:59):

So if that ever seems a little confusing, you might see on the today tab it says active, but when you look at the back test you're like, well, it just triggered eight days ago and the back tester hasn't exited, so why is it reopening it? So basically it's starting with a clean slate. It's saying if you want to enter this position, you can enter it whether it's available to enter right now for the show options feature, this will need to have good bid asks. So sometimes if the bid and the ask are very wide, sometimes you can get the midpoint to be underwater. So for instance, if a certain strike is $2 in the money, sometimes the midpoint just because of how the markets are wide, it might be zero at $3 or something like that. So the midpoint now is one 50, and so when an option calculator looks at it and says, okay, how much time value is in here or how much implied volatility is in here, they're saying, okay, well this thing is worth $2, but when I look at the midpoint, it says that it's a dollar 50, so it looks like it has negative time value, so you don't need to get too worried about that.

(21:16):

But on very wide spreads, it's trying to use deltas to figure out what strikes to enter. And so sometimes if it doesn't seem to work, it's probably because the markets are very wide and you just can't find a good strike. Okay, so we'll dive into q and a in just a second. Amanda did mention that we get quite a few questions on adjusted stock price versus not. So I just wanted to pull up a quick example.

Amanda Kelley ([21:54]):

So Jason, I actually had a little bit of an expansion on this question today, so as you're explaining, I'm going to actually read you the exact message that I got in support.

Jason Hitchings ([22:06]):

Okay.

Amanda Kelley ([22:08]):

There's a significant difference in your adjusted price and the price of other services specifically, he mentioned two brokerages and he would like to know how we determined that this would work better, and I will add, if you are wanting to reference adjusted closed price, Yahoo Finance does feature it on their website as well as there's other resources out there that do adjusted closed price. Yeah,

Jason Hitchings ([22:45]):

We certainly feel free to, we can certainly look at any other source for it, but yeah, I just wanted to look at adjusted close price here for a second. So we see price and we see adjusted stock, and those can be very different, and the reason for that is when stocks split, when you're looking back historically there's kind of two things going on. So if you're doing an options calculation or something, you need to know what the stock price was at the time relative to the strikes and the bid and the ask in order to figure out what the option calculations are and to figure out how in the money it is and that kind of thing. When you're just holding onto stock for a long period of time, you have a stock split. So if your stock price goes from a hundred to 25, you now have four times as many shares sitting in your account.

([23:55]):

So obviously you don't look at that as a $75 loss, you're saying I now have four times as many shares, so it's actually nothing changed. It just had a stock split. So that's the typical way that that's the most basic way to do a stock split is you're saying, okay, the performance of this stock factors in the fact that there are splits and therefore if I'm doing a moving average, I'm not going to show a huge drop in price when there's a stock split. So as you're going backwards in time, you're saying, okay, well before the stock split, if it was at a hundred and if the day before that the stock was at 95, when we're actually looking at that price and in an adjusted terms now you're saying, okay, that stock price, the day before the split was 25, and then if it's down 5%, then it's going to be roughly 24 or something like that. So you look at those stock prices and you factor in the fact that it had splits. Now, what a lot of places don't do that we do is that they don't factor in dividends.

([25:05]):

Logically, that's pretty odd because if you're trying to look at the performance of a stock, but you're not factoring in the dividends, and they probably would if you just wanted to look at buying a stock or stock performance over time, but let's say a stock, there are different kinds of dividends. One's like a 50 cent dividend on a $200 stock, and you could say, okay, even if the moving average moves down slightly, if the stock was at 200 and the next day it's at a hundred ninety nine fifty, okay, the moving average goes down slightly. The RSI goes down slightly, but that doesn't matter that much, but there's lots of kinds of dividends. Occasionally they can just large have large dispersions. Not all stocks just do a very small 2%, 1% quarterly dividend or something or half percent, and sometimes there are spinoffs or tenure offers or special distributions for various reasons.

([26:01](#)):

They take a company and decide to sell it off to someone, and everyone that owns a piece of the company all of a sudden gets $20 in cash because they just also lost a big chunk of value in the stock. They spun off some part of the company. So there's lots of special situations like that or there's just places that offer once a year a $5 dividend. So if you're going to say that, okay, it's a $65 stock and it has a $5 dividend, if you aren't adjusting your historical prices in the stock, you are saying that all of your technical indicators treat receiving that dividend as a negative event. You're saying, okay, I was holding stock and I had received $5, but now all the technical indicators say that the stock is weaker today than it was yesterday. It went down $5.

([26:54](#)):

I think just on its face, that's very hard to justify that. I think the only reason that companies do it, and a lot of the, if you look at moving averages, most do not factor in dividends that way. They just kind of look at the stock. Yes, they smooth out splits, but they don't smooth out dividends, and I think it's just maybe because what people are expecting or what they're used to, but if you're looking at the technical movement of a stock, treating a dividend as a negative event for the stock is a little hard to justify, and additionally, it's just we've built everything that way and that's the way the back tests occur. And so the system is built that way and it's all the back tests, all the machine learning, all of the algorithms are built in that way. And so all of when it says this thing won five times and lost one time, it's based on models which are smoothing out those dividends and not treating them as negative events, but treating them as 'em as added value to the stock price.

([28:03](#)):

One further point is that options markets, actually there's something called, this is getting kind of into the technical weeds, but there's something called put call parody in the options world where it says that you can actually create stock using calls and puts basically if you're along a call and short the put, then you have the upside gain and you have the downside loss, the downside risk, and you can actually create a stock which synthetic stock based off of the options markets. But if you look out at the options markets post dividend, you can actually look at the options market and you can say this is the price that the market is implying where the stock is going to be just based off of the math. It's an area I've worked in a lot, so I won't bore you with the details. The markets, when you look at the options montage is in the future, all of those strikes and calculations are factoring in the market's expectations for dividends, and so the market itself is baking in to the stock price, the dividends, it's kind of forward adjusting for the dividends. So just for consistency all across the board, we're just have a lot of conviction that's definitely the right way to do it and it's also what all of our back testing is predicated upon. So there's a little info about that. Great. So we're at about five 30, so we got up to another 15 minutes for questions if we have some questions coming in, and we'll just, if we don't have a ton of questions then we can wrap up anytime.

Amanda Kelley (29:43):

We do have a few. Do you want to read or would you like me to read tonight?

Jason Hitchings (29:48):

Yeah, I guess I'll read it. It kind of helps me process it. Sometimes if it's inactive, ask Carlos, is that an indicator not to follow the suggestion? Yeah, so I know exactly what you're saying and I'm glad you're here. Thanks for the question. Yeah, the back tests are saying what the historical trends have been. If a position is inactive when you're looking at it, if you were to trade it in that moment, then yeah, you'd be kind of going out on your own and saying, I'm going to trade this based off of my own instincts and that kind of thing.

(30:39):

We don't exactly view these as the today tabs as suggestions or recommendations per se, but they're historical trends and when they're active, it's in the moment of the trend. When it's inactive, it's saying, okay, the trend's not holding in this moment. Now the example that I showed, it was active when I traded it and then it became inactive later sometimes in the position of Intuit, it actually became inactive because it had started moving to the upside. Basically it started that action, which ended up being action in the right direction, had started moving in the way I wanted it to. So in that case, you would've had missed some of it and kind of chasing the opportunity when it's kind of broken out of that trend, sometimes it's just a day late on certain trades, you can make a judgment call if you think the conditions have changed enough to where you don't feel that it sort of fits your own desires and your own tastes to make the trade. It can look at how the stock has moved or hasn't moved. But in general, if you're new to trade machine and just using it, then the way that we would suggest to use the back test is to say yes, when things are active, it's a good time to enter them and once they've become inactive, it's in general, you're kind of going out on your own at that point and kind of straying from the back tester.

(32:09):

Chris asks, it means that technical criteria has not been met, so the back test results would not be valid based on the current conditions. Good answer, Chris. Jan says, do you place orders to close the trade when the gain or loss is reached? Yeah, typically, oftentimes I'll place one or the other just to simplify my own the amount of time that I need to spend. I mean, if you have your terminal open all day, then you can decide whether you want to do those on your own. But yes, I typically automate some of that. Paul, regarding the first example you went through, I think TM would be more useful for us if the trade exit occurs on exactly the same day, regardless of what the fill criteria we use is a standard fill price criteria to determine whether the tray triggers an exit, but then use the user selected fill price criteria to determine the actual fill price achieved on the exit.

(33:17):

Okay. All right. Well thanks for the suggestion. It sounds like yeah, you want the entry to be one kind of fill and the exit to be another fill. Yeah. Okay. We'll take that suggestion down and think about it. Anan says, could you briefly review how the backtester works for VIX since the options are future options based on the value of the first month VX future? Yeah, so the VIX we use as a technical indicator, so if you go down to open trade one, you click technical open, you click VIX level. This isn't looking at the VIX options per se. It's looking at the VIX current ETF price and the vix. For people that don't look at it a lot, the VIX is the volatility index on the s and p 500. So it looks at options that are about 30 days in the future and it measures the implied volatility on the s and p 500 options.

(34:16):

It's generally viewed as an expectation of volatility in the market or some people think about it as kind of fear in the market. You can also look at it as sort of just a general sense of how expensive options are as a whole, not for individual stocks. If a stock has earnings coming up, the VIX isn't going to reflect that, but if there's a war in Ukraine, then the VIX is going to reflect that. So we're looking at the current price of the VIX and the actual stock price, and we're saying it's a technical condition where it's like if the VIX is above 18, then that technical condition has been met to enter, or you could say below and you can change the value. So these tend to give you a sense of the overall market sentiment or the fear index. Additionally, if you set moving averages, this moving average is not for the vix, this moving average is for the current stock. So in a sense, you could think about this is a little bit like pair trading with a single symbol for the vix, and you're saying if the VIX goes above or below a certain level or crosses up through or crosses below, then I'm going to consider entering into this trade.

(35:36):

So yeah, I hope that clarified this is based on the actual price of the current vix. It's not based on the futures market or the VIX options. Any other technical indicators you add in addition to the VIX are based on the current stock that you're looking at. Why do you take the call diagonal on the UNF? I personally didn't because when I changed the, because basically the liquidity wasn't there at UNFI, we'll can see how this options montage works. So if I show the options chain, we'll see what's showing right now.

(36:20):

So this is another good way to view it. I mean this is showing actually the midpoint, so you'd really want to go into your brokerage to look at the widths and that's what the next liquidity index is going to do that we're going to put into the product and we're going to show it here and show it on the today tab, but I'll actually show you the width of these markets. But basically when I switch the thing from mid-market to market execution, then it's basically indicating even though these are the midpoint, it's indicating that these are very wide and when things are very wide, then I'm not excited to trade it. You can pull up UNFI and your brokerage and look at that montage and you'll probably see why it made such a big change.

(37:06):

And in terms of the wits, I mean when things are very wide, you might be able to get into it, but it'd be hard to get out of it or you might wait a long time. It's basically like our sense of what the best way to judge the liquidity of the options are when things are super wide, they tend to be harder to get into and out of at a good price. There are exceptions, and if you're just trading a single leg, you can certainly just try to get a good price, but you might have to watch it a little bit. But if you do get filled at a good price, then you can probably get out. If that thing ends up having intrinsic value, you can certainly trade it for at least the intrinsic value. Approximately when will the liquidity indicator be available in trade machine soon? We're just kind of rolling out in our test environment to start working with it. I think you should have every expectation that it will be available sometime in April.

([38:05](#)):

Are there ways to do back testing on zero DTEs either on stocks or indices? You can do one day back tests if you want to. You can say, I only want to trade something when it's one day expiration and I want to close it after one day. This isn't exactly zero DTE because it's not opening and closing on the exact same day. It's kind of holding it overnight one time. There's quite a bit of data to show that the zero DTE is a very hard way to make money for people that aren't. If you're not a high frequency shop that has lines running right into the exchange where you're measuring nanoseconds in order to trade that zero DTE is a challenging way to beat the market. Whereas looking at long-term trends and that kind of thing is where we believe people have a lot more edge.

([39:06](#)):

Mitch asked the same question. Yeah, I think you should expect it by end of April, Mitch, for the liquidity index in regards to liquidity testing, will you have a more robust tester, which gives you a very good idea what liquidity looks like? Obviously we all know that apple liquidity looks good, but some small cap stocks can have good liquidity and others have huge bid alpha spreads. Yes, Jim, that's exactly what we're doing. We're actually going through historically and looking at every single here, see, I'll give you a little insider scoop. That's what's happening right now. It's processing historical liquidity and it's giving scores on a scale of one to five based off of the market width. It's kind of in the testing phase right now.

([39:54](#)):

This is zero at a nickel, it's calling it a four for the next one. So it's scanning through all of these markets for every single symbol, every single underlying, and calculating a liquidity index. So we'll do exactly that and we will take feedback as time goes. We decided to keep it on a scale of one to five, where one is the least liquid and five is the most liquid. It's a little subjective. There's just a lot of circumstances that happen, and if something that's on a $200 stock, if something has a bid of two 50 and an offer of 3 75, how good is that liquidity for out of the money option 30 days in the future? So it's a little subjective, but it should tell you if you're using one or two. Generally things are pretty wide and not that great to trade, and if you're using a four or five things are liquid and you can feel good about it.

([41:00](#)):

Okay. Fear did a back test with VIX as an underline during the webinar. Yes. You can also back test the vix. So as an underlying, so I thought you meant VIX as a technical indicator. Yes. So you can backtest the vix. This is kind of funny. It's saying enter the VIX was below 18, but you're also trading the vix, so I'm going to remove that technical condition. But all of the same backtesting works on the vix. And so if the question before was how does it work to trade VIX options when VIX are price on the futures? Yeah, I mean there are VIX futures and there are VIX options on the VIX that are traded in the standard stock market. It is funny because when you look at the options montage, the prices, oh yeah, this is where we're getting that data. So this doesn't show the VIX options on that particular feed, but when you look at the VIX options montage, the prices actually don't make a lot of sense with the current stock.

([42:14](#)):

Sometimes. Sometimes the futures price of the VIX is quite different than the current price, which is odd, but like you said, these options will settle off the futures price of the vix. So it's a little funny and it's a little counterintuitive. Sometimes they look very cheap or very expensive. Certain things, they look kind of out of whack things look in the money that aren't in the money because the options will ultimately settle off the VIX futures, but the VIX will, by the time that expiration comes around, those two things will line up as that VIX future dates approaches, the VIX will match the other. Otherwise it'd be an arbitrage where you could just sell the futures and buy the current stock or vice versa. So it works. It's a little funny if you haven't traded VIX options, you have to look at the futures price. It's a idiosyncrasy of trading the vix.

([43:04](#)):

Okay, let's see here. I'm down to, I sell an iron condor on the SPX daily 20 points wide and roll out if a short strike goes in the money. All right. Yeah, great. If that's working for you, that's fantastic. And if you're trying to back test a strategy where you are opening a, you want to open with the option prices at the beginning of the day and close at the end of the day, the closest thing we can do at approximate is to hold it overnight from the previous day. So if that's your specific strategy, that's not something you can easily test Within Trade Machine, we are looking at zero tte because there's a huge amount of interest in it. It's kind of like there's a huge amount of interest in crypto or especially there was, we just don't want to put a product out there unless we're confident that we can put trades in front of people that are going to give them edge and be profitable in the long run.

([44:03](#)):

But yeah, you let them out expire, that's great. And if that's been profitable for you, that's fabulous. And if we, in our testing of zero DTE, if we're looking at five minute bars or looking at stock prices or option prices every five minutes, if we through our own back testing and our own machine learning are able to find Edge, then we'll very happily release zero DTE tool and probably roll some features into the current version of Trade Machine. So that's kind of on the horizon, but right now trade machine looks at the data from end of day to end of day when the options data is most liquid.

([44:44](#)):

Perfect. Well the questions stop right as we hit the 45 minute mark and we try to keep these between 30 and 45 minutes, so that's perfect. I hope some of this was helpful today. Thank you for joining us. Please hop into the community and talk to us. Talk to Max. You can comment, read. There's a lot of great stuff there and a very open community. Love to take questions and bounce around trading ideas. Also, lots of great resources on the Learn tab, so lots of videos and all that kind of thing. So yeah, appreciate everyone being here. Thanks, Jim. Carlos, Mitch Anon, km. Great. Alright everyone, until next time, much appreciated. Thanks for being part of our community.

TradeMachine® Live Help 3-19-2024: Earnings and TradeMachine®

Jason Hitchings (00:03):

Yeah, so as mentioned, we're going to do earnings focus today. Thanks everyone for being here, and as usual, we'll just start with the boring disclaimers. This is not a solicitation to buy or sell any security ever. This is not advice. You should read the characteristics and risks of standardized options. The results here are provided for general information purposes. As a convenience to the viewers, the materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation. Trading futures and options involves the risk of loss. Please consider carefully whether futures or options are appropriate to your financial situation. Only risk capital should be used when trading futures or options investors could lose more than their initial investment. Past results are not necessarily indicative of future results. The risk of loss in trading can be substantial, carefully considered the inherent risks of such investment in light of your financial condition.

(00:57):

Great. I'm Jason Hitchings. I'm the CTO of Capital Market Labs. You probably know me by now. And yeah, we're going to talk earnings today. So there's quite a few places that earnings is captured within trade machine and there's a couple things that are a little bit involved and it's worth understanding them and they are kind of involved or have some details to them for a good reason. If they weren't intricate, then it wouldn't work. It's actually one of the things that we've spent a lot of time refining and working on, especially in the first few years of having the back tester out because you would try to create an earning strategy and then you'd look at the trade details and you'd say, well, that's odd. I was trying to place an earnings trade and it opened a position before the earnings event, things like that. So we have a lot of logic in there to make sure that the strategy you are trying to trade is actually the strategy that does get traded. And so we will dive into that today. I'm going to start on the today tab.

(02:08):

It's going to draw attention to the fact that we actually do have a little earnings calendar here. So if you scroll all the way down on the today tab, you'll see this and you can view it in a couple different ways, but if you're ever just wanting to see what's happening in the earnings world, this is a good way to do it. You can view it monthly or weekly or as a list. Let's see if I, man, you're seeing trade machine now, aren't you? Yes. Okay. I just want to make sure I shared not just that window, but the whole screen. Nope. All good. So yeah, as you scroll down to the bottom here, you see this earnings calendar. So these are showing everything happening today. Note the unverified ones. Basically I would just ignore these tend to be more fringe, especially if it's sometime soon. People that just don't report in a normal way or very small companies, we have a very good source of earnings data, and so if it doesn't say unverified, that means it's verified and you can rely on it with pretty darn certain it's going to be correct.

([03:19]):

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

([04:13]):

Once that's all done, and you can see that the next earnings is on April 3rd, it says before market and it doesn't say unverified. So if it doesn't say unverified, then you can be pretty confident on that date. So it's a nice way to get a little extra value out of trade machine. You can quickly look up verified earnings events that way if it's faster than clicking through the entire calendar. Okay, yeah, there's a list view there. There's a monthly view, so you can look at it in a few different ways. And just as mentioned, yeah, if it says not verified here, then they're trying to infer it based on past dates and if it's a Wednesday or not, but that it's subject to change and it definitely could change for bigger name companies. This is almost always something far out in the future where the company just hasn't officially announced when the next earnings event is going to be.

([05:07]):

So they just try to give you a ballpark based off of historical trends. But when it comes to actually placing a trade, please don't rely on anything that says not verified. So in the bottom of the today tab, there's a few different earnings strategies that are built in, and we're going to look at two of them in detail today. We're going to start with this pre earnings call. So these aren't triggering today so far, at least when I was making this deck. We didn't have any in the today tab yet, but these will be perfect for just illustrate an example. So I'm going to start with a simpler one, which is this free earnings three day call.

([05:47]):

So when I click on it, it pulls up this backtest and it says that we're going to be trading a 40 delta call. So a call that's a little bit out of the money, it's going to be expiring seven days in the future. And this says a pre earnings, like a three day pre earnings call. And so if you scroll down and I'll just kind of follow along in the backtester, if you scroll down here to custom earnings, you can see the specific rules that are set up. So I click that and I have to scroll back up to the top and it says, I want to open this position three days before earnings, and I want to close the position one day before earnings. So this strategy is basically trying to take advantage of excitement around earnings without actually taking an earnings bet. We don't have a lot of strategies that actually hold through earnings, but you can certainly test your own. But we have noticed some interesting trends about before earnings or after earnings where you can kind of benefit from market sentiment without necessarily taking the earnings bet directly.

(07:04):

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

(08:36):

It's actually greater than or equal to, then it will try to capture it. If you really want to be sure, then you could say open seven days before earnings with the seven days expiration call. But you could always just put this to eight days expiration to be very clear with what you're trying to do. The option tester will always, when it's looking for ded expiration, we'll find the closest thing it can. But if this ded expiration is greater than this days before earnings, then it sends a clear signal to it to look for an expiration after the earnings event.

(09:11):

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

(10:19):

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

(11:28):

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

(12:38):

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

(13:40):

And so you can kind zoom in. So if I go to the today tab and I click this thing, you can kind of zoom in on this individual trade. So I'm going to go down here, I'm going to scroll this over, kind of zooms in, and you can also move left and right this way, but I can zoom in on the trade, it's a little too far in the future. So this is the trade we're we're looking at, and if we look closely, you can see these lines, these little dotted lines going up and down. And those are the earnings events. And so when I scroll over to figure out the exact earnings date, I can see that that earnings date's on the 17th of November, and then we open the position and close the position. So let's see if it did a good job. So as I zoom in here, I'm just putting strong lines there so you can see it sometimes these little es will get hidden on the chart when you're zooming in, but those dotted lines always show you what the earnings date is. And we can see that we opened it a little bit before earnings and we closed it before the earnings event as well. So that's when that trade took place. I zoomed in on the map and I saw that it was on the 17th of November that that earnings event took place.

(15:08):

And then we're going to look at our strategy. So again, we have this, we wanted to open this position 14 days before earnings. This description tells us why we opened. It says open 14 days, the long calls and the short calls, and this one is expiring on the 19th. Well, the 19th is after the 17th of November, so that did it correctly. And then the seven day rule should expire before and the seven day short option is expiring on the 12th. So you can see that using these rules, this seven day role in this 14 day role, it is forcing the short option to expire before the earnings event and the long option will expire after the earnings event. The nice part about that strategy is that when there's an upcoming earnings event, the potential movement of this stock is going to keep a lot of value in that option because even if the option's expiring in one day, if it's going to capture an earnings event, then it's going to have a lot of premium built into it because there's a lot of potential movement.

([16:28]):

This one that's expiring before, this one's going to decay pretty fast so that we open this thing for a dollar, that dollar is going to drop off pretty fast in value, and then this one's going to maintain a lot of value. And if we're lucky, there might also be some kind of free earnings excitement and this one's capturing it and this one's decaying pretty rapidly. So that's kind of what this strategy is built around, and it's why we use a diagonal. When you first get into trade machine, if you click and it's like a diagonal and it's a custom strategy, it's like it's a lot for someone that's brand new and it's like all these custom rules and that kind of thing, but using these settings, you can have an option that this option is expiring very quickly. There's a lot of theta decay, and this one is maintaining a lot of value.

([17:22]):

So even if nothing happens, even if the stock moves sideways, this one's probably going to decay a lot faster than this. And so this strategy can do well even if the stock moves sideways a lot of the time. And so when you're constructing your own earnings rules, these are just great things to keep in mind about days to expiration days to the earnings event. It can be four earnings, et cetera, but that's how all of that logic takes place. As mentioned, that short option is going to decay really fast because it's expiring before the earnings. So then let's just quickly look at when we're going to close it. So our rules to say close one day before earnings.

([18:10]):

When we look at this, we know that the earnings was November 17th, so we would expect it to close on the 16th, but this actually says on 12th of November it closed and it said days to expiration. So the reason it's closing on the 12th instead of the 16th is because when we created this custom strategy, we said close all legs with front month options. And so when we sold this out of the money call, it was for the 12th of November. And so when this reaches expiration, it closes both positions. If you uncheck this, it will actually continue to then hold this long call up until one day before earnings because that was the earnings rule we had. And then it'll close this on the 16th. So this would close on the 12th, and this would close on the 16th as is. It says close them together when this front month expires, it closes both positions. If we just said, okay, let's just do a call, let's not do this diagonal thing, then we can see that it opens on the same day that you'd expect and it waits until the 16th to close it. So nothing's expiring before the earnings event, and so it is just going to close it one day before as expected. So that's what that little close all legs with the front month options, that's relevant for all custom strategies, not just earning strategies. If the front one expires, it'll close 'em all.

([20:00]):

Okay, great. So that was one of the more involved earning strategies with a diagonal. That one is expiring before and one's expiring after. If you understand that, then you really understand a lot about how earnings is handled within trade machine. But I'll look at one or two other little things. So there's also this little setting at the bottom here that says, only trade if the last earnings stock move was up down X percent. What that means is that the previous earnings event, so I used Nvidia for our example, so I'll just pull a chart up real quick. So if I look at Nvidia, because I think they just had a real big earnings move, if I just look at call and I look at really any kind of earnings move, let's see here. I'll just simplify this. I'll just say I only trade earnings. So we can see the earnings events. So if it, I'm going to zoom in so we can see the data a little more closely.

([21:17]):

This dotted line is where the earnings event is, and you can see that we jumped from here to here, so we're at 6 74 ish and then we're up at 7 85 or something the next day. So that was a huge, huge earnings move. So if you place a trade that says, I only want to trade, if the previous earnings move was X percent up or down, it's talking about, so starting here, anywhere in here, if you said that I wanted a positive earnings move, then it's going to be active, right? And here it looks like if anything was slightly down after earnings. And so I would expect if I'm reading that chart from this zoom level correctly, then it wouldn't trade in this position. So if I go into custom earnings and I say for instance, two days after earnings, I want to open a position only if the stock was up 5% and then I'll go ahead and close it after earnings.

([22:38]):

And actually this is good, I had another slide this, but this is saying this is impossible because it's saying I want to open a position two days after earnings, but close it one day after earnings. That's not how this, that would be carrying it. That would be talking about two different earnings events basically. So it will send you that warning message if you try to have a setting like that. But let's just say that you wanted to hold it for 10 days or something like that, only if the stock was up 5% in the previous earnings event.

([23:11]):

It's saying it's, it's not active right now, but you can see after that previous earnings event, it pops and it's going to hold onto it. But not all earnings events like this earnings event didn't qualify. There's not a trade right after earnings here because there wasn't a 5% upwards move. This one did temporarily show a 5% upward move, but then it didn't last. So yeah, that's what that setting's doing. It's looking at the previous earnings event and then based on that you can create some interesting strategies around if there was bad news and the stock is, you can look at the moving averages of the RSI for kind of what the trend in the stock movement has been, and then you can build strategies around that, whether you want to sell a put spread or buy a call or anything along those lines, but that's what that customs earning strategy is doing there.

([24:08]):

So yeah, after that, so those, now we've talked about most of the major earnings things as mentioned that one triggered for Nvidia. Anytime that you set and earnings alert here, it'll say add alert, and then it'll create this days before earnings alert for you based off of your settings. If you also had a technical rule set, like if you said, yeah, that the stock is above the SP five that the stock is above the simple moving average 50 days, then it should capture that as well, and it creates instead of just days after earnings, it would be days after earnings with technicals, and then the technical condition is the stock is above the 50 day moving average. When you get that alert, it's going to send you this link and this link is going to have a link to that backtest where it will pull that alert up. We mentioned it previously, but you can set this alert for multiple things at the same time and just make sure that the ticker you're looking at is the one that you got an alert on when you set that rule.

([25:32](#)):

Another thing you could do that I like to do is let's say that I was trading a strategy that was going to open 14 days before earnings and sell one day before earnings. I'll go ahead and set another rule in here that says days before earnings one, and I'll say close and video. So I'll set a close notification to myself just to make managing my positions a little simpler for myself. So that's another handy trick. You can also do it with if you have a position expiring, for instance, maybe you set a limit to close out a position, but in case the limit's never met, you can set on a calendar day, whether it's around earnings or just on an expiration text at the position on a specific day, I end up using this just for things on life. I find getting a text message about whatever dentist appointment today, kind of more convenient sometimes.

([26:26](#)):

So you can always set those calendar day alerts, automatically delete themselves, they'll only trigger once. And then finally, two more things. So on the today tab in terms of alerts that you can set, we have these earnings strategies down here. If you set a today tab alert, all of these are these earning strategies at the bottom. For anyone that's new here, all of these strategies, there's a lot of detail here. If you click the little question mark, it'll open some details about it. Oftentimes a video, and you could also go to, this is actually opening an article that kind of explains the strategy, which is good too.

([27:11](#)):

And also if you go to learn tab, you can find a lot more information about those. But yeah, you could just say, yeah, for the NASDAQ 100, I just want these alerts. You can save it and then you'll get an alert when these specific today tab alerts are triggered, which have some additional conditions and criteria to say that they have a certain winning percentage, a certain total return, a certain average return. They've traded a certain number of times over history. So if it's only has one win and zero losses in 10 years, it's not going to make it onto this screen. It has to have a couple trades built into it. So there's a lot of logic that happens in order to get things to appear on this screen.

([27:54](#)):

And then finally, before we move to any questions, everyone s on the PRO scan, there's all of these earnings strategies down here. So we have only trade earnings, these long strangles, we have all these post earnings and pre earnings strategies. If there's ever one of these that you're interested in, you pick the strategy and then you pick what group of symbols you want. You can just say all if you want all or if you want to make sure that things are pretty liquid, you can choose the largest 500. Then you can sort by total backtest return or average trade return and look for some that have a couple trades in them to have a little bit of a trend that's going in your favor. And if you click this, this is the add alert column here, then when you have those alerts selected, you can add those alerts directly to this thing as well. Yeah, so that's another way to add alerts. So I've kind of showed a couple different areas really the most critical areas for how you can play with earnings settings and add earnings alerts within the product. And so yeah, with that, let's just dive into questions.

Amanda Kelley (29:24):

Would you like me to read?

Jason Hitchings (29:26):

I'll pull it up. Sometimes I process the information better if I read it. What is the strategy behind the Bulger Band width percent? Okay, let's look at the Bollinger bandwidth percent. I mean the actual technical for the Bollinger Band width percent is I'll do a back test with a Bollinger band real quick. So if you're just wondering what that technical means or if you're wondering what strategies use it would be a different question. But in terms of the technical, when we have a Bollinger Band with percent, you can nerd out and get deep on those technicals of interested.

(30:19):

That's talking about the Bollinger bands are essentially the standard deviation up or down and the movement of the stock. So it's kind of creating a band around the stock movement. One way to trade the Bollinger Band is to say, when this thing breaks out of the Bollinger Band, this would be breaking up through the Bollinger Band on that bar. This would be breaking down through the Bollinger Band. So it's kind of like a pattern of trading within a certain range. It's looking at basically taking a moving average and then taking a standard deviation like an up and down movement around it and putting a band of typical movement, if you make the standard deviations is two standard deviations. If you make it three, you're going to have a really fat Bollinger band. If you make it 1.5, you're going to have it a tighter Bollinger band, in which case you're going to have more breakout signals. But in addition to breaking up and down through this thing, another strategy just to say when it gets wide, which is kind of a measure of volatility, because when you get a lot of up and down volatility, you can see that the band gets thicker. When you have more quiet stretch of time, you can see that the band is thinner. If you want to know about any specific strategies around it, then it might be a little more in depth. And so I might point you to the learn tab for that.

(31:45):

For non earnings alerts, if an alert whether personal or today tab has never trade earnings checked, does the back tester make sure the alert is not within the two days before or two days after earnings before generating the alert? Yeah, that's a good question. For that technical alert, it will. Oftentimes the back tester when it's generating a technical alert, it's not looking historically at what's happening with the alerts when it's saying it got triggered today, oftentimes it's just looking from the current moment in time forward, unless you're saying like an after earnings trade. So it is possible to get an alert that says never trade earnings where your earnings was yesterday. So that's a good thing to check how much that would actually affect your strategy versus waiting an extra day, it could affect some, so it's a good thing to consider with an evert trade earnings. And that's kind of on our to-do list is to add a little bit of historical checking for the live alert when there's no kind of special earnings alert set. But that's a good question. Is there a way to create an alert when a triggered trade has reached its profit target? Currently not. That would be helpful.

(33:23):

Yeah, so the alerts right now are not based off of the kind of current options market. It's not like saying, okay, well I created this back test and this back test hit a limit or that kind of thing. So the alerts are really based on the technical conditions and the earnings conditions in that moment. They're not based off of the last five or eight days of performance or something like that. We have had a lot of discussions internally about do we want to allow people to start to track trades across time more than just a back test, but actually kind of track the performance of trades across time, almost like a paper trading within trade machine.

([34:10](#)):

If we do add that feature, then at the same time we would add exactly what you're talking about, which is tracking the performance today of something that you placed a position in previously. So yeah, that's a very good question. It currently doesn't track your back test and track the performance, but we definitely see the value in that. Would you consider using an alert, which triggered a day or two ago? I guess it would depend for me a little bit. The alert, I think if it's like a 14 day pre earning technical alert and the technical conditions are true, and it triggered yesterday and I see it today, if it was a bullish strategy and the stock hadn't moved a lot, the stock hadn't jumped up 15%. This is just my personal way I personally trade. Then if it's a stock I wanted to trade, if it was an event I wanted to trade and I just kind of didn't get it in time the previous day, then yeah, I would be open to coming in a day late. But I wouldn't do it with a three day pre earnings trade. That's just too short of a timeframe.

([35:26](#)):

To me. If it's a longer time trade and the stock triggered yesterday and the stock hasn't moved, if I haven't missed my opportunity, if I didn't miss out on 20% of a movement, then I personally wouldn't necessarily be adverse to getting into it. But if you want to follow the back tester as closely as possible, then back tester wouldn't take that trade. So I'm noticing the frequently tickers that get triggered for certain trades don't have the options to do the strategy, and they're triggered for how can you filter to have those tickers not even appear in the list? Yeah, so there's a couple of different scenarios for that. Sometimes there's a weekly strategy. The weekly strategies can, there'll be moments in time where, for instance, that strategy we looked at where you wanted to trade a seven day option and a 14 day option around earnings, there's times where the earnings window just happens to fit with the option expiration windows where you actually can put that trade on.

([36:33](#)):

So if it appears on the today tab and it's won two out of three times or something like that, then it means that it's finding ways to do that trade occasionally. But if it doesn't have weeklys, then it's harder to with more complex strategies like the one by three by two. Yeah, sometimes what will happen is that the actual options can be wide enough that if you don't have a good tight option bid ask spread, then you can't really get a good implied volatility in delta just for a lot of nuanced reasons. Like if that midpoint is not above the theoretical value, then it can't generate a delta. So yeah, there are times where it can't figure out how to open the tray just because the options montage is basically a mess. That is something that we will be adding. We're working on a liquidity filter right now, which we'll be looking at the bid ask spread and looking to make sure the midpoint is above the theoretical value, and that will be something that we can add directly into the today tab.

([37:46](#)):

Another way to go about that is to filter based on the s and p 500. Sorry, it's just caching the results on this page, but if you filter results on the s and p 500, then it's not guaranteed to be very liquid, but it's much more likely to be liquid. So that's one way to do it. Also, any strategy that you're testing before you even add an alert, one way to test liquidity in the tool is just to say, okay, so for this particular strategy at won nine loss, seven have a profit of 820 bucks. Right now it's assuming a mid-market execution. So a very optimistic assumption about that. If you click this little settings gear and say, okay, well let's say I don't do that. Well, I'm only halfway between mid and what the market's bid ask, you can see kind of how much slippage there is.

([38:44](#)):

So this one is still profitable, one fewer trades, your profits are a little bit lower, but that kind of indicates something that's pretty liquid. It didn't radically change your returns. If you go from midpoint to halfway to mid and you go from eight and oh to four and four or something, to me, I'm like, okay, this thing, it's too wide. I don't want to have to be that stressed out about getting midpoint execution. I don't want to watch a trade all day and be fiddling with my bid ask spread. So that's kind of one way to quickly check it. But to your point, we are working on sort of scanning all the option spreads for the underlying over time to say only if the spreads are tight to have a liquidity score on a scale of one to five, where five would be the most liquid. So that will be coming in the not too distant future. Are you planning on modifying the text associated with the alerts? I'm interested in including the type of strategy and the opening sentence of the email alert. The reason is to enable the ability to sort quickly on strategy types and bid them for further analysis on the today tab. Right now, if you set set alerts here, they will say the specific strategy that generated them.

([40:11](#)):

Right now we haven't, let's say that you click a bullish burst or something and then you say add alert. We could do some work and make sure that everything's exactly the same between those two things. But for instance, if you changed from never traded earnings to custom earnings, it'd be the same technicals, but the earnings would be a little bit different. Or if you got in here and you tweaked the technicals and you said nine days instead of 10 days, it's more or less the same strategy, but just slightly tweaked. So when you add an alert, it would be a little unclear if that's what you meant or not. So I think there's definitely a place really anytime. It'd be nice to know when you click this that it came over from the bullish burst strategy. So until you change the name of the technical, it would be great to just put bullish burst with a link to the help.

([41:09](#)):

So that's something that's on our roadmap. What I recommend in the near term is just it adds a little bit extra work for you, but if you just put Polish burst, then that's kind of one way to keep track of those things. I know it's an extra step, and I definitely take your point about your question. Yeah, yes, Robert, we're definitely see the need for having some more liquidity information so that you can expect in the not too distant future that's text associated with email alerts. Yeah, so right now, if you want to know what strategy came from then if you just put a little note, that's the best way currently, but we definitely might add some additional information in the future.

([41:56](#)):

Great. Well, we're right at about 42 minutes into this thing, which is kind of the sweet spot for us. Between 30 and 45 minutes is kind of how long we try to do these. Any last questions before we wrap up for the day? Okay, great. Well much appreciate everyone being here. I hope the earnings discussion was helpful for some people and definitely look in the future for some additional information on liquidity and some other things like that. Thanks, Robert. Thanks, mark. And yeah, please come join us in community, ask questions, talk to us, and lots of great information in the Learn tab. All right. Thanks everybody. Great. Thanks for being here. Have a great day.

TradeMachine® Live Help 3-14-2024: Setting Alerts and Filtering Trades Based on Specific Criteria

Jason Hitchings (00:02):
I made a whole slide to remind myself to start recording.

Amanda Kelley (00:07):

Nice touch.

Jason Hitchings (00:07):

Yep. It'll be copied into every slide in the future, so it'll definitely help. Okay, so I'll just start off with the really boring stuff. This is not a solicitation to buy or sell any security ever. This is not advice. You should read the characteristics and risks of standardized options. The results here are provided for general information purposes. As a convenience to the viewers, the materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation. Trading futures and options involves the risk of loss. Please consider carefully whether futures or options are appropriate to your financial situation. Only risk capital should be used when trading futures or options. Investors could lose more than their initial investment. Past results are not necessarily indicative of future results. The risk of loss in trading can be substantial, carefully considered the inherent risks of such investment and light of your financial condition. So I'm Jason Hitchings. I'm the CTO of Capital Market Labs. I've been at this with PHE for about eight years or so, and we worked together back at Val that got bought by SIBO before that, so been around in this industry for quite a while. Great. So I'm going to give an introduction to trade machine in the form of a video and then I'm going to walk through some of the major pieces of functionality and then we'll take questions. I'm going to share my computer audio and this will be fast.

([01:35](#)):

Let's see here. Caption, stop recording. I am just looking for the share computer audio button. I don't think it's sharing audio yet.

Amanda Kelley ([01:57](#)):

It's not.

Jason Hitchings ([01:59](#)):

It's funny. I actually just, oh, ship sound in my mind. I had a different menu option. Okay, I can hear

Amanda Kelley ([02:08](#)):

It now.

Jason Hitchings ([02:11](#)):

Alright, so this will be fast. Thanks for

Ophir Gottlieb - video ([02:12](#)):

Joining everyone. John, great news. He just bought a new house and he's in a whole new neighborhood. Now that he's all moved in, he realized he has to figure out the best way to get to the grocery store. Little did John know his quest for the best grocery route was about to offer him insights into something much bigger, much like the world of stock trading. On his first trip, he figured the fastest way to get there would be a straight line, and he tried that way first. Pretty confident he was all set, but it turns out that way has a 10 mile per hour limit, and even worse, it's a speed trap. His 10 minute drive turned into a 20 minute problem, so then John tried the next shortest route. After all, you can't get unlucky twice, right? He went west and then he went north.

([02:55](#)):

This will work. He thought, and that was a really good route. He was all set, but later in the week he faced a new challenge. A school at the corner meant unpredictable traffic patterns during weekdays, much like unforeseen market fluctuations, and that meant every Monday through Friday, both early in the morning when school started or in the afternoon when school got out, this was just as bad as the slow speed trap. This route worked once, but when conditions changed, it didn't work at all. So then John Thaw, he would take the path that went north and then west and that would be the way he got to the grocery store. He could just take this route every time and not worry about changing conditions or days of the week. Well, that route worked fabulously well on the weekdays, but John soon discovered that on the weekends this route had massive traffic jams.

(03:45):

Months later, anyone watching John could see why he was so happy. He knew which route to take on which day and what time to get to the grocery store. Now he gets to the grocery store easily now that he has a plan, a plan that is based on his experience in the past, his failures and his successes. Ultimately John reaped his goal when he learned from history. It took a lot of drives to the grocery store for John to figure it out, but now he's happy. Now he knows exactly how to get to the grocery store and exactly when and exactly which roads not to take. But in reality, there's many homes and there's many grocery stores and they're all over. And it's not just grocery stores, it's every other store and his friends' houses and work. And there are many paths to take, many times on different days in different seasons in different weather, figuring out what route to take on which day and at which time.

(04:36):

Then also understanding which routes not to take and which places not to go on certain days and times. Well, this is all called a back test. John used the past to help him decide what to do in the future to get from his house to the grocery store. Imagine for a moment, these everyday destinations, homes, grocery stores, workplaces as stocks in the market and instead of roads, think of these routes as different ways a stock can move. Just like John's routes, the stock market has many paths. A stock can be above the 200 day moving average or below the 200 day moving average. It can be above the 200 day moving average, but below the 50 day moving average, but above the 10 day moving average all at the same time. Stocks, much like roads have their ups and downs. They can be on an upward trend or experiencing a downturn affected by seasons, market events and earnings reports.

(05:27):

There are hundreds of millions of different patterns in the stock market for just a single stock, and there are tens of thousands of stocks in the market each moving together and separately at the same time. Just as choosing the wrong road at the wrong time can lead to delays. Choosing the wrong stock at the wrong time can lead to financial setbacks. So how do you navigate this complex network? Enter trade machine, your financial GPS, it's a backtester designed to identify the most promising patterns. It tests hundreds of millions of different opportunities and patterns and shows you historically which ones did the best. And then we layer on our proprietary artificial intelligence on top of it. Our proprietary AI goes a step further. It doesn't just learn from historical patterns. It anticipates adapting to new market conditions. A bit like John's evolving understanding of his neighborhood's traffic flows because when it all comes down to it, while option trading can be very complex, all we really want to know is how to get from home to the bank.

Amanda Kelley (06:41):

Jason, you're muted still.

Jason Hitchings (06:45):

Thank you. So yeah, that's pretty straightforward. It's probably fairly obvious to a lot of you who have used a trade machine so far for a while or who are familiar with back testing, but we like that video because we think it gives a grasp of what's happening underneath the hood of trade machine and the idea that behind the scenes we're testing hundreds of thousands of different strategies to unearth trends to try to figure out things that tend to work well. Certainly those are no guarantee it's going to work every time or always in the future, but I for one would sure as heck rather try to test a trade that's worked seven out of eight times in the past than go into something blind, much like much the way that traffic patterns get analyzed, for instance. So with that, I'm going to just dive into a trade machine kind of from the front and I'll just spend about 10 or 15 minutes showing off some of the main features and then we'll dive straight into questions.

(07:55):

So this is the today tab and what the today tab is is a collection of different strategies that we've developed using the backtester. We've done thousands and thousands of backtests and the BACKTESTER looks at all kinds of different market conditions, technicals, earnings, et cetera, and we find strategies that have performed very well historically. The nice thing about the today tab is it's not just saying that this particular stock VTR has done well in the past. It's also saying that all of the technical conditions and earnings conditions that would need to be true in order to enter that trade today are in fact true as of the time that this notification gets sent to the screen. I'll make a quick note for new users that we wait about an hour before start populating these results because there's so much market fluctuation at the beginning of the day, it can be a little confusing if something seems like it triggered but then goes away if it essentially becomes active and then inactive again because of stock movement.

(09:11):

And so to prevent that from happening too often we wait about 60 minutes before we start triggering these alerts. So if you log in first thing in the morning, you probably will see triggers from the previous day, but you won't see today's triggers. So these are all different option strategies and every one of these strategies will show how it's done in the past. This is the total return, this number of wins and losses, and it'll say the last time it triggered, there's a little piece of text here which says advanced or beginner or intermediate. That basically has to do with the actual option strategy that gets used. If it's simply buying a call or selling a put spread or something, then the strategy will be marked as beginner or intermediate. And for things like calendar spreads that are a little bit more involved to get marked as advanced so you can kind of quickly see what's happening there.

(10:09):

Each one of these question marks goes into a detailed video that gives a whole explanation of how it was backtested, how it outperforms the market, versus doing the same approach without the same technical setup, et cetera. And I'll show it off later, but in the learn tab you can really dive in deep to each of these different strategies. So for right now, what I'll do is I'll just look at this HAL trade today. So this is for all tickers right now set up for all tickers. If you want to focus on stocks that have a higher capitalization and tend to be more liquid, you can just filter by any one of these up top. I'm choosing the largest 500 here and here's this fade the dip strategy, and I'll show you exactly what that is. But it shows that for Halliburton that this triggered today six wins, two losses, it's returned to 108% over the course of those trades.

(11:10):

So just real quickly, I'll show you, if you click on this again, if you click the question mark, you can dive into details. If you click on the HL ticker, it's going to actually pull up the back test, meaning it's going to pull up the historical track record of this trade with all of the settings that are built in here. And so what we see here is that this is a put spread that it's selling a slightly out of the money put and it's buying for protection one a little bit further out of the money. This triggered in green indicates that all of the technical conditions, which are shown here are true right now as well as any earnings conditions. The only earnings condition is to never trade earnings. And so in this case it means that we don't have earnings within two days. And if we look up here, we can see that the next earnings for Halliburton are in April.

(12:15):

So if you want to dive into any of the additional details, you can sort of click through any of the settings. If you click technical opening, you can see details on the technical settings, et cetera. And that's true of every strategy. Now a new feature that we introduced is this show options, and this takes a lot of the boring work out of deciding how to put on the trade. For instance, if it's an earnings trade, you might have to make sure that the options expire after earnings or sometimes one expires before earnings and the other one after earnings. So this instead of needing to look up what the delta is on your options montage and you should certainly double check, but this will just speed up the process quite a bit if you do decide that this is a trade that you are interested to put on.

(13:01):

And what this is saying is that you want to, if you wanted to do this trade, you would short the 37 April 12 puts and you would buy for protection that 36 puts and that would be the trade. So that keeps it nice and fast and easy, and I'll just show you what that would look like in your Think or Swim montage. If you use Think or Swim, it'll look similar in various brokerages, but if you enter the ticker HAL, you go to the options chain, you go down to the April 12 options. On the right hand side would be the puts and you would just be selling the 37 and buying the 36 for these 12 Aprils. You'll note that there is decent bid ask spread here. It's 57 at 89 cents. And so obviously you'd want to make sure that you had a decent execution on this, and I'll show you a little bit more of what you can do in trade machine here in a second. But you wouldn't want to sell this for 57 cents and then buy protection for 55 cents because your max gain would be 2 cents and you'd be taking a dollar of risk.

(14:16):

So I will just look into another strategy real quick on the today tab to show you what it looks like when a strategy isn't active, and I'll also point you to a resource for people that are new to options about how you can learn about all of the different spreads and deltas and all the terminology that might feel kind of confusing when you first get into it. So I'm going to look at this McDonald's trade here. It looks great, actually wanted to put this trade on today, but it didn't quite stay true. And so it says there's a 306% return and it has eight wins and zero losses, and there's a video here you can dive in. So if I click the ticker now it's pulling open the tray, but it's saying it's not active as of the last time it was checked, which is right now, and of course you can't place it after the market's closed anyway, but it is checking all of the stock price as of right now, et cetera. So what this trade is saying is that for this trade to be active the way that we've created the strategy, and you can create your own strategies to your heart's content, but it's saying that the stock would currently have to be below the 200 day moving average, but that yesterday the stock would've had to have been above the 200 day moving average.

([15:34](#)):

So this is essentially a cross, it can be crossing up or down if you see the 200 day moving average and then the yesterday 200 moving 200 day moving average. That means that these will be different, one will be up and one will be down. It just means that we've kind of crossed up through or down through. So this one will be crossing down through the 200 day moving average. This is a strangle meaning we're buying a call and we're buying a put. And the reason we like that downward movement is because oftentimes when a stock is moving down, the volatility starts to increase a bit and these are the technical conditions that we've tested over time, and then we'd also want the stock to be below the 10 day exponential moving average. So those are just the technicals that are set up If you want to create your own, then you can go as deep into technicals as you want. You can also just use the platform with the technicals that we've set and not have to get into all of the details necessarily.

([16:34](#)):

When you click on one of these strategies and it gets pulled up, it pulls it up exactly as it was the last time we tested it. You'll notice that the end date here says March 11th. So this is when we generated this results of eight wins and zero losses. That was on March 11th. This technical conditions, it appeared here today because at some point today, all of the conditions were met for this technical thing. So this date you can just go ahead and update to today and it's going to still show inactive because this inactive is always checking today's value. So now we can see it's hard to see down here, so I'm going to zoom in so you can kind of see this blue line is a 200 day moving average. This green line is the 10 day exponential moving average and the 10 day exponential moving average just looks at the last 10 days of stock data, but by exponential it means that it uses the current data more than the older data.

([17:36](#)):

So in order to get a better look at what's going on there, I'm going to go all the way down to the bottom of the chart. I'm going to grab this bar and scroll over. Then when I go up here in order for this to be active, it would've had to have crossed down through the 200 day moving average. Well, we can see it did that. You can see that the low point today was far below this 200 day moving average, but where it ended the day at the bottom of the thick bar is well above the 200 day moving average. And so that's why you're going to see that it appears on the today tab as something that triggered, but it's always good to click it and then confirm if it's active at the time you want to trade it. And our backtester, the way that we simulate the market and we look at all the historical data and all the historical trends, we look at the data at the end of the day, it tends to be when the data is most liquid, a lot of the options volume and the stock volume happens at the end of the day.

([18:36](#)):

So the way that we've built it is that we are looking at patterns based off of the last 15 minutes or so of data. And so if you really want to stick closely to what the backtester and trade machine is doing, then you place the trade kind of towards the end of the day and you'd log in and you confirm if it's still active at the end of the day, which this particular strategy is not for anyone who noticed any slowness today from trade machine towards the end of the day. Now that we have this feature, a lot of people are logging in right at the end of the day to check things. So sorry for the slowness today and we've identified the issue and we'll get that. We'll make sure that it's nice and fast for you.

([19:16](#)):

One more thing I'll mention is that we get a lot of questions about is there tests for liquidity and things and there are tests for liquidity behind the scenes in order for them to make it onto this page. And if there's bad liquidity like a very widespread, we will oftentimes show a warning message here. But if you're wondering how much liquidity is going to affect your particular trade, then there's an easy way to do it. So in this little settings icon, you can change the deltas, which is to say how in the money or out of the money each leg is. But you can also say, when I'm simulating this trade historically, I want to assume that I can get exactly in the middle of the bid and the ask or I can't do quite that well, but I'm not buying at the ask and selling at the market's bid.

([20:22](#)):

You sort of halfway in between or you can say, I'm just getting market prices, so I'm buying at the high price and selling at the low price, kind of the worst case scenario. So if you put halfway, you can kind of see how much your performance gets hurt. And so at the halfway mark, we're still not hurt that much in this particular trade, which shows that the markets are pretty tight and pretty liquid. If we go all the way to kind of worst case scenario for execution, we can see that the trade drops down a little bit, but it still has a healthy return and a healthy wins loss rate, and that's a sign that this is a pretty liquid, that the option chains are pretty liquid, that the market widths are pretty tight. But as you do that quick test, oftentimes you'll see that that's not the case.

([21:05](#)):

And if I go from mid-market to halfway between and I see that all of a sudden I have more losses than wins and I don't have a no longer is the percent return positive, I walk away from it. Typically that's just my personal taste. I just know that getting in and out is going to be too much of a headache and also the quality of execution is going to be so important. One additional detail is that you can drill down here and if you click that tile, you can get in here and see all of the trades historically and you can kind of click through and see each individual one. You can even download the trades and look at all of the details.

([21:48](#)):

I want to look at one more strategy and so we can see all of these different strategies on the today tab and I just want to look at buy the dip for a moment, which is buying a call when the sock has been going down for quite a while but has started to recover. As always, there's a nice video there you can watch. I'm just going to click one even though it's not active today. It's going to pull up all of the back test settings anytime you click a ticker like that. And so what we can see here is it's saying that the stock is now above the 200 day moving average, but yesterday it was below. So it just crossed up through for it to be active and that the stock is above the 10 day moving average, meaning it's on an upward trend.

([22:34](#)):

And the RSI is below 70, meaning that it's considered to not be overbought. Now I'm going to set this to the most recent day's data, but what I wanted to show is that when you're looking at a strategy like this for an individual symbol, you can always look at this like, Hey, how would this do if I did a call spread? For instance, how did this strategy perform? Like, well, hey, that looked pretty good when I actually did this as a call spread, but is that just a fluke? Is it a one-time thing that when I did this trade as a call spread, it just happened to do better or is there really a pattern or a trend there? You can look at different timeframes. Now I'm clicking the two year timeframe. This is still looking pretty solid. The next step that you can take to get additional validation is you can click this portfolios button at the top and you can enter your own portfolios of tickers if there's certain stocks you like to trade or we've created a lot here for different industries.

([23:34](#)):

I'm going to click the Dow 30 here and it's going to test these 30 stocks. And first I'll do it as a call and I'm going to see how these 30 stocks did with kind of typical way that we have this strategy set up, this buy the dip, meaning the stock had been below the 200 day moving average, but just crossed above. And that in general for the last 10 days, it's been doing pretty well because above where it's been over the course of the last 10 days on average. So we see if you're just buying this slightly out of the money call that expires 30 days in the future roughly, it'll find the closest one it can to 30 days in the future. If very rarely will there be one exactly 30 days in the future that this strategy won in the Dow 30 for the last two years, 47% of the time, and the average trade return was 11% or 12%. When you're buying a 40 delta call, you'd expect it to end up in the money about 40% of the time.

([24:45](#)):

And so it's doing a little bit better than that right now. In the last two years on the Dow 30, it's doing 47% and the average trade return is solidly positive, it's at 12%. But the question we had is, well, what if I do it as a call spread? It worked fine in a ON, but how is it going to work if I look at a larger basket? And I would definitely encourage you to, you can test this against the qqs or anything else if you are interested in this kind of a trade or if you just wanted to tweak technicals and said, what if I want to look at macd or any other technical?

([25:22](#)):

Now look what happened here. It went from a 47%, 40% were wins to 54%, and that's what you'd expect with the spread. Oftentimes you expect a higher percent of wins, but perhaps a lower average trade return depending. But this one we wanted both because now the average trade return jumped from 11% to 30%. And so all of a sudden this is looking like a great strategy. And now I don't want to just do it for a ON, but I want to consider doing it for more trades in the market. The question is how am I going to know when a stock crosses above the 200 day moving average when the stock's above the 10 day moving average? When the RS I is below 70, I don't want to just log in every day and check a thousand stocks. That would be mind numbing. So what we can do within the product is you can actually add an alert. And so you can go through and click on any one of these that you think look promising.

([26:23](#)):

Maybe I'll remove that Cisco, and I'll kind of just choose some of the better performing ones here. And in fact, if you want to, you can actually sort by these columns. I could just say I just want the ones that have the highest average trade return. You can click and see any of the details and like, Hey, these look great. So now I'm kind of choosing the best of the best that have done really well with this technical setup and with this call spread and I'm going to tell Trade Machine, I want you to notify me when these conditions are active so I don't have to sit in front of my computer all the time. I have another job. So now I'm going to click add alert. It's going to set all of these tickers there for me from that previous trade, and it's going to set the technical conditions and I can place any kind of note in here.

([27:15](#)):

I want, I can say by the dip with call spread rate returns, trade it, then it'll send me this share link. If I enter my phone number, it'll send me a text message and then I click up here at alert. And now for all of those tickers, it has set that alert and I'll be notified directly to my email when those come true. And my note will be there at the bottom. There'll be a link in that email or text that will pull up the entire, it will say, for instance, that Apple triggered on the day or any stock that you want triggered on the day, but it's going to pull up the entire back test. So if you want to just look at the stock of interest, then what you do is just click that particular stock and that 40 20 and then you can look at the specific stock and the specific trade in order to get that trade loaded in here.

Amanda Kelley (28:38):

Hey, Jason, do you want to point out what you just did with the comma?

Jason Hitchings (28:42):

Yeah, exactly. So if you would just want to, when you do a back test within this tool, by default, we'll show you five different trades with different amounts of how in or out of the money it is. If you want to look at different tickers, you can enter two tickers with a comma separated between them. But if you only want to look at one trade, then you can just enter a single ticker with a comma and it'll only show you one. And the one it'll show you is the middle, middle one here. So if I was going to be looking at a call spread, it would be using the 40 delta and the 20 delta there.

(29:30):

And so that's kind of a quick walkthrough of how you can go from taking one of our strategies and then tweaking it. All of the strategies are actually all the today tab strategies. At least a lot of the main strategies are saved directly here. So if you wanted to look at by the dip or by the selloff or any of the other strategies we have here, you could simply click load the strategy that's going to load a save back test. You can say, I want to look at it for the last two years. And then if you want to, you could do a portfolio back test and dive as deep into this as you want to. I'll just make one note that there is a custom strategy loaded here. And custom strategy is if you want to do something like a diagonal or a broken wing butterfly or something like that, then you can enter the specific deltas and the days expiration, et cetera, and you can be long or short calls and puts up to four legs of any kind of strategy that you want to create. So if there's not a default button here, then we create a custom strategy. Sometimes the names are a little bit funny because they've been around for a while. Okay, after that I just want to quickly show community. So we strongly encourage you to jump into community. You'll find a really friendly group of users there. If you click the community tab, it will pull open the community. It'll just ask you to treat everyone with respect.

(30:58):

And then right now I'm looking at trade machine. We have two different products that have access to their own communities. If I look on trade machine now, I can scroll down, I can see people's questions, trade ideas, things that are working. A lot of the back and forth is shown in this rep reply. So if you click show replies, you can see a lot of the back and forth and feel free to just come and look at this for trade ideas or ask questions. I think you'll find the community is very supportive and responsive and we will have great feedback. So this is a great way to get your hands wet and learn about everything going on. So we'd love for you to jump in there. And then also just for a split second, I'm going to show the Learn tab. It's a great resource.

(31:43):

You can ask about all kinds of things like Delta and it will pull up articles, what Delta is and why it matters. There's also quite a bit of education and if you're curious about our ai, the skew on ketosis, some really great videos in there for someone who's real new, feel free under this education. If you start with the basics here, this is going to walk you through the concepts of options just from the ground up really from the most basic, and then it's going to go deeper into spreads and implied volatility and the rest of the Greeks and all that kind of stuff. So there's quite a bit of material here, so we'd definitely encourage you to dive in. Jason,

Amanda Kelley (32:23):

If you want to scroll down, I was just going to point out that at the very bottom of the page for the options education, not only is it linked in order of the what to watch next, but if you go all the way down, you can actually just click to the, I think it's covered by my Zoom bar actually, Jason, sorry, there's a next button that will allow you to then move right to session two, session three, and so on. So we made it very easy to know not only which ones to watch, but also in what order based on your experience level.

Jason Hitchings (33:04):

Yeah, exactly. This option speculation webinar from PHE is pretty amazing. He covers a trade that lasts, I think nine months or something, or two different trades with really looking at changing market conditions. So for more advanced users, that's a really awesome one. But yeah, with that I'll just dive into a few questions. We're at about the 30 minute mark, so we can take some,

Amanda Kelley (33:26):

Yeah,

Jason Hitchings (33:26):

You had something to share.

Amanda Kelley (33:28):

I was going to say, do we want to touch on this? So everybody, you should have already received an email about this if you're a trade machine member, but we just wanted to remind everyone that on Saturday March 23rd, PHE is going to be hosting a webinar. And what we're going to be diving into on that webinar is back in November of last year, PHE introduced a portfolio of trades, talking about it was kind of the first time he dove into the idea of effort and trade machine and introduced 140 trades, which he has recently reviewed. And in the last three months they have performed exceptionally well and actually really outstanding. And if you look in your email, he does talk about that a little bit, but he wants to dive into the results specifically, and then he is going to introduce the next 140 alerts. So if you have not already, we want to invite you to register for that webinar. Anybody that registers will receive the recording as soon as it is available, generally one to two days following the live event. Jason, is there anything you would like to add to that?

Jason Hitchings (34:51):

Nope. Yeah, I think that's it. It's kind of revisiting the topic and he does a ton of back testing and kind of figures out the next batch of trays that he's excited about to share with people. So we'd love for you to join that. And Amanda just shared a link there, so feel free to click that link.

Amanda Kelley (35:07):

Actually, I'm looking at it and it's looking like it's not sharing to everybody. Jason, can you copy that and try to share it to everyone? I am not sure why it

Jason Hitchings (35:16):

Says, oh yeah, it's said host and panelist. Yeah, I think they changed the default for,

Amanda Kelley (35:21):

I think so I'm not a host right now. I'm not set up as a host. I think that's what it is.

Jason Hitchings (35:27):

Yep. Great.

Amanda Kelley (35:29):

Perfect. Thank you.

Jason Hitchings (35:29):

Okay, so very happy to take questions if people have questions, but we also can just leave it there if there's not too many. I see. We do have

Amanda Kelley (35:39):

A few.

Jason Hitchings (35:40):

Yep, go ahead.

Amanda Kelley (35:41):

Do you want me to read or would you like to,

Jason Hitchings (35:44):

Well, the first one I'm seeing here from Chris is it says possible to put a timestamp on the trigger. Chris, you mean on the today's tab to show exactly when it triggered? Is that the idea? If you actually get an email, the email, it would come in at a specific time as you'd see it in your email chain at a specific time. So if you get an alert to yourself, then yeah, you'd see it 12:32 PM or whatever that this trade triggered. This is an example what the email content looks like. The timestamp would be in your email. That way it'll be localized to your current time. So this will say what the, Amanda Kelley (36:25):

I was just going to jump in. He specified when the conditions are first met, and that is the example for personal alerts. But the today tab alerts do also specifically tell you the timestamp.

Jason Hitchings (36:41):

Well, they say the day, but they don't say the time of day that it occurred. Yeah, what's that?

Amanda Kelley (36:50):

I'm going to double check. I swear.

Jason Hitchings (36:52):

Oh, oh, sorry. Oh yeah, sorry. She makes a point. If you set today tab alerts to yourself, so on this screen it's not going to show you exactly when it happened, but if you can click the set today tab alerts and then you can pick the strategies that you're interested in and the groups of symbols you're interested in, then if you save that, you will get an email and at that point it will tell you exactly what time the today tab alert trigger, show it in your email. So yeah, that's a great point, Mindy. Thanks for sharing.

Amanda Kelley (37:23):

Absolutely. Alright, the rest of the questions are actually in the chat, so do you want to jump over there?

Jason Hitchings (37:31):

Yeah. Having a look, do these strategies all use stop losses and profit targets or do you let them expire? Typically they do. They don't always use stops and limits, but we test a variety of things with each one. Like the straddle for instance, I think is set to just a very tight 20% stop, 20% limit. Actually, I think it's actually just a 20% limit. Interestingly, on that one, what we found perform the best, but it's really strategy by strategy. Now, they might expire anyway if those don't get hit, you might have a 20% gain on something that your limit would get hit at 40%. But yeah, this one for instance, well, this is a good example. So this is take your profits if you make 20%, don't worry about the losses per se. We're not going to exit the trade because of it going us for a short amount of time, especially in a straddle.

(38:37):

If it's going against you, it's probably because the stock's not moving. So we don't say, okay, exit out because it's down 4% or 10%. But it does say once you've had the trade on for 10 days, then it's time to get out if you haven't hit your 20% gains. So that's a good example where for each strategy, we've really kind of customized the exit conditions. Some do go all the way through. I showed the 13 strategies on the today tab. This pro scan tab actually has even more. It has some people want to see covered calls because it's really common. It's not something that we focus on, but many of these have particular settings. There's pre earnings, post earnings, these strangles to hold through earnings, et cetera. So each one of these that we've kind of tweaked to just find the conditions that when we tested for various timeframes and against various baskets of symbols that we found performed the best. So it's really on a strategy by strategy basis, and any strategy that you click, you can kind of go down and see how it's set. So this one, if you make 50%, you exit and there's no other time that you would exit out.

Amanda Kelley ([39:54](#)):

There was actually a couple before that, Jason, so I'm going to jump back up and read those for you. Jason, what are some of your favorite strategies?

Jason Hitchings ([40:05](#)):

For me, it oftentimes has to do with how long or short I am overall and how I'm feeling just in my instincts about the market. So if I have accumulated a lot of bullish trades, then I might look for a bearish dip kind of strategy just to balance those out a little bit. Or strangles, if the market feels kind of sideways to me, fade. The dip is great. It has quite a high win rate and anything here with this little AI symbol, but we definitely draw your attention to these, use some proprietary stuff that we came up with that was using AI models to come up with. It gets represented as this skew one year kurtosis one year. It's a little more complicated than that, but we had to call it something. But basically the SKU is saying that when the stock moves, it tends to move a little bit to the upside or to the downside.

([41:11](#)):

So the more positive that number is, the more the jumps tend to be the upside and the kurtosis is kind of how big the jumps are. But you can use these within the technical settings to play with them. If you're able to in a basket of stocks, you can use them to tweak just to experiment with them and see what tends to get you the biggest results. But the ones that we've created that have the AI behind them are very powerful, and the more we've looked at it and the more we've tested them, the stronger, more powerful they've shown themselves to be.

([41:48](#)):

So definitely these don't occur all the time because there's extra conditions that have to be met, but those are very powerful strategies. And then I do in some of the slightly more involved strategies, there'll be these diagonals, especially around earnings events where you're selling a near term option that's going to expire early, but it kind of finances a longer term position that you might hold through earnings, or it might be not around earnings per se, but those tend to do very well for me, and I really like how those behave because the time is kind of acting on your side, so you can definitely drill into those and get some more information.

Amanda Kelley ([42:38](#)):

How long do the technicals have to hold to maintain the trigger to enter?

Jason Hitchings ([42:43](#)):

Well, it'll be in that particular moment. So if it finds that the technicals are true in that moment, then it will execute the trade. So occasionally you'll see a warning message like this. Sometimes there's not enough, like the option montage on a particular date back in time didn't have enough strikes or something to enter. You can use it as a little warning sign to double check the montage, make sure that you're seeing all the strikes you'd expect and that kind of stuff. But generally it's not anything to really worry about. But yeah, so they just have to be true for a moment in order to appear on the today tab. And they only have to be true in this second in order to get this trigger to appear. But if you want to follow the backtester as closely as possible, then you'd want to look at this kind of towards the end of the day. And if I'm trading something earlier in the day, I might look, for instance, I actually wanted to put on this trade that McDonald's

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

Trade. It's long technical string.

Jason Hitchings ([43:45](#)):

Yeah, exactly. Just filter it, see a little faster. Yeah, I wanted to put on that trade. These get cash during the day, but at night think it all slower. So I wanted to put this trade on, but it wasn't met. And then when I looked at it, it was just when I looked at it, it was hovering right around. So again, I'm going to click the two year mark to get the most recent data. When I looked at this trade earlier today, this last trade price was sitting right on top of the 200 day moving average. And so even had this been slightly under the 200 day moving average, if it was super close, especially if it wasn't at the end of the day, then I would probably check back later in the day. But yeah, if it's in the last 15, 20, 30 minutes of the day and the trade is active in that time, then that's good enough for me. So yeah, just in that kind of latter part of the trading period is what we would kind of point you towards.

Amanda Kelley ([44:48](#)):

The next question is actually one that I'm going to refer back to support because we'll need some more information, but it looks like they're having some trouble receiving their alerts. So in regards to the squeeze email support with all of the details, and we will take a look.

Jason Hitchings ([45:06](#)):

Sometimes we can see that an alert we can actually see on our end that it did trigger, but it's not getting sent to you all the way through. Yeah, there could be various reasons for that. But yeah, definitely send that along to us and we'll dive in. We can normally get those things figured out.

Amanda Kelley ([45:23](#)):

What strategies do you find most profitable? You address that one, correct? Yeah,

Jason Hitchings ([45:27](#)):

Touch on that a little bit. Yeah.

Amanda Kelley ([45:29](#)):

Okay. Somebody's having trouble signing up for the webinar. If you can't sign up through the link, we just provided, email support will get you signed up one way or another. How is AI integrated into trade machine?

Jason Hitchings ([45:44](#)):

Yeah, a few different ways. We actually do some neural network modeling in order to figure out how to combine all the different technical triggers so we can do it through the back tester and we do tweak and refine things to the back tester, but we also take all of the data generate from the back tester and plug it into a neural network and let it help optimize the technical conditions over a very large set of data. And the skew and ketosis was actually LLM generated strategy with a lot of back and forth and testing hundreds of different times sort of algorithmically working with large language models in order to generate a strategy that looked at that skew and kurtosis data in a unique way. And that's the one we flag specifically as distinctly as ai. So that's what shows up there that was used. We used large language models in order to develop that. And this one so far, market conditions changed. This so far from everything that we've looked at has just been phenomenally strong. So that's two different ways. All

Amanda Kelley ([47:03]()):

Right. Have you had more success selling premium or directional call or put strategies?

Jason Hitchings ([47:11]()):

A lot of very experienced option traders prefer selling options. I tend to be a little, my personal style is I'm okay to lose 40%, 20%, 30% a handful of times in order to get a big return. Other times it's often wise to use spreads where you're both selling premium and buying premium. I tend to lean directionally in one direction or another, and I tend to own more options than I sell. I think a lot of experienced option traders like to sell options, but that's just my personal taste. Something that I'm always looking for is, I love it when a great company has got crushed by bad news where I feel very strong sense of conviction that the company is going to recover. And so then I might go and then use the back tester in order to figure out when these conditions have happened in the past and what's the best way that I could enter into the trade, what kind of spread, what kind of timeframes.

([48:25]()):

So those, for me personally, I am okay to take some smaller losses in order to get some occasional bigger wins that mixed with my overall strategy. So I might differ from some people in that respect. I do really love the diagonals though, where you are selling the front month and buying the back month. I think those, you have a lot of things that work great, work really well in your favor, a really powerful strategy. It's somewhat more complex, but on this save strategy is this broken wing butterfly is a very powerful strategy where you're very managed risk and solid upside potential. This one's a little bit more involved, so I won't dive into the details today, but definitely encourage you to check out in the Learn app and go into detail yourself.

Amanda Kelley ([49:17]()):

Yeah, we have tons of videos on that one actually. Alright, next question. Do I use the strike price to find the 40% or 60% amount?

Jason Hitchings ([49:26]()):

Okay, good. There's a couple of places that the 40 or 60% could appear. So the delta and I am actually was really hoping to gear this far as new user, so I like this question a lot, Alan, thank you. So if you're talking about the delta, then in an options montage, if this says the 40 delta calls, 30 days to expiration, you can actually click the show. The options chain here, it's after hours, so some things load a little slower, and from there you can actually dive in and look at how many days to expiration things are and look at the individual deltas. Let's see if I have a screen here that shows Delta from your brokerage. So here's the delta column. So put deltas are negative. So if it was talking about the 40 delta so that you'd go into your option montage here and you'd look for what's ever closest to the 40 delta, which in this case would be this 37 strike.

(50:47):

But then that would indicate what to trade both the number of days out in the future and then the delta would tell you which strike it is. So right now that's the 37 strike. The reason we use delta instead of strike is because if something's 50 delta, that means it's at the money regardless of what the stock price is. So if a MD goes from $12 to $50 50, delta is still 50 delta, whereas the 12 strike is a very different option if as the stock moves up and down. Delta also helps you get a little bit of a sense delta changes with time and as you go out into different expirations. And so Delta is a more precise way to describe what option you want to trade than it would be to say, well, I just want something that is a dollar out of the money, for instance, or $10 out of the money or even two or 3% out of the money because something that's 5% out of the money say that's expiring tomorrow.

(51:53):

Well, it's pretty unlikely stock is going to move 5% in one day, but if it's 5% out of the money and it's expiring in 180 days, well that's pretty close to being an at the money option because the stock's going to move a lot more than 5% over the course of the next 180 days. Delta captures all of that in a single number when it comes to, so I think that's the 40 or 60% that you're referring to when it comes to the gains or losses, like a stop loss or limit that would be of the value of the position. So if you entered a position and it costs $2 per contract to enter, if you had a limit gain at 50%, then you'd say if it costs, if the position was $2 to enter, then you would exit if it reaches $3. So that wouldn't be based off of the price of the stock or the strike, but it would be based off of the value of the position. So there's two different ways that question could have been intended. I kind of went for both, so I hope that was helpful to somebody.

Amanda Kelley (52:58):

It does sound like it was.

Jason Hitchings (53:03):

Yeah, so I'm seeing from John, yeah, that McDonald's trade, so that McDonald's trade was not active, it doesn't mean that it was a bad trade. It just means if you wanted to follow as closely as possible the way that our simulator works out, I mean to use that kind of driving down a street analogy, it's kind of like, hey, if you wanted to arrive at your destination at such and such a time, then you'd leave at this time. So if you want to follow the simulator, then you traded as close to the end of day as possible and by the end of the day that McDonald's trade was no longer active, that can happen and does happen. I've entered trades that were inactive at the end of the day, that worked out fine. So it's not to say that if it triggered two hours before and then started moving, sometimes it might get a pop in the right direction early.

(53:55):

Had you bought this right down here somewhere, it actually probably would've been phenomenal because you're buying a strangle and you want movement and it moved quite a bit. So there's not really a right or wrong answer, but the closer to the end of the day that you place the trade, then the more closely you'll be following the simulator. What I will say is I do not personally place trades if they were active previously in the day, but they're not active now. I also am not particularly concerned if I see a trade as active and I'm in the middle of my workday and I check this thing and I see that it's active, I will frequently enter the trade and not be stressed out about if it's active later on in the day. Many times if it's not active, it might dip below something and then start moving in the right direction or something. So sometimes you can catch a little pop even before the end of the day happens.

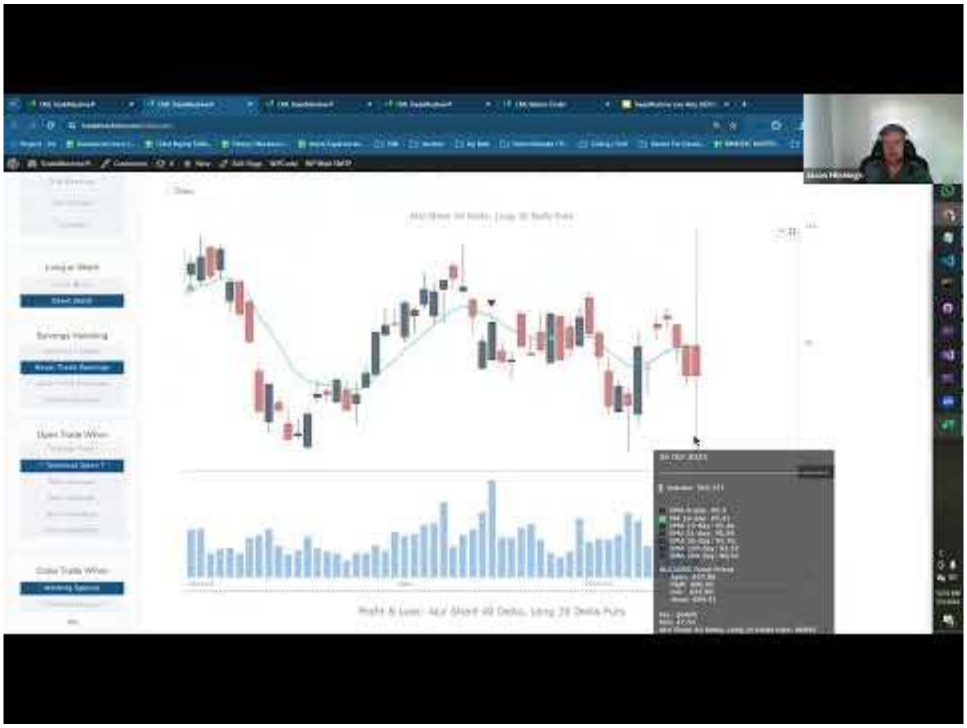
(54:48):

I know that's a little bit of a nuanced answer, but I don't enter trades if they were active previously in the day and then are not active now, and if you want to follow the back tester, then you'd kind of wait towards the end of the day and make sure it's still active. Will you be adding additional option stats like IV rank and IV percent? Yes. We'll get the IV percent back in there. We actually were consuming the data from SIBO and then they just pulled the feed. I think they decided just to, some places don't like to sell when there's a redistribution right on the data, so they pulled that data feed. We do have access to, I've done a lot of option calculations in the past, so we can create our own if necessary, but I think we actually have access to some of the same data through our options, vendor option metrics. So we do get a lot of requests for that and we'll work hard to get that back in the tool as soon as possible.

(55:46):

Well guys, we're coming up on right about an hour and I think we got through most of the questions. So really appreciate everyone being here. Please join that webinar with phe that's going to be super awesome, almost guaranteed, and we'll look forward to seeing you guys next time. We're trying out a once a week rhythm to these. We were doing twice a week when it was initial and give people a lot of chances to answer questions. The next one I think will be Tuesday during market hours, kind of midday. So hope to see some of you there and thanks everyone so much for joining. Have a great night. Bye everybody. Thanks Robert. Thanks, mark. Thanks John. David, I.

TradeMachine® Live Help 3-5-2024: Setting up Portfolios, Alerts & Using TradeMachine® with Pattern Finder



Jason Hitchings (00:00):

The record button a little hidden. Okay, so standard disclaimers, and then we're just going to jump into trade machine. I'm going to build a portfolio and set some alerts on it. And then I'm going to take a list of tickers out of pattern finder screener because there's a very powerful screener there. And then we're just going to jump into q and a. I think we'll probably just be short and sweet today around 30 minutes, but we'll see how far the questions take us. Okay, so this was the today tab. I often look for the largest 500. It's basically the s and p 500 because those have a lot of liquidity in them to check out results, but today I'm just going to go straight to the backtest. If I click on portfolios, we have all of these portfolios built in. These are all different ETFs for different industries. And then we have some prebuilt dao, NASDAQ 100, et cetera, et cetera. And then you can add your own at the bottom, and so you can create a new one and just enter tickers like this for any kind of portfolio you want, and then do your normal back test just by a call.

(01:20):

And if you set technical conditions or earnings rules, then it gives you the chance to add an alert. So if I go down to technical open and I say wait for the 50 day moving average to cross up through stock price when this finishes running, now I can add alerts. This way I can just click two tickers. I can click add alert, and now anytime a MD or Microsoft crosses the 50 day crosses up through the stock price, I'll get an alert on it. So that's a very simple explanation of how to do a portfolio of back tests. I'm going to open pattern finder for a second because there's a lot of users that have pattern finder and I don't want to create complexities for anyone. This is a product for both analyzing charts and has a lot of fundamental data in here. But right now I'm just going to click down on this stock screen.

(02:20):

So these are all different resistances and congestion and can slam and all those kinds of things, but right now I'm just going to focus on the stock screener. So within the stock screener we have a lot of prebuilt screens using relative strength and volume and technicals and earnings and all that kind of thing. So you can build a new screen. There's 78 different metrics here within financials and growth, et cetera, et cetera. There's a ton of different ways to rate screeners here like stock screeners, but we also have some pre-built in ones. So I'm just going to look at this CML 200. This has a lot of fundamental strength things built in to focus on some of the strongest companies. So this looks at the EPS rating. This looks at revenue growth in the trailing 12 months, and each one of these you can see how many results there have been.

(03:13):

You can clear some of these out. So right now looking at this, there's 183 symbols here that came through this screen, and you can customize this as much as you want to. So for instance, if I want to narrow this down a little bit, so platinum users can back test 200 symbols, but for people that aren't annual in trade machine, they can't back test quite that many. But I could edit results and I could say that for instance, right now I think we're saying that the relative strength for the last 12 months within the industry has to be kind of above, can't be in the bottom 30%, but I can edit that result. So if I look at the relative strength in the industry, if I click this, there's a lot, there's hundreds of metrics here, but if I click on this blue line, it's going to take me directly to it.

(04:09):

So that helps a ton. So I can narrow that down and say I only want it if it's in the top 30%. Now we have a list of tickers down here, we're at 105, so I'll just call that good enough and I'll export these tickers and do that. And then when they download, I will just going to open this in Excel. I'll just copy these tickers out and you can just paste these directly in. And so this could come from your brokerage. It doesn't have to come from pattern finder. This could come from any stock screening list you want. If there's a certain ETF or index or something you follow with certain components, you could do it that way. So I'm going to enter a new list and I'm just going to paste those directly into this add tickers. I'll kill this pattern binder, scan, add these, now they're all in here.

(05:19):

I'll click done. So now I have all these tickers since pattern finder scan. So I know that these are meeting all kinds of fundamental metrics and if I wanted to, I can build any kind of strategy I want with any kind of technicals I want or I can click the saved back tests. And all these CML are kind of strategies that we've made and we've done a lot of testing on. So if you want to do the fade, the dip, which is a short put spread at the very high win rate, this AI means it also uses some kind of proprietary stuff we have on skew and meaning which direction the stock tends to move when it jumps skew and kurtosis.

(06:00):

I can load that strategy, it's going to take me to a single ticker, but now all of those technical settings or earning settings, all that kind of stuff is used. But now I can click back to portfolios and all of those settings are still in there. And if I click the pattern finder scan, it's going to use that list of tickers and we can see that we're going to be short the 40 day delta along the 30 delta puts and now it's backtesting this entire strategy, because I'm a platinum annual member, this runs fast. If it doesn't seem like if this seems faster than it's running on yours, it's probably because you're not a platinum member. Annual members get access to the fastest servers. We can repay Amazon for faster servers. And then once that finishes, we're going to see little check boxes appear here where I can select which ones I want to take alerts for.

(06:50):

This'll finish in just a second. We're getting about to a second. In terms of back tests, anytime that there's not a result, it just means that the technical conditions weren't met, which is totally good. And now I could say I want to look at the average trade percent as my metric, and I'm going to take the top bunch of these. These are also obviously the total return should be positive. Almost always if you click one of the tickers and not the check boxes, you can actually pull up the trade details. So that's what happened here. They can deep dive in and look at all the results. So I'll just choose the top handful. Now if I click add alert, this will be PF fundamentals scan with Fade, the dip technicals, click add alert here, and now I've added 16 new alerts and I'll get emailed or texted if I enter a phone number in here anytime that those technical conditions are met. And from that note, I'll know that hey, these are actually strong fundamentally as well. So that can help narrowed down what things you really want to trade. If something's in technical failure, you might not want to sell a short put spread on it.

(08:20):

So that was a quick update there. Just wanted to show a little bit of how to use not just pattern finder, but any kind of stock screener in order to input a list of your own tickers into portfolio. And then obviously you can get in here and customize this to your heart's content. If you want to look at a certain one of these and see if it's active on the day, you can just click over and say for post is this active today? And this little box at the bottom will tell you whether it's active at the moment, which is helpful. If you get an alert, you can click the link and then see if all the conditions met. Still, if they got met earlier in the day, that's great, but you can kind of keep an eye on this as the day evolves and see if it's active or not. Great. So that was just kind of a real quick walkthrough on that, and I see Robert's asking where's the learn tab? So I think we can just kind of dive right into questions from here.

Amanda Kelley (09:18):

Before you get into Learn, I was going to a common question that comes up in support that might be helpful to cover. You just added a group of alerts under the same backtest link. Can you show them how that's going to come across when they get the alert as far as that, it's going to show all tickers in the original link and everything and how they would look at that to review if it's still triggered later in the day.

Jason Hitchings (09:49):

Yep. Let's see if I can search the notes here via fundamental scan. Okay, so yeah, this is the link that you would get sent. So this link was created with all 16 tickers, and so you're going to get the link with all 16 tickers. And so when you click the link, you're getting, this is the link that used to create the back desk. It's a great point of what you raised. And so if it said that Adobe or Post or a LV or something like that is the one that triggered, then you'd simply pull up that link and then just narrow it down up to five different tickers. It will actually show you that little box that says whether it's live today or not. And so within your email or text, it'll say, okay, you received an alert on Adobe, you click the link and you go to that kind of portfolio back test.

([10:47](#)):

And that might be like, okay, okay, that's a big portfolio back test. That doesn't tell me whether it's active today and I can't see the options, so I'll just change the technicals real quick just to show you what it would look like. So I'll just say the stock above the 10 day EMA, I think this will be true for one and not the other. I'll just, yeah, so a LV, it's true for us. Then you'd say triggered and any other tickers that you're looking at, you can look up to five in a row and get this kind of live indicator. And then if you're platinum, you can also show if you click show options, it'll tell you the actual options that would be needed to if you want to put that trade on to kind of speed up your process. This can be sometimes it seems obvious, but other times if there's an earnings event or something, sometimes you need to have options before or after the earnings event. So it can be helpful to use this to make sure that you're getting the trade in the way that you expect. So yeah, good question.

Amanda Kelley ([11:48](#)):

And then also I would just add that when you're pulling up an alert from an email, you'd want to update the end date to the current date because the end date is actually part of that saved backtest link. So if you're wanting to see the chart for the time period between when you saved the backtest link and today you would want to update your end date as well, but that's not going to impact the triggered now.

Jason Hitchings ([12:13](#)):

Exactly. Yeah, so that's a great point. So when you're looking at the chart, you might say, Hey, these technical conditions aren't met. I'm going to go down to the bottom and move this little guy over so I can kind of zoom in here. You might say, this doesn't look like this. Technical conditions are met right now. Perfect example, stock is not above the 10 day EMA. When you save a back test link, it saves everything so that when you pull up that back test link, you're getting exactly the same result. If you go share it on Twitter or anywhere else LinkedIn and you want to share that back test result, you're going to share that exact back test result. If you want to say, okay, I want all of those same settings, but I want to see it for today, then you can click here and click the most recent date, or you can click any of the test length.

([12:59](#)):

If you click three years, it's going to automatically update it to the last three years. So now when you look at the chart, you're going to see what you're expecting in terms of the most recent movement on the stock. But to Amanda's point, this triggered regardless of when the end date is, if we say triggered or it's not active, that's looking at just today, it will also show triggered even if the position's already open. So if you had some like 180 day call and this position was still open, in theory, it'll still show triggered because this is saying all the technical conditions are met. If you want to open a new position today, which is a little different than saying, if you were trading this over the last three years, would you be reopening a position today? If that makes sense. So this is kind of like for a new entry, it's ready for entry if this says triggered now. Great.

Amanda Kelley ([14:00](#)):

So now back to where is the loan tab?

Jason Hitchings ([14:03](#)):

Yeah. Okay. So up here you have today create backtest, ProScan learn alerts and community. So these are kind of the main chunks of functionality within the tool. If I click the learn tab, it actually opens it up in a new window and then you can search anything you want to here. So you can say Fade the dip and you can learn more about that strategy. There's a great video here, so it's a pretty extensive resource to learn about, not only about options. There's education here. If you guys are relatively new to options, there's some videos that you can dive into and just to learn all things about trade machine, it's quite robust and there's a lot here

Amanda Kelley ([14:44](#)):

And it's growing.

Jason Hitchings ([14:46](#)):

Yeah, it's growing all the time. Are you working on finding new strategies using AI to find these strategies? Yes. We do this relatively, I'd say maybe quarterly. We kind of take all of our tools and try to apply some machine learning and see if there's new insights, try to see if all these previous strategies are performing as well as they did at the time they were tested. So yeah, it's something that we're looking at all the time. Many, many times when you're trying to use machine learning or ai, you just don't get a lot of signal, and then when something bigger valuable happens like the whole skew or kurtosis piece of it, then we build it into the product. So it's something we're constantly researching how to use ProScan. Okay, I'm going to click pro scan. So up here at the top there's these groups of tickers, so you might say the largest by market cap 500 tickers.

([15:48](#)):

Then these are all different strategies that we've kind of created over the years. Some of these we have in here like covered calls because people want covered calls. So there's some kind of basic strategies in here as well. So if you just are someone that wants to know what are the best straddles, you can click what group, you can say all tickers or click a particular group, and then all of these are sort of backtested results for a certain time. We kind of try to keep these refreshed about every week or two. And then if you look at average trade return, you can say, okay, if I want to do a long straddle, then TEF has done very well historically, and then if you click it, it'll pull up the actual back test and you can see it so it's one 17 times and lost seven times, and there's the return characteristics.

([16:43](#)):

But that's true of if you fade the dip or Bollinger buy the dip, et cetera. By clicking this, you can kind of backtest the whole market instantly in a sense, if you did fade the dip, so this one has 403 different entries, but with one click you can kind of get all of these right away. We don't show the results for the ones that have below 50% win rate that aren't profitable, that kind of stuff. So these are showing you the ones that have worked well in the past, and then you can sort and filter. You can also, if you want to set an alert from this screen, you can do it as well. You can click add alerts, pick some tickers. If you see a ticker appear twice, it's a different backtest length. So this is the three, excuse me, three year versus five-year back test.

([17:36](#)):

But from here, you can directly add alerts this way and it'll just pop over to the alert screen. Or actually it does it directly through the backend this way. So that's a quick way to add additional alerts. But this is a way for 30 or so different strategies, earnings before earnings after earnings strategies, you can kind of quickly look at thousands of different back tests to see which have performed the best. One thing I'll mention additionally is if you're not looking for what ticker to trade, this lets you look at a strategy and find tickers for that strategy. If you're saying, Hey, I know for sure that I want to trade a MD, if you search a MD here, now you can find what strategy has been best for a MD of the pre-made strategies that we have. So if you want to look at average return, this only has one two wins, but you can come down to something which is like, okay, four in one and say, okay, those pre earnings technical momentum diagonal has done quite well in a MD. And so you can kind of filter that way. If you know want earnings, you can look at ones that just have earnings, et cetera. This says ticker search, but if you already have the ticker, then it's searching the strategy.

([19:00]):

If you want to say, okay, what's done well in the last year, then you can kind filter on buttons like these. Maybe you feel like, okay, last year the market's been in a pretty different environment. I don't care so much about how it did three years ago when the market was tanking. Alright, when Jason clicked the link from the alert, it ran a backtest for all the underlyings that were created When the alert was added, I noticed it didn't show the total back test results for all the alerts like it does in the back test tab. I think Paul, that was just because I clicked away too soon. That's the last thing that gets shown. So when you have a portfolio, I'm going to choose something small here, this three tickers, it doesn't show the total results until all of them are in. It doesn't kind of keep a running average. It waits till the end and then it gives you all the completion at the top. So when you're back testing a portfolio, then you have to wait for all of them to complete. At that point is when you can download the trades and it shows these results at the top.

([20:02]):

Okay. Is there training for those of us that are new? Yes, there's a lot of videos and we can put together a special brand new users live help, which I think would be great. Maybe that's actually what we'll do for the next one because for experienced users, we're kind of diving into some advanced features, but I think at least once every couple of weeks we should do one for people that are brand new to get a real walkthrough of the tool. I know this can feel pretty overwhelming when you're brand new. So yes, we'll absolutely get one of those in place. Either the next session or the one after will be for brand new users. Glad to hear that answer helped Robert. Okay, bk for the pre-made filters, can you add new fundamental or technical criteria to shrink the active list? So I'm not sure. I mean, you can always edit things if you're talking about in pattern finder, yes, absolutely, but anytime. So let's take an example For the save back test, I'll just do buy the dip.

([21:16]):

So these are basically technical filters. If I want to look at it at a portfolio, this is NAEC 100. So yeah, right now these are the technical conditions that have to be met in order to cause this to trigger. But you can always go down and click technical open and then add additional ones. So if I wanted to say, okay, well, I want to also make sure if you want to shrink the list specifically, then you could look at these are kind of our proprietary skew things. So right now could say the RSI 14 has to be below 70. We could say below 50, and now all of a sudden this would reduce the number of total trades.

([22:16](#)):

If you're actually talking about what goes into the list, this is the nanotech 100. So that's always going to be what's in this list. Some of these things will stop triggering. So in that sense, these didn't trigger at all. So that reduces the number of tickers to look at in a sense. Also, if you're just saying, I want to look at the top 10 stocks in order to set some alerts or to look at more deeply, then once this thing completes, which it just did, one way to sort of filter the list is to say, okay, I'm only going to look where the average trade return is above 25%. So at that point, you're going to cut off the vast majority of the results. So you kind of come down here and say, okay, I'm only going to look at these top 30 results or something like that. What are the videos? So yeah, on the learn tab, there's videos for all kinds of stuff. There's introduction, there's like getting started videos for, that's options education. Let's see here. That's the live help session. So that's sessions like these.

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

If you do strategies, trade machine strategies, those are basically all videos.

Jason Hitchings ([23:38](#)):

So here's getting started. So this a thorough trade machine manual. This is very long and extensive and walks you through piece by piece by piece. I can actually put this in the chat for people that want to say like, Hey, I want a real deep dive that's long. Not all of 'em are that long. Here's how to use alerts. Here's a manual to the pro scanner. So each different piece of the product is kind of broken down, and then within these strategies, if you're like, Hey, what's this? Buy the dip, fade the dip. I don't know what these things are. Why do they make sense? You set some technicals for RSI and things crossing, but what are you trying to communicate? What's the sort of philosophy behind the strategy? All of these strategies that have been created took very, very deep analysis, looking at thousands and thousands of different back tests to find things that performed well across a wide range of stocks that had good average trade returns, good win percent, good total returns, all that kind of stuff. So yeah, you can go very deep into this. We have dollar cost averaging within the tool. So within this Learn Center you'll find a ton of resources and if you have any questions about not being able to find a video or Hey, can you send me a link on how to use X, Y, z? Just email support. We're asking community.

([25:00](#)):

That's a great resource. We have a lot of helpful people in the community and we log in ourselves to check things as well. So if you go over to Trade Machine, then you can just say like, Hey guys, where's a good video for showing me how to use alerts or whatever. We're here to help, so please use that resource.

Amanda Kelley ([25:20](#)):

We have one come in through q and a. What does not verified mean?

Jason Hitchings ([25:27](#)):

Great, good question. We use Wall Street Horizon to do earnings. They do a very, very, very good job of projecting earnings. Anything like this that says earnings is on May 9th. This basically they have a money back guarantee. They put a hundred dollars anytime they get one wrong, they'll pay out a hundred dollars to someone that tells them. So if you see one of these verified be wrong, then we'll send you the a hundred dollars because we'll get it from them, we'll send it to you. But basically they're almost never wrong if it doesn't show unverified. But what happens is as soon as this, let's say it's May 10th, Telefonica hasn't announced their next earnings date yet, so it'll only be verified once they've officially said it's going to be after the market closes on June 7th or something until that time they'll say, okay, well we can project, it's probably going to be in the first week of June.

(26:31):

It's normally on a Wednesday. It's normally before the market, and so they'll project one out in the future based off of the previous ones. But those will show as unverified. It's probably going to be close, but in general, it's best to not place trades on things that are unverified. Now if you can go find it somewhere else and verify it for yourself, that's great, but they do a really good job and so we don't give recommendations per se, but definitely our strong feeling is that you should only trade the ones that are verified if you're doing an actual earnings trade.

(27:10):

A lot of these back tests don't have a large number of occurrences. Is there a way to only show results that have over a certain number of trades this way it might give you more confidence that the same trade results will occur again? Yes, if you do a portfolio of backtest, you can search by that specifically. You can say number of wins. Once this is done, then all of these will become clickable and searchable. So I do the same thing because having one win in zero losses doesn't mean much to me. If I see something on the today tab that's two in one, that doesn't feel like a strong trend to me. I like to see a five and one or a five and zero or a four in one or an eight and two or something. So I feel the same way. So on these portfolio back tests, yes, you can just search. You can just sort by it.

(27:55):

That's the way we typically do it. I chose something with a hundred tickers, so that's a little bit slower. So now you can say number of wins. And so now you can kind of get into here so far on these portfolio back tests, we haven't built in filters at this level and the pro scanner you actually can filter additionally. So if you look at short put spreads, you can say minimum win rate is 60%, average return is 5% total back test return is 20% and filter the scan that way. Now when you're looking at something with now, if you sort by number of wins, now you're getting things that both have good overall results and have a ton of wins. So if you wanted to do that for Fade the Dip for example, then scanner's actually a great way to do that. It gives you some filtering ability built in. Cool. Great. Lots of good questions. I'll keep going through these as fast as I can. How do I personally handle stops? I seem to exit too early after incurring large losses on some trades. Thanks. Yeah, earnest,

(29:18):

It's very hard. I mean that's part of trading, right, is that you are going to look back and oftentimes you're going to see things like had you held a position longer or exited earlier and kind of second guess your decision making. The way I personally handle them is that if I have a back tested strategy and it says 60% stop or loss, I'll generally stick to that. If I have some doubt or uncertainty, I have a strong sensation that I think the thing might recover. I might only do half, or let's say it's really borderline, it's 59% loss or something like that. I might sell half the position and kind of hope to regain some of the losses by letting it ride a little bit. But honestly, I tend to stop out my losses sooner when that thing has hit. That's kind of something that I've learned working with a fear over the years.

(30:18):

When things are moving against you, when we have back tests that are created with those stops and limits, it's because the overall return characteristics have improved. So I try to hold to it pretty strongly If something is really ripping and I have a limit of 50% or something, but let's say it shot through that limit and I've made a bunch, I might sell out two thirds, three quarters of it and let the rest ride knowing that I've kind of locked in an overall win for my trade. But if I'm just having fun with the trade and I want to let it go a little longer, I might keep a chunk of it just to kind of play with the house chips. But I really think that the number one thing to do is to write the strategies down, save a link, put it in a spreadsheet, and then go back and look over time. If you had five trades where you got stopped out of it, it's very easy to look back at one. It's kind of like if you have a poker hand and you say, I shouldn't have folded my king 10 suited blah, blah, blah because I would've hit a flush on the flop.

(31:22):

You are always going to see those things where you folded too early in the hand, but there's a lot of selection bias in the way your mind thinks about it. So it's much better to have a system and try to stick to the system and then if you want to make changes, try it 10 times and then look back at your results 10 times and say, okay, I actually would've made more money had I had a lower stop or had I just ridden the thing to the end. But I think trying to do it on a case by case basis, the mind does a bad job of keeping track of those things. I think we will have a propensity to either remember the worst case or the best case scenarios and then you get the people that they will always want to try to replicate that thing that worked that one time.

(32:06):

If it doesn't exist, it would be nice to have a video managing a trade such as the B2B particularly how to roll when it gets past the short strike, et cetera. Yeah, we oftentimes, I know if you go to community, there'll be a lot of people that manage trades that way. There is a really fabulous video on that PHE created on some trades that he managed over the course of many, many months. I think that's the options speculation webinar. So if you really want to take a deep dive on how to manage positions using Delta Camel, all that kind of stuff, the option speculation webinar is a pretty serious one. I have to find the right video for this thing.

Amanda Kelley (32:57):

Jason, it's being updated right now. It will be up in probably an hour.

Jason Hitchings (33:03):

Okay, great. Sorry, we're just cleaning that one up a little bit. But yeah, so that'll be back up in an hour. I think if you search for option speculation, you'll find it. That one's really awesome. That was a position that PHE manager for a long period of time and did extremely well with, and that kind shows the way a pro manages an options position. So check that one out, just search in an hour or so. Can you define a program, a custom technical criteria? If you mean export one from a study from somewhere else? Not currently. It's pretty much just the ones, you can customize these, so if you want to tweak the macd, then you can say, Hey, I don't want to look at a 12 day EMA, I want to look at a 20 day SMA or something like that. So you can customize the existing technicals pretty well. If what you're saying is I want to use a technical indicator that's not in here, we don't currently have that ability. It is something that we could potentially add if it's just enough. People really want that. So yeah, so you can customize. You can't add your own currently.

([34:16]):

That explanation of what I was trying to say above meant statistically relevant. A lot of the boxes don't have a large number of occurrences. So we look for statistical relevance when you create the strategies. So the strategies all have statistical relevance we do in and out of sample and all of that kind of stuff to develop like the fade, the dip, or some other strategy. Agreed. When you're now looking at an individual stock determining if it's statistically relevant, it would be a different exercise. What we can say is that the strategies have all undergone those to show that they have edge at the time that they were created.

([34:57]):

Can this still be traded? The CHRW spread cannot be open because the option cannot be found. Yeah, I know that warning message is David is sometimes you'll see an orange warning message flash on the screen that says on this day it couldn't be opened. That basically just means that on a particular day, sometimes if the bid ask spread is messed up, you can't get a good calculation on what the delta is. And so basically the options could be a little too wide or they dropped an expiration or maybe there's no options that expire before the next earnings event, for instance. Or you need one before and one after and they just don't exist or none exist that have a bid ask spread that makes any kind of sense. So yeah, when it's just on a single day that something couldn't be traded, we'll probably just move that to a little message down below.

([35:58]):

That message makes you think something super broken, but yet it's really not a big deal as long as in the current marketing conditions that you have an option montage that the bid ask spreads are narrow enough and that kind of stuff. You can take it as a little warning sign that there might've been some liquidity issues in the past. So just give a good look at the option montage before you dive into it. But yeah, other than that, I think that warning message is a little more prominent than it should be. I happen to see one with 20 wins and 18 losses. Is that considered good if it had 20 wins and 18 losses alone, that's not a lot of edge. On the other hand, sometimes your losses, I mean your wins are much bigger than your losses. So for me, the nice thing about 20 wins and 18 losses is it's a lot of data. So yeah, if your average trade return is 35% with 20 ones and 18 losses, I personally consider that pretty darn good because what it's saying is when you lose, you're not going to lose that much. And when you win, you're going to win quite a lot.

([37:08]):

So in that case, I would look at average trade return and I would look at the overall return on the position, but if the only information I had to go off it was 21 and 18 losses, then it's kind of a coin flip. The standard TM strategies and any custom option strategies are all volatility driven. I know the underlying IV was removed from TM due to the data no longer being available. Again, you get TM calculating the underlying IV so I can incorporate it back into my option trade back test criteria. Yeah, Paul, I can't promise you this, but it's come up. It's definitely something we can do. We were getting it from sibo, they kind of discontinued that product, and so we can calculate it ourselves if we need to. So yeah, I think that's been pushed back onto the product roadmap, hearing it enough.

(37:59):

So we'll try to get that back in. It probably won't be in the next month or two, but we'll try to get back in the product as soon as we can. How do you use notable technical breakouts for trades? Yeah, so for a while we had a version of trade machine that was just for stocks, and we kind of promised the full trade machine pro users that anything that we put in the stock only version we would also include for them, sorry, it's rebuilding. The today tab doesn't have a cash version to go off of. So basically these are stock movements like breakouts in the stocks, the technical conditions are met here, but these appear on this list. They don't necessarily have to be optionable or the options could be super illiquid or that kind of thing. So you can either trade stocks with these or when one of these technical conditions is met, then you can try to see if there's an options position that works for you. So this has only met one time in the past, but yeah, if you're saying how does it work with the call or how does it work with the call spread? So these are basically technical conditions being met that the bullish signals have done well in the past. The bearish signals have done well on a bearish triggers, but it's basically a list of stock ideas that you can then either trade the stock directly or try to build an option strategy around. But basically this is a stock version of what our option based strategies up here.

(39:36):

Okay, great. I think we did pretty good. We're at about 45 minutes. Manny, any other questions that you see at this point?

Amanda Kelley (39:47):

Nope, Q and A is clear and one just came in

Jason Hitchings (39:51):

On, yeah, efficiency score. Yeah. Yes, totally. Yeah, so the efficiency score is kind of looking at the risk versus reward. And so let's see on the, oops, I want to pull up the actual specific, lemme see what the efficiency score is here. It's less than helpful. It's basically the return over the max drawdown. Sorry that that's not,

Amanda Kelley (40:38):

It's on the learn tab though.

Jason Hitchings (40:40):

Yeah, that little tool tip, it's basically measuring is a reward to risk when you look over a longer period of time over the life of the trade. For instance, if something, if you buy into a stock and it immediately starts going up, then you don't have a drawdown, so you never showed a loss on it, which would read towards an efficiency score that's approaching the maximum, but it's basically giving you a sense of when you trade that technical strategy, how much drawdown did you have relative to the return? And then this, we'll dive into a little bit more information on that.

(41:36):

Let's see. Does stock section tell typically hold time for results? Yeah, high efficiency scores are better for the stock trading and yeah, the stocks section, yeah, these are typically 22 days. Yeah, this one's actually 10 days to close, but typically you hold 'em for 22 days, but it'll say days to close here. Great. Thank you very much for everyone. We are right at 45 minutes, which is kind of perfect, and we see one more coming in for the post earning strategy. If checks earnings are above 0.1% if it is earnings per share or price of the stock price of the stock. Yep. So it's saying, so the question is on this post earning strategy, and this will really be the last question, just I want to let everyone get on with their day as well. So if we look Custom earnings? Yeah, custom earnings, thank you.

(42:47):

So if it's up 1%, this means that the day after the last earnings event, the stock was up 1%, so that's the stock price is up 1%. So that's just kind of a way, if you want to say like, Hey, if the last earnings was good or the last earnings was bad, then I want to do this particular strategy. And that can actually be a helpful filter sometimes because sometimes things get oversold or overbought after earnings. So if you want to look at a big earnings rise or drop, then that's pretty helpful filter for that. Okay, everybody, thanks so much for being here. We'll try to get a new member's trade machine session soon, and thanks for being a part of our community. And please hop onto the community tab and send some back to us or ask some questions and I'll look forward to seeing you all next time. Thanks everybody.