Ophir Gottlieb (00:00):

Let's go to trade machine. All right, so we're going to start on the back test tab as we normally do, okay? And this time we're going to go just like we did with every other session. We're going to start with these saved back tests. We have added this capability to the back test tab just recently so that you don't have to move around the application and go to different tabs and figure out how to load strategies. It just should be in one place, and it is. So as I said at the upfront, we're going to do fade the dip with our ai. So what you do is you select it from the dropdown menu, right? I'm going to get out of the dropdown menu, show you again, I just clicked save back, test fade, the dip plus ai. That's what we're going to do today.

(00:42):

So you click it and then you just click load and just wait a second. Let the back tester do its thing and say it's fast. It's going to load one ticker and that's it. The first thing you do after you see this is, Hey, wait a second. This isn't recent. Today's December 26th. So click three years to get everything to the present. Okay? Now the next thing we added to trade machine is portfolios. They were always here. We just never gave you saved portfolios. So you can have as many portfolios as you like, but every trade machine member now has this NASDAQ 100, Dow 30, and then sectors, financials, tech, utilities, basic materials, industrials, healthcare, energy, everything down to software. So I'm going to let this load, but first I want to talk about what the strategy is. This is a put spread. It's getting short of put spread, and it's getting short of put spread at certain times.

(01:44):

First of all, it's never trading earnings, never a trading earnings is pretty simple for trading machine. What that means is no matter what trade is open, no matter what's going on, if that button is clicked, then two days before earnings all the way through, two days after earnings. So this five day period, it's just a blackout period. So this five day period trades are ignored, and if a trade opens before it just closes early, that's it. This is never trading earnings. And then there's a technical open, okay? So we're getting short of put spread no matter what. We're not trading earnings. And then there's a technical open. This happens at a specific time, and what is that specific time? What is fading? The dip click, technical open, and you'll see it. It's 1, 2, 3, 4, 5 things are required and these are ands. So this and this and this and this and this.

(02:36):

If all five of those are satisfied, and it's not during earnings, boom trigger, okay? So here it's the first thing is the stock. Stock price has to cross up through the 200 day moving average. If you just take a second to think about that, if the stock is crossing above the 200 day moving average, that means yesterday it was below the 200 day moving average, right? We're waiting for the day. The stock crosses above the 200 day moving average. That means yesterday it was below. So this is a stock that is recapturing. Its 200 day moving average. To me, a stock is in technical failure. It's below the 200 day moving average. And so in this place, for this first condition, we're waiting for a stock to cross out of technical failure, but that's why we're calling it a dip, right? Even though it's rising, the stock had been in technical failure.

(03:30):

Number two, the stock has to be above the 10 day exponential moving average. This is a short-term moving average. So the stock is crossing above the 200 went from technical failure, coming out of technical failure has some short-term momentum. It's above the 10 day moving average. This simply says the stock cannot be overbought. This is very, very, very rarely going to be the case if a stock is already below the 200 day moving average, but just in case we don't want to get long anything if it's overbought. These last two are our ai, remember, this is fade, the dip plus ai. So this is that the one year skew is above zero, and the one year kurtosis is above one stock is coming out of technical failure. Stock has some short-term momentum. Very rarely going to be a concern, but stock is not overbought. And then a couple of AI things, you can think of it as like AI one and AI two get the check one.

([04:25](#)):

Those are the technical. That's when this thing happens. It's a short put spread and never trades earnings, and it gets triggered when all five of these things happen. When I click save, it's going to rerun the whole back test. So I'm going to let this run, and what we're going to end up seeing is how this fade, the dip, this thing, this technical, open, short put spread, how it did in tech over the last three years. And in general, we want to look at multiple timeframes and multiple sectors. So we're starting with one timeframe and one sec. Okay, look at that. This is why win rates aren't particularly exciting to me. It's actually easier for me to mark this up. So I'm actually going to oddly take a screenshot and start drawing on it. The win rate is great. Hey, 175 wins. 74 losses, awesome.

([05:15](#)):

But look at this guys. This is a one month trade up to a one month trade. It's basically paying your commissions at best 1%. Why would I want to do this? In order for me to take alerts on a certain trade in a certain sector, first I need the entire sector to be doing well because otherwise I kind of feel like I'm getting lucky it worked for Microsoft. Was that luck or I don't know. If the entire sector works, then I feel really good about this strategy in the sector, but if it doesn't work, I'm going to skip it. So this is why I told you at the beginning, all of my fade, the dip triggers for 2024, I'm out. I'm going to do fade, the dip in other sectors, but for tech, I'm out. You don't have to do that. You can say, Hey, no, I want to order this by average trade and I want to look Adobe.

([06:08](#)):

That's awesome. Two wins, no losses. Average trade, 37% Microsoft. That's up to you. I'm telling you what I do. This is a part of my process. This is a part of my effort. Okay? Now, did I show you the strategy just to show you we're not going to do it? No. I always start with a NASDAQ 100 because I like trading tech even though it's not all tech, and I like trading liquid names. Let's go to the financial sector. The reason I like to do at least two sectors is for a very specific reason. If I have a bunch of alerts set up on one sector and they're all, I don't know, they all get triggered when stocks are recovering. Well, that means in that case, in a bull market, when things are going well, I'm never going to get any alerts. It's all in one industry.

([07:02](#)):

The entire industry is moving up. Well, I won't get any alerts because they're not falling apart and recovering. They're just rallying. So I want to make sure I'm getting, I want trade machine to work for me. So in order to do that, I need to look at other sectors which might be doing differently than another sector. So financials and tech don't necessarily move together. So let's look at financials. So I'll click XLF and it's going to do the same rigmarole, three years. It's going to go through all of these, the exact same strategy, same strategy, just going to look at tech and we're going to let it go. You can see some names, I'm sure you're familiar with Berkshire Hathaway, JP Morgan, visa, MasterCard, bank of America, Wells Fargo, right? Goldman Sachs, Morgan Stanley, these names American Express, Schwab, the CME, PayPal, these names. So let's let it load. Remember that tech had a grand total return over three years of less than 1%. It was actually 0.98. So let's see if finances any better. This is at a maximum of 30 day trade because it's 30 day options, but if there's a 50% gain hit, it just stops out. So average, this average trade is probably about two weeks. Alright, so how do financials do? Look at that.

([08:19](#)):

The win rate is almost identical, 71%, but the average trade is 7%. Now, is this good enough to do? This is one where I'm not sure. So since it's not a no, but it's not a yes since I'm not sure. This is when I go to multiple timeframes, that was three years. Okay, well how did it do in 2023, right? If it didn't do better than this in 2023, I'm out. But if it did, if we're looking at double digits, okay, I'll take them for 2024, right? So this to me is dubious, not good, not bad. So let's do one year. It's the same strategy, it's on financials. I'm just looking over the last year and you can see the dates right here, right? Same names. Again, I know that the full three year picture left me with a, I don't know, possibly, but possibly not.

(09:11):

So let's see what we get. Alright, so here's how it did over the last year. The win rate was a little better and the average return, let's call it 10%. Now for me getting 10% on a credit spread consistently with a 75% win rate, that's fine. I'm okay with this. Kind of qualifies as like, okay, let me look at the best of breed. I don't want to do it the every company, but now I'm willing to look at the best ones. If this was in the 7% range or below, say I'm kind of out. My number is usually about 10%. So I'm going to say this qualifies just barely, but it's close enough. I'm in. I like it, especially considering the win rate. So I'm going to sort by average trade return and let's see who did. Well, these are all based on one year trades, but so I might like these.

(10:04):

I'm just checking the ones I liked. Probably JP Morgan, probably a IG Diddy group. Hey, I'll take that. So let's say I liked these trades. I'm going to go to ad alert. The technical conditions are already there for you. Remember, it says the day the stock crosses above the 200 day moving average, which means yesterday the stock was below the 200 day moving average, the stock is above the 10 day moving average. The stock is not overbought. And our two AI things here are the tickers that I checked, and here my notes will be the dip. And I'll just put, oops, and I'll just put in parentheses financials, just so I know what I'm, when I get it in my email, I'm like, what is this? A financial trade? Okay, got it. Now I'll just add the alerts. So nine alerts are created. I know that in the back trade machine is working for me. It's checking the market constantly. And when all of these technical conditions meet in those nine companies, if in any one of those nine I'm going to get an email that says, boom, it's live. Now let's look at one more sector. Let's look at healthcare.

(11:12):

And I'm going to look at three years first. And so we've looked at tech, tech was a no for me, just wasn't good enough. A plus 1%. I don't even want to know what it did from the last year. Financials were close and I took it close, but I took it. Let's see what healthcare does for us. And healthcare names you'll recognize, right? Eli Lilly, j and j, Merck, Pfizer, Amgen, Bristol Myers, Gilead, right? So these are names you should know CVS. So there's some familiarity with these names. Humana, Biogen. So let's just let this go through it.

(11:48):

All right? Now look at that. Remember, tech was 1%. Financials were about 7% over the last three years. Look what we have here. And keep in mind the win rates are between 71 and 74%. Now that's what I'm talking about. That's what I'm talking about. Now this looks good. I'm willing to choose the best, at least I'm willing to choose the best of these. I'll sort it by average trade, Gilead's bananas, eight wins, one loss, eew. I'm actually okay with two wins. One loss, IDXX md. This one win no losses. HCA is two wins, no losses. Agilent, four wins. No losses. If even know some of these companies, Biogen, four wins one loss 27.8%. Sure. I like all these numbers. These are great. I'm looking at the average trade return, right? That's what I'm judging this on.

(12:51):

Regeneron, UNH, Eli Lilly, these are some monsters, right? It's great to see large companies, they tend to have bids, right? So you choose the ones you want, okay? Just check, check, check. Lemme see if there's anything half a percent average trade doesn't really interest me. Is there anything else? Okay, so now I found some more. So I'll go to ad alert. Same thing. Everything's already done for me. And this is Fade, the dip plus ai, but this time, this is in healthcare. You don't have to put notes, you can just get the alerts. But I want to know what I'm looking at. Oh, it's paid the Dip plus ai. Oh, it's in healthcare, got it. Add the alert. 22 alerts were created. So that means in total we've created 31 trades. Okay? So I did not do tech this time. I did get my two industries though.

(13:39):

I got healthcare and I got financials. Now I certainly could go through any other, feel free to do that. And maybe you're not convinced you don't want tech. That's a NASDAQ 100. Maybe you want to try a certain kind of tech like software. That's how you would do it. So hopefully I've done today so far is showing you how to choose a strategy that you want to backtest understand what the trade is. It's a short put spread. It always skips earnings and has a very specific technical open. You can also read the technical open at the very bottom. There's some AI that's running behind it. Two pieces of it found two sectors discarded. One added, I think a total of 33 trades or whatever it was. Guys, that's a process, right? What's the plan? The plan is when the stock crosses above the 200 day moving average from being below and the stock is above the 10 day moving average, and the RSI means it's not overbought. And these two measures of ai check a box. I will sell a put spread short, a put spread as long as it isn't during earnings,

(14:52):

And I'll take a gain at 50%. That's called a plan. That's called the process. That's the first PI was talking about. You would think that would be good enough for humans, but it isn't. You will need patience and effort, but we've done a lot of it for you. The rest is on you. And no, it will not be easy. It seems like it should be easy, but it isn't because being a human being and being reactive, these are natural things. They actually protect us, but we have to be reactive. So the trade machine can't make it any easier on the process part, the part that should be the most important. We certainly take a lot of the effort out.