Max Katz ([00:00](00:00)):

Hello, CML support. It's two o'clock on the East Coast. Hope you're having a good day. Okay, going to give it till two, then we're going to get started. Hi Jason.

Jason Hitchings ([00:09](00:09)):

Hi. Amanda is out today. A small little health thing. She's fine bronchitis, but I'm going to be back up playing back up today.

Max Katz ([00:18](00:18)):

Beautiful. It's a great backup to have. I hope Amanda feels better very quickly. Is my audio level. Okay, perfect. Okay, great. Alright. Two oh, why don't we get started? I guess I need to share screen. If I mess up, please let me know. Gemma, okay, that's not what I want to be displaying. Where are you? Here you are. Alright. Now this is a short video by our CTO that will go through the disclaimers. Very important.

Jason Hitchings ([00:48](00:48)):

We are not getting the audio from that under more. You can click share computer audio or something. It's always a little challenging but you can skip through it and just put the text version if you want or you can just read it.

Max Katz ([01:00](01:00)):

Okay. I didn't load up a text version of this, so I apologize for that. I don't, do you have a text? I'll read it. If you can display it, I

Jason Hitchings ([01:11](01:11)):

Can just go ahead and read it. I passed over my share screen so I, I'll just read it real quick.

Max Katz ([01:15](01:15)):

Okay, I appreciate that.

Jason Hitchings ([01:16](01:16)):

No problem. 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 features and options involves the risk of loss. 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.

Max Katz ([01:48](01:48)):

Thank you so much. Yep. Okay. Hope everyone is doing well today. I'm going to get rid of that, that and that. Today I'd like to briefly start with how to build personal alerts. I'm going to go through pretty quickly then we'll get to questions. How I build my personal alerts. I've adopted o Jason's philosophy of starting with a portfolio of options, making sure that the alert that I want to implement has decent results in an overall portfolio and then I zero in and cherry pick the stocks that work the best for those

technical conditions. Alright, so in this case someone in community and we're always looking for in community some bearish alerts to counter the majority of bullish alerts that trade machine generates. And in this case, the community user was looking for how to back test three inside and down and he was trying to do it in ProScan and I suggested that he just do it in the back tester.

(03:00):

And just in case you don't know what three inside and down is, we can call up the learn tab. Great repository of information about trade machine. It also has some option education and pretty much covers every strategy that trade machine uses. So three in sudden down a bearish pattern occurs during an uptrend. First candle is large up, the second candle is small down that opens and closes within the body of the first candle. And the third candle is a down candle that closes below. The second candle is closed. That's the key. There's significant detailed information on how this works. I'll let you read that at your leisure. Now I did this correctly. Alright, okay, I'll get there eventually. All right. So I decided to use for three and sun and down. I decided to use the NASDAQ 100 portfolio of stocks that trade machine has very nicely put together for us.

(04:06):

It's a hundred stocks contained and you need to establish a baseline. So I took the portfolio of stocks and I just added one technical open condition and that is three inside being down. Alright, well it's going to run it again. And the bottom line is so we don't waste the time and we can get to the questions directly. The portfolio had an average trade return percentage of 8.26. Not bad, but not something that I would work with. I'd like to see double digits as far as the average trade return for the overall portfolio. We'll come back to that in a second. And I went through an iteration of several technical open conditions focusing on the AI technical open conditions that we have in our possible usage for our possible usage. And I did various combinations of ketosis one year, six months, the skewness one year and the return asy skewness six months.

(05:12):

And as it turned out, the best combination for three inside and down was just ketosis for the last year being below zero and demand, I'm bad, all right. In any case, that turned out to be 16.25 for the average return percentage that almost double three inside and down technical open condition without any other conditions. So that was good enough for me. And then what I do when I'm looking to build personal alerts, once I find a good one, I search down through by clicking on this average trade percent column so it goes high to low and I pick out or what the group calls cherry, the stocks that have the best results. So in this case I would have picked Siri, but the total return is only $22 over three years. I'm going to skip that one MAR 2.0. I want it to have at least it's going to have more than one win on the three year back test, which is what this is.

(06:16):

So I'll pick MAR, I'll pick CPRT and let's pick Nvidia. I would pick ODFL. Average trade percent is up there, 56.3, it's three and oh, but I personally happen to know that ODFL, the option bid asks are way too wide and the stock is not tradable. So since I know that I'm not going to take it, if I didn't know that and I took it the first time the alert was generated and I'd look at the option chain, I would delete the alert as just not being a tradable alert and we'll add Starbucks. Alright, so let's just focus on these four. When I did it over the weekend and posted in community, we had 11 stocks, but let's just look at these four for now and the next thing that we're going to do is we're going to move this so I can see the add alert button, but before I do the add alert, I like tickers in alphabetical order.

(07:16):

So I'm going to click on the ticker column and now you'll see that the stocks are in alphabetical order and those four stocks that we cherry picked are still there. I'm going to click on add alert and there's the four stocks. Now before I add the alert, I personally go through a two year and one year back test of just the cherry pick stocks to see how the very good results of three year hold up. So an easy way to do that is to just copy these four, go back to the Q, QQ overall back test, click on ticker, it'll start doing something the whole portfolio. But we're only interested in those four stocks that I copied and we want to look at it two years back and we'll get a message that it could not find good option to use. We look at the two year results and you'll see that CPRT and NVIDIA go away.

(08:14):

There were no occurrences in two years, two year back test that for me eliminates those two MAR and Starbucks have at least one result in this case one win. So I would be down to just those two. So rather I still want to look at the one year, but we're going to get rid of CPRT and we're going to get rid of Nvidia unfortunately. Always love to have alerts on Nvidia and we're just going to focus on these two. Now I'm going to rerun the back test for just one year and we still have good results. I would then go to add alert. We have those two stocks, it's the three inside and down, less than zero here, ptosis one year less than zero. Those are the technical conditions. I would add a little note here to myself what this alert is about the inside using a, and this was taken from the QQ portfolio and then I'm going to click the add alert button and you'll see two alerts created that in less than 15 minutes is how I create alerts from a personal strategy coming up with something that I'd like to try and implement that isn't on the today tab.

(09:32):

So I actually did it in less than 15 minutes. I hope I was slow enough but not too slow. And now let's take a look at the chat and see if I can answer some questions. Alright, so hello, hello, good morning, good afternoon or evening. Alright, we have a comment that TPRT is also not tradable options if I don't catch it when I'm creating the alerts the first time I get an alert after I check the earning state to make sure we're not within two days plus or minus. The second thing I do is load up my trading software, display CPRT option chains and see if the options are tradable or not. If they're not, I delete the alert so it won't come up again. That's how I do it. So if anyone has any questions on any topic, please display them in the chat.

(10:28):

Otherwise it's going to be short zoom. Let's see, pop zebras. Alright, let's see, we don't need that anymore and don't need that anymore. Let us go to home and it's pop zebra. I'd like to find the one that I did. Okay, while I'm looking for that, yes you do have the capability to create a back test that opens a trade on a specific day or week. So let's this, we can get rid of that, get rid of that fact. Don't we do this to go to alerts? If not we want do that. Just trying to move some stuff out of the way. Great create there next. Alright, so here we go.

(11:17):

This is AI based with VIX less than 18 stock substitute. When don't we just, alright, so zebra pide, let's edit this custom strategy. You'll see that we're using 30 days or closest to 30 DTE. A normal zebra would be long to short. One 50 delta call giving you a net delta of 100 or emulating a hundred shares of stock. The pop zebra is a smaller trade, only uses one seventy five delta call short one 50 delta call and long one twenty five delta call. That gives you a net of 50 delta which is why we do two of them because we're simulating long stock long a hundred shares of stock, so two, two and two. This works out to plus a hundred deltas. I like these sometimes in comparison to the regular zebra because the 25 delta call, if the stock takes off in our direction, which is going up will explode.

So this 25 delta call gives this trade strategy a long gamma component. Now before I take the Popeye trade, I compare it to a regular zebra, which is just long, 2 75, short one 50 and see how the results for a specific stock compare. So let me know if there's anything else on the zebra or pop zebra that you'd like to know. What I mean is I calendar, trade a calendar spread on this box that sells a call or put expiring on Friday and I buy the call or put they close it on the following Mondays px.

I know we can do it for the first week trying to figure out if we can do it continually. So let's build it. I'm going to take this question and put it on the side for now, although I don't see any other questions in the chat so I'll keep working on this and watching the chat to see if any other questions come in. So we're going to do short, I guess we're going to have to start the back test on a Friday and then we will do, I don't know, why don't we do seven and 10 and let's do it on the call side and let's use the 30 delta and then for our long, we're going to do three days later and it's going to save that. And then what we have to do, those are call expired Friday and buys the call to put that following Monday to take advantage.

So I guess should, alright, we got to set the start date to the previous Friday. So we want to close after two trading days. Something like this, clearly I'm going to have to play with this but something along these lines. And then if you set the start date for a Friday, I just have to figure out, I have to think about how to be able to make sure that the second test starts the next Friday. I think if you use seven day options for the short, that will do it, but I'm not a hundred percent sure. I'll have to come back to that. Remind me in community and I will spend some more time on it in the meantime. One other question came in, what can I do with existing options? I have five Nvidia one 10 calls, July nine 19 expiration can test short calls or puts to increased profit.

So I assume you're long these I would sell some calls further out of the money and make a call long call spread out of it and take some cash off the table. Thank you Robert. Sorry I wasn't able to solve it while we're on the live zoom, but yes, I'll be more than happy to work with you on that. Yes, so if you are long, I assume Nvidia is above one 10, just double check that. Yeah. NVIDIA's trading I'd sell the one 20 calls for July 19 expiration, right? So you're along the one 10 calls expiring July 19. I would make a spread out of it and I would sell something like the one 20, which are slightly in the money but close enough to add to money where you'll maximize the extrinsic value. That's what I would do. Alright, how do you manage fade to dip when the trade begins to go against you?

When the trade begins to go against you, you move out and down. Fade to dip is a short put spread. I believe it's the 40 30 is the default short to 40 delta put along the 30 delta put. If you're for example in the July 19 expiration and the stock starts falling and approaches or breaks through your short strike, you want to roll that out and down 30 days so to the August expiration for example, and move it to lower stripes so that you're out of the money again and it gives you more time for the stock to turn around or at least stop going down, right? Let's see. Get rid of that, get rid of that. We don't need that. Leave that.

Let's go to today. Tab fade to dip. Let's take UNHI just want to confirm. Yeah, short the 40 delta put along the 30 delta put. Okay, what else do we have? I'll be watching the chat. One thing that comes up in community all the time is the spread to sell off one by three by two broken wing butterfly. These are

puts and I'd like to refer to this diagram, current price right there we're long 1 37 25 delta puts and so that it is not an undefined risk. We are long two 10 delta puts. So nothing, no short put uncovered. But as you can tell by looking at this payoff diagram, which is at expiration, the potential max loss is pretty significant in comparison to the original credit that you received when you put the trade on. So to manage the way I manage the one by three by two is first of all it is one trade, it is a broken wing butterfly, but I think of it in terms of your long 1 37, 25 delta, delta 10 delta put spreads.

([18:23](#)):

So if you get a sudden or large move down in the stock where it approaches or breaks through your short 3 25 delta puts the way I manage the trade, which is contrary to the way that a lot of people in community and fear and I believe CTO Jason as well managed the trade. But the way I manages it, when the 25 delta short strike gets violated will take one of the short put spreads, one of the short 25 delta 10 delta put spreads and roll it out 10 down similar to what we just talked about with the be dip trade. Alright then I'll have long 1 37 short two delta puts long one 10 delta put. So I'll have a simpler, less risky broken wing butterfly and a short put spread out likely 30 days at lower prices. So it minimizes the danger. I try and do that role of that one short put spread for either flat or a small credit and it gives me more time to be right.

([19:37](#)):

That's how I handle it. Thumb in community, just let it ride and say, hey, so the stock came down too fast, we still have time for it to come back. If it comes back and it ends up with only a few days to expiration and it's in this little triangle, then you'll make more than the original credit that you received when you put this trade on initially. Keep this picture in mind when you're doing a spread to sell off or any one by three by two trade. Alright, what else? What else can I talk about? Okay, I don't see anything else. We're 36 minutes in if I can bother Jason for one minute. Jason, may I bother you for one minute? Yep. Alright, I'm looking at a back test and I see something new, a little button that says reset settings. It's new feature. Do you want to tell people, do you,

Jason Hitchings ([20:36](#)):

So essentially it's brand new feature kind of by popular request right now. If you load a back test with a share setting, you get all of your deltas and commissions, all that kind of stuff gets reset. If you click this normal settings without clicking the reset button max, you can show people all those settings. So every time you click a share link, all of these things get reset and if you open it and you click save, then it overwrites yours. But now there's a reset button. So if you click the reset button in the top left there or on the other screen, then what it does is it resets everything back to your particular settings. So when you have a share link, you need to have all of the settings be exactly the same as the back test or else you're going to get a different result and be confused. But a lot of people are like, okay, that's great. I'm glad to have seen it the way the share setting was set, but right now, now my commission structure's all messed up and you're using different deltas and all that kind of stuff. And so there's a quick way to go back to your preferred settings now.

Max Katz ([21:30](#)):

Got it. And people should feel free to play with that, but do it in a controlled setting so you're not getting rid of things that you really want to see.

Jason Hitchings ([21:38](#)):

Yeah, the only thing that it'll overwrite and change is in that little settings box. As long as you remember how you like to have it set up, then it should be a pretty quick fix if you

Max Katz (21:47):

Overwrite something. Okay, so we have one last thing unless something else comes in. How to use the create tab. Robert, I can honestly tell you that I only use the create tab for one thing and that is I'm clicking on it now. Where is my pivot points? Okay, here we go. This is what I use the create tab for. It's the only tab I really don't pay a lot of attention to, but that's just me. There is an excellent, I think if we go into the learn tab, there's an excellent article on how to use the create tab and I would spend time with that. Yeah, here you go. I just typed in create, by the way, the learn tab. I mean it's incredible. You just start typing in what you're looking for help with and you'll get multiple responses that'll take you to articles and or videos on how to use the create tab.

(22:45):

It's for people who are using graphs and technical indicators to build very custom alerts. I find that I have more than enough capability just using the back tab and the ProScan and that's where I have focused my efforts over the years. But I'm sure that there are people in community who use the create tab. There are other trade machine users who build with the create tab. It's just not something that I use. But if you have something specific, I'll research it for you and I will broadcast it in community. Hi Max, can you evaluate this trade, which I believe is from a strategy shared within community and appreciate your feedback and guidance when evaluating the position based on an alert, et cetera. Let's see if I can get it to display. Alright, I got to re-log in as I'm doing that very slowly. Somebody can help me with the math, I think.

(23:45):

Fine, we'll find out. Didn't like my password? Oh, I have the wrong username and now this is 19. That would be great Robert. You can be the expert on the create tab. I would certainly appreciate it. Alright, it's still not letting me display this. Maybe I can copy it this. Okay, TM diagonal special. Let's look at this with a custom strategy and if we hit the edit button, we have diagonal calls, 30 DTE. We have a long 40 delta call and 21 DTE. We have a short 20 delta call and I can see here, okay, the first thing we do is, this is only looking at the last six months, right? It is today, July 2nd, and it's started the last day of 2023. So it's a six month back test, two wins, one loss, that's acceptable. 72.3% is very good and the total losses is less than half of the total gains.

(24:58):

I personally like that. And yeah, yeah, I can increase the bat test month. I just wanted to go over the specifics. We're looking at a three inside and up ptosis one year greater than two. I've used this backtest and strategy before and I've had a very good track record. I'd say at least 75% of the time have positive results. So I do like this alert. Someone in community developed it. I don't remember who, so I don't want to name the wrong person, but this was someone in community who did this. I will find out who it is and post it in community. But now let's look at a three year back test. Alright, still total, still a percent return, 65% percent wins, seven out of 10. The losses on the three year back test are a little high in comparison to the gains. I don't necessarily like to see it more than 50% of the total gain, but it's close enough for me that I would continue to look at the back test.

(26:04):

And let's take a look at the two year back test and see if that improves. And yes, it does. Only one loss 171 comparison to the total gains of 1627. This is an alert that I would definitely take and it looks like it triggered today. If you are a platinum or annual user, you can see the options that trade machine suggests you use. So let me and you have to answer the question that you have to agree that you understand the information shown is not a recommendation to place any trade and the details must be confirmed with your brokerage trading. Okay? So we'd suggest for along the 40 delta call 35 and for the

short July 26th, the 5 45. Alright, so I like this alert and I will take another look at it between three 30 and 3 45 this afternoon Eastern time and try and get in on it.

([27:03](#)):

So that is my evaluation. I apologize for my phone beeping. Alright, okay. So I like that. I'll post it in community as well, Justin, and we'll give you credit. Anything else before we go now we're at 47 minutes and I don't want Jason to get upset with me. So I appreciate everyone taking your valuable time and spending it with us today. And I thank Jason for filling in for Amanda and I will see you guys in community. Don't forget community, it's the place to be. If you're a trade machine user, you want to be in community. We have a lot of great people. I spend some time answering questions and posting potential trades, but we have a dozen other people who do the same thing at various times. We get a lot of community feedback and I highly recommend that you at least watch what's going on in community. And with that, I wish everyone good trading and good luck the rest of today and the rest of this holiday week. Jason, you want to take us out?

Jason Hitchings ([28:07](#)):

That sounds great. Thanks everybody. See

Max Katz ([28:09](#)):

You soon. Thank you Jason. Bye Owen. Bye.