

Ophir Gottlieb (00:06):

Welcome to the create tab in trade machine. First, some housekeeping. You will notice that we have real time automatically updating quotes throughout the trading day right here. Second, in order to see live technicals and pivot points, you can now click show pivot points. And here you will see various moving averages in real time as well as Fibonacci extensions and other technicals. Depending on the date that you're watching this video, this list could be much longer To hide the pivot points. You simply click hide pivot points to turn on and off testing With earnings, you can toggle the never trade earnings and hold through earnings buttons. If you never trade earnings. The test results you see will always use a blackout window two days before earnings through two days after earnings. It's a four day period where all trades are closed and no new trades are opened.

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But that's not what this is for. We have a fundamental belief at Capital Market Laboratories that everything an investor or trader does should be on purpose. Trading is not for fun. Anything that can eliminate wasted time and sharpen investing or trading rules is the goal. We have fun during that process, good for us, but the number one rule is to profit. This is the future of profiting from stock charts. The old way had to change just as so many things in our lives had to change due to technological advancements. This is a technical analysis visual chart profit builder. As you will see when you drag and drop technical conditions onto the chart, you instantaneously see triggers visually as well as trading results. Computationally building a successful trigger should have never been a two-step process. It should never have been a process of selecting technicals, eyeballing it, and then testing whether they work.

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They should be instantaneous and simultaneous. Technical analysis is not meant to be perfect. It's meant to help with probabilities, but in that imperfection, precision is required. Let's take an example. Let's look at Facebook and take a look at a Bollinger Band by the Dip breakout. So we'll click on Bollinger Band breakout. I want to see what happens when the stock crosses up through the lower band, but I like wide bollinger's. So three standard deviations, and let's do this over 10 years. And here we go. We can see the times when Facebook stock was below the wide Bollinger Band and broke up through it, and we can see the technical traits that would've occurred. And while we can certainly eyeball it by drawing some ranges,

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When it comes down to it, eyeballing isn't good enough, and as we build a technical trigger, we shouldn't have to eyeball the results. We should be able to see them simultaneously and instantaneously. And that is the power of the create tab. On the right hand side, we instantaneously see the results of our triggers over one trading day, five trading days, 10 trading days, 22 trading days, two months, three months, half a year, and a full year. And if we break this down into a five year test, we see exactly what we would hope to see over one trading month. We have seven wins and one loss. This is before creating a closing rule. Of course, if there's an open rule, we need a closing rule. But before you decide on a closing rule, you have to know when to open a trade. We see a high win rate, and we see that the average trade return is about the size of the maximum drawdown.

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That means the average trade over eight trades was as large as the worst days of this with an 88% win rate. That is exactly how you build an opening trigger. Now that we've done that, we can in fact create a back test if we want something a little bit more precise than simply number of days. So click on test trigger and it will take you to the back test tab. And rather than just buy stock, let's try a call diagonal, in

this case, getting long a 60 delta 60 day option and selling a 30 delta 30 day option. All of a sudden, this trigger has found us five wins and three losses in five years for 164% return. We can try it with other momentum cousins, Tesla and Microsoft. So what we have done is created an opening trigger visually and computationally instantaneously and simultaneously then brought it back into the back test tab to create a trading strategy.

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Know that while this is buying a dip, another way to trade buying the dip is not to get long call spreads, but to get short put spreads. So let's try that. And all of a sudden, using the same technical trigger that we created in the create tab in about 30 seconds, if there was no voice narration, we found a strategy that can work for someone that wants to get aggressively bullish by buying a call spread or someone that wants to be aggressively not bearish. In both cases, we see extremely high win rates and high returns. Let's go back to the create tab. This strategy, a Bollinger Band breakout with three standard deviations is in fact under the active trade ideas. And it's one of the many strategies that we've backed tested over 15 years and tens of thousands of back tests. And in fact, it turns out those hand-selected tickers, Facebook, Tesla, and Microsoft aren't that different than the rest of the NASDAQ 100.

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When we look overall, these ideas load every day with five days of trade history. So you'll have a plethora of active trade ideas when looking for opening trades, and we can add technicals. So for example, if we're looking to get long, we probably only want to get long on a by the dip. If the relative strength index, the RSI is below a certain number. So in this case, we'll add RSI. We'll say the RSI had to be below 40, so nearly oversold. You can see the data update instantaneously in real time. Now, there are two fewer trades. The max drawdown though got smaller. And of course, for the visually inclined, here are the trades we're looking at. There's an entry. There's an entry here and here. Let's try a simpler idea to demonstrate how powerful and how easy it is to create visual technical analysis with instantaneous computational technical analysis.

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Let's test one of the most common indicators. We'll look at the SPI. We'll look at when the 10 day exponential moving average crosses above the 50 day, and we'll look at it over 10 years. And let's look for a short trade. We're looking for a two week trade. Here are all the triggers. It's almost impossible to tell if it's working other than we know that over the last 10 years, yes, the s and p 500 went up. But when we look at a two week trade, while we see a nice win rate, we see that the average return is disastrous relative to the max drawdown. That is the max drawdown is more than 22 times worse than the average return. So let's use the speed of instantaneous computational technical analysis with visuals to make it better. Let's add the vix. And let's say we only want to make this trade if the VIX is above 18.

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Now we see far fewer triggers, and we can start to hone in on the idea that this may be a point of a rally. And when we look at the 10 day returns, now that's 10 trading days. We see a strategy that not only has won seven out of eight times, but the average return now is nearly equal to the max drawdown. And when you have an 88% win rate, this is exactly the power of using visuals with instantaneous computations to test even the simplest idea of the 10 day exponential moving average crossing through the 50 day SMA and using the VIX level as another indicator. But this is it. Fundamentally, we have changed the way stock charts work. If you want to try a technical trigger, you can see it visually and computationally instantaneously. Thanks for watching.