Jason Hitchings (00:00):

Hello everybody. Thanks for being here today. We're going to take a little look at some custom strategies, just how to make 'em and some of the particulars of how those work. Feel free to type questions into chat, and I'll do a little bit of q and a at the end. We like to keep these around the, that's no longer accurate. We like to keep these at the kind of 30 minute to 45 minute mark. Great. Okay, so thanks everyone for being here. I'll just start off with the boring part of the disclaimers. This is not a solicitation to buy or sell any security ever. This is not advice. You should read the characteristics and risks of standardized options. The results here are provided for general information purposes. As a convenience to the viewers, the materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation.

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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 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. So I'm Jason Hitchings. I'm the CTO of Capital Market Labs. I'm the engineer slash architect behind trade machine. I've been in the financial world for a long time and I worked with PHE long ago on a company that got bought by Debo. So today we're going to look at custom strategies. We're going to look at when the different legs roll and what they mean. Then we're going to take a little bit of a deeper dive looking at spread the sell off and I want to show you how the share links work and a few things like that.

(01:49):

I think the sort of presentation part of this might last 15 minutes or so and then happy to take any questions. Hey Max, good afternoon to you. So just something I've been mentioning at the beginning in terms of our view of how to be successful with trade machine. We're big believers in writing your trades down, knowing when you're going to enter and exit so you don't get pushed off of your plan or you don't let the kind of emotion of a volatile market affect your trading decisions. The backtester is not emotional. It does things based on rules and if you see good results there and you are trying to mimic them in your trading, then our view is the best thing to do is to try to take as much emotion out of it as possible. We also think that trying trades over a longer period of time, trying 10 or more trades is really the only way you're going to know for sure if a strategy is working for you.

(02:42):

If you're flipping a coin in the coin flips head 60% of the time, flip it once or twice, you're not going to know if you should be betting on heads or tails. It takes quite a few. Good news is if you figure out strategies that are working for you, you might have a few wins and a few losses initially, but if something is really working, then what you want to do is average out those losses over a lot of trades and start to see it pile up over time. And I'm a personal believer in starting small and once you have some profits then to start increasing the size of your trades. Just a real simple example of writing it down and saying when you're to enter an exit and recording your wins and losses. Okay, so I'm going to start looking at some custom strategies.

(03:24):

We have quite a few new users who have come to the platform recently. So welcome. Thank you for being here. If you're new and I hope you get something out of this if you're one of our more experienced members as well. So initially you log into the today tab. This has a lot of pre-made strategies. Each one of these you can click and see all the details of the strategy. We have a lot of help sessions on the today tab, so I'm not going to focus on that too much today, but I'm going to go to the back test tab. When you're writing a back test, you can just enter a ticker and you can enter if it's going to be call or put or all of those kind of strategy details. And from that you can let the kind of simulator run its course and simulate out a large number of trades for you and sort of see the patterns that tend to work over time.

([04:19]()):

So I just want to start something simple and so I'm going to just look at a MDI do a call, never trade earnings. I'm going to not have any technical opens or technical closes and what we're seeing here is that, so if I don't have a comma, it will run five back tests and what it does is it tries a bunch of different ranges of how in the money or out of the money it is, if you ever want to adjust those, you can just click this little settings button and adjust them here. So if I want to try a 90 delta and a 70 delta meaning vary in the money a little bit in the money at the money, et cetera, you could tweak those there. I frequently, if you're running multiple tickers, you can put a little comma in between them and you can run more than one ticker at once.

([05:07]()):

Now when you do that, it's only using this at the money delta because it doesn't run five different back tests for each ticker. If you run multiple tickers, it only runs one back test and it uses the middle one, but if you only want to use the middle one, a little trick is that you can just put a comma after the ticker and you'll kind of see that quite a bit just in our presentations and things. Many times we just want to look at the one back test. So we just put a comma so it's only using the middle back test. Okay, so this is doing a 50 delta call and as you know it's saying, okay, this is looking at 60 days to expiration. It's saying I want to buy a call that's approximately 60 days in the future. I want to be long, I want to get out of the position before earnings and get back in after earnings. That's what never trade earnings means there's nothing

([05:57]()):

About when we're opening it, we're not including technical conditions. Nothing special about when we're closing it. So if I click the tile, I can come in here and see all of the trades and we're starting this back test on three years ago. So right now this is May of 2021 starting the back test. We're buying a call that's approximately 60 days in the future and so if you look here you can see that okay, as of May, 2021, it bought an option that was expiring in July of 2021 and that was the 80 strike. So it goes through and it just places all of these traits. So that's just a very kind of basic thing. It's saying, Hey, what happens if you just bought a 50 delta call 60 days out and just rolled it over time in a MD you have 11 wins, you have 14 losses and a MD has gone up over time.

([06:51]()):

So even though it's a pretty basic strategy still, even though you didn't win more than you lost in terms of the number of trades, the ones you won made up for, the ones you lost and this thing made money, that's not surprising. AMD has been up. So there's a bunch of strategies on the left hand side here. Calls, puts, call spreads, put spreads. If I were to do a call spread, now it needs two different legs. So this one is saying I'm going to get long, the 50 delta which is at the money and I want to be short the 20 delta, which is somewhat out of the money for you guys who have been around for a while. You know a lot about Delta. If you are less familiar then there's a lot of good resources in the learn tab. I'm just going to click the show options chain here and let this load, it's pulling up the live options chain from Ebo.

([07:41]()):

I'm going to go down to somewhere in the 60 day timeframe here. This is a little closer to 60 days and you can just see the Deltas for the calls here. The deltas for the puts here. Technically, even though people don't generally talk, they don't say I want to buy the negative 25 delta put, they say the 25 delta put. Technically all of the put deltas are negative, meaning when the stock goes down, your position goes up in value. So just looking, you can kind of see, okay, what would a 70 delta option be in a MD? So a MD right now is at one 50. When you're looking out 47 days in the future, 70 delta would be about $10 in the money and something like a 30 delta would be roughly $15 out of the money. Just ballpark. So there is a quick reference for Delta and your brokerage will have this as well.

(08:33):

And when we say 50 delta we just mean the thing that's closest to at the money price. So you can see these two are kind of the two closest to the at the money. So when you have a call spread, there's two legs, the 50 and the 20. So in that options chain, I'll pull up the 20 delta just so you can see it just for completeness. So the 20 delta would be way up here and so that would be $25 out of the money when it's using two legs, the settings that it's using, it takes this row for the first leg and it takes this row for the second leg. So that's why it came up with that 20 delta and those things get updated when you click a link from any of these share links, it will update those deltas. So those can kind of change as you're using the product.

(09:18):

So you can always click and update them yourself anytime you want to. So I just wanted to do a quick review of some of the strategies here and let you know how it's coming up with the legs that it's using and how it's coming up with the timed expiration. But today is about the custom strategies and you can use a custom strategy to do any of these as well, but if you want to do something like a time spread or a broken wing butterfly, something like that that's a little bit more involved, then the custom strategy is going to be the way to do it. Now that might feel like a lot or like a complicated topic when you're new to trade machine and that's completely understandable or not so much new to trade machine, partially new to trade machine, partially just if your options trading has been a little bit more focused on one or two legs and not creating complicated strategies are going across different time spans.

(10:14):

That said, I think many people find as they trade options over time in order to be successful frequently it does take both a combination of buying and selling options. It's hard to be successful if you're just buying naked options and hoping for the best. I'm sure it can be done, but you'll find that a lot of the strategies inside trade machine when you're just owning an option every day, it's counting against you. It's like time is running against you. And so by having more than one option, if you're both long and short options in the same strategy, then you can sort of start to counteract some of those effects. You can counteract how time affects you, you can counteract how stock movement affects you. You can counteract how a movement of volatility, like if people's expectation of volatility in the future changes, then you can offset all of these things.

(11:03):

You just have a lot more control as a fear likes to say the only way to hedge an option is with an option. So I just started with the real basic example of just buying a call and I just want to show you starting very simply how to do the same thing with a custom strategy. So when I click custom, you're likely to find if you've been clicking around a trade machine for a while, quite a few custom strategies in here and that's because when you open a custom strategy from a link like for instance this is a custom strategy that we'll go into a little bit later, it'll actually create the custom strategy in your own list of trades. And so you'll see quite a few there, but just for the sake of the example, if I'm going to add a new strategy, I can say basic call and you can just do the exact same thing with a custom strategy that is here, but then you can take it a lot further.

(11:51):

So something like a 60 day 50 delta call in a MD would be same strategy that you're seeing that we just went over previously, but now this little label says custom, it's no longer using these deltas because I have my own custom delta set wouldn't matter what I put here when I'm using a custom strategy, it's using this delta and you can add up to four legs here. So looking back at this, that's just exactly what I did. This is the sort of basic call. This is using a 40 delta instead of a 50 delta, but the same concept and I can just reconstruct any of the strategies that you're seeing in the normal default trade machine through the custom strategy. You get the exact same results in both places and as mentioned when there's a share link created, when I click that share link, it's actually it populates this and if I don't have it in my dropdown, it will just create it for me.

(12:49):

So you'll see a list of these strategies and deleting it should just delete it for you. It shouldn't impact anyone else. So when creating a custom strategy, these custom strategies are only the legs of the stock. I mean if you have stock, it's the stock position that you have and it's the legs of the options. A custom strategy doesn't have anything to do with if you have a limit set, if you have a technical open set. So if I click technical open, that's where you could say if the stock crosses up above the 50 day moving average, I want to enter the trade, that kind of thing. That's all of those things are completely independent of this custom strategy, earnings limits, all of those things. However, these are a list of saved back tests. Now these back tests and we pre-populate pretty much all of the back tests that you'd find on the today tab when you first plug into the product.

(13:46):

So all of these spread the sell off macd, they all, if you click a question, there's a detailed video or an article on it. All of those are pre-list in your saved back test list. These when you load one of these, this will actually load all of the settings. So I'm clicking load here and you'll notice that the start date and end date changed, the ticker changed. This says now put spread short, never trade earnings, technical and et cetera. So all of these settings changed. So these back test links, these saved back tests, save everything exactly as it is. So when you're working off these, then now all of a sudden it'll be at a previous point in time and we do that intentionally so that when you are looking at a back test or you see a share link or you see something in the pro scanner that when you load it, you're getting exactly the results from when it was run in that point in time. It's confusing if you're looking at a result on the today tab and then you're looking at a day later and the results are different, but if you want to update it to more recent data, simplest thing to do is just click a little test length at the top and it'll update it to the current dates and then you can change the tickers.

(14:58):

The custom strategies are just the legs of the strategy and if you have stock or not and these saved back tests are the whole back test and everything going with it including the start date and end date. So there's a little button here and it says close all legs at the front month options. So I'll look at a little example here. I've already saved it the short call long leap roll together, but I'll just kind of create one just as an example of why you'd want to create a custom strategy. So let's just say that we want to own a long dated option, like we'll say roughly a year out we're going to buy an at the money call and we want to sell something shorter term that is out of the money. And so if we were selling an option, say 30 days in the future and buying an option or buying a call in this example that's at a lower strike out in the future, now we're creating a diagonal time spread and there's different ways you might want that front on the position to constantly roll that over or not and that's what you can affect here.

(16:05):

So just for sake of example, I'll do this long call. I'm saying 50 delta, so at the money I'm saying roughly 360 days or ballpark a year. I could say 365 is in the future. I'm going to add it. I'm going to say I want to short I a call that's a little bit out of the money and I want to do it about a month in the future and I click add. So now I'm going to say long leap short front of the month call, whatever I want to call this strategy. In my other examples in the slide deck I used am md, so I'm just going to switch to a MD here for no, doesn't really matter. Okay, so let's see, there's some technical conditions here, so I'm going to remove the technical conditions. It says gains above, so this would close it anytime you made a 50% return on the trade.

(16:52):

I'm going to set that to zero, so I'm kind of resetting this thing to the very basic settings when I click on this, you can actually look and see all of the trades that are happening here and I don't know if you can see it on your screen, maybe I'll zoom in a little bit so that make that a little bit easier to see. And what you see is that we're starting back in May. We're opening this long call and this is May of 2021 and it's opening something as close as it can find to 360 days in the future, which in this case it doesn't have every single month when you look at year out. So it's finding something in March and saying that's the closest and stock prices around 80 and it's finding something around 80 to, yeah, 50 delta at the money option will actually be slightly increasing over time.

(17:41):

As you look at an options chain that has to do with interest rates and sort of cost to carry, it's something you don't need to worry about too much, but you might notice at the money is above what looks like the current stock price in the future and then it's also opening on the same date the short calls and this is May and it's opening something in June pretty much very close to exactly 30 days in the future. Now as we get close to this June four expiration, it says roll close that position. So these short calls are expiring out of the money here, these short calls that are expiring in June, but it's also closing this long dated these 2022 options. And so each time it's closing not just the ones that are expiring but it's closing the whole position and you can kind of see then it's reopening the whole position and closing the whole position each time.

(18:38):

That's what this little close all legs with front month options means. It means that you're going to close everything all together. On the other hand, if you're saying like, Hey, I see no reason to keep, I am owning this long dated option, why would I want to have this close every single time? I kind of want to try to turn this out of the money option into a little bit of a dividend and then hold this long term haul and kind of be profiting from selling this thing out of the money over and over and over and I don't want to keep paying commissions and giving up the market width and all this kind of stuff over and over by unclicking that. Now I click save. Now when you look at this, you can see okay, I'm opening this long dated option still out in 2022, but now it opens the short calls and then they expire out of the money and then it opens again the short calls and then it closes them at expiration and then it's opening them closing them.

(19:35):

But now it's happening much more with the short positions and it's only occasionally closing the long ones once we get closer to date in question for those longer dated options. And I'm just walking through basically that exact same example here that when we have that close all legs at the front month options selected, then everything's getting rolled all of the time When I unclick that. Now those options, it's just the short ones that are getting open and closed over and over and over. So then the question becomes, okay, what if we are doing a technical open? So at that point with a technical open, so if for example I say, so this one actually said never trade earnings and so we are seeing it close Before this earnings date, I had never ever trade earnings and so it'll close two days before the earnings. So we are seeing it close the whole position because of earnings.

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So if I click nothing special here, then we'll see that behavior where it's like the short calls are getting rolled over and over and now it's not closing before earnings, it's just rolling. It's either letting 'em expire out of the money or it's closing them and reopening them the next day over and over and over. But the behavior changes a little bit. If I say, well I only want to open to position and if I use as an example, if the stock price crosses up through the 200 day moving average and I'm choosing one that happens less often, stock could be above the 200 day moving average for a long period of time, but it's only going to cross the 200 day moving average much less frequently. So I'm intentionally choosing something which happens less often, letting that run for a second. And now we can see that these little green arrows in the chart are showing you when the stock is I when the strategy is opening a new position.

(21:25):

And so you just end up with just a couple trades in this scenario and when looking here you can see that we've opened these positions and then these front months expired at expiration, but then we went instead of immediately opening front months, even though it's the same settings in terms of when it would reopen the positions, it's not going to close all of them and reopen all of them together. But that egg that is short, that expired out of the money, it doesn't reopen it until November. So it does not just immediately roll it open because the technical open says only open the position when the technical conditions are met. And so we see it wait all of this time to reopen the position for that front month option that expired. So it's kind of waiting for the right time to reopen it. Now you could close, if you had that option selected to close all the options together, then it would close the whole position and it would wait I think until November to reopen the whole position.

(22:26):

But if you're not rolling them together, it's going to keep the long leg, but it's not going to reopen the short leg until this happens again. So that's the behavior. Once you have a technical open with a custom strategy, any kind of open it does, whether it's for both legs or just for one leg, won't happen until the technical conditions are triggered again. And so we see that big gap here from March until November before it finds the conditions to open it again, but it was holding the long dated options through that entire time. So I wanted to, okay, glad Judy that felt pretty clear. Pulse has any chance of allowing more than four legs in a customer strategy trade setup. Yeah, there's nothing stopping us from doing it. It's not a request We've had a lot, but definitely post that in community and ask if that's something that a lot of people would be interested in.

(23:15):

We could certainly expand it. It's take some processing power, but that's fine. If people are interested in more than four legs, then that's something we could definitely look at. So it's a good question. So I just want to look at the spread, the sell off briefly since it takes a prominent position in our tool it it's one of the newer strategies. It's a one by three by two broken wing butterfly. It's always using the kind of AI developed skew and kurtosis technicals that we've built. It's a powerful trade, has a high success rate. It's also relatively complicated and the way that this behaves, oftentimes it can be a little hard to actually hold the position because kind of trying to catch stock while it's in downward motion. So looking at this example just from the today tab, so we see that there's the CML spread, the sell off.

(24:07):

So when you look at this, it says CML said spell sell the spread off. If you ever want to see the details of one of these, you click the edit button and then you can see how the whole strategy is set up. So it's set up to be long slightly out of the money. 37 delta put all of the options that we're looking at are expiring 30 days in the future. So you start by being long 37 delta a little bit out of the money and now you're short, but you're short three at the 25 delta. So now your net, you're short two. So once the stock goes below this 25 delta, now you're sort of rapidly starting to, these deltas are working against you as stock continues to move down, you have protection if it goes real low and now you're kind of flat in terms of if stock goes down below this 10 delta, it's not going to continue to hurt you if you hold it through expiration.

([24:59]):

But let's look for a quick second at the technicals now. So that was the actual legs of the strategy, but if you go down here and click technical open, let's look at the technical open. So it says in the last 30 days the stock has moved down 10% or more. So the stock is moving down, it's also below the 200 day moving average. So it's, it wasn't that the stock was ripping up and then went down 10% but is above the 200 day moving average. It's also below the 200 day moving average. So this stock has been in a downward cycle for a while. Then these are the skew and kurtosis measurements and there's lots of information about this, but we used AI models to build them out and basically what these are saying is one, when the stock has been moving, it's tended to move more to the downside, but two, the actual size, how big the jumps are have been sort of less than average.

([25:52]):

So that's what the size of the jumps is. Not huge, but they've kind of tended to be towards the downside over time. So this thing has been moving down, which you can see that. So here's that blue line is a 200 day moving average. You can see the stocks below it. So this thing's moving down. So that's kind of the idea is that when you sell this, you're buying this 37 delta put. So that means you want it to move down initially and ideally you want it to move down to the 25 delta, at which point you've sold three of them and if it expires right at whatever that 25 delta is. So I can look at the options montage, I'll look roughly 30 days out. Okay, so here's the deltas over here. So there happens to be one really close to what we're talking about.

([26:39]):

So you'd be buying the 55 and then if it's looking at the 25, then you'd probably be short three of these and then you buy a 10 delta, something like this, you'd be then long two of these to kind of balance it out. So as the stock moves down towards from, so right now the stock is at 56 when you put this position on as you take it on for a credit. So if the stock does nothing, you're fine, you're good. But as the stock moves down, you start actually making a little bit of money as it's going from your first in the money put up until you hit the three that you're short. So at this point, if the stock just stops at 54, you're great and we have a little image for what that looks like. So you're up here somewhere, if the stock goes up, you're fine.

([27:26]):

If the stock goes down, you start making a little bit more money, you start making money up until your maximum of the strikes you shorted. At that point you start rapidly losing money and you lose more and more money up until you hit your protection. But something that's a little subtle about this strategy is that if the stock immediately jumps to the delta you shorted has happened with a lot of us in snow, not exactly immediately, but a lot of us took this trade snow, it showed up there, it was in here for quite a while in the today tab, but as that stock goes down to the strike, your short, it's for me personally, I spent a lot of time at my short strike. It didn't go far below it, but the premium in these out of the money options is going to jump up substantially.

(28:12):

So if it immediately jumps down to your short strikes, then the premium's going to jump up in these a lot. Now the midpoints going to, instead of looking like 72 cents at the midpoint, it's going to look much more closely. It's going to be a lot closer to these at the money, it's going to be more like 1 42. So all of a sudden these are going to roughly double in value. And so just from a premium perspective, it's going to look like the position's not doing well, even if you don't have any actual intrinsic loss. So even if it expired right there, you might do great, but your p and l and your brokerage might show a big loss on paper just because the positions that you're short or have gone up in value a lot. So that's what happened with Snow. I think some people kind of got forced out or just felt that they didn't like the risk or it moved against them more than they expected and actually hadn't exactly moved against us.

(29:04):

It's just that these at the money options just look very valuable. Now the SOC ended up coming back up and a lot of us took the strategy calls for exiting when you've made 80% credit. So if you took a credit of a thousand, when you put the spread on, then you close it when you have an 800 profit. So a lot of us that were patient managed to wait it out, it can be pretty painful if you put something on for $800 and you're seeing it look on paper, it has a $1,500 loss for a while. So it's a really cool and powerful strategy. I just wanted to use this one as an example because that's the nature of it. So this one requires quite a bit of patience. Some of the other ones are not quite so involved. So I just wanted to just take a little look at that strategy.

(29:50):

And then I just wanted to mention also that a lot of people were interested in getting implied volatility index, so sort of a way to look at the sort of trade, the volatility directly of a stock. And so wanted to mention that we'll be coming back in the product. We're making a lot of good progress. Vendor pulled the data feed, made it kind of institutional only, but we built our own and so that should be coming back into the product and I think we can probably expect that sometime in May things are going smoothly with it. So I think it'll be ready relatively soon. Great. Okay, so we're about 37 minutes in. Hopefully that was helpful to some people. Sounds like Judy got some benefit from it. So we calculate the risk. Yeah, we have a whole, well, there's risk and there's there's X risk.

(30:36):

So the way that we do risk is based off of Reg T like margin. So yeah, we don't necessarily look at things as in terms of the max risk. So for instance, I think with Reg T, which that's the sort of binding document, I think the SEC issued it or something that says how much margin needs to be held in margin accounts for various types of positions. So for instance, if you have a put spread, I believe they say even if you are, let's say you buy or let's say you sell the a hundred strike put and you buy a 50 strike put for protection so that your max loss in theory would be 50, but your brokerage, if they're using the sort of typical Reg t, I believe that the calculation for that is that you need to be able to withstand a 20% move in the stock price.

(31:30):

That short put, so we're looking at things from a margin reg T margin perspective, not from sort of an absolute risk perspective, just the approach that we've taken. There's also things like portfolio margins, there's other ways to look at it. We're using Reg T as a foundation of our risk and we actually have, if you go over to the learn tab, we did a couple sessions really focused on risk. So I just clicked the learn tab, I click the live help and then yeah, there's two full help sessions on mount risk. So there's one more or less on long risk and one on short risk, which might not answer every question, but hopefully it should go a long ways. Am I able to add a custom portfolio, 50 or so of my own symbols? Yes, absolutely. So if I go to the back test, I go to portfolios, you'll see that we've included a couple of the major indices and a bunch of sectors from here.

(32:26):

If you click new and click my best stocks, and you can actually paste into here just with either comma or space separated and you can just add them in here, you click add as many as you want to, you can come back and add them. You can also just delete them or adjust them. You can add a combination, you can add ETFs right alongside to other stocks, et cetera. For annual subscribers you can do 200. Now you'll have a portfolio here called My Best Stocks and it will start backtest on that list of stocks directly. You could also delete the portfolio and all of that kind of stuff. I think Max was kind of clarifying a question on the risk of that specific strategy. So thanks for that widespread, the selloff alerts are coming to my email but not appearing into today's dashboard. So the today tab, in order for things to appear in the today's tab, they need to meet a bunch of quality constraints as well.

(33:20):

So they need to work over various timeframes like five years, three years, two years, one year that you need to have more wins than losses need to have an average return of a certain amount. So there's a lot of these are essentially extra strict. If I do a portfolio back test and I add a bunch of alerts for a spread the sell off, I can add those. For instance, if something has won four times and lost six times but has a positive RO, I can add an alert on that and I get alerted to that. So it doesn't need to have a winning track record, it doesn't need to have more wins than losses to get your own alert on it. For things showing up in the today tab, we kind of add extra strictness and scrutiny to it. So yeah, you can create custom alerts for yourselves that are a lot more broad than things that appear on the today tab.

(34:09):

These are sort of a very curated list of alerts for CVS. The initial tricker for spread the sell off was on April 25th, but earnings were on May 1st, which would seem to have increased the risk of the trade has a negative vega and would likely work against you as IV tends to increase prior to earnings. So that's I think an awesome thing for you to backtest. What you could do if you wanted to look at that is you could say, okay, well this thing triggered today, but it's seven days before earnings. Is it a bad time to do it? So you could pick the custom strategy and you could say, Hey, what happens if I just trade this seven days before earnings and I get out two days before earnings? What the strategy does by default, most of our strategy is if they're not specifically an earnings strategy, we'll say never trade earnings.

(35:03):

And that would mean you're going to close it two days before earnings and reopen it two days after earnings, but you'd only reopen it if the technical conditions are true. So in some sense you're just closing it two days before earnings because a lot of times the technical conditions won't all be true two days after earnings again, but you're basically starting from scratch after you close it, but you don't look at reopening it until two days after earnings, but you could say, yeah, is it a bad idea to trade this strategy in seven days before to two days before because that's the time window that you would hold it. And so you could actually, if you wanted to get fancy, you could say, look, I want to do the spread the sell off ai. I want to see how it's done. So this is just against Amazon, but I want to look in the last three years how it's done in the NASDAQ 100.

(35:49):

If instead of doing never trade earnings, I only do customer earnings and right now it's seven days before or whatever number you said, and I know I'm just going to hold it for five days, is it even worth opening this strategy? And so yeah, you could do your own analysis of that. So I'm running that test. I'm saying, is it worth entering the spread sell off if I'm exactly seven days before earnings? Now all the technical conditions need to be true and they need to be true exactly seven days before earning. So the number of trades is going to go down quite a bit, but as these results come in, I think that's an extremely solid and reasonable perspective to have that it's not the right time to trade it. And so that's something that you can testing and say, Hey, the total returns went down or the wind percentage went down and so I don't want to take this trade right now.

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And so definitely respect that perspective when it comes to how the backtester and the alerts are working, it's just going to simply say, Hey, if I'm not within two days of earnings, it's available to trade. And when we've done our analysis, we're not specifically carving out and saying, do not open this position if earnings are within a week. So we're allowing it to open even if it's seven days before earnings and then close even if it only holds a position for five days. And when we looked at that data as a whole, we said it looks good and the overall strategy results were good without any additional tweaking that reason, it will alert you as long as earnings are more than two days away. So we let this thing run through. We see that it's much smaller pool of trades, so in the last three years we only have 48 trades or whatever.

([37:31]):

The average trade return has been not fabulous. Theoretically it's won a little bit more than it's lost. But on a portfolio back test, it looks like this. Amazon, for instance, a stock that has a high stock price will kind of dominate in terms of how much cash because they're all using the same size. And so the total return here is actually less important than the winning percent and the average trade return. So technically it's positive, but the win rate's below 50%. So yeah, I think what you said is very reasonable to consider waiting until after earnings and waiting for the conditions to be met again. I think it's a good perspective X just mentioned that. Yeah, so to that point, so you're talking for mess up the ticker. So now the earnings are pushed out into the future, but generally speaking, when the earnings are for a normal stock, not some little penny stock or something trading for a dollar 20, 99% of the time, if the earnings are happening in the next week or two, they will show up here, it'll show next earnings in it.

([38:35]):

Instead of it saying not verified, this will just be gone. And if this piece of text is missing, it means that this Wall Street Horizon data has verified the earnings date with a high degree of certainty and they put money behind that prediction. There's a real announcement that you can go off of. And so this will say when the next earnings is, it's always a good thing to check when entering into a trade. And also right now, because earnings just happened, it's projecting out that roughly July 31st is what their algorithms are saying in the most likely time for the next earnings is going to be. But these are not verified. They don't have an official statement from the company saying when the earnings date's going to be. And so if you're trading something which is sensitive earnings, then we would say trading things that have verified earnings where this text is missing is a good idea. And if you have earnings, if this is a strategy that you're under most circumstances you're going to hold for 2, 3, 4 weeks normally, but you have earnings in five days, could be a great time to pass on it. So I think it was a really good point. Can we have a setting to skip a trade altogether if it would be interrupted by earnings?

([39:50]):

I'm trying to think of, I mean I guess interrupted by earnings is a little bit relative. So in this case it would be earnings within 30 days. In theory for this 30 day expiration, you're buying options that are 30 days to expiration. So in this scenario you would say if there's earnings anytime within the next 30 days, then you wouldn't want to put the trade on at all. A lot of times this particular trade, no, you might, well, I mean if it goes well, you could well exit it before that point in time. Yeah, I think that's something we could definitely look at. It's kind like a variation on never trade earnings. Yeah, I think it's a good request, Paul. I think that's something we can definitely look at. Like said is it gap down with earnings on May 1st? Is the picture change dramatically but may present another opportunity?

(40:39):

And that's in short, that's kind of why we try to be very intentional if you're going to take an earnings bet to take an intentional earnings bet and not to just kind of stumble through earnings. So that's exactly the kind of thing you'd want to avoid holding this particular strategy, holding it through earnings and having a company gap down. And honestly, because this is a stock that has been, I mean the technicals are set up here for a stock that's falling, it's probably a especially precarious one to own through earnings when a stock is already kind of in technical, if not technical failure, at least declining sharply, it's probably a really bad one to hold a short delta position through or to be short, a bunch of puts through earnings would be pretty dangerous. Okay, great. Well, we're at about 50 minutes. It's kind of how long we like to keep these when possible. I really appreciate you all

(41:32):

Joining today. We did a special one this week on Sunday, so we're not going to do the midweek one next week, but we will have a session the following week. Thanks for taking some time with us today. Yeah, thanks for all the great questions and we'll look forward to seeing you next time. If you haven't already, please come check us out in community. Say hello. Tax is there. He's a former options market maker. He's super knowledgeable both about the product and about trading and he's always there to bounce ideas off of and you'll find it to be a pretty welcoming community and a lot of great trade ideas and stuff. So please come say hello and there's a lot of great resources in the learning tap. Thanks for being a part of our community and have an awesome Sunday. Alright, thanks everybody. Bye.