Ophir Gottlieb (00:00):

We're going to look at when a stock is strong and might rise, and we're going to do so with the pre earnings momentum diagonal call spread with ai, and we're going to look at it with the tech financials. And the reason we want to look at multiple sectors, which is what I'm starting to introduce now, is that oftentimes we talk about things like a bear market in a bull market. Well, other than covid and the recovery from Covid and all these things. In a normal, healthy market, yes, we can say we're in a bull market or a bear market, but in reality, certain sectors are almost always in a bull market and certain sectors are almost always in a bear market. They just flip. And so you want to have exposure to these industries. So maybe you have these great trades for when stocks are falling apart and they might recover, but you're all tech and tech is just going up, so you're not getting any trades because it's just not happening, right?

(00:51):

They're not dropping. But if you had financials in there, you'd have gotten some triggers. Alternatively, when a stock is strong and might rise, say, well, I'm only getting tech signals. Yeah, well, don't you worry, we get financials. So in my opinion, you need at least two semi uncorrelated industries. So I love tech, so it'd be for me, it'd be at least tech and financials. But you want at least two sectors per strategy. If that sounds complicated, don't worry. It's really easy. We'll now do trade machine. We're going to go to the back test tab, nice and easy. We're going to go save back tests. Today we're doing the pre earnings diagonal with ai. So I just select that and I load it. It's going to load a single ticker, so let it do its thing. No problem. Great. Let's switch it to three years. So I'm going to go to portfolios and I'm going to start with a NASDAQ 100.

(01:40):

Everyone has these portfolios and trading sheet, everyone. Now the NASDAQ 100 has a hundred companies. So what we're going to do is see how this does in tech over three years, and then we'll also do it in six months. But I'm going to save the three year results. I'm going to take a little picture of it so we can compare it to the other sectors. Here's how it did. So this trade, if we click edit, we can see what the trade is. This is a diagonal call spread. First of all, it's considered a spread because you're long an option and you're short an option. Keep it simple. You're buying something and you're selling something that's automatically called the spread. The reason it's called the call spread is because you're doing it in calls. The reason we call it a calendar spread is because you're buying an option, which is the closest to 14 days from expiration, and you're selling a call, which is the closest to seven days from expiration. So it's different calendars, different expirations, and the reason it's called the diagonal is because the strike prices, the deltas are different. So this is a call calendar diagonal spread. Another thing is this is a custom earnings trade. So this trade opens 14 days before earnings and closes the latest one day before earnings, but it doesn't really close one day before earnings because this strategy closes everything with the front month options. That's option

(02:58):

Speak for saying this entire trade closes when this one week option expires. Okay, so on average, this is a one week trade, give or take, okay? A one week trade, 14 days before earnings, you open it, you look for the options that are closest to the one seen on your screen, enter the trade, you exit the trade about a week later. Remember, these were the results over three years. That means were making this trade was doing 12% per week. This is a one week trade, so keep that in mind. A one week trade. Now, how's it done over the last six months?

(03:36):

We're still in tech, and then we're going to go to other sectors. This is our benchmark. Hey, if I can make 12% a week, that's really, really good. The win rate's 57%, great. Something that wins about six out of 10 times I'm in. I don't care terribly about win rates. I don't want something that has a 20% win rate. I'm much more interested in the average trade, but I do have a minimum win rate. Maybe 40% is my minimum win rate. I'm interested in the average trade. I'm willing to take a little bit more risk, which means my win rate will go down for larger results. Okay, now we're going to do this Six months. This should go much faster. This is still in the QQQ. So this is still basically technology. It's the largest 100 companies on the nasdaq. So it's not all technology.

([04:22]()):

It has companies like Starbucks, but close enough, alright? And you can see how the last six months have been relative to the last three years. So what we're looking for is consistency. So we were getting 12% over the last per week over the last three years and 15% over the last six months. I wouldn't say these numbers are actually different. This is very few traits. This is for the win rate is 65% to 57%. It looks like the signal's holding up. This is kind of what you want to see. So now that I've done that, I feel really comfortable with tech. I'm going to do the three-year back test one last time, and I forgot to show you how to add alerts. Then we're going to go to another sector. So we'll go in here and we'll go to financials, and then we'll go to healthcare.

([05:04]()):

We'll compare it to our benchmark. If an industry or a sector has strong results overall, that's what these are overall results, then I'm okay going through and finding the ones that have performed the best. If a sector does not have good overall results, then I'm not going to start adding alerts to it. I'm not going to take a sector which overall has bad results and try to find the best performing ones. That to me feels like luck. I'm trying not to do that. I like these overall returns. I'm good. I like this. Now lemme find the best ones. I'll sort by average trade, I'll take the ones that I want alerts for. That's four trades. These are all one trade and one trade not convincing enough. I'm just looking at the wins and losses. Now, if I want to know when it's 14 days before earnings and whatever technical conditions this trade has are satisfied, and I don't want to just keep staring at my screen,

([05:57]()):

I go to add alert, it's going to take those tickers automatically. It's days before earnings with technicals. The technicals are that the stock is above the 50 day moving average. Remember I said on the slideshow, when a stock is strong and may rise more, if a stock is above the 50 day, I consider the stock to have strength. Roughly speaking, I'm going to give myself a note and say pre earnings, diagonal with ai, but this time I'm going to tell myself which sector. It's this is tech and all I have to do is click add, alert. What about financials? We have a benchmark. This is tech great, 12% a week. I'm in, I'll take it over six months. It was 15%, which is roughly the same thing, maybe a little stronger. Great signal has strength, has persistence I'm in, but I want to be diversified across sectors because if tech is in a recession, then nothing is going to be above the 50 day moving average, and I'm never going to get any alerts and I'm just going to be sitting there saying, well, what's trade machine doing for me?

([06:58]()):

So while if tech goes into recession, it's quite possible that financials are showing strength. We certainly saw the opposite this year. Tech was doing great and financials were in a recession. Do you guys think financials did better or worse than tech? This is a momentum play. It's pre earnings more than twice as good, 30% per week on average, and a 61% win rate. Now, I ask you, do you also want to have some financial stocks in here for this in your alerts? Yeah, I really do. Since this qualifies for me that the overall results are good, I'm willing to go and cherry pick the best. I'm looking at the average trade. That's all huge, but I'm also looking at the number of times it triggered with wins and losses. I don't want it to just be one. All right, so I added 19 for tech. I added 20 for financial. That's 39. So we have 39 traits together already.