

Jason Hitchings [\(00:00\)](#):

Hello everyone. Thank you so much for joining today. We're going to be covering the Buy the Dip strategy, just kind of working through the today tab strategies one by one to make sure that they all have some coverage and renamed you to me. Then we will use pattern finder Just very briefly, we have a little deal for platinum members happening with pattern finders, so I'm just going to show that for about three seconds and then look forward to taking your questions at the end and I think we can keep it. My goal is to try to keep these around 30 to 45 minutes. Sometimes they go as long as it's an hour, but I think it's kind of nice too to kind of keep 'em short and sweet so that people can feel free to hop on. They know it's not going to blow up their whole day.

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We know it's happening in the middle of a lot of people's workday. So again, thank you very much for joining and we're going to just start with disclaimers as we always do, max a J. Great, okay. 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 qualified person, firm, or corporation. Trading futures and options involves the risk of loss. Please carefully consider whether futures or options are appropriate to your financial situation. Only risk capital should be used when trading features 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 considered the inherent risks of such investment in light of your financial condition.

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Great. Probably most of you have seen me before, but my name is Jason Hitchings. I'm the CTO at Capital Market Labs and the architect of trade machine from a technology perspective, been in the FinTech world for about 18 years and most of that focusing on options and option analytics. So I start these off with just a real quick two, three minute thing about what we view as a path towards success with trade machine and then we're going to talk about buy the dip. I'm going to quickly show pattern finder on the screen and then I'll answer any questions. Okay, so I'm going to go fast. If you guys have joined some of these sessions before, you've probably heard me say it. If you write your trade down, it lets you know how you're doing. It lets you know what strategies are working and not working and it takes some of the emotion out.

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Oftentimes if something starts moving against you or even if it's moving for you, different people have different psychological profiles, but sometimes it's up 10% and you're just like, ah, I just want to lock in the win. Other people feel the opposite when it's going down, but having a strategy that lets you know when to get in and when to get out takes a lot of that stress out of it. Also, if you take a number of different trades spread out over time and a number of different market conditions, then you get a real good sample of what's working, what's not working, and if you start relatively small with your trades, figure out what's working, then you can size those up and it protects your risk capital so that hopefully if things are going the way they should be, you start, you're trading with your profits soon and then if you decide to size up your positions a little bit you, you know that you're not putting more at risk than you initially intended as your pool of risk capital increases.

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Quick example, just spreadsheet when you entered, when you exited some notes, what your profit or loss was on it, maybe a link to the back test could be fast and simple. It just takes an extra 30 seconds per trade. Great. We have this open SLB trade from two sessions ago. It has a technical close that hasn't

triggered for me yet. It's doing fine. Just thought I'd tracked that from last time. Yeah, so when you get started, you log in, you see the today's tab. Each one of these is a separate little strategy. If you click the question mark, it will tell you more details about that strategy. This particular screenshot is, is just a generic one. If you don't see this liquidity filter at the top, not to worry, we'll probably start applying a liquidity filter a little bit for all users and for platinum users.

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That helps support us by signing up on a yearly basis, you get to see this liquidity filter where you can have a little bit more control if you only want super tight markets or if you just want to see everything and make your own decision using the options chain about whether you want to get in or not. This is what the today tab looks like today and so I tend to use a three plus that keeps things relatively tight. These should all be pretty tradable, four plus. Then it gets where you start to have dime wide markets, that kind of thing. Within the learn tab, there's a whole thing on liquidity, so if you want to know all the details about how these work, just pop over to learn and type liquidity and you'll get a detailed breakdown today because we haven't covered the buy the dip strategy recently.

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We're going to look at this LYB trade. Just pulling this up real quick, so this is looking at the last two years and then right now it's loading the recent this share link, and so it's loading all of this settings. So from when this strategy was tested, I want to make a comment about these strategies. So each of these different strategies has different technical conditions, different close conditions. It could be different stops and limits or it could be a technical close like if the stock drops down below the s and p or the simple moving average 200 day. And each of these has been back tested quite extensively in a variety of scenarios, a variety of different market conditions, and this is a very curated list of trades that made it here because it's not just anything that triggered today, it's things that triggered today that worked over various timeframes that have more wins than losses that have good average returns, et cetera, et cetera.

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So this is a nicely curated set of trades and it's supposed to just give you a quick jumpstart in your trading. Once I've clicked this share link, it's loading all of the settings that were used to create this, all of the technical settings, all of the opens and closes, all of the actual strikes that we're going to use, and rather than saying a strike like buy something when it's \$5 out of the money, we use something called Delta. If you're not familiar with Delta inside of Learn, there's lots of great resources talking about it. In fact, there's an entire two hour options education thing on implied volatility and Delta, so if you click over to education, you click Vertical Spreads Delta iv, this will go into great depth about all of that stuff that's included free to you. It's about eight hours of options education built in to your subscription, so definitely hop over and take advantage of that if some of these terms aren't the way that you're used to trading, but you want a little refresher.

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Okay? Right now we're looking at a strategy called buy the dip. If you click here, you can watch a video, another video on by the dip that goes into how we created it in the testing that we did. It's a call and it's using a 40 delta call option, so something that's a little bit out of the money but not too far out of the money. One way to think about Delta is that the higher the delta, the higher chances are that the stock is going to end up above that strike price for calls where the calls going to end up in the money. It's one of the mathematically accurate descriptions of Delta. There's several different ways of looking at it, but we're going to be looking at something which is a little bit out of the money and according to the options math, there's about a 40% chance that this is going to, that the stock will reach that Delta.

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We're looking for something about 30 days from now, and if there's not something exactly 30 days from now, it'll find the closest to can. Same if there's not an exactly 40 delta, it'll pick the closest delta to that we're going to buy, so we're long. This is a never trade earnings strategy, and so what that means is that if you're within two days of an upcoming earnings event, you would want to get out of the position and then you'd want to wait two days until after the earnings event and then wait for the technical conditions to become true again. In order to enter, these are the technical conditions for entering the trade. You can read them here and also click, it says open trade when if you click the technical open, it'll give you this kind of a breakdown and it says that we enter this trade when the stock crosses up through the 200 day moving average when the stock is also above the 10 day last exponential moving average, which means you're waiting the recent data a little bit more recently, so there's kind of a recent surge in the stock price and that the 20 day RSI is below 70 and RSI typically used to consider whether something is overbought or oversold, and if it's over 70, it's considered being overbought.

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Maybe it's kind of at the end of its upward run. If it's under 70, all we're saying it's not overbought according to that indicator, and so that's the strategy and we have this nice little green flag that tells you like, okay, it triggered at some point today. That's why it's on the today tab with a little blue today here this tells you that right when you ran the back test, all of the technical conditions are still true, and even if this back test, this back test shows that it ends today, you might see a back test that ends a few days previous just because that's the last time we ran the specific back test you're looking at, but that's not the last time we looked at the technical condition. So if it shows up here, it means that all of the technical conditions were true when this triggered and the earnings conditions and everything else, this little green flag means they're still true at this very moment.

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So if you scroll down here, you grab this little slider and move it over, you can kind of zoom in on the chart and you can see that the technical conditions are all true, that it's crossed up through the 200 day moving average and that it's above the exponential moving average still. So now the question becomes, okay, we want to place the trade. We know that it's this 40 delta call that's about 30 days out, so I'm going to click the show options button. There's two ways to do this. This little show options feature is a cool feature that annual subscribers get, so that's a nice little benefit. If you click the show options, it just says, Hey, this is the position that you'd be getting into. The closest thing to a 40 delta on the options montage is the 95 call and the closest thing to 30 days out is July.

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That's relatively simple to do with a single leg strategy, but when you start getting into more complicated strategies, like if you click a custom strategy, then this is a pretty nice time saver, but if you don't have that feature, all you do is click the show options chain or you can do this equally as well in your brokerage. This can filter by the days to expiration, and so I'm going to click 31 days because that's the closest to 30, and you can see on this there's relatively few strikes and this is the call delta, and so we have three strikes that have good implied volatilities that have good deltas, meaning the bids and asks make sense. This montage just shows the midpoint of the bid ask, but your choice would be between the 57 delta and the 21 delta in terms of getting as close as you can to the 40 delta to follow this back test.

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So the 57 delta is a little closer and that's why this strategy shows that it's, it's saying that the 95 calls would be the closest, but if you want to you can say, Hey, those are both close. What's been better

historically because my choice is there on this 30 day options chain, so this is 31 days out, I had a choice between a 57 and a 21, neither one is that close to 40, which ones actually performed better historically? So I'm looking up here, so when there's a comma in front, it just says, only run this one ticker and only by having a comma it's saying just use one delta. There's little settings gear here, so when you click the settings, you can see for the deltas when there's only one ticker being used and you're only running one delta, only one strike at a time, it's going to use the middle one.

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But if you take away this little comma, what it says is I want to test all of these deltas, so I want to see five different essentially strike prices, five different entry points back tested side by side, and then I want to use that information to decide, hey, do I want something like a 55 delta or do I want something like a 22 delta? And so you can see the 60 deltas at 2 0 9 and I could actually, if I wanted to get real particular, I could actually plug in whatever our delta was right now, 57 and I could plug in 22 and say, okay, which one of those has worked better over time? Likely the 20 and the 22 delta are going to get you the same strike anyway, but if you want to be very precise, you can say which one of these has performed better over time?

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And when you look in this particular strategy right now, it's actually saying, Hey, that 22 delta has about a same number of wins and losses, but the total return has been a little better. And so you might make the decision on that particular montage to just go ahead and take the 22 delta. If it was a close call, you don't necessarily need to get into that level of detail. I often don't. This one is saying, Hey, this has been tested not just in this one ticker but across a whole lots of different portfolios, lots of different timeframes, and the 40 delta has worked relatively well to get a good balance of win rates and return. And so clicking down through here, I'm just going to kind of follow the same steps. This is just a little quick guide about what strategies are on the today tab, but we clicked this LYB ticker and showed the ton of technical open conditions.

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The closed conditions are this 50% stop or 50 cent limit, and using this trade set up the most clear cut, the most simplest strategy is just to go ahead and take the for delta. And so we're going to move ahead and I went ahead and placed that trade and I'll show you the steps within Think or Swim in just a moment. But before I did that, I just wanted to pull up pattern finder, and so if I pull a pattern finder this way, pattern Finder is a really powerful tool for helping you see the sort of price trends within a stock. So I'm just going to log in here. It can give you a little additional confidence if you're on the fence about whether to take a position or not. You can kind of see how the stock has been trending over time. It's going to show you where a lot of the congestion is in the stock and kind of show you the direction things have been moving so we can see that things are moving up in this upwards channel.

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This is essentially where you're going to start to hit resistance. This is where you're going to start to hit support. The red line here, these purple lines, what they do is they find sort of the local highs and lows and use these as points of congestion and to say that oftentimes people are getting into and out of these positions or they're using these positions as reference points in their trading, and so it will draw these horizontal congestion points to show you, hey, these are some of the local highs and lows recently. And so these are areas that are likely to act as either support or resistance. And so using those two things we draw in these bands that kind of show the potential upward movement before it starts to hit resistance and the potential downward movement when you might find some support and you can see that right now this is very favorable, that there's a lot of upside potential before we start to hit some

of the congestion or some of the resistance and not a long ways to go before you hit some support, you might come down to a lower support here.

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So this is obviously, it's not a guarantee, but it's showing you what the trends have been and where the congestion points are as an additional reference point. There's a lot of powerful features within this tool. There's a really powerful scanner for instance, that you can take into all kinds of things like relative strength and hundreds of other technical indicators. I'm not going to dive deeply into it today. I just wanted to mention it briefly. I think there's a little bit of a deal right now for platinum subscribers I believe, and Amanda, correct me if I'm wrong, I believe it's 99 per year to get pattern finder if you're a platinum trade machine subscriber, so that's pretty sweet deal. So I kind of referenced this. I said, Hey, trends look good. I'm feeling good about it. I'm a platinum subscriber, so I just showed the options here and you can do it just via the options chain as well.

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Pretty straightforward for just a single lake strategy. I showed if you try a bunch of different deltas, how these have worked out and that might influence whether you choose to take something more out of the money or more in the money. And then from there I just jumped into, I've been using the web version of Think or Swim just because a little faster to get into and out of just exact same thing, just take the delta go down for the 31 days out to expiration, finding the Delta closest to 40. I'm just clicking the ask, which in order to buy the position, it kind of moved a little bit as I was doing some other things. As I was putting in trade in the markets were 2 25 by 2 35 I put in at the midpoint. I was comfortable with the 10 that gave me about a \$2,300 outlay.

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That's relative to my risk that that's kind of the average size trade that I've been taking using Trade Machine. And I just put that through just kind of a confirmation screen and then it took a few minutes to come through. I was actually starting to adjust. I was going to just bump up my bid 5 cents just so I didn't miss the trade, but halfway through doing that, the trade went through and so then I have my position on, so now the question becomes, okay, well when do we get out? And so within trade machine, when you scroll down here, this is the conditions for closing. So if the options expire, then you're also closing the position, but we have a limit of 50% and we have a stop-loss of 50% as well. So I'm just going to show putting the limit in real quick. So that would be, I entered the trade at \$2 and 30 cents, and so 50% above that would be three point 45 for my limit and 50% below that would be one 15 for the stop.

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And so on my open positions I just click close selected change. This starts off to say that you're only putting the trade in for the day, but I'm going to click good till canceled and putting in my own price, not using the little bit ask spread because I'm not looking for place this straight today. I'm fine for it to take a week or two weeks or three weeks and say, okay, if it gets up to 3 45, then I want to exit EI review and now it's also I have an active position, but now in my working trades it says minus 10 meaning I'm going to sell, the current price is two 30, but I'm looking to sell at 3 45 and I'm going to leave this open until it gets canceled or until the position expires. Additionally, if you want to, you can say, okay, well, so for this trade, I actually want it to notify me when I get close to expiration.

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So our expiration was July 19, and so you can click add alert, and when you click add alert, what it does is it creates a share link to the strategy. So it's kind of the same thing if you do this, if I click this little share link here and click copy, that creates a link that I can use later in order to pull up that strategy exactly the way I was looking at it at the time. And when you click add alert, it just creates one of those

for you and it sticks it into the notes section. So if you get a text or you get an email and the notes, you're going to see this link and that link's going to pull up that strategy for you. If you did have multiple tickers, it's going to have all of the tickers in there, so if you're backtest with 20 tickers, that link is going to be to all 20 tickers, but when you pull up the link, you can just change the ticker to in the alert.

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It'll say this is an alert on LYB, and so you just change the ticker to LYB. In this case, I only had one ticker showing, and so it's this alert's just going to be for that one ticker. Now this would be the technical open conditions. So if I was looking to enter this trade again in the future, whenever it triggered, that would be the technical open condition. Right now, the type of alert I want is to say on a specific day, so I can say on a calendar day, I just want to be notified to remember to close the position out. So I'm going to go over to July, I think it was July 19. I might give myself a notice the day before and say close this trade if open because it might not be, it might have hit its stopper limit if it's still open, I want to get notified.

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I can enter my phone number in here. I just click add alert, and then trade machine in the background is checking this all the time, whether it's for technical conditions or for a stock price or for a specific date, and then it'll just notify me, Hey, look at this position. You might want to close it out if it's still open. Great. So that's a pretty quick and easy reference for this strategy. It's a nice and clean cut one. Some strategies use custom strategies, not just simply a call or a call spread, but sometimes they use a three leg strategy or four leg strategy. So you might see a custom strategy here. I made note of the fact that the end date could be different than today if something got run a day or two ago in terms of what the actual historical results were, really easy way to update that is just to click any one of these buttons.

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If I click the three year button, it'll automatically update the date until today and then rerun the back test. We also looked at these deltas, so right now it's using these custom deltas that are selected here. Every time you pull up a share link, it updates these settings. So if you like to say, I want to simulate my trades to be halfway between the midpoint and the market price, then you can set that here. If you like to use 10 contracts or one contract instead, then you can update it, but you might just want to take note that the deltas do get updated. So essentially how in the money or out of the money the position is, you can always just go in there and update those and coming soon we're actually going to have a little reset button to reset it to your own personal preferences so that we need to update it when we click one of these strategies so that it accurately represents the actual backtest, but we're going to have a real quick button to click reset so it resets it all to your particular preferences.

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One more little thought here is that in addition to, so that would be, we showed for backtesting multiple deltas. If I want to backtest multiple tickers, you can add up to five tickers. You can actually add more than five tickers here. You can add as many tickers as you want to up to your limit. So for monthly users it's up to 50 For annual subscribers, it's up to 200 that you can back test all at once. Now you can enter a big list of tickers here, but we made it a little easier with portfolios. So if you click portfolios now for me, it's going to test this exact same strategy, but for all the components of the NASDAQ 100, and we have a bunch of different industry ETFs here. We have the Dow 30, so there's a bunch of different groups here that are included, and you can also just create your own with new and edit once one of these back tests.

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Completes also lets you, if you'd like to set alerts directly from the portfolio. So I just switched to the Dow 30 and I switched to one year to make it a little faster to complete because I wanted to show you how you can add alerts for a lot of tickers all at once. If you find a strategy you really like, if you don't

want to just wait for the today tab or you build your own strategy, which is different. For instance, a lot of people like to turn this by the dip into either a call spread or a diagonal. So using the same technical conditions but using a different set of options. So if you create a strategy that you really like, or let's say you tweak the technicals. Let's say that you decided that crossing the 50 day moving average you like better than the 200 day moving average, then, okay, sorry, just real quick here.

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Every time you make an update, it resets it, but down this left hand side, you see these little check boxes for alerts, and once this completes, you can sort all of these different conditions and you can say, Hey, I want to see things that have at least two or three wins and that have positive returns that are over 20% or 30%, and then just set alerts for those specifically. So I'm just letting that finish and so I can say, Hey, I built some custom strategy and I want to sort by. That would be the total return. Average trade return is a great way to do it. It gives you a little bit more of a normalized way of looking at it. These are all only one trade, partially because I'm looking at a one year timeframe, but you can kind of come through here and say, these are the particular strategies I want to be alerted for these tickers when this strategy happens and when you click add alert, it will create a share link.

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The share link will open this exact back test with all of these stickers, but in the actual email or text message, it'll say, this is an alert for Caterpillar or JP Morgan or whatever. So then you can add an alert that way and the system will check 5, 6, 7 times a day to see if those technical conditions are true and then it'll email you or text you directly. So you can do some pretty powerful back testing that way when building your own strategy. It's always great to test not just on a single ticker but on a basket of tickers or at least on an industry that it's in and say, Hey, this has worked well not just in JP Morgan, but it's worked well on all the financial sector biggest stocks. That can give you a little confidence that it's not just a fluke that it's won seven out of eight times, but it actually works well on a larger set of tickers.

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Great. So that's kind of what I wanted to cover today in terms of the buy the dip, and at this point I'd love to take any questions if we have some, and yeah, we'll just take a few minutes for those and if there's not too many questions, that's great too. There's always going to be chance decks, ask questions again. Okay, so I'm just pulling up the chat here. I see that Max Zoom display, the view options just make the screen larger. Yeah, so just in general within, this isn't specific to trade machine, but just in general there's zoom buttons here within if you're using Chrome where you can actually just increase the size of the screen and doing that. If you're having a hard time with the size of the font or something like that, that's a nice fast way. Also, if you hold the control button down, I'm just going to roll up on my mouse.

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It does the exact same thing or roll down on the mouse, so that changes the zoom that way. So that's one way to actually make everything on the screen bigger. If you want to focus in on part of the chart, then it's all the way at the bottom and you can set the start date and end date that's currently visible this way. Now we're looking from January, 2024 to April, 2024 for the entire chart. So you can see we're starting in January, we're ending in April, and you can scroll this way too if you want to look over a different timeframe. So by zooming into the very far right, then now you can kind of see a little bit more detail about everything that's going on within the strategy. Okay. Okay, Pam? Yeah, sorry I was going a little too fast free. I'm happy to answer any questions.

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We also, we've been kind of dividing these sessions into two pieces. One is a deep dive on a feature, and those have been on Tuesday and then on the other weeks on a Thursday we're doing brand new user

intros. So sorry if that was too fast for anyone. Let me quickly click over to the learn tab and I want to show you, we have these live help sessions, so if you click this live help session today was strategy focused. And so yeah, we went pretty fast and I'm happy to answer any questions or go slower, but last week was a new user overview of trade machine, so it's exactly a session exactly like this one was, but it's a real slow walkthrough of trade machine. So in addition to answering any of your questions today, for anyone who's new, that's a really great place to start.

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Okay, can you add strategies like butterflies and diagonals and calendars? Yes, absolutely. Okay, so I'm going to dial down my speed a little bit here. So on the back test tab, I'll just start fresh When you log into the tool, so right now you just logged into trade machine. This is the first time you've ever seen the product. Each one of these is a strategy that's been back tested, that's been simulated, and anything that says blue today means it triggered today. If you click the ticker, it's going to open that simulation. That simulation is called a back test. I'm going to go to the back test tab and do one from scratch. So on the back test tab right now, I'm going to start with the ticker. So could be anything I'm going to put Microsoft, I'm not going to put a comma that's a shorthand that a lot of us do who have been using the product a long time.

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Now you can choose a strategy. You can say, I want to look at stock, I want to look at stock where I'm dollar cost averaging into the stock. I want to buy a call, I want to buy a put cover call spread, put spread, straddle, et cetera. So these are a bunch of out of the box strategies. I'm going to start simple and then I'm going to get into the custom strategy. We had people asking about diagonals, so I'll show those in just one second. So for simplicity's sake, I'm going to buy a call here. Do I want to be long or short the call? I'm going to be long the call and that can be it for now. So what this is saying is that over the last two years when I'm buying options that are expiring in about 30 days in Microsoft, this is how that strategy has performed historically, depending on how in the money my trade was, so because I did not put a comma, it's showing five different amounts of moneys, five different, how deep in the money the calls are or how out of the money the calls are those deltas.

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That amount of money is in this little settings gear is where that's determined. If I don't want to look at all five at once, if I just want to look at one at once, you can just put a little comma after the ticker and it will just run one strategy at once, which is a really great way to start getting a handle on the product. And so right now it's saying for the last two years in Microsoft, if I had bought calls that were a little bit out of the money expiring in about 30 days, I would've made a lot of money because Microsoft's gone up. That's not surprising. So this strategy in total would've returned about 316%, but my wins and losses wouldn't have been too great, so I would've made 10 wins and 16 losses, but the size of my wins was big enough that this still would've been a very good result.

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And that's a little reminder to say if you're new to trade machine and you place a trade and it loses, that tells you very little because your strategy two years ago might have been want to buy 40 delta calls in Microsoft. Now had you stuck with it, you would've made 316%, but maybe the very first trade was a loss. And so that's why we emphasize starting small and doing it over time and then seeing what's working, what's not working. We can actually see that the win rate here is about 38%, which is interesting because the market predicted based off of the options chain, based off of the prices, the price of an option makes a prediction about how much the stock is going to move. There's a lot of

courses on there, so you can go as deep into that as you want to. It's called the implied volatility of the stock.

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The options imply a certain amount of movement in the stock market, and it was pretty accurate. The IV is an implied amount of movement. It's saying it's going to move roughly 16% annually, and it's saying that this option because of that has a 43% chance of ending up in the money. So when we were buying 40 Delta calls, they won about 38% of the time, so that's pretty close to what the market predicted. Now, the winners ended up being much bigger winners. The stock has just been on this upward trajectory, and so this strategy has done very well over time. If I click this tile, I can get a lot more detail. I can see the average win, average loss, et cetera, and I can also see every single trade that was placed. I can even download using Excel. I can download those trades where I can copy them to the clipboard and paste it into Excel.

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If I click here, I can see every single time that I opened why positions were closed, if we hit a stop or a limit, et cetera, or if we just hit expiration. So there's a lot of good detail there. Okay. Now to this specific question, we had a gentleman ask about calendars. John asks, how can you do butterflies, diagonals calendars? Okay, so if I click custom, what I'm saying is I don't want to just do one of the vanilla strategies. You can click add and we're going to call this John's calendar. So I can say that I want to be long at the money call that's expiring in 30 days and I'm just going to do, I'll just make it five. But you could say, I actually want to be short the call that's a little bit more out of the money and that's expiring in 15 days.

[\(31:20\)](#):

So now you have your own custom strategy. So you're selling something expiring a little out of the money expiring in 15 days, and then you're going to hold something at the money for that's expiring at 30 days. Additionally, this little checkbox says, do I want to close the whole position when these expire? And that's what this says, close all legs with front month options, or if you unclick it, then it says No, just let those expire. And then I want to continue holding this for the next 15 days approximately. So now we're back testing a calendar on Microsoft and we see that the total return has come down some because we don't catch that huge. If there's a big upside move, then the short option is taking some of that profit, but our win rate has gone from 38% to 53%. Now you could do that not only for Microsoft, but you could do it for a whole basket of stocks and see how has that strategy done over time on a whole basket of stocks and then make a decision.

[\(32:17\)](#):

One, do I like the strategy? And then two, which stocks do I specifically want to trade it in? So you can get up to four legs here and different expirations and deltas and that kind of stuff. So you can kind of go pretty deep on those up to a four-legged strategy that you can test all at once. Additionally, you can say, well, I don't want to just enter this trade any old time. I have technical conditions that I like the Golden Cross or something like that. So you could say, I only want to enter when the stock price crosses up through the 200 day moving average. So this is now you're kind of saying the long-term trend is moving in an upward direction. Stock's been moving steadily up, and so this only happened a couple times down here. Or you can say, well, if things are bearish in the market, such as if the stock prices is below, say the 50 day moving average, so it hasn't been doing well recently, or you can even say a 10 day, you can get as specific as you want.

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You can add multiple layers onto here. So right now I could say I only want to enter the position if this stock is above the 50 day moving average. I don't want to enter if it's below. And also you can look at the vix, which is kind of the fear index in the market, and you say, I only want to trade it if the VIX is below 18 or 15. So if there's a lot of concern in the market about what's happening in Ukraine or whatever, you can set conditions that way about if there's a lot of lot fear, a lot of volatility in the market, I don't want to be in the stock that time, or you can do the opposite, but you can create all the strategies you want right here. We've also created dozens ourselves that we've tested quite extensively. Additionally, you can say, well, I don't want, if I start having a win, I don't want to just exit.

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I mean, I don't want to wait until the very end. I like to take my profits. So you might say that I want to get out if I have a 50% winner and maybe you put a stop loss in where it's like if the position is lost, most of its value, I don't like to hold it worth four days from expiration and it's down 70%. I just want to exit at that point. So you can set the stops and limits that way, or you can even set technical exits and then just test and see how that's worked with your strategy. This is saving the actual calendar. If you want to save this whole setup, including all the technical conditions and that kind of thing, you could say John's tech calendar and now that's going to save this whole strategy, including the start and end date, including the technical conditions, including the stops and limits in this list of saved back tests.

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And then when you click it, you can click load and it's going to just recreate that entire strategy just like that. Okay. So let's see. I tried to go a little slower there. Hopefully that was more helpful and I'm going to go on to next questions. John, also ask, can you put in strategies and scans for what technicals work well with those strategies? Yeah, so using the portfolio back tests, you can backtest either 50 for monthly subscribers or up to 200 for annual subscribers, tickers all at once. You can go through and look at different industries one by one. You can also download those trades and make a, even if you want to assess the SP 500 or the Russell 2000 with a little bit of patience, you can just output all of those into an Excel spreadsheet and see how they all did. So in that sense, you can kind of scan and you can tweak and say, Hey, does this work better or worse if I include the VIX or if I include RSI?

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So you can kind of build your own strategies out that way. In addition, if you click the pro scan tab, these are all strategies that we've created. So some are pre earnings, some are post earnings, all of these different strategies. You can say for the largest 500 stocks by market cap, I read about this by the dip or I watched this thing. How does this work overall and what stocks does it work well on? So now this is giving you a list of all of these market simulations for all of these different tickers for this strategy, and you can say, okay, well which ones has it worked best with? So looking at these average trade returns and saying, wow, that's only one. It obviously hit a huge winner there, but maybe I only want to look at strategies that have at least three winners. You can actually even filter this, so I don't want to go, there's a lot of cool power in the product, so I don't want to overwhelm people, but there is a powerful scanner here.

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So you can either scan by strategy or you can say, okay, if I'm looking at Microsoft, these are all the different strategies, what's worked best for Microsoft of the strategy that are pre-created within trade machine. And you can sort by average trade return for instance, and say, wow, this bearish technical momentum has been really good, but it only traded the one time. I'm filtering now to say only back tests that have been a little longer market simulations that have been at least three years and this fade, the dip short put spread looks to have been a great strategy. So if you click that link, it's going to open that

simulation, that backtest, and you can look at all of the details and it's saying that this short 40 delta long, the 30 delta puts, so because you're short the put spread, you want stock to either stay the same or go up has been a big winner in Microsoft, which makes sense.

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It's been on a pretty good upward trend, but interestingly, even when it wasn't in this cycle, it's done well and this is the last three years roughly. But you can also search the last five years, the last 10 years and say, okay, well how's it done in a variety of different market conditions? Turns out it's been really awesome. It's one 11 out of 12 times. So there's a great strategy for Microsoft. Yeah, and for anyone who wants more slow measured detailed, please come next Thursday. That'll be at 4:00 PM Pacific pm Eastern, and we're going to do another new user walkthrough at that point. Can I convert my pattern finder monthly subscription to an annual subscription for 99? I'm already an annual trade machine subscriber. Yes, yes, we can honor that Mark, just at least email support@cmlvis.com. Where do you set the amount to invest? So here in the settings you have the number of contracts, and so this will vary a little bit from stock to stock, but if you want to take smaller ions, you can start with one and if you want bigger, you can go bigger.

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So this would be buying one or five or 10 contracts at a time. So that's going to drive the actual size of the trade or options with stock. You can get a little more nuanced and say you can dollar cost average with actual numbers of shares and that kind of thing. Okay, let's see, where do I set them? Uninvested, what are pre earnings calendars? Alrighty, so a pre earnings calendar is that we backtest and we are kind of the end of earning season. So we're not seeing a lot that are active right now, but if I go to ProScan, if I go to free earnings, and these are the diagonals seven day pre earnings, that's the long call, and here's some of the diagonals. Okay, there's a bull diagonal. So what these are saying I need to pick a list of stickers is we've observed a phenomenon through backtesting that oftentimes, especially in bullish markets, stocks tend to move upwards into earnings even before the earnings event happens.

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And so these pre earnings strategies are not an earnings bet per se. They are buying calls or call spreads or selling a spread before the earnings event, seven days or 14 days or three days, and then selling the day before. And let's say you're long a call, oftentimes the stock is both going up, but you're not losing as much of the time value in that call as you might otherwise because you have that earnings event coming up. And so the call is retaining a lot of value, so much expected movement built into the earnings event that the time decay on the option is lower than expected. And so that's what these strategies are. And so if you click one specifically, you can look at the details. And so this is a custom strategy and if you click edit here, you can see that this is long, the 50 delta, so this is pretty similar to the one that we created, but this is you're long the 14 day and you're short the seven day.

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And so by being short, this seven day option that's more out of the money, it's kind of helping finance this one even more. So you kind of let this one expire before earnings. So this is going to expire before earnings and this option would expire after earnings, but you actually sell it before the earnings event happens, and I'll show you where the earnings settings are. So you have a couple of different choices you can say whether there's earnings or not. I don't want even think about it. You can say, I want to get out before earnings, get back in after earnings. You can say, I just want to enter two days before and exit two days after. Or you can do a custom earnings strategy. These are custom strategies. When you click custom, you can choose when you want to get in and when you want to get out for an earnings event.

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So this one says get in 14 days before. That's when I open the position, but I also want to close the position before, so this is not taking an earnings bet, this is closing one day before that earnings event happens. Any particular strategies for zero DTE like the SPX right now, the fact tester using dev day data so you can kind of make one day bets to see how one day would work. It doesn't specifically do an intraday zero DTE type trade right now, but that is something you can expect to come to the product to before too long. We've been doing some testing there and had some interesting results. I don't have a specific timeframe for you. It's not going to be in the next month or two. It's further out than that, but we are expecting to make some upgrades, have an offering in that direction at some point.

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I joined Trade Machine through Prosper Trading on the platinum offering. How do I purchase on the pattern finder you briefly showed today? Great. Well thanks for being a part of our community. Jason. Just email, if you click account, depending on when your account was created, the newer accounts have the ability to upgrade directly. I think your account may not since then you came through a partner, but just email support at CML VZ. I'll type it here to everyone, so support at CML BI z.com and just explain what you'd like and we'll get you taken care of Amanda who's helping co-host today, she's the head of support and so she'll make sure you get taken care of. Okay. The pre earnings calendar is primarily of all play. Yeah, it's both. Additionally, it's taking advantage of that. There tends to be kind of bullish momentum in these stocks going into earnings.

[\(42:14\)](#):

Robert says that pattern finder is a great tool. Appreciate hearing that Robert. Yeah, I think we're going to be putting a little bit, shutting a little more spotlight on pattern finder. We've been doing a lot of focus on trade machine because trade machine's really powerful, but a lot of people like to use them together and so I think we'll be reaching out to everyone about that tool as well. Great. We are coming up on the hour. Very happy to answer any last minute questions and if not, then I just want to thank you all for being here and for being part of our community. Speaking of in addition to the learn tab that we talked about, if you click community, you will see a little thing pop up that says, please treat everyone with respect. We don't need to get into, there's enough of our life is dominated by politics.

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This isn't a place to talk about those things. It's a place to talk about trading with each other and to be supportive. After you do that, it's going to take you to community. CML Pro is a stock investing research tool that we have that's quite awesome. Frankly, it's a fear that heads up the research there so I can kind of speak impartially about it, but it's outperformed the market very, very well. Trade machine is our options. Backtesting service, which has been phenomenally good. Also, we we're fortunate in that. So if you click on the trade machine, this is a great place to ask questions or share strategies or just to read what other people are posting about. We have some really great contributors in our community. We also have a former options market maker Max. He goes by chat, uncle Pops, but he's there at least an hour or so a day to answer questions and also he shares his own trade ideas and that kind of thing.

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If you click show replies, you can see a lot of the conversation and so hop in, say hello, ask questions or share ideas. I think you'll find it a very supportive place with a lot of smart people and good ideas. So please hop in and join the conversation and thank you so much for being here everyone. We're going to do another one of these next Thursday, which will be focused for new users. If it was a little much for something new, newer people, then apologies, but we'll take it nice and slow next Thursday. Thanks everyone. Have a great day and hope you're having some great, great trading and I'll talk to you next time. Alright, thanks everybody.

