Ophir Gottlieb (00:06):

In this demonstration, we will discuss the rigorous testing of the CML vs fade. The dip technical trigger, a trigger that looks for times to be not bearish first disclaimers. This is not a solicitation to buy or sell any security ever. This is not advice. 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. And please a reminder note that the executions and other statistics on this video are hypothetical and do not reflect the impact if any of certain market factors such as liquidity and slippage. Now to the webinar, by the time we are done, we will see the exact technical settings that have shown a fade, the DIP opportunity, and how the signal compares to the baseline. We will see how this compares to our buy the dip model as well.

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And we will see that we are getting substantially higher win rates with a trade-off of getting smaller average wins. This strategy looks for higher win rates and gives up some of that average win. Remember that fading the dip is only a good idea if the stock doesn't go back down once it comes out of technical failure. Otherwise, it has a different name. It's called losing money. We're focused not so much on buying of a dip, but more when the dip is over. This is a not bearish strategy, which is different than a naked, straight down the middle bullish strategy. This strategy can win if the stock goes nowhere or even goes down a little bit, unlike a naked bullish strategy. But for that, we give up some of the upside. So what makes a good trade candidate a good fade? The dip technical bullish momentum trigger will have some characteristics.

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First of all, we'll have a high win rate in which it has won more often than it has lost and has won more often than the baseline strategy. Second, the average return is greater than the baseline. There's simply no use in using extra technical analysis if the result is a strategy that doesn't beat the baseline and not bear strategies. We are going to test technicals on selling put spreads, but if using those technicals does nothing for us, it was a waste of time. We need to prove to ourselves that this was not a waste of time for some definitions. Please recall that when we use the 10 day and 21 day moving averages, we are using exponential moving averages. For the 50 and 200 day moving averages. We're using simple moving averages and for RSI we use a 20 day period. We have a simple idea when you use charts and with them technical analysis.

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That is the most common form of a financial backtest. Technical analysis is backtest. Using a stock chart is a backtest. It is that every step using historical data and trying to draw conclusions from patterns in the past to extrapolate them into the future. That is a backtest. Our idea is to identify a trading truth one way or the other. Either there is a combination that meets our criteria for a good technical fade, the dip momentum trigger or there is not. We enter with no bias. We simply seek the truth. In our testing, our setup included looking at one, two year, three year, and five year returns for the NASDAQ 100 constituents. And after tens of thousands of back tests, we landed on three technical settings. These technical settings are identical to the CML vis by the dip trigger. While by the DIP is a naked bullish strategy fading the dip just means being not bearish.

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It makes sense then that we would land on common technical settings and to review what they are. We wait until the day that the stock price crosses from below the 200 day moving average to above. That means the stock wasn't technical failure and is crossing out of it. Second, the stock price is above the 10 day exponential moving average already. This means there is short-term momentum and it has been

confirmed. And finally, the 20 day RSI is below 70. We just want to make sure that a stock is not overbought, although it's very unlikely given that it is just now crossing up through the 200 day moving average. We use 30 day options and we use a 50% limit. And that calculation is based on the credit received for the put spread. So if you sell a put spread at a dollar and that put spread shrinks to 50 cents, that is a 50% gain with respect to the calculation of the limit.

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Here are those technical findings. In trade machine stock price crosses up through the 200 day moving average. The stock price is already above the 10 day moving average and the RSI is below 70. Now we can look at the results of the fade. The dip technical trigger using the constituents of the NASDAQ 100. We looked over five years, three years, two year, and one year. The baseline put spread selling a 40 delta 30 delta put spread over five years. The average trade across thousands of trades was 4% in the fade. The DIP model that return nearly doubles, that's every 30 days. The three year return was 2% for the baseline that result quintuple with a fade. The DIP model, the two year average average return for selling a 40 delta 30 delta put spread with no technical specificity returned 4% where the fade, the DIP model returned three times that.

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And finally, over the last year, simply selling an out of the money put spread every 30 days in the nasdaq, 100 constituents returned 4%. Whereas using the fade, the DIP model that returned nearly quadruples. But let's see how this compares to the buy the dip model. The returns for the buy the DIP model, since it takes more risk, should be higher. And here we can see that the buy the dip model over five years returned 10% portrayed while the fade, the dip returns 7%. And if we come all the way down to the bottom, buy the dip over the last year has averaged 23% return, trade and fade. The dip is at 14%. But the trade-off is that a model which looks to be not bearish as opposed to naked bullish should see higher win rates. Let's examine that over five years. The fade, the DIP model showed a 77% win rate.

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The by the DIP model showed a 67% win rate. We see substantial outperformance with regard to win rates. As we saw on the prior slide, a substantial underperformance with regard to the average trade return. If we come down to the last year, the fade, the DIP model has won 83% of the time. While the buy the dip model has only won 62% of the time. This is the trade-off a little less risk for a little less of a return. Once again, to conclude, here are the technical settings. They are identical to the technical settings for buy the dip. You do not have to memorize them as they are in trade machine already, but we wait until the day that the stock crosses up through the 200 day moving average. The stock is already above the 10 day moving average. And the RSI is below 70. Thank you for watching.