Jason Hitchings (00:00):

Hello everybody. Thanks for being here. We will jump right in. Today is going to be focused on people that are brand new to our community, so thank you very much for being here. I'm going to give a little quick walkthrough of Trade machine in about 15 minutes and then take any questions and then we'll let everyone go back about their evening. Okay, so we always start off with a disclaimer, so just bear with me for a second. Solicitation to buy or sell any security ever. This is not advice. You should read the risks. 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 involve, so the risk of loss.

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Please consider carefully whether futures or options are appropriate to your financial situation. 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 risk of loss in trading can be substantial. Carefully consider the inherent risks of such investment in light of your financial condition. Great. My name is Jason Hitchings. I'm the CTO at Capital Market Labs architect of Trade Machine and I've been in FinTech for a long time, been doing options and options analytics for a long time. And these are the topics we're going to cover today. Talk about back testing, look at the today tab. When you click links inside of Trade machine, we're going to tell you what's happening. We're going to look at setting those within the product, setting technicals, adding alerts, looking at earnings trades, and then just a quick look at community and the learn tab.

(01:32):

This is a very powerful tool. I am not going to try to overwhelm you with everything it can do. I'm just going to give you a nice foundation that you can build off of as you're starting your journey. One note I wanted to make is that in order to be successful with any trading system, it needs to become systematic. You need to have a repeatable process that you can apply and measure and see if it's working or not working just like any other business. And that's no exception with your trading career and it's no exception with trading with trade machine. And so strong opinion is that the way to be successful is to write down your trades. You'll find trade ideas within trade machine. You'll get an alert as to when that trade is ready to enter, and that trade is going to have specific times when you should exit if you want to follow the back test.

(02:16):

So if you enter a trade or if you're just going to do paper trading for a while, know exactly when you're going to get in. Know exactly when you're going to get out. You don't want to go on gut. Very few people could be successful trading that way. Now, if the system is working, let's say you could flip a coin and anytime it lands on heads, you make 150% of your money. So you lose on tails, you win on heads, and when you win, you win more than you lose. If you flip that coin, a lot of times you're going to win in the long run. If you put everything on the first flip of the coin, you might never have a chance to flip it again. So testing strategies over different timeframes, figuring out what's going to work and taking small initial amount of risk relative to your investments and then figuring out what's working and then building on those is the way to establish a successful trading career.

(03:03):

I think most professional traders would agree and it's definitely no exception with trade machine. It's just an example of some of the trades. I've taken many of them in these live help sessions and just write down when you enter, when you exit, what the conditions are for exiting and then just track it and say,

Hey, these strategies have been working well, these have not, and then figure out the ones that have been working well and do more of those. If you haven't ever seen it on our homepage before you log in, you'll find a what is backtesting video? It's a pretty good refresher on what's happening behind the scenes. And with that, I'm just going to jump straight over to the product. So when you first log in, you are on this today tab. This is a curated list of trades that if it says today are active today, if you click on the ker, it's going to run the simulation and show you the history of that trade.

([03:45](#)):

I'm going to come back to the today tab. I want to start with the engine that trade machine is built upon and the vernacular of the industry. It's called a backtest, if that sounds funny to you. What it really is is it's a market simulator that's using real data, real earnings events, real stock prices, real options, prices and saying, had you placed trades in this way for the last two years or 10 years, this would be your track record. From that, you find patterns and then the system will tell you when all those conditions are true and when you can enter a new trait. So I'm going to enter Nvidia. Now here's a list of tickers. There's also a list of portfolios we'll talk about in a second. These are the prebuilt strategies, anything from stock to an iron condor. You can also do custom strategies if you want to do something else up to four legs.

([04:31](#)):

It can be diagonals, it can be anything you'd like. I want to start with a call to keep it simple. I'm going to do a long call and I'm going to leave the earnings, do nothing special, nothing special about when I'm opening the trade. No technicals, nothing special about closing, no limits, no stops, et cetera. Now I see five results that come up on the screen. This says long, the 60 delta call, the 50 delta call, the 40 delta call, the 30 delta call and the 20 delta. Call this delta. If you don't know too much about Delta, if you go to learn tab and say what is delta? You can learn a ton about it. In essence, the delta is telling you how likely it is that the stock will reach that price by that expiration point. So I'm going to click show options to look at the options chain in Nvidia, just pulling up the options from the CBOE, and you can see here the call delta for each different expiration.

([05:20](#)):

So this is just expiring in one day. I'm going to go out about 30 days to look at something more typical. The ones that are in blue are closest to at the money closest to the current stock price. The 50 delta means that there's about a 50 50 chance that the stock will be above or below that price at the end. Now you might notice, so right now Nvidia is at 1 24 about, and you might see that 50 delta is starting to drift a little bit up towards 1 25. That's just because basically of inflation. I'm saying that stock price is going to drift up a little bit over time, but basically anything near 50 delta is saying it's a coin flip. Whether the stock is going to up above or below it, the options market is saying there's a 52% chance that Nvidia is going to finish above 1 25.

([06:05](#)):

If you go to something like a 30 delta in this range, they're saying there's about a 30% chance that the stock is going to finish above within the next 30 days. The nice thing about Delta is it looks not only at the strike price, how far out of the money it is. As you get higher and higher, you're more and more out of the money on the calls, you're more and more out of the money on both, but you're a higher strike price for the calls and you get higher and higher. Delta you're more and more in the money. So as you get close down to 90 delta, these are deeply in the money calls and there's a very only a 10% chance or so that the stock is going to drop below 1 0 5 according to the options market. That's not a prediction about if Nvidia is going to go up or down. It's just saying how much it moves. The options market is always assuming that the price of the stock is fair. I could tell you why.

([06:52](#)):

Basically there's a lot of reasons. It's not guessing that Nvidia is going to go up. It's saying based on the amount of historical bouncing around that there's been, this is the chances are like in a Linco game that's going to be above or below these prices. So Delta captures all that. It captures not only how far a strike price is away from the current stock price, it captures how many days in the future it is. So if you look at this one 30 saying a 40% chance that by July it's going to get above or 40% chance by July, it'll be above one 30. If we go out a long ways, I'm going to look at that same one 30 strike. Now it's saying there's a very high chance it's going to be above that as the stock sort of slowly drifts forward in time with inflation.

([07:32](#)):

Okay, so Delta captures a lot. If you tried to say, I just want to buy something $2 out of the money, well that would be very different if it was happening in two days versus two months versus two years. So delta factors all of that in. If you ever want to adjust the deltas, you can click this little settings button and you can adjust them here. If you don't want to see five back tests all at once, all you have to do is put a little comma after here. A comma is used to separate multiple stocks. If I wanted to test Nvidia and Microsoft at the same time, then I could, but by putting a comma, I'm saying I want to test multiple stocks, but I'm actually only looking at one stock right now. So in that case, it's just going to use this middle delta.

([08:07](#)):

So this is saying if I bought a call in Nvidia that was going to expire in about 60 days as long the call, nothing else special going on that in the last two years I would've won seven and lost six times out of seven out of 13, and Nvidia has gone up a ton, so I would've done great. You can say, well, I like to buy things seven days out or 14 days out. You can test different timeframes. You can say, okay, well it's gone great recently, but how has it done in the last five years? So it's playing out all of these scenarios using real options data and doing the analysis for you in the background. So as an example, if I wanted to move from doing a call in the last two years, but I'm looking 30 days, 30 day option, so I would've won 12 and lost 14, it would've a handsome return.

([08:53](#)):

NVIDIA's gone up and up, but what if I did a call spread instead? What if I bought the more valuable call, but then I sold a call as well in the same expiration in order to make it less expensive to enter that trade? What did that do to my wins and losses and what did it do to my overall return? So you can see my wins are a little higher, my losses are a little lower and my overall return is a little lower, which for a stock like this isn't surprising because you're not going to capture the huge moves up buying a 40 delta and selling a 30 delta call. So if you wanted to look at an example, go 30 days out and if you were long, the 40 delta, call it the one 30 in short, the 30, these are about $5 apart, so it's about a $5 wide strike, 30 days out in the future.

([09:36](#)):

So you can make up to $5 on that trade. So you don't have the possibility of capturing gains if it goes to one 50, but it becomes a lot less expensive because you're collecting a credit. The midpoint here is about $3 and 20 cents, so you're only going to be spending about a buck 20 on the trade instead of $4, your risk goes down in terms of the outlay and your max return goes down as well. You can play out different scenarios. You can say, okay, well what if I spent a dollar 30 on that trade, but what if I sold it as soon as I made 65 cents or so on that gain, was it due to my returns? So now we can see that the wins went up substantially and the losses went down because I'm taking my win early, I'm locking in that win, but I'm not letting it reach its maximum potential.

([10:22](#)):

And in fact, the percent return cut not quite in half, but kind of ballpark in half, and that's going to be a little different on different stocks. But your win, the number of wins is almost always going to go up and the percent return, not always, but frequently will go down a little bit. So you're taking a little bit less risk by not holding it as long, but you are taking all the downside risks still because you're going to let this thing expire at zero the way it's currently written. So we can say, okay, well what happens if you also say as soon as I hit a 50% loss, so if this goes down about the same amount, then how does that work for me? Okay, so now you take more losses and percent return has come down a little bit because locking in some losses along the way.

(11:02):

So you can see that we are testing out all kinds of different scenarios in this particular stock, but we can do it across baskets, we can do it across whole industries and I'll show you how to do that in just a second. Another type of scenario you can play out is say, well, what if the RSI, the relative strength index, what if I only entered if it was below 70? Which typically means how it's interpreted is that the stock isn't quote overbought, it's not just running up. It's not at the end of some long streak. Does that help me or hurt me in a stock that's had a lot of long good streaks? So you can test that scenario and see how that's done. So you can try all kinds of different things and see how that's performed over time. In addition to call spreads, you can do any of these strategies here that are out of the box and these strategies, everything here would use these deltas or it would just be stock and it would use the number of contracts that you enter here.

(11:54):

Times a hundred, you can enter your fees from your brokerage. You can also say, Hey, I don't want to assume that I can get a mid-market halfway between the bid and ask. I want to assume that I'm going to pay market price or kind of halfway between the mid-market and market price and see what that does to your returns. So you can play out a lot of different scenarios here. You can also say if you're a more sophisticated options trader, you can say, Hey look, I like to do diagonals. What happens if I buy a 50 delta call 30 days out, but I short 30 delta call little bit out of the money option that expires sooner. And then this assumes when I have this click that says I'm going to close both options as soon as the one that expires first expires. So you can test all kinds of different scenarios over all kinds of different timeframes and if you find one you like, if you decide you wanted to place this trade, you can simply click add alert and say, I want you to email me when this trade happens.

(12:45):

I can leave myself a note RSI Nvidia trade and it's going to click ad alert here and now it's going to check that 5, 6, 7, 8 times a day to see if those conditions are true. You can do the same thing with earnings. You can say, I only want to trade earnings or I want to buy seven days before earnings sell one day after sell one day before with customer earnings. You do all kinds of things in the tool. Additionally, if you find a strategy you think you like, it is our strong opinion. We're not supposed to give exactly recommendations but that you see if that strategy not only works for your individual stock that you're looking at, but does it work for another basket of stocks as well. And so right now this is testing the NASDAQ 100. You could do the Dow 30, anything here with a little underscore in front of it.

(13:27):

There's little lines in front of it are included by default for everyone in the software. So all these different industries, this isn't just the ETF, it's the components of the ETF that make up these different industries. So if you test one of these strategies across a basket of stocks, and I'll just give it a second to finish, if mine looks like it's running a little faster than yours, it's because I'm a platinum user. You become a platinum user just by going annual. It's nine a year and it gives you quite a few cool features. It

lets us rent our servers from Amazon more efficiently and so we add some really cool new features into it so you get the most cutting edge version of trade machine. If you're interested in that, please just email support and we'll get you all set up or on your account tab, there might be an upgrade button.

(14:09):

Okay, so I might look at how something is done and if I find a strategy I like, this hasn't worked well, this calendar here, so I wouldn't place this trade myself because the average trade return has been bad, but if I did a bunch of testing and found one that I liked, then what you can do is simply click the tickers that you like it for and when you click add alert, it's going to add alert for each of these tickers. Now when you get that alert, it's actually going to show you this whole same back test again with all the tickers that you had in the back test. And so just pay attention. You're going to get a link like this When you click it, it's going to load the same back test with all of those tickers, but in the actual alert text ticket it's going to say Microsoft triggered, and so you'll get a back test link like this with a lot of tickers.

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Just simply add the ticker that the alert was for at the top and then you'll see the specific back test that we were looking at. Now we were looking for Nvidia before, and so this little green flag here says that all of the conditions that are required to open this strategy are ready right now. And so the only one that we're currently using is the technical open saying is the RSI 14 days currently less than 70, and that's true for Nvidia at this moment For annual users too, you have this cool feature. It says show options and this is actually going to show that diagonal that we created. So it's actually looking at my custom strategy and it's saying, Hey, this is how you would put on that custom strategy, but it'll do the same thing If it's just a straight up call, say a long a 40 delta call, you click show options and it'll show what the 40 delta call is.

(15:40):

You can do the same thing as a monthly subscriber. You just say, Hey, I'm looking for something about 30 days in the future. You get as close as you can and I'm looking for the 40 delta. So you look down here at the delta and you can pick from one of these. The 41 and the 39 are equally close to put on the strategy, so this is the engine powering trade machine. There's a lot you can do here including custom earning strategies of all kinds. You can sell, buy or sell before or after earnings, holding it through or not holding it through. There's a lot you can do. It's a very powerful tool. Now here's the cool part. We've tested thousands and thousands of trade ideas, lots and lots of different strategies, and we've come up with 14 strategies that have worked in a variety of market conditions and we've done analysis to set the stops and limits at good levels.

(16:27):

We've tested the technicals and we've tested tons and tons and tons that we discard because we don't find that they have. They give you an advantage. There's no edge in it. The ones that we show here have good track records. They've worked well in a variety of scenarios the last two years. Bull markets, bear markets, they've at least outperformed the naive version even in bad market conditions, any of them that show today means that at some point today this was active. Now if you say, I have no idea what this macd momentum trade is, if you click the question mark, there's a video walkthrough and this is just a little password, you click it, it's going to say, please enter the password, you enter the password and now there's a whole video that's going to give you a real in-depth analysis of what that trade is, why it's there, et cetera.

(17:10):

Another way you can do it is just to click any one of these and it's going to pull up the market simulation that we did in order to come up with those returns. And so now you can look, okay, it's a custom

strategy. If I click edit, I can see that it's this diagonal, I can click the technical. You can either read the technical open, this is just saying, Hey, there's one day I couldn't fill this trade, nothing to worry about. This is one way of looking at the technical conditions. Or you can just click open trade one and click this and it's going to give you this view of it of the technical conditions. You can see if there's any stops and limits or when to exit the trade. So all the information is always captured in that link. One little trick is that in order to show you exactly the trade that is shown here, we also need to update all of these settings, so the contract fees, the market execution, the deltas, all of those things.

(18:00):

And so if you had your Deltas in here as 40 delta for this middle one, well we're updating it to what we ran this test with, and so just pay attention if it feels a little funny like the Delta's changed when you click a share link, these things are going to update within the next week or so. We're going to have a little reset button, but right now these get updated, so just be aware of that. So all of that information is captured in that share link and also you can create your own share links if you just click this button, this link that gets created or you can click the copy button here, has this entire test, all of the settings so you can keep track if you make a little spreadsheet for yourself with your trades that you've taken. If you click this and put the link in there, you'll remember exactly the trade that you set up originally.

(18:42):

So on my screen you see this little liquidity filter. So this is also an annual platinum feature and this just says, Hey, the higher you go, the tighter the market's going to be. So I can set this to four plus, and now I'm just looking at things that last stock we looked at was a dollar 49 stock. I don't really care about a dollar 49 stock for trading options. Docs probably started high and went low because stocks don't normally get options if they're a dollar 49, so that's fine if you want to take it, but by putting this liquidity filter on, which is currently a platinum feature, then it's going to limit these down to stocks that are very liquid that the markets are very tight on. You can also say, I only want to look at the NASDAQ 100 or the largest 500 by market cap, et cetera.

(19:21):

Pretty soon we're actually going to make the default even if you don't have a platinum subscription, we're going to limit what's visible here to three plus for all users so that you're going to get pretty liquid. Even the monthly subscribers going to get just a view of the liquid, more liquid stocks. We're going to eliminate some of the noise here. We can also set alerts if you like these strategies, if you do some research and you love the fade, the dip, then you can set an alert and you can say, Hey, I want to be alerted to the fade, the dip, and I want all of them, or I only want the largest 500 by market cap. You might notice this little AI flag here. That AI flag means that the conditions, the technical settings also used AI generated technical, our own custom technical that uses a version of a statistical term called skew and kurtosis, which basically means when the stock moves up and down every day, does it tend to move up more often than it moves down?

(20:13):

And when it does move either up or down, does it tend to move a lot? Big jumps are small jumps, so it's a little more complicated than that, but we have an AI generated version of that algorithm. If there's an AI flag, it means that the AI conditions on this were true, so this is also using that skew and ketosis. And so when you look at the technical conditions on these, you're going to see this skew and ketosis. You can dive into this. We have a whole video about this really cool, remarkable finding that there's a lot of edge in it, a lot of advantage right now in the market. This thing triggered yesterday, that's why it says it's not active right now. This was not from today, this was from yesterday. So ton of power in the tool. I just wanted to give you a quick overview and then I want to show you where you can learn more.

(20:54):

So if you click the learn tab, here's learning about ai, the trade in the skew and kurtosis. Here's a whole archive of these live help sessions going back to December. So you can see all of these. Some are for new users, some are more technical in depth. You can look up all the different strategies. If you look up fade the dip, you'll find things. If you say what is Delta? You'll find things. There's a lot of great resources here. Additionally, if you are feeling like, Hey, I know the basis of options. I've done a little bit of options rating, but all this delta and IV and spreads, and that's just you're melting my brain. It's way too much for me. Good news, we have four plus dedicated long form courses that go into detail. The first one is just assuming nothing about options. So starting from calls and puts and the most basic, the second one is like, okay, you have a little bit of background, but this delta and IV stuff is new to me.

(21:48):

So that's a great place to start if you have a little bit of familiarity and it goes deeper and deeper and deeper. And so there's a lot of great education here, hope you take advantage of it. Additionally, if you click community, you say, I'll be nice. We have two different products that have access to community. CML Pro is a fundamental investment service with kind of top picks that's outperformed the market. It's stock based, it's very excellent. You should check it out if you haven't already. And then there's trade machine. So if you look here at trade machine, these are people talking trading, they're talking trade machine, they're talking back tests, they're saying what's happening in the market. They're saying what's worked well for them. We have some really awesome contributors here. Some people that have been using trade machines since day one who know the tool inside and out.

(22:31):

One of them is Max. Max goes by chat, uncle Pops, he's in there generally at least an hour a day answering questions like right here. So he's super power user and also very just easy to work with, very friendly guy. This is a friendly place. This is not the social media where people are spatting out political opinions and talking about doomsday. This is about helping each other be better investors make more money. And so it's a great resource. I highly recommend that you come check it out. Okay, great. So that's the basics of what I wanted to cover today and if there are any questions, I'm happy to take a question or two and we get through those, then we can just move on their evening. So Tom says, Hey Jason, when I backtest a strategy with days to expiration with some technical open conditions, the engine will select options with as short as day to expiration and as long as five days for those tickers with weeklies.

(23:28):

I wonder how I can restrict the entry to only place trades when there's exactly three talent calendar days to expiration? Yeah, that's a good question. So yeah, that's the way the Backtester works right now is there's generally if you're trading something 30 days out, for instance in the example that we were looking at with Nvidia, so I'm just going to switch to a call and when I show this options chain, if I said I only want to trade options when they're exactly 30 days out, then we would miss things like this. So we'd say like, okay, well I can't, even though my technical conditions are true, even though the earnings conditions are true, whether I'm trading earnings or not trading earnings, I can't place a trade. It's not exactly 30 days out, it's 29 days out. So in general, the way the back tester works is it is trying to place the trade.

(24:12):

So if the technical conditions are true, if the earnings conditions are true, then it will place the trade as long as it can find options that if you're doing a diagonal for instance, as long as it can find something that's expiring like before or after earnings, it's going to put on the trade as best as it can. So if you're

saying that you want to trade weeklys, but exactly only three days out, that's a little different than how it works today. That said, there's been a lot of interest in short term options trading zero D 1, 2, 3 days out. And so that is a feature that I think is quite likely to come into the tool that you want to trade only a specific number of days, especially your scenario makes a lot of sense what you're saying when you're trading three days out, it makes sense.

(24:55):

You want to have trading exactly three days out when you're trading 14 or 30 days out, then it's a little different. So right now there's not a real easy way I could try to think about with a custom strategy if there's a way to get really fancy. But yeah, in my mind I could actually think of a way of hacking that together, but the result would be a little bit funny. So yeah, right now it's going to do its best to fill the trade based on the closest expiration and in the future we'll probably have a way to lock in a specific timeframe, especially if you're talking less than a week. But that's a good question. Joe asks, what are the guidelines to use a trigger that is not marked as today? Can you discuss what the stop and limits are based on? Yes, definitely.

(25:29):

In general, the way I trade personally is I almost always, when I'm trading on the today tab, I only take things that actually are active today and I only take them if they're currently active as well. So if this little green flag doesn't come up, then I wouldn't place the trade. Personally, I kind of stick to pretty close to how the backtester trades. Now the compromise I make is if this is active in the middle of the day, the backtester is based on things triggering at the very end of the day. If you want to be as close to the back tester as possible, then you can wait to the last 15 minutes of the market in order to trade it. Normally, if I see that it's active, I just take the trade and I've had a good track record. I think my trades in the last few months, I tend to place trades that are around two or $3,000 a trade, and I've made probably about that much per trade.

(26:16):

On average, I think I've made a 55% return on average on my today tab trades. Yeah, but I can say is that the way I've done it is I take it only on the day that it's active. Others are kind of for reference. Now, if you're looking at a trade and it triggered yesterday and you look at the stock and the stock is basically unmoved on the day, so that's a stock at a pretty low price. But if you look at a stock that's unmoved on the day, so I'll put four plus to eliminate the really small guys. So some of these are two days ago, okay, this is 14 days out. It's not a three day trade. We do have some three days before earnings trades. So you can say, Hey, okay, the stock's down less than a half a percent today. I haven't missed out on much opportunity.

(26:59):

Is the 14 day trade, how am I any worse off trading this today versus yesterday? So it hasn't moved up a ton. It has moved down a ton that conditions are still active. So if you wanted to put on this trade, see no reason why it would be any less good of a trade today versus yesterday. That said, I very rarely do that myself. I personally, and this is you should jump in community and ask if anyone else places trades in the future. The other ones are kind of for reference, but I typically just trade it if it's active today because I'm kind of sticking as close as possible to the way the Backtester has worked in the past. But this is a good example of the socks barely moved, it's still active, the technical conditions are still true, and I didn't miss something. It's like if I was looking for a bullish trade and the stock was up 7% on the day, I personally feel like, okay, the back test found a pattern, the pattern activated and I've missed it a bit and I don't want to chase it so I wouldn't chase it.

(27:55):

Now if it hasn't moved much at all, I think it's a perfectly reasonable trade to consider entering. You asked to talk about stops and limits a little bit. Yes. So the stops and limits are based off of either the initial amount you spent or the initial credit you took. So if it was call, long call that cost you a dollar to put on, then 50% stop or limit is going to be 50 if that call value goes up or down 50 cents, same with the call spread. If you are short, it's just going to be based on the credit that you took. Now it's not based off of a theoretical risk, it's just the credit that comes in initially. Great. Let's see here. And that looks like AI in me since that's the world I'm living in. When I get an alert and look at executing the trade, how is a good way to know if I am getting a good debit or credit?

([28:37](#)):

So within, so I'm going to just jump into a previous slideshow where actually showed putting on a trade. So this is a quick little view. This is the different types of strategies on the today tab. I kind of zoomed out to look at all of them, but that gives you a quick sense of kind of what's there in terms of the different types of strategies. You'll find info like this in the previous help sessions. So this was just putting on a long strangle and I showed how to do a lookup sizzle info on Delta, but then this is within Thinkorswim and this is just showing how to look up the delta and to find the right strikes. So many brokerages like Thinkorswim will actually show you even for a spread what the range is between the bid and the ask. And so that is the way to look for the current market conditions if you're getting a good execution, if that makes sense.

([29:25](#)):

So there's two different parts to your question. One is, am I getting a quality execution? And another is, hey, is this credit big enough for it to be worth taking? And one way is to look at that, is to say, okay, so this has been the returns. If I am getting mid-market execution, which is kind of optimistic, if I say I just want to take market price, I want to give up some edge in this trade, I want to trade on the bid and the ask in a way that's going against me. I want to maybe buying on the offer and selling on the bid. So the return was 70% and these have stops and limits, but it didn't hurt me at all, and in fact I ended up staying in a trade a little longer and taking a little bit bigger return because these are always trading at the end of the day.

([30:05](#)):

But that's one way to look at it is to say, how sensitive is this to the actual execution? And the widths of it is to look at how different it is if you get mid-market versus market price. And so by tweaking that, you can see how sensitive it is to the quality of execution you get. But in general, if it's active, then it means that the back tester would take it through all of those conditions, even if a spread is costing a lot or if you're short put spread and the credit is relatively small. I know some people have references like, Hey, I never sell spreads for less than a dollar. To me, I don't view it that way. A dollar on a $10 stock is a ton, a dollar on a $200 stock is not a lot, but there's so much that goes into it in terms of different stocks.

([30:52](#)):

The options get priced differently based off of how volatile the stock is. And so I am a person that more or less thinks that the volatility assumptions, how the options are priced makes sense. And so I don't worry that much if I'm doing a normal kind of simple trade now. So that's even for call spreads or put spreads, I would just take it more or less the way it comes, unless if the markets are very wide and I can't get a good fill, then that's in a completely different matter. I try to get, if the markets, if the thing is trading $2 at $3, I'm going to make sure that I get a good fill, I have to put a limit in that's near mid-market price and if I can't get it, I'm going to cancel. Now, if you're doing a more complicated strategy, this is the most complicated strategy in the product.

([31:33](#)):

This spread the sell off, it's a broken wing butterfly, it has three legs, you are buying a put and you're selling three puts, and then you're buying two more puts for production. It's one by three by two. It's a complicated trade and because you're using a whole bunch of different strikes and it should be set up as a credit when you're taking it. So that's one where I might look at the stock and say, okay, on a $30 stock, I want to make sure that I'm taking at least a dollar credit to put on this trade that's going to expire within a certain amount of time. So that's, I know kind of a nuanced answer, but for 95% of the time I place the trade exactly the way the Backtester has it hashed out more or less, regardless of the amount of credit I'm getting, as long as I'm getting a quality execution.

(32:11):

And I do spend a lot of time trying to get very close to mid-market, and I will not give up a lot of edge if something is 50 cents wide on a stock that's not a big stock. I don't just take the trade anyway. I sit there and try to get the mid price execution and if I can't get it, I cancel the trade. That was a lot of information. Sound R seems to be the only technical condition that cannot be added to the alerts as open alerts. Yes, Tom, that's a great point. You are clearly a good user of the tool. That's a little quirk that we're going to get worked out very soon. That'll be corrected soon, but thanks for bringing that up. Are there videos discussing based on, I think are soon to place stops and limit? Yes, there are a ton. A lot of my live helps, especially the Tuesday sessions go into placing trades.

(32:54):

Most of the Tuesday sessions I've actually placed, I've taken trades from the today tab and actually placed them. So if you go into Live help and you go into these live help sessions, archives here, buy the Dip, this is going to have a trade placed. Almost all of these buy the sell off strategies are all going to have a trade place, and we pulled our users. The most common platform people are using right now is Think or Swim, even though Tasty Trade is gaining and popularity, but most of them are placed through Thinkorswim, a lot of 'em through the web version of thinkorswim, but all the fundamentals remain the same. So yes, lots of good examples there. Hey Jason. Yep.

Amanda Kelley (33:27):

While you're on that topic, we've had several questions come in this week to support ING trade machine integrating into brokerages. Do you want to touch on that real quick?

Jason Hitchings (33:37):

Yeah, so I know it's fun and exciting feature. It'll have it like auto execute trades. We might partner with someone to do it. Our philosophy on this is right now our incentive is to give you the highest quality information, the highest quality trades. We do well as a business by having you be members for a long time. And so our incentive is to just make sure to give you the highest quality information, and if you don't trade for three weeks, great. We just hope to be providing you value to the tool. If the tool doesn't say like, Hey, this is a great trade, then we don't want you to trade it. The closer that we get to saying to your order flow, even though we know that's a nice convenient feature and we might end up adding it or we might work through a partner to add it at some point, because people do ask for it a lot, typically you just get into a world where our incentive structure becomes, the more trades you place, the better we do that.

(34:24):

Typically, once you start integrating with brokerages, that tends to be the case. We've been a little hesitant to go down there. Peter and I at a previous company, we opened a brokerage. It's a great world. It's important. Having a quality brokerage for quality execution, having automated trades is all

very important and we might end up doing it eventually. It does get requested a lot. We've been a little hesitant. We want to be neutral brokers and just give you the best information possible and not be concerned whether you enter 20 trades in a week or one trade or no trades in a week. So we've just been a little cautious about going down that track, but it is requested a lot, and so we might get there. I will say that especially with this little feature like the show options, now it gets to the place where in 60 seconds you can get a trade entered.

([35:09](#)):

It can be pretty fast. It also keeps you in the loop so you can really make a decision. Yes, I actually want to execute this. Yes, I'm comfortable with the widths of the market. So it keeps that little extra buffer of human cognition and reasoning in there. So that's the story so far, but it does get requested a lot, and we do want to honor the request of our users, so we might end up doing it at some point. Awesome. Okay, guys, well thank you so much for being here. We're about 45 minutes, which is pretty normal for these. I think you might have the pleasure of having Max, who's a former market maker, post a few of these sessions for July. But thank you very much for being here. Please check out the Learn tab. Please join us in community, and thanks so much for being members of Trade Machine. Okay, everyone have a great evening.