Ophir Gottlieb (00:00):

Today we're going to look at something called buy the sell off plus ai. I'm going to look at tech. I'm going to look at financials and I'm going to look at healthcare. I'm going to talk about the back test app. What I pointed out, if you go to the saved back test, this is a new feature too. The saved back test dropped on menu. There's a bunch of strategies that are already built into trade machine that you can use. Today we're going to look at buy the sell off with ai. So this is how you do it. You click on it and you say Load, it will load a ticker. So just give the machine a second, let it load the ticker. Great. Once you've loaded the ticker, go to the back test period you're interested in. I like to do three years. Max likes to do three years as well.

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He also likes to do shorter periods as I do. Okay, but I'm not really interested in Amazon. What I'm interested in is seeing when this strategy works across a large swath of companies. Before I do that, let's at least understand what this thing is. Buy the sell off is a cool name, but what is it? And so there's two ways to see it automatically. Trade machine will show you the open rules here and the close rules here. If for some reason you don't like that layout, you could always just scroll down and go to the technical open. So I'll just do that because it's a little bigger. Okay, so what is this trigger? It's when the RSI, the relative strength index, index dips below 25. Oversold is usually considered below 30. But in our research, I actually found that below 25 was the real trigger.

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So maybe you would consider it very, very oversold. So this trigger says, alright, I want to wait until RSI in a certain stock is below 25. Okay? That's number one. That's number one. Number two, I also want the stock on the day to be down. It says down 0% or more. That means it can be down a penny, it can be down $37. It doesn't matter. I want it to be oversold and down on the day. Okay? So this is a very contrary and trigger because we're going to look to get bullish in this environment when this happens and the stock is oversold and it's down on the day. And the last thing we do, possibly the most important is that we're using our artificial intelligence. We have two, this is one of the pieces that looks at return distribution characteristics, something called ketosis or tailored.

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This is the opening trigger. If a stock has a 25 RSI or lower, if it's also down on the day, and if this piece of AI is above zero, trade machine is looking to get long, in other words it is looking for a contrarian signal stock is falling apart and we're saying it's fallen apart too much. There also happens to be a closing rule for this. You can go to technical close and it says, okay, if the RSI comes back above 40, we're out. If the RSI is below 25, which is when we open it, and the RSI gets above 40, by virtue of the way RSI is calculated, it's basically a guarantee the stock is up. So since this is a bullish speculation, if the stock rises to a certain level, we're good. We'll get out and take our profits. That's the technical close. Okay? So that's what this thing does. That's when it triggers. Well, what is the trait? So you can see that it's a custom strategy. So all you have to do is click edit and here's what it's, you're going to get long and at the money, call 50 deltas at the money with 60 days to expirations. This is a two month option going to get long about, but you're also going to get short and out of the money call that expires in 30 days.

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And in totality, you close this trade. If we don't hit our technical close, which is that the RSI goes above 40, we close everything when this option expires. So this is actually not a 60 day trade. It is at a maximum, a 30 day trade, probably shorter. If the RSI comes back, the stock recovers, but if the stock does not recover, we're out at 30 days. So because we're buying a call and selling a call, it's a call spread. And because the calendar, the expirations are different, 60 and 30, it's called the calendar spread. And

because the strike prices are different, it's called the diagonal. So if you're wondering where they came out with a name, a call, diagonal time spread, this is why you don't actually have to know that. You don't have to understand the nomenclature. That's the name. That's what it's okay.

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Alright, so now we understand when this happens, when it closes two closing rules, either the RSI goes above 40 or it's been 30 days, or this option expires, I should say. Okay, so that's when you enter. That's when you exit. This is what you enter and what you exit. Many people would call this the plan. The plan is when the stock does x, y, z, I'm going to open this trade, and once this trade is open, I'm going to close this trade. When a b, C happens, okay, this is the plan. So what I've done is I said, okay, there's this strategy, this buy the sell off strategy. This thing that happens when RSI dips below 25 and the stock is down on the day and our AI says the kurtosis is above zero. Well, what happened? Well over the last three years in totality, this is what's happened. It's a 64% win rate. So that's 53 wins on 30 losses, and the average one month trade or less, right? Either the stock goes through the stock makes RS, I go above 40. So you're out or you just waited the full 30 days and with the short option expiring and you're out, that's 40% per week. When this happens, you'll also notice over three years and a hundred companies, this has only happened a total of 83 times, right? 53 wins and 30 losses. So it doesn't happen that often.

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Just something to be of this kind of violent selling in a particular name with the crossover of our AI showing that actually there's upside, it isn't very frequent. What I'm going to do is I'm going to sort this whole list by the average trade return. I'm just going to click it. I'm going to go through the ones that look good and I'm going to add them to alerts, and then you can go down the list and add the ones you like. Keep in mind, these are very few trades, so we want to be cautious, okay? Let's make sure that the return is positive and the number of wins. So we want at least two wins. Alright, that's good for me. Seven companies, their average returns are anywhere from 26% in a week, up to 190% in a week over the last three years. I'm just going to click add alert.

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Notice it's seven companies. I'm going to add the alerts. You'll notice it's exactly seven tickers. The technicals are already set for you. Remember the RSIs below 25, the stock on the day is down, and our AI measurement of tailored over the last year is positive. I actually write myself a note by the sell off. You can put your phone number in if you want, add alert. And now Devon alerts have been added to my trade machine. So now I'm automatically, without doing anything, I'm going to get told, Hey, this thing happened. But that was only with technology companies and we shouldn't be so limited. Let's not be so limited. I'm going to go back to financials. One thing I want to do is I want to maintain this. I want to compare how this does versus other sectors. So I'm just going to put a check mark here so I'm not fudging the numbers, right?

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This is tech. These are the Qs, Q, Q, Q. Okay, I'm going to move this to the slide. Now as easy as this is, I'm just going to go ahead and say, okay, well, I don't know, let's try financials. And off it goes. This trade is a one month trade or shorter. Okay, so here's the XLF, which is the financials, E, T, F. Now you'll see in financials, this doesn't work as well. I don't really care that much about the win rate, but on average, this is a loser. This is kind of like commissions. This doesn't work. So what does that mean? That means for some reason in tech stocks, when they get really sold off, there's a natural bid, people are naturally like, okay, this is too much. I'm getting in for financials. That bid, that natural bid, that natural thing that says, okay, things are getting really bad. It's time to get it long. It's not there. It doesn't work for financials. And we figure that out very easily. I just use a dropdown menu. This trade says the stock has to go up for

this to win. And no, this doesn't work in financials. So something we're learning, I'm not adding trades, but I'm looking at saying, okay, so financials behave differently then tech, all right, now I'm going to go to healthcare. Again, these are all built in. This is

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All for you. You can add as many as you like, but when you log into a trade machine, this is here for you. Let's do healthcare. Oh, I think I made a mistake, guys. I'm sorry I took out the technical close. Let's do XLF. I'm sorry, I made a mistake. So remember, this strategy has a technical close, so I apologize. Maybe my thesis on financials was wrong. Let's see, I apologize. We have to make sure that we have that closing rule. So let's let financials run. It's 73 tickers I think, and then I'll compare it to how the Q QQ did. My guess is it actually will work, but my guess is it won't work as well. I think there, my hypothesis is there is a bid in financials, just not as strong. Yes, there you go. So the win rates are roughly the same.

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65.7 and 64 are roughly the same, but look at the average trade per month, 40% versus 12%. So this is actually what I expected. So there is a natural bid in financials, it's just not as strong. So do I like this? Yeah, that's still okay. I'll take a 13% trade winner on the month, that's fine with me, but I'll also note it's more abrupt in financials. And the way I would do this again, is I would go to average trade return. Actually, let's go to WINS and S-P-G-I-B-L-K, visa and MasterCard. I just have a lot of confidence that there's a natural bid in those companies. Then FLT. So here's five more that I could add. So I think we added seven for tech stocks. I'm going to add five for financials in particular, visa and MasterCard, they behave sort of like tech stocks. And you can see even though overall the average trade was 12.7, look at these guys, 36.4 and 28.3, that's much more tech. So I'm going to add these five alerts. I'm going to give myself a note again by the sell off. Okay, so we've now added 12 trades together, and now I want to go to healthcare and remember, this is our proxy with tech, and I really like trading the healthcare sector.

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Alright? This is using the XLV etf, which is what people call one of the spiders, one of the ETFs that BlackRock is running. It's basically sectors of the s and p 500. These are all members of the s and p 500. Okay? Exactly what I expected. So the win rates, again, a little higher. I'm not sure we can say that's so much better. The average trade is 27% versus 41% for tech, but significantly higher than financials, which was 12%. We should be so fortunate to make 27% a month in our lives. So this now opens our eyes to another group of companies that appear to have a very strong bid when things get hit. That's seven. So I'm going to add these two

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Alerts and the same thing here with my note. Even though I'm going to write down what the strategy is, sell off. Oops. I'm going to note again, since I'm much more familiar with tech that this is healthcare just for me and I'm going to add the alerts. So I think we've looked at something like 18 trades that we've added to our alerts.