

Jason Hitchings (00:00):

Oh, hey everybody. Thanks for being here. I'm going to just start off with a few slides and then just dive right into trade machine and answer any questions we have. I think we can kind of keep it short and sweet. Today we're going to be focused on the new user experience, and so any questions you have, I'll love to take. We always start with the disclaimers, so without further ado, 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.

(00:39):

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 risks of loss in trading can be substantial. Carefully consider the inherent risks of such investment in light of your financial conditions. So I'm Jason Hitchings. I'm the CTO of Capital Market Labs. I'm the architect of trade machine. I've been in financial technology and in options for a long time, and I've been working with our CEO Ofir quite a while for about eight years at CML. And then we worked together previously at a company called Libel that got bought by sibo. Great, so we're going to talk a little bit about what backtest is, what's on the today tab when you click a link, what's happening a little bit about Deltas and technicals and adding alerts, earnings, and then we'll real quick look at community and learn tab.

(01:22):

Okay, so played this during the last session, so I'm not going to play it right now. You may have already seen it or not, but when you log in, it's just the video here on the home screen. It does a really good job of explaining what backtesting is, and so if you haven't checked it out, definitely encourage you to dive into it. It's a pretty cool visual representation of what it's like to simulate something and try to get meaningful results from it. In short, what the backtester really is is a simulator. The way that you might simulate weather or the way that you might simulate someone learning how to fly an F 16, it's simulating the mark with an extremely high degree of fidelity and it's finding patterns and things that occur and things that sort of ways to find edge, like if you're buying an option that has a 40% chance of actually ending up in the money according to the math of the options, according to the option models, but it's winning 55% of the time.

(02:16):

That's exactly the sort of thing that we look for By trying thousands of different technical settings, looking at earnings conditions and all those sorts of things. And then we create different combinations of those things through lots and lots and lots of rigorous testing in and out of sample, et cetera. And then we create strategies and we put 'em in the product and then we give you all those same tools so that you can create your own simulations and figure out your own patterns and set your own alerts on those patterns so that you don't have to just constantly be checking them. You can find something you like, a strategy you like tell trade machine, Hey, next time this happens, let me know. So let's take that example. The options market says something should be successful 40% of the time. Let's say it's successful 55% of the time, and let's say that you more than double your money every time you do the trade, the other 45% of the time you lose your money.

(03:04):

If you keep doing that strategy over and over and over, it's going to be a huge winner if you're making 110% when you win and you're winning 55% of the time or 60% of the time. You just want to do that as

many times as you can. But you also want to take a lot of small bets because if you take a lot of small bets, the chances that you're going to deplete your account before you turn that into a success are very good. If you take all of your risk capital and apply it all in one big bet, then now your chances are pretty high that you actually might just get bad luck. So first thing is to know the strategy, getting into know why you entered in exact conditions when you're going to exit, you don't want to get pushed out of a trade.

[\(03:43\)](#):

You're nervous also, if you're getting pushed out of a trade because it's going against you, it could be a sign that you're putting too much money into an individual trade. I mean, of course that's up to your own trading style, but just the thought. But yeah, take a bunch of trades and take a bunch of trades over a stretch of time. If you do this, then the strategies that are working, you'll give them a chance to actually show that they're working. And then you know what strategies to keep investing in because that's what the whole system's about is figuring out something that has edge that wins more than it loses. That wins when it wins, it wins more than how much it loses. And then just to do it over and over and over and over and over as long as it's working and then adapt and adjust.

[\(04:19\)](#):

That works well. It's worked extremely well for me and a lot of our users. And then yeah, personal opinion, but also it fits the sort of math and statistics view of it is if you have something that's winning, you don't want to put all your money on a single bet because that doesn't maximize your chances of success. If you're flipping a coin and you get \$2 when you flip heads and you lose a buck 50 when you flip tails, you want to flip it as many times as possible and long-term, it's going to work in your favor. This is just an example of my trades. I was just the last few months trading on the today tab, just how I record the trades. Pretty simple. Just a spreadsheet with the entry and exit. Okay, so this is the today's app. When you first log into the product, this is what you see.

[\(04:59\)](#):

These are all different strategies. Each one of these, they have a name and then this little question mark will give you a video or a link to a page that'll describe the strategy in detail. Anything that shows today means that all the conditions at some point today were active and that this was good to go at some point today. All the technical conditions, all the earnings conditions, et cetera lined up, but that's not all that it's doing. We also apply a bunch of filters to these trades. So you'll notice that on this screen, every single thing that appears has more wins than losses. You also won't find anything that has a total return of like five or 10%. So we find things that have a good total return, they have a good average return, they have more wins than losses, and we also make sure that they work over various timeframes.

[\(05:44\)](#):

So we're checking five years, three years, two years, one year and making sure that they win in a whole variety of circumstances. So it's a heavily and highly curated list of strategies that we built out with a lot of testing of hundreds of thousands of different back tests to try to find combinations of technicals that worked well. And then we're filtering symbols only show up here that have gone through all of the additional filters to make sure that they have a good track record over various timeframes. If they say beginner, there are a single leg strategy, they say intermediate or advanced, then there are multiple legs. Intermediate tends to be two legs and advanced could be a calendar or it could be like this is the most advanced strategy. It's a one by three by two broken link butterfly. It's a very cool and very powerful strategy.

[\(06:31\)](#):

It's also a little complicated. Not everyone's trading account will even let them put that trade on, but it is extremely powerful. Do you know if you put on this one by three by two, it's kind of designed to initially you're trying to catch something on the way down. You want the stock to fall to your short options, which are in the middle. It's a short spread, short butterfly, broken wing. So it's very commonly this is going to look like a loser at the beginning, but that could be a sign that's actually because you want it to come down to the short options. The short options are it can get expensive. Your trading account might show that it's in the red, but oftentimes that's exactly what it's supposed to be doing, and then it just hovers around there and doesn't go much below those short strikes.

[\(07:12\):](#)

Maybe it comes back up and you end taking your win. So snow had appeared on here before. I held it for a long time in the red. It was showing that it was a 2000 loser for me for a long time. I ended up limiting out and taking my max gain at 80%, which is how the strategy is built. But this is an advanced strategy. I just wanted to give you that heads up about it, but there's lots of other ones. So the bullish burst is designed for stocks that have upward momentum and it's just buying a call. So it's as simple as this and as complicated as a broken human butterfly. So if you want to just filter on the largest 500 by market cap, you could do that for annual subscribers. If you switch to annual, you get about a 17 or 20% discount over the course of the year, which is actually about the exact same discount that we get on our servers and Amazon that process all this stuff.

[\(08:01\):](#)

So we kind of just share the savings with you. You do get some cool new features too. The platinum users get kind of all the new bells and whistles. One of those features is this liquidity filter, and basically it says how tight the options market is. It's not using volume or open interest. I know a lot of people think about liquidity that way. For our purposes, we're using liquidity as width of the markets, like the spread between the bid and the ask relative to how big of a stock it is. Happy to go into more details on that or you can click over the learn tab and there's a good breakdown there. Yeah, so each one of these strategies is if it said today, then it triggered today. So I'm going to take this example and you'll notice that this one has a little AI with a lightning bolt next to it.

[\(08:41\):](#)

That AI means that in addition to the standard fade, the dip strategy, which you can read about in this video or just watch the video about, we also applied an algorithm that we developed with AI that uses something called and ketosis. And what that means is that when the stock moves, it tends to move more to the up than to the down, and the ketosis says how big the moves are. So when it jumps, it tends to jump a lot if the ketosis is high and the SKU says if it's shifted left or right. So positive skew means when it moves, it tends to move to the up and negative SKU means it tends to move down. So when you see this ai, that means that not only did it go through the normal filters, but it went through an additional filter using our proprietary version of SKU and kurtosis.

[\(09:25\):](#)

Those are really powerful. It's really there's a lot of hype. People always hype their products. The AI thing is actually extremely powerful. We're actually trying to figure out how to leverage it more extensively because it's really a powerful phenomenon. So I think you're going to see it kind of spread throughout the products. But I'm going to take this one as an example. So when I click this link, what it's going to do is it's going to say, it's going to rerun this simulation, this back test, it's going to run every single setting the way it was when this ran originally. So you click here and you see the share link at the top that share link says, don't use my settings, use the settings from when this back test when the simulation was run. So you might notice the end date here is now yesterday.

[\(10:04\):](#)

So the last time that we checked the track record of this strategy was yesterday, and this is the result that we're seeing. It also does things like it sets its own deltas. Now, if you're not familiar with Delta, it's on an options montage. I'm going to click show options here, and the delta tells you basically how far out of the money or how in the money something is something with a very large delta, they go from zero to a hundred. Something with a 100 delta means that it's very, very deeply in the money. And something with a five or one delta means it's extremely far out of the money. Another way to look at it is how likely is it that the stock is going to finish above that strike price for calls and below the strike price for puts. So the math in the options market is saying that by June 21st in about eight days, there's an 88% chance that the stock is going to finish above \$57 and 50 cents.

[\(10:57\):](#)

The stock is currently at 61. That makes sense when you see things that are, if there was a strike right at 61 point 30, which of course there's not, but if there was, it would show a 50 delta. So I think it's at the money. It's always a coin flip whether it's going to finish above or below that point because these option models are based off of the math. They're not based off of any opinion about the stock. So it's always assumed that the stock is at fair price, that it's correctly evaluated the price. Our job is to figure out when the math is wrong and that there's actually likelihood that the stock that our options are going to finish in the money or if we're going to sell options that they're going to finish out of the money. So those options are there, and what this strategy says is that I'm short the 40 delta, I'm selling the 40 delta puts and I'm buying the 30 delta puts, and we're going to be looking about 30 days out days.

[\(11:44\):](#)

Expiration is 30. So if I filter this by as close as I can to 30 days out, then this is being short the put spread. And so when you're puts, you're hoping that stock does not go down, it doesn't have to go up much. If it goes up, that's great, but what you don't want it to do is go down. When we're selling the 40 delta, we're saying we're selling options, puts that are a little bit out of the money, but we're not just going to be short puts where we're, if the stock drops down to others when we're short the put, that would mean that someone can sell us the stock at 60 when the stock has dropped down to 40 and we'd have to pay 60. We don't want to take that unlimited risk, and so we're not just selling the forties, we're going to buy the thirties as protection.

[\(12:26\):](#)

So the two strikes that look closest here are the 60 delta and the 57 50. So our risk would be between the 60 and the 57 50. So we'd have about \$2 and 50 cents of downside per share. Every contract is of course a hundred shares. So every time you did this, the risk would be about \$250 if it drops down below 60 and your max loss gets hit at 57. Okay, so that's the strategy in its essence. Now for platinum users, you don't have to do that work. You can just click show options and it'll do that for you. It'll just pull up in the options montage and you see that's exactly what we talked about 30 days in the future, as close as you can, and then those were the strikes. Okay? So that's what we would, the options we would buy and sell in order to put this position on.

[\(13:07\):](#)

But what is it? So we know it's a put spread. When are we actually doing this? So it says open and then all this stuff that feels like a lot. It's a lot of different technical conditions. You can either read it here or you can just click open trade one and click the technical open. So this has a lot of different technical condition set. When we're creating strategies, often we're creating, if we can add a technical that improves the performance, we add a technical that improves the performance. So sometimes they just have one, sometimes they have three, sometimes they have five. This says that to be true, the stock

needs to have crossed up through the 200 day moving average today, whenever you're putting this trade on, that's when it opens the trade to be true. The stock needs to be above the 10 day exponential moving average.

[\(13:49\)](#):

Now, the exponential moving average means you're looking at the recent data and giving it more weight than the older data. So it's just saying recently it also has an upward trend, so it crossed the 200 day moving average. So it's kind of like in a long term in a bullish pattern. And also there's short-term momentum. The RSI relative strength index is below 70. That means it's not overbought. So even though there's an upward trend, when the RSI is above 70, it's generally an indication that maybe the burst is kind of at the end of its life. That's the normal strategy for this fade to dip, the fade to dip plus ai. So if you click this one, you're getting the exact same results because every single time that this triggered the AI also was true, but this is saying also this asymmetry. The skew was positive, meaning it tends to move up more than it goes down, and when it jumps, it tends to jump more than other stocks. So how big the tails are when this thing's bouncing around, when it moves, it tends to move more. So those two settings are also true, and that's part of the proprietary ai, and so that's the technical conditions that need to be true.

[\(14:50\)](#):

And then an additional setting here is that it says never trade earnings. And so you don't want to put on this trade if you're either two days before earnings or two days within two days of earnings on either side. That's what never trade. Earnings means, I mean sell before earnings and buy and then wait until the technicals are true again on the far side of earnings. So you don't just sell it before earnings and automatically buy it after earnings. You sell it before earnings and then you wait for the technical conditions to be true again. Now when it comes time to close it, we would close the strategy either when the options expire or when we make 50% return. So if we put were, and this is based off of the credit that you'd receive on the put spread, so let's say that you collected a dollar on the put spread, so you would sell this position once you collected a dollar, once it goes down to 50 cents, then you would exit.

[\(15:40\)](#):

Okay? So that's that strategy. If you found one that you liked and maybe you tweaked it, you might just say, just for our purposes here, let's say that you looked at it or you looked at some and you just said, I'm fine if the RSI is below 50 and I like to look at a seven day exponential moving average, and I want it to have crossed the 100 day crossed off through the 100 day moving average. So now you can save that and says, okay, well all of those technical conditions aren't true today. It's like, okay, but that's the trade I'd like to do. What you can do is just click add alert, and now you put in your email address, you put any notes, trade this help, and when you click add alert here, now it's going to check five or six or seven times a day for those conditions to see if they're true.

[\(16:22\)](#):

If they are true, it's going to send you either an email or an email and a text. If you put your phone number, it's going to say what all of these values are, and additionally, it's going to send you this little link and when you click the link, it's just going to hold this back test up exactly the way that you created it originally. Now I want to mention something about these live, this little live indicator. So this little green indication here says that all of the conditions are true right now, but just because they were true at some point today, if it's true at some point today, it'll appear here, but it doesn't mean that it's going to be true all day. So if when you see this it, you see that it's gray, it means that the conditions were no longer met, and if we click through here, we'd certainly find one.

[\(17:05\):](#)

If I just click for instance, this one's from yesterday, so it's very unlikely that it's still active, and you'll just see that it chose gray, and that means that all of the conditions are not currently met. So if you took this trade you'd be doing, you wouldn't be following this pattern, you'd be kind of out on your own a little bit. Okay? So yeah, when you hover over that, then you can see that it's currently active. So for all of these strategies on this tab, this today tab, these kind of 14 strategies, if you ever want to look at one of them directly, we have the saved back test. You click it, and then all of these things that say CML in front, these are all the strategies on the today tab. So here's the fade, the dip AI that we just looked at, so I can load that one back in when I load that it just loads a single saved back test.

[\(17:45\):](#)

So this thing got saved in October of 2023. If you click any of these buttons, say, okay, show it to me for the last two years or three years, it'll just update the start date and the end date to the current dates. Okay, last thing I'm going to say on this topic, even if your end date is long ago in the past, so this is a year ago, if this screen flag shows active, it means it's active as of today. So it's not saying, Hey, the back test that you're in doesn't currently have a trade on and the conditions are met. It's saying that it's assuming you have no position on. It's saying that you're starting a brand new back test as of today, and if this is active, then it means it's ready. So I'll jump back to the example that we had this BXP, and so I'll set this back to say the end date is in 2023, so now the chart is only going to go through 2023 track record's only going to show through 2023, but this green flag means all of the conditions are true right now to put the trade on.

[\(18:38\):](#)

And then finally, if you ever say like, Hey, this isn't the short put spread I want to trade, you can click this little settings button and say, okay, well what do you want to trade? So if you wanted to trade the 50 30 or the 50 20, you can just put it in that way and click save, and now it's testing that. If you click this tile, you can dive into lots of details. You can even download the Excel, but this is going to show you every trade in that backtest. You can also, if you put commas between these things, you can test multiple tickers at the same time. And in fact, if you click portfolio, you can test up to 50 for monthly subscribers. You can test up to 50 at once, so you can test it not just to see if it worked on one or two stocks, but when you're creating your own strategies, you can see if it worked on a bunch of different stocks all at the same time.

[\(19:21\):](#)

So that's a good way to see if, Hey, did this just happen to work in this one stock or is it something that works well across industries? We have all of these prebuilt portfolios, anything with an underscore underscore or something that we made for you, you can also create your own. But yeah, you can test it in the financials industry and then see how it did there. And then if the stock that you're looking at is in the financials, then it gives you more confidence that it's going to be a strategy that's going to work there. If you don't put a comma, if you just say for a stock and there's not a comma there, then what it does is, sorry, that put spread ahead. Funny settings here, it didn't like it because of the deltas. If you just put a single stock, then what it does is it tries five different strikes, five different combinations of strikes for you.

[\(20:03\):](#)

They all use the same D expiration and it tests the five that are here. If you have used custom my Deltas, it uses these. If you don't, then it uses something that makes sense. So for instance, it straddle and strangles are going to use something different than put spreads. In terms of the deltas, we can always click here and customize them. I just want to note that anytime you pull up one of these strategies, it's

going to set its own because it's going to set the delta exactly the way that this was performed. So this uses using 40 delta calls. If you want to change that, then you can just come in here and tweak it or you can just turn this off and it'll choose just kind of the default settings. Same with if you want to say, Hey, I don't normally get mid-market fills.

[\(20:37\)](#):

I want halfway between, or I want to be pessimistic and assume I'm just going to pay the offer or sell it to bid. So there's additional settings in here that you can jump into, and then if you ever see a more complicated thing that's not just a call or a put spread, then it's often a custom strategy. So I'm going to click this one by three by two, and then you see here that it didn't choose any of the default strategies. It chose this thing called a custom strategy. So this is a CML strategy, and if you click edit, you can see all the details and you can also create your own strategies this way. So it says that you're going to be long, one of the 37 deltas short, three of the 25 deltas, and you're long two of the 10 deltas. So they're pretty far out of the money.

[\(21:17\)](#):

So there's a whole video on this strategy. It's probably beyond the scope of what we want to cover, but these custom strategies, if you just click edit, you can go into all the details. We have a ton of learning resources I'm throwing quite a bit at you. I know. So we have a pretty extensive learn tab that the head of our support, Amanda has been building out with her team. Here's a live help session archive. So we've been doing these for a few months, roughly once a week. So you can find a lot of different topics here. A lot of different things are covered if you have questions about individual strategies or liquidity. Also, if you're like, everything you just said to me was gobbledygook. I know calls and I know puts, and that was way too much. I don't know even what you meant about broken eating butterfly, that just sounds like nonsense.

[\(21:57\)](#):

We have this whole education course. So starting at really the very basics about how to look at an option montage. So if you just go to learn and then under this education, so this one starts really simple. We use an analogy about if you're trying to purchase a safe and you don't know how much is in it in order to try to understand options. And then it goes on to discuss delta and implied volatility and then into more complicated spread. So each one of these is about an hour and a half, so there's quite a lot of material here. Generally people that have gone through it have given us positive reviews. So if you want to touch up on anything, if you feel like Delta at a basic level but you want to get more detailed, then definitely dive in there and that will should be a good resource for you.

[\(22:37\)](#):

Also, we have community. So community is a place to discuss your trade ideas, ask questions, just kind of see what's happening. So I'm going to click agree that just says be nice, and we have two products that have access. CM It, TR CL Pro is an investing stock service with excellent stock research that's outperformed the market. So check it out if you haven't. Trade machine is what we're talking about today. And yeah, you'll just see just people talking about the trades they're putting on market conditions, everything going on. It's a really positive place if anyone gets negative, we just uninvite them from community. So it's a really nice place to be. It's not a place to talk politics, it's a place to talk trading. And not only that, but we actually have a former option market maker and his name is Max. He goes under the handle chat, uncle pops, but he's on there.

[\(23:25\)](#):

He jumps on every day to answer questions and he's a really great resource. He understands the product super well. So lots of good stuff there. So we definitely encourage you to jump in and

participate. And with that I'll happily take any questions. I'm just opening the chat. Let's see if there's any questions here. Why backtesting versus dark pools? Okay, so dark pools in the way I've always known about it, known to think about it is essentially when you're sending order flow through your brokerage, they can give other people along the way the opportunity to take that order before it hits the public market as long as they can match or beat the public market price. So if you've put a limit to buy an option at a dollar, they can let someone sell it to you for 99 cents as long as that's meeting or beating the market.

[\(24:12\)](#):

So that's what I think of as a dark bull. Backtesting is stimulating the market over time in order to try to find patterns that reoccur to get an edge. So if you want to elaborate jd, I'm happy to try to give a fuller answer. Can you choose your own Deltas? 100%, yes. So you just click this little setting gear again, if you have a comma or if you test multiple tickers, it's going to use the middle. If you take away the comma, it's going to test all of them. And if you click use my own Deltas, then you can fill in all of these details. This is for the first leg, so if you're just buying a call or selling a put or something like that, it's just going to use the top. And if you have a two-legged strategy, the first one you enter, like a put spread.

[\(24:49\)](#):

If you're long a put spread, this will be the first leg, this will be the second leg, and if you want to get deeper, you can customize and get as nuanced as you want, up to four legs. Graham asks four earnings handling under custom earnings with the same day of earnings. Would that be one day before earnings or zero days? Zero days? Good question. So zero days before and zero days after is the same day. So the question is if you wanted to do a custom earnings strategy, so I'll just pull up one from the today tab. So oh, we're just getting at the right at end of earning season, so not so many, but I hold one up. There's a three day pre earnings call. So this strategy buying a 40 delta call before earnings, you actually sell it before earnings, so you're buying it three days before, but you're also selling it before.

[\(25:29\)](#):

So custom earnings, I'm going to open the position three days before, I'm going to sell it one day before. So the idea is to take advantage of momentum in the earnings event if you want to. You can also say only if the last earnings event, if the stock went up at least some odd percent. So that's an additional filter that you can apply. You can kind of test and play around with that. But yes, one day before earnings would be literally the day before earnings and zero days before would be the day of earnings. In theory, if it's an aftermarket close zero days before, you could still sell it before the close of the earnings event, before the stock actually moves. But we kind of don't play it that close to the bone, so we just say one day before, okay, more questions come in, which is great.

[\(26:09\)](#):

Steve asked, how do you do lower? I target 12 as an example. Yeah, so you can go say if you want to do a 2010 put spread for instance, you can put it in there. You can do a five one if you want, if there's enough liquidity. Now, if the stocks, if you don't have enough strikes, it's going to tell you, Hey, I couldn't fill that because there's not a one delta, there's only a four delta and it's the same one for both. Or sometimes if you try to play these a little too close, then it might not like it, but yeah, you can do a 12 and 20 and a 12 or whatever you want. You can get as customized as you want, and if you do something like the SPY, then you're going to probably have enough strikes that'll like it. Now this is actually a good example, but if I put in the SBY, it's going to say, Hey, you specified earnings events.

[\(26:49\)](#):

There's no earnings events in the SBY. So if you have custom earnings on the SBY, it's not going to like it. So you can say nothing special. Okay, can you use the system to devise an option hedge to existing long

stock positions? Yeah, so can in custom strategies, you can click add and you can actually add a shares of stock in here as well. So you can add, you can say, Hey, let's assume we have a thousand shares or whatever it is or a hundred shares, and then you can build an option strategy and see if it outperforms just being long the stock without any production or short the stock for that matter. If you put negative 100, it'll be short the stock. If you create your own strategy, can it be run automatically on the today tab to general alerts? It will not be run on the today tab, but you can create your own strategy.

[\(27:29\)](#):

So we'll do my call diagonal. I'll say I want to be long, the 45 delta 30 day calls, and I want to be short, the 27 delta 15 day pulse. It's going to do as well as it can to fill this, but if it doesn't have weeklys, et cetera, then sometimes these won't get, it just won't be able to place the trade. It'll say, Hey, sorry on this data, couldn't place the trade, but it'll actually tell you that the technical conditions are true. So I'm going to click save. Now if I'm going to do, let's say, okay, it seemed to work okay, 3.9% return, so it didn't do great on the SBI, but I'm not so interested in the SBI. How's it doing the QQQ? So for me, because I'm a platinum user, an annual user, I can test up to 200 tickers. So it would complete this entire back test if I gave it some time to do it. I'm going to jump over to the Dow 30. I want to show you an example, but this is using, this is my own custom strategy. You can also customize the technicals. Right now it's just saying if the stock is above the 50 day moving average, but you could make those technicals as custom as you want to, and then I'll show you how you can get alerted once this completes. We're getting pretty close here. It's worth the wait.

[\(28:42\)](#):

You can do it for an individual stock with that ad alert, but when you do a portfolio back test, you can do even more. So now what I can say is, okay, so let's look at the ones where this did well, and this says the average return is 1%. So this has not been a great strategy in the Dow 30 in the last three years. Let's say I spent the time to tweak it and found something I liked better, I might look at the average trade return, which is sometimes more helpful than looking at the absolute trade. We can look at that as well. And now I can click on the individual stocks that I like. Let's just say for CVXI don't like for whatever reason now I've added these five and I can click add alert, and it has now created technical conditions necessary, any earnings conditions that were necessary in order for my strategy to trigger.

[\(29:27\)](#):

Additionally, it has sent me a link to the backtest I just ran. Now it's sending you a link to the entire back test you just ran. So the whole Dow 30 thing, but in the actual alert itself, I have like 27 tabs open here. It will say it's only going to trigger when one of these tickers is met. So it'll say for Microsoft, these conditions were met. So when you pull up this strategy, you're like, Hey, what's going on? This was supposed to be for Microsoft, but what's all this stuff? So all you do is you say when you save the link, it was for that entire strategy, but you can just enter for just Microsoft and now it's going to say, okay, this happened for just Microsoft and the conditions were true as of today. So Microsoft was above the 50 day moving average, and this is the return so far on this specific strategy.

[\(30:12\)](#):

And so yes, you can enter your own earnings and technical conditions and for the tickers that you want to, you can test it on your own strategy and then it will notify you. And that's true if you included a lot of tickers when you created the alert, just read in your email or in your text message, it's going to say Microsoft or Home Depot or whatever, and just make sure to enter that one ticker Russell. It'll be a little confusing. Now it's going to say, Hey, this is still true. Not only was it true, maybe you got an email an hour ago, but you're at work at your lunch break, you looked at it. When you open this up, this little

green flag is going to say, Hey, it's still true. And if you're an annual subscriber, you can click show options and it's going to tell you exactly the strategy to trade.

[\(30:50\)](#):

Hey, and this is cool because this is showing you your custom strategy for your custom strategy. These in the options market right now, these would be the legs that you would trade in order to do this diagonal. So yeah, that's all there. Okay, even though an alert triggers, would you suggest not entering a position the day of a big expected news event such as the fed rate decision yesterday at 2:00 PM Yeah, it throws more variability. Throw some volatility into it. I'd say that's a matter of judgment. The backtester isn't concerned about those things, so it's placing the trade whether an announcement on PCI or not or that kind of thing. So the backtester doesn't care. I mean, if your personal instinct is that there's going to be bad news and it's a bullish position, then that's your own perspective. I typically more or less ignore those.

[\(31:38\)](#):

I figure it's equally likely to hurt or help me, whatever the announcement is. And so I don't personally worry about it too much, but it's definitely a very reasonable thing to consider. Okay, I have an existing portfolio. I want to sell call options for income. I don't want the stock called away. Can you demonstrate how to set up alerts for selling calls for that purpose? Well, so if you don't want the stock called away, then you would typically, you'd be selling calls further out of the money, and what you can say is, Hey, even if it would be called away, I just want to close the position. So one way you could do it is you could say, okay, I want to do a covered call.

[\(32:23\)](#):

I'm going to set my own Deltas here. So it's a long stock. This is short to 12 delta. So you could say 25 delta, and this is only seven days out. So you could be selling very short term, but maybe you prefer to do something 30 day out. It's a lot for cover call. And so this is now a strategy for that. And so if you want to say, so when is the best time to do this? So if it doesn't get called away, so it depends if you want to enter technical conditions, you could say, Hey, if it's on an upward rise, am I going to get a better return if I sell when the stock is up? So you could say, for instance, how does it do if I only sell once the stock has crossed up through the 50 day moving average so recently, but now you're going to have far fewer chances because it's only crossing up through the 50 day moving average.

[\(33:08\)](#):

You can see the little green arrows 1, 2, 3 times, I mean, so 1, 2, 3, 4, 5 times. So it's happening a reasonable amount. It happened about 10 times. So what this says is that this is actually a far worse strategy than if you didn't use that technical condition. So you could also do the opposite, say, well, what if it crosses down through? Maybe that's better. So you can definitely devise strategies to maximize your return using technical conditions and then say, Hey, alert me when those conditions are met. When it comes to it not being called away, then it's just going to be a matter of monitoring your position and just buying back the options or getting a little bit more fancy if you wanted to turn it into a call spread or something like that. One thing you could do if you're saying, okay, well Microsoft, if I'm going to be selling the last time I sold this thing, whenever you put it into your brokerage, whatever calls four thirty five or call at four 50.

[\(34:01\)](#):

So you could say, okay, I sold calls at four 50, I want to get notified. Microsoft stock gets up above four. So you could say add alert, and you could say, this is for a stock price, so if Microsoft gets above 4 48 or whatever we said, then hey, roll my short calls and then you could be notified once that occurs so that it's kind of like watching it for you a little bit. You can also set a calendar alert and if you click add, it'll

just add it to your alerts. You can also create a calendar alerts if you know sold something that closes on the 19th, you could set a calendar alert on the 18th and say, make sure short calls out of money so you could send yourself a little reminder to go check that position. So that's ways that you can help monitor it either through the price or just checking on a certain date to make sure your stock doesn't get called away from you.

[\(34:52\)](#):

So hope that helped, but yeah, I would definitely also recommend seeing if you backtest you can simulate and say, Hey, has this actually returned as much as I would hope over this period of time? Yeah, not to spend too long on that individual one, but you could also say like, Hey, if the position is, if that covered call is losing money since when I traded it initially, if that's been a bad trade for me, you can check. You could set a limit or a stop at 50% or whatever it is in order to see what it's like if you close a position when it starts moving against you a little bit, or if you take it sooner, if you roll the calls sooner. So if you say, Hey, I want to roll it as soon as I get a 50% return on that position. Basically when you're setting that limit, it's saying, okay, roll the position immediately.

[\(35:36\)](#):

And so if I don't set any technical conditions now, it's going to be constantly rolling the position when it's either up or down 50%. So you can see how that looks. So when the position either starts moving for you or against you, it's telling it to roll it at that point. So if you click it here, you're going to see occasionally you're going to get to expiration, which is fine, and other times in which case it's probably expiring, close out the money and other times it'll say that it's hit a limit. Okay, long time on that one, but hopefully that showed some useful things. Would it be wise to be cautious on an alert triggered for a long haul position if the market is trading at new all time highs? You can test times at the market's reached new all time highs. So you can test various timeframes during covid or this will go back to 2007.

[\(36:19\)](#):

So you can test various timeframes like that. That said, if you looked in the late nineties, or I mean during a lot of bull markets, the thing will make new highs on and off for long period of time. If what you don't want is a lot of recent momentum in the stock, if you feel like it could be overbought, then one way to do it is to use RSI or to use exponential moving average or crosses up through a bunch of different moving averages. So you can see if the stock looks like there's been too much momentum, that's one way to kind of test and see how much effect there is. Another way is there's actually a technical setting here. If you do technical open, you can say, well, what's the VIX doing? So that's the quote fear index. Typically if the market's making all new highs and the VIX is going to be very low, so you could look to say like, okay, well where's the VIX been when the SBI has reached all time highs?

[\(37:07\)](#):

So let's say that it tends to drop below 13 or something. Then another thing you could say is like, Hey, if the VIX is below 13, then don't put on the position, only put on the position if it's above 13, you can also put a technical close saying, Hey, if it goes below 13, let's get out an approach to options. Would be nice to mute deltas and attempt to forecast implied volatility. If so, can the system help me with that approach, Kenneth? So VIX has some applied volatility. We're actually putting an IV index and HV index in the product very soon. See if I can give you a sneak peek. So this would be a way to look at to actually trade the implied volatility and historical volatility directly. So on the technical open, this is getting added these implied volatility index. So this is looking at how much the implied volatility has been changing over time directly.

[\(37:51\)](#):

So you'd be trading the implied volatility directly looking at the 30 A options and you could say, Hey, if it's above or below the 70th percent tile for that stock, and I do or I don't want to trade it. So that's one way of trading implied volatility. You can also say if it's above or below historical volatility. So that's one way if you want to trade volatility directly that you can do it. And if you don't want to be focused on an individual delta, what I'd say is that what you're going to do is let it try a bunch of different deltas and now you can kind of see if it's working over a variety of different deltas. Yeah, this one's set up to just trade one right now for, this is kind of a test server, but yeah, you'll be able to trade that very soon.

[\(38:26\)](#):

I didn't know you can edit. Great. I'm glad that you asked the question. I'm glad I could answer it. Hopefully getting back test DJI upward movement and specific stock mirroring the upward movement. Yeah, I mean this is true social. Oh no, DJG is true social. Okay, sorry. Yeah, so you can test anything in terms of all the momentum and that kind of stuff. Sometimes you might need to use an ETF instead of the actual index. Thought you were talking about that. I thought we were talking about true social for a second. Yeah, so sometimes you might need to use an ETF that corresponds to something, but yeah, you can test anything in there. We're getting close to the hour, so I probably won't go too much deeper into that at this very moment. That's why I prefer to buy or sell option premium. I tend to try to do some of both.

[\(39:12\)](#):

I think it's great to be long and short options. It's great to have spreads when trading. I think a lot of people find that it's hard to make money if you're just buying options and just, I like to be a little bit short, a little bit long and some neutral stuff across the board. Steve has an opinion. He says sell it all. If your broker gives expected moves or you just use straddle prices, how can you use this information with the TM strategies? Yeah, I mean, so the straddle price is, I mean if you look at the call and the put together, that's giving you an estimate of how much it's going to move. That's what implied volatility is doing as well. But if you want to trade implied volatility like trade when it's low or trade when it's high, then that IV index would be the way to do it.

[\(39:51\)](#):

The IV index, the implied volatility of the 30 day options is what determines the call and the put prices. So basically the expected volatility is what is used to price the options. And if you look at the prices of the options, then you can say this is how much movement is expected. So what you're talking about the straddle pricing or the expected move is simplified way of looking at what the implied volatility index is. And if that seems a little confusing, then that second part of the education series will give you a lot of additional information on that. Okay, great. Well, thank you so much for being with us today. We're just pushing up on an hour. Thanks for being part of Trade Machine, part of our community. Log into the learn tab, log into community, and please chat with us and ask questions. And we'll be doing this quite often. So hope to see you the next one. All right, thanks everyone. Have a good night. Thank you. Bye.