Meetup #41 – Only Two Strategies with Edge

[00:00:00] Do you use market profile when looking for 0DTE trades? I use a volume profile. I don't use a market profile. Although volume profile is a derivative of market profile. There aren't any good affordable tools for market profile these days. You can get them, and I've owned them all.

[00:00:23] So does so as that, do you have I hope I'm pronouncing your name correctly. Do you have knowledge of market profile or is there something about market profile that you think is superior to volume profile?

[00:00:37] Because market profile, the only advantage I see of I'm using market profile. Is that you have the TPO or the time price opportunity, and you can see the order in the profile itself that trades came in by taking each time process, price opportunity, and labeling it with a letter.

[00:01:04] So for instance, each 15 minutes segment would be labeled with a sequential letter, a through Z for instance, and that, that has some value to it, for sure. But the disadvantage of market profile. Oh, you're just getting your feet wet with it. The disadvantage of market profile is that it is really based on tick data, not volume data.

[00:01:32] Now tick data will show you approximately 87 to 92%. Accurate of volume profile of the volume profile, but the volume profile is in fact, an exact measurement or reflection of the trades that happened in the market where tick data is not. So, market profile is not as accurate. The other thing that's really, I think a problem with market profile is that in general, the analysis of market profile is typically done on a session-by-session basis, as opposed to whatever range of time that you choose to use.

[00:02:17] And although you can do that on volume profile too, you can look at session profiles, but I find that session profiles are extremely limiting in evaluating the market structure and which is quite interesting because virtually everybody out there that's. That's using volume profile gravitates to the session profile as if that gives them some advantage.

[00:02:40] And I'm telling you, it gives them zero advantage. It's a matter of fact, it's a, it's an extreme disadvantage in my view.

[00:02:47] It's trying to tell the forest through the trees, right? Because you're ignoring all the other data that's around you and it's build up in the end, those structures when you're looking at session data. So again, that's what market profile is generally based around, although with market profile and some tools you can do ranges of data or the entire chart showing the profile typically with market profile, they don't do that at all.

[00:03:16] Ernie, would you talk about how we should consider time remaining in the day when price is near far from the tent also market type in that respect as well, trending or consolidating?

[00:03:30] I'm not so sure that, these are things that you should have determined prior to the trade and you could, of course you can update it during the session itself, whether or not we're trending or consolidating, but in general, we're trying to capture, trending moves into consolidation zones, right?

[00:03:54] So that's, or we could be within a larger consolidating zone and we're trying to capture the. The up-down movement within that consolidating zone. So, then we might break it down to a smaller timeframe and then choose nodes within the node. And that happened a lot a couple of weeks ago when we were in a bigger node and we were forming it, and then we were looking at the individual nodes that made up the bigger node now, right now market has moved up so quickly that it hasn't had it.

[00:04:31] Hasn't given it a chance to consolidate anywhere. So right now, we're in a, almost a purely trending mode right at the very top, right? At 4,400, we did a little bit of consolidation, but it's really, it's not a lot. And so, what that's created is a small child node up at 4,400, right at the top of the month.

[00:04:52] And then really nothing between that and all the way down to, oh God, it goes way [00:05:00] down. Let's see how far down does it go?

[00:05:02] You got to look at a daily chart. Let me see if I can bring that up. There we go.

[00:05:09] That's a pull out to an hourly chart. All right. So, you can see this big node here and this isn't even the biggest node, by the way, this is a relatively small node. If you remember, I made this call all the way down here to 4230 the other day which, some people thought was out of the blue. And I had, and that's because if you.

[00:05:34] Looking at things with a five-minute chart, it didn't become very obvious that that call should have been made. So, we'll go back to it.

[00:05:45] All right. Now when we did this blue light blue area that volume, all these, all other nodes down here didn't exist when I made this call. And the call was that if we broke below this level right here at 4293, I believe that was the level that I had talked about. I said that there's a good likelihood that we'll go all the way down to 4225.

[00:06:12] Now this didn't exist. Then it looked like.

[00:06:16] It looked don't even like that. How did it look? It looks even worse than that. It looked like there wasn't anything there we were here, there wasn't anything below. So it wasn't until we moved down there that we had that node. But if you pull out to an hourly where I made that call, I said it moved to here. And then you pull in this other data. You'll see. In fact, there was a big node there. So, I made this call to 4225 because I had considered longer term data.

[00:06:52] All right. So, when you're that, this is one of the reasons why you have to do a multi timeframe [00:07:00] analysis of volume profile. You cannot discount the fact that this huge node exists, but because, you're only say looking at this data say now it doesn't exist. So how do you, in this chart, you might look at this and say how does someone, call this all the way down to where this orange arrow is pointing?

[00:07:19] There's no node there, but then when you pull in the data, you realize that there is in fact, a frigging huge node, they're the biggest node. And so, while that seemed like a magic call, it wasn't a magic call. What I said there was that look. We're picking up some volatility. I could see that as we were here, we're going up.

[00:07:39] We have very little volatility as we are moving up in this market. And then we started hitting a rough patch. Volatility starts to rise where consolidating making a child node from this node that we came up from. And typically, what happens when you go from a parent node to a child node? There is a tendency to go back down to the parent node.

[00:07:59] And [00:08:00] so I had recognized that this was all very light volume producing very little Very few volume nodes of any consequence and that a move down below the bottom of this T2 box. And with the kind of volatility hat we had, plus the market economic indicators that we had, all of that, that directional bias that had built up.

[00:08:21] I said, this has the momentum to get all the way down here. And that's how I made that call. Now it was so far away that you could put on a trade that had extremely great asymmetric properties. So, in other words, we could put on a trade like that with very small risk and huge potential reward. In fact, that trade paid, I think 1100 or 1500% or something ridiculous.

[00:08:47] And with a good prospect of getting down there based on the volatility and the macro analysis. And the big chart pattern, you can't always make calls on the market, looking at a five-minute timeframe. You must step out to, and you have to look at all of the scenarios, some of you said that, hey, I get the market structure and volume nodes and volume Wells and all that.

[00:09:13] And I'm going to say that you probably think you do, but you don't, you, you get the concept, but you don't really put it fully into practice. You don't really consider all of the timeframes. And in general, I have some rules. There's like rules of order in the same way that Elliott wave has rules on, on talking about, what constitutes a new wave.

[00:09:35] It has to be, the trough has to be higher than the previous peak and all kinds of shit like that. I have rules with a volume profile as well. And they're simple, essentially. It goes something like this. The nearer, the node is to you and the bigger the node, the stronger it is, the further away it is.

[00:09:59] And or the smaller it is the weaker it is. So, you could have nodes that are. Formed over a long period of time and very big, and they have a big effect on the market. Or you could have nodes that are very long in time that are very small, that have very little effect on the market because they're so far away.

[00:10:17] But if they're far away and they're huge, they still have effect. If they are near and small, they have very little, they have little effect, but if they're near and relatively big, they could have more effect. So, there's a sliding scale there that you have to use and use your judgment. And therefore you have to do a multi time frame analysis and look at timeframes and do scenarios in each timeframe.

[00:10:41] And then put them on top of each other and then decide which ones have a stronger or weaker or whatever. And in the volume profile course you'll remember. Although I'm not showing it when I'm putting up profiles these days, I'm just putting up these boxes. In the volume profile course, I talk about creating structural lines from the longer timeframes and making them thicker and maybe a different color.

[00:11:09] And then on shorter times, making them thinner and a different color, maybe a lighter color or a less bright color. That way when you zoom in, you can still see the FIC lines that represent the longer timeframes, bigger nodes. While you're concentrating on a, say a five-minute chart, you can see lines that were gleaned from a one hour or a daily chart, and know that those lines have huge significance, even though there are no nodes present in that five minute chart showing that there's any node to be concerned with.

[00:11:45] That's because you can't see it because you're zoomed in. This is just it is just so important that you keep all of this into perspective. All right. Let's see.

[00:11:57] Should have mentioned that the question relates to exiting. It's the same thing with exiting trade was a beast. I just got into the service Friday. Yeah. That's okay. Now volume profile, I teach in all the various services. We use this, we use volume profile with the naked puts.

[00:12:12] We use it with the 3d options, which is essentially three to 21 days to expiration, and we use it with zero days to expiration. It's universal across everything that I teach, because it is the most effective analytical tool out there. There is nothing even close. I do not use. I do not. Let me just make it very clear.

[00:12:34] I do not use any indicators period yet. I think some might make the argument that I'm probably one of the best technical analysts in the market. Based on what you've seen. And I know you'd be the judge I don't know if you know anybody that, that has that consistently hits levels the way I do.

[00:12:58] I try not to do that with, I try to say that with a little bit of humility, sometimes you just must recognize a spade for a spade. I. I think that I am the best technical analyst in the market period. I don't know why, and I don't know that if I can teach everything that I that's in my head to you, but I'll try, but I'm telling you the, the tool that I use and I do not use technical indicators.

[00:13:22] I do not use any moving averages. I do not use any oscillators. I use none of them. Now in the past, I was considered a very good technical analyst using those technical indicators, which tells me one of two things either it's the technical indicators or it's me because over time I realized after being a quant and developing automated systems for billion-dollar hedge funds and high net worth individuals and my own hedge fund developing thousands and thousands of automated strategies.

[00:13:59] From a statistical point of view, there isn't a single indicator out there that has edge. End of story. It just doesn't and anybody that tells you it does either doesn't know what they're talking about or is lying to you. Usually, it's a little bit of both, they're lying there. They don't know what they're talking about.

[00:14:20] So therefore they make up something that they think is the truth, but they're not sure. So they just, they repeat what other people might say. The only other thing that that I find has edge in the market are. Any kind of pattern chart pattern or whatever that has proven statistical significance, if it doesn't have proven.

[00:14:44] And what I mean by proven is enough data points and enough occurrences in the right context, showing this statistically significant behavior as a result of that. And it matches the context that you're currently in and all of that. Then you can use that, and that's one of the reasons why I go to Bulkowsky http://thepatternsite.com and only use the patterns that he identifies as his top 10 patterns out of hundreds of patterns because they have statistical significance.

[00:15:16] And I only use them as a secondary measure as a confirming measure. The number one thing that I use is the volume profile. The volume profile and my own global macro analysis, looking for catalysts in the market right now, I believe in trends. How you identify a trend, there's lots of ways, but the easiest way to identify a trend is to look at the frigging stock price and say, yeah, it's going up or yeah, it's going down.

[00:15:49] You do not need indicators to tell you that there's a trend there. Generally. You want to look at a 15 minute or longer chart to see a trend and most trends after a few days or after say a week or two don't really have much significance.

[00:16:07] I also think that you really can't be an accurate judge of where price is going beyond a few days. Three or four days and that's the absolute limit. So, I don't try to do that.

[00:16:19] All right, these are all my rules. Those are my rules that I use, and I stick by them, and I don't try to go outside of them and try to be a hero beyond anything like that. And that's why I can call things with high precision and regularity because I stick to those rules. Now I've developed also rules with volume profile that you can look at in the course.

[00:16:44] And I talk about them all the time. Many people use volume profile, and they look at the point of control as the point of support and resistance. This is wrong. It is so wrong. The point of control is not support and resistance. The point of control or the high point on a node is nothing more than the place where the market finds more value than any place else.

[00:17:14] So it's basically an attractor to price, not a reflector. When you think support and resistance, you must think it's reflecting. The only thing that reflects price is the edge of a node or the middle of a volume. Where there's a complete absence of activity. Those are the only two places that provide support and resistance, the edge of a node where volume drops off very sharply or the very, very bottom pit of a volume.

[00:17:44] And the deeper, the more. Power. It has of rejection. I call it instead of mirroring, I call it rejection and generally price likes to move through a volume. Very quickly sometimes it'll get down so far in the market. Just can't seem to make it to the other side, usually stops right in the middle of that.

[00:18:04] And then reverses, if it doesn't reverse, it'll move all the way through. But the general behavior is that when price enters a volume after it goes over the cliff or the edge of a sharp or has a steep volume node and the stronger and bigger, the better and enters that volume. It starts moving quickly.

[00:18:25] It starts picking up. And if it has enough speed and enough purpose in searching for new value, it'll go all the way through to the next node until it finds another node. And if there is no next node, for instance, and in the situation, we had on Friday, then it will keep on going until the market decides it's going to find value.

[00:18:46] Now I picked 4,400 because for two reasons, I had no idea that 4,400 would be the number. All right. But there are two reasons why I picked it. One is that there are no other [00:19:00] nodes below it for 30, 40 points. So, price was either going to go up there or keep on going. The other is that 4,400 was about the amount of distance.

[00:19:14] If you took into consideration, the expected move for that day, about 30 points, right? The other thing is that 4,400 is this big round number, right? So some might say that it's a psychological number. I don't necessarily put too much credence in using the word psychological, but it's a big round number.

[00:19:36] And markets probably have their automated systems targeting that level. And we don't have much time left. It's the end of the week. It's Friday. So given the expected move that pointed to 4 4400 4400 is a big round number. We're at the end of the week, there is nothing to expect. That's why I picked 4,400 seems to make logical sense to me.

[00:20:01] [00:20:00] And it worked now, if it didn't work, we were betting such little money that it really didn't matter. Even if it got close to it, we still would've profited. Even if it went through it, we still would have preferred.

[00:20:14] It almost went through it, and tried to go up and then came back, hopefully this this is making sense on how I'm thinking about the market and how I call, make these calls, how I can make calls that are 30, 40, 60 points away and then nail them within a few cents.

[00:20:32] No, I don't do it a lot. Nailing that trade happens about 10% of the time. Although over the past, I don't know, four or five weeks, it seems like it's been closer to 30% of the time, which is just frigging crazy. I, in no way would I expect to be able to maintain hitting or pinning a trade pinning, a butterfly, the short strikes of a butterfly on a call.

[00:20:59] At the edges of the expected move or more at a rate of 30%. That is just fucking insane. All right. And all I can say is that I've been lucky. That's what it comes down to. I was lucky and I, but I do expect 10% because I see 10% happen on a fairly regular basis when we have enough volatility sometimes that let's see, that percentage seems to go up a little bit, but being able to at least get close enough to the butterfly that you can at least garner a hundred percent or 200% profit that's happening about 60 to 75% of the time.

[00:21:39] That leaves about 15, 20% of the time where we don't hit trades. And those times we were taking very little risk, right? Usually, it's no more than between $50 and $120 per contract, but we're looking to get a hundred, 200, 500 1100, 1500% return at a pretty good rate. And what we're averaging is about between 150 to 200% return on that risk.

[00:22:09] That, that number right there is frigging insane.

[00:22:13] That is just completely off the charts. If you could do that consistently we as a group will be the next turtle trader group and what will blow away the turtle trader. But I've, I firmly believe that we can do that. And I think that we can even do it in a low volatility regime. I know we can do it in a higher volatility regime.

[00:22:35] So now it comes down to just teaching everybody this methodology and then getting comfortable with the global macro analysis. Now that's a whole other deal. Now I've often said, the global macro analysis is there's a lot of work to it, but when you come down and take it all and put it all together, it's still a discretionary call, right?

[00:22:58] No matter how you look at it, it's a discretionary call. And so all I'm looking for is you gotta think of it like physics, right? I'm looking for some physical force to push stocks or to push the market and to push it, in a direction with a particular form. And that is my judgment call. What kind of things are happening in the market that are pushing it in a direction with a particular amount of force and based on the market structure, what kind of resistance or lack of resistance is in front of that call so that I can have a fairly good or reasonable certainty that when we push it, it's that price is going to go to some structure, right?

[00:23:44] Some volume node that will tend to attract it or across some volume. Because it's slick, right? When you push it into a volume there's nothing to stop it. There are no other trades out there. There are no other orders out there to stop it. So, when you put it into a [00:24:00] volume for whatever, the reason is, the market finds very little value in that area.

[00:24:04] So it's going and looking for price discovery and that price discovery. It starts picking up steam. Once you get near other critical levels that have already have either already have a good deal of volume or I guess you could say stakeholders by other players in the market. So, if you're pushing it up and there's a volume note above you, even though that is a record of historical buys and sells, you know that in that volume there are still people holding trades.

[00:24:34] There's still people holding positions. That's why price when it gets near one of those things is an attractor because people want to defend those positions or exit their position. They want to execute. They want to execute their trade near there either they want to buy more, or they want to sell. It wants to happen there.

[00:24:53] That's why it's attractive.

[00:24:55] So hopefully that, that kind of makes sense. I, to me, it just seems, I don't know. It seems tacit seems like it's just a no brainer, man. Volume profile when you look at it and once you understand these concepts, it's hard not to see it anymore. And it's amazing to me, when I start looking at people that are using technical analysis, I look at them and I'm saying there they are delusional.

[00:25:22] What they're using has nothing to do with what is happening in the market. It's derivative. And occasionally, they, they hit a spot, but they don't know why they don't even know why, where the value is. Now. Some people will put, lines. Where mark it's come down and see seem to bounce, right?

[00:25:40] And so they think, oh, we'll put a line there and that will represent resistance. It's not the line. That's resistance. It's the profile because that's the edge of a volume node. There's nothing more complicated than that. It's not the line. It's not the moving average that it's bouncing off of, which is the inanest idiotic thing that I've ever heard in my life that somehow a moving average is providing support.

[00:26:10] A moving average does not provide frigging support. That is fucked up, that you gotta be fucked in the head to think that

[00:26:18]as if the Marc can see a fucking moving average, it can't, however it can see the volume in the orders. And the positions. Absolutely. That's what it's reacting to. I don't understand why people don't see this. This is it just so it's glaringly out there. It's there. It's just right in front of you. It's like looking at an apple and saying, I don't see an apple.

[00:26:46] I see a flower because that's what I want to see.

[00:26:50] A lot of this has to do with what I call the broken narrative. And I am not going to go into the broken narrative because I talk about it enough and people have been bamboozled and brainwashed into thinking that technical analysis has validity, but it doesn't a friend of mine. Dave Jaffe has done a nice treatment on this, and he cited it.

[00:27:14] A recent study that was out of Berkeley. And out of it looked at almost 400,000-day traders and found that only nine 98% of them lose money and only 2% make money. And only a very small fraction of them makes only 5% above the market. And all these people are using technical analysis. Why in the fuck would you follow these people?

[00:27:43] Why would you take anything that they have to say for truth? It's just beyond me and everybody that you know, that's out there. Look, all of you and me included. Have fallen prey to all of this. We have seen, periods of winning and losing, winning, and losing thinking that man, if we just had that right technique or the right discipline or the right mental attitude, then we too could be successful.

[00:28:08] Like Joe blow guru over here, who claims that he's making money.

[00:28:13] So now, over after 40 years, it's taken me a long time. Oh, I had discovered this little while longer, a little while ago. And I knew these answers for a long time, and I didn't really put it together into something solid until the last three, four years. Cause I was a loser.

[00:28:31] I was the biggest, I was the biggest loser you could ever fucking imagine. I'll bet you that I've lost more money than all of you put together on your worst day. If you piled it all on top and I've done more than that in a single day, that's how much of a loser I was.

[00:28:48] But anyways, I found that there are only two winners in this market. There are only two winners. There are only two people that have an actual edge. Those people that play an arbitrage, that it would also include some statistical arbitrage, but that's a little bit wonky. I'm not as strong, but if you have a pure arbitrage and a pure arbitrage is when you have two sides of a.

[00:29:17] And you make the difference between them it's guaranteed money. So the people that are doing that are those people who find arbitragers maybe on a company that has say two sources or two brokerages that are priced differently and they have accounts in both sides. And then they can go long on the underperforming and short on the over-performing because the difference is the pure, guaranteed amount that they will make, because they're both looking at the exact same company.

[00:29:46] Eventually those prices will convert. And then they will make money. That's a pure arbitrage and there's been many pure arbitrage is in the market. I think shell Royal was one of the big ones that a lot of people talk about. You could go to the London [00:30:00] exchange, you'd go to the New York exchange.

[00:30:01] And at one time people made billions of dollars off of this arbitrage sports betting you could make there, there are pure arbitragers out there in sports betting. You can go to all these different bookies. They're all laying odds on the same events and guaranteed. You're going to find two bookies with different odds.

[00:30:21] And if you did an arbitrage between there, it would be guaranteed money. As a matter of fact, there are sites that do, this are a sports arbitrage for you. It's guaranteed money. The other. More popular one that we're all familiar with our market makers. They have a pure arbitrage. They make money on the spread.

[00:30:39] They provide liquidity for the market by buying both sides of the market, both the bid and the ask at the same time. And then they're given the difference. It's a pure arbitrage on top of that, they are given a commission from the exchange for contributing to the liquidity of the market, right? So that's the first one.

[00:30:59] Pure arbitrage is one way to make money in this market. The other way to make money in this market is to be the insurer of price. And those are the people who sell premium. If you sell premium, you have an edge. There is a definitive edge. Now it's not as good as the pure arbitrage, but it's second best.

[00:31:26] And you have that edge most of the time. About 85% of the time, because volatility, which is the direct thing that contributes to the price of an option. And it's premium is overstated about 85% of the time. And it always regresses back to from its implied to its historic level all the time, occasionally, that gets a little askew and that edge is gone, but you still have time premium and you can still make money there because most people do not sell options.

[00:32:04] For whatever reason they are afraid of it. They think that there is inherently risk involved in it when there really isn't, it's far less risky than going long because when you're long in option, you are working against time when you're short and option time is in your corner. When you're long an option, you can only win one way and that's, if it goes up in your direction, fast enough and enough to overcome time and volume and volatility.

[00:32:31] When you're short on option, time and volatility are all in your favor. It can go up, it can go down, it can stay the same and you'll still make money. You just have to make sure it doesn't move too much against you. So again, selling options and arbitrage are the only two ways to make money in this market.

[00:32:53] Period. End of story. If you can come up with another way, other than inside information, which is also another very good way, that'd be great. So our job in this service is to set up asymmetric trades, where we're premium collectors. We set up these butterflies because it's a very efficient mechanism that we can put out there.

[00:33:20] Selling two short strikes where we think price is going to go and then buy two long strikes to reduce our risk, to give us a nice asymmetric trade and then use volume profile. In some ways I would say that volume profile, a volume profile trader has a distinct advantage too, but I don't know that there is a a methodology around volume profile.

[00:33:44] But you certainly have an additional edge there in selling premium, right? So we stack these odds all in our favor. We stack volume pro the knowledge of where value is and where we value. Isn't. We have an innate understanding of the behavior of price as it traverses across that market structure.

[00:34:07] We sell premium because that is the only other way, other than pure arbitrage that you have an edge. The only missing part now is how good you are at determining the catalyst for moving price. And that's really what this service is all about teaching you that, it's about everything, right?

[00:34:25] It's more than just teaching you the strategy. I'm here showing strategy, methodology process, what works, what doesn't the sort of fine art, the swag that I creative doing this global macro analysis and getting a good feel understanding the behavior as something moves across the structure and trying to determine how much.

[00:34:47] Momentum that move has based on the catalyst that's behind it. And then using the one thing that, that has edge in that is selling premium and putting that edge in the way of [00:35:00] this expected path of price. That's how we make money. When I say it like that and say all those things together, it sounds, man, this is fucking complex, but it really isn't.

[00:35:09] It really isn't where we're just trying to put those frigging short strikes. This is what it comes down to. We want to put you what strikes in the way of the market. That's pretty much it. And we have about somewhere between two hours and 12 hours to do it. So if we can come up with a fairly good idea of where things are going to shake out in the next two to 12, maybe 15 hours, then we can make, really easy.

[00:35:38] Now, when I say easy, it's easy. If you understand all these concepts and you can put them into play and you can consistently do this and do it with a level of discipline. And, with keeping your head, one of the advantages of us putting these asymmetric trades on in the first place, you do not have to

[00:35:59] you do not have, you don't have to really sweat the trade because the risk is so small. I did that on purpose, as opposed to doing just pure option plays, like just put out a, a pure naked put or a call, because that would be another way to do the same thing that we're doing here. So that it takes away the risk part.

[00:36:19] The risk part is what kills. Most people. And if you're involved in any other type of trading, any kind of technical analysis, everything revolves around risk management. And that is because you're utilizing techniques that are anti techniques. They are anti making money. There is no way for you to make money using these other analytical tools except for luck.

[00:36:47] The only other way is if you happen to be one of those special people that has an innate intuition about the market, that is it. Those are the only, and lucky. Those are [00:37:00] the only two people that make money in this market. Using those traditional tools. If you use the tools that I'm showing you, it's hard not to make money.

[00:37:10] All right.

[00:37:11] So anyways, that's I wanted to talk a little bit about

[00:37:14] wow. I wasn't even recording on this side, so I'm going to start recording over here. At least I got this part on zoom. I am recording on zoom, but I wasn't recording on my local machine with OBS. Zoom has a horrible quality by the way. All right. Are there any questions on what we're doing here now?

[00:37:36] I know some of you are new and maybe, this is the first time that you've heard me talk about this many other people that have heard that have been with me for a while. I've heard me basically say all of these things at one time or another, sometimes all at once.

[00:37:54] One thing that I should caution you. It's not really a caution. It's just a heads up [00:38:00] that I'm, I am I'm about as direct a person as you'll ever meet. And if you say something that challenges me, I will probably snap back at you and accept that challenge and then fight you on that. But it doesn't mean that I think less of you, as a matter of fact, it usually means I think more of you.

[00:38:22] And if you have a good argument, I will listen. I will counter argue. If you're, if you win, I will admit it. But if you're wrong, I'll tell you right to your fucking face that you're fucking wrong. Sometimes I won't even listen to the argument because I know I'm right. And if you can accept that, then you'll do well here.

[00:38:42] If you want to argue it, that's fine. I love a good argument. But that's just the way I am. And you must also understand that my primary goal here is to make you successful, not to fight you. I will fight you if you, if I think that you're going against the grain and you're fucking things up, but if you prove me wrong, then I will thank you.

[00:39:06] But ultimately my goal is to make you successful here, because I want everyone to be successful that will make the service even more valuable. If everyone's successful making money, that'd be awesome. But one other thing that I've said before, I've said that and this is a quote from my mentor, is he said it really trading is the hardest way to make easy money.

[00:39:29] And so what we do. Is relatively hard. Some of the steps are easy. The process is easy. I think volume profile takes a little getting used to, but then after you got it, it's easy. Recognizing chart patterns, which is really a secondary thing, is easy. Understanding. The concepts are easy.

[00:39:50] Doing global macro analysis is a lot more difficult. And then coming up with an idea of the direction and the catalyst is semi difficult, putting it all together, takes time and practice and discipline. So, most of it is super easy. Some of it is a little bit difficult, but it's putting it all together and then making it work on a consistent basis, which is just going to take time like anything, how, if I were, teaching, I don't know if this was a baseball camp.

[00:40:21] I'm brand new to baseball. How could I possibly expect you to field feel the, a game and win against an experienced team. If you didn't first have, a lot of practice together and gel and understand all the plays and the rules and develop your fundamentals and your skills, it's really the same thing.

[00:40:39] Shreem says, I remember when you had started the arbitrage trades is it possible you can restart it again or are the market conditions not right? Yes. That those were statistical arbitrage. And like I said, they do have something in common with a pure arbitrage, but not all the way. It still requires a tremendous amount of analysis.

[00:41:00] And I'd prefer not to do that because what we're doing here is orders of magnitude easier. What we're doing here is perhaps the easiest trade I've ever seen. And that's because we have this other thing going for us. And that's that last day of exploration where premium is decaying at its fastest rate.

[00:41:22] And we're sitting there with an edge. So, we're sitting there trying to capture a falling baseball, with a three-foot wide catchment.

[00:41:31] It really, to me, it seems that easy. So that's why we're probably not going to do it. Peter is asking you make solid argument for not using indicators sold. What about chart patterns? I mentioned chart patterns. I said if they have proven statistical significance and that's again, why I go to the patterns.

[00:41:54] All right. John Bukowski's website, the pattern site, where he lays out all the chart patterns, all the candlestick patterns. And I only look at the top 10 and even then, I only use them as secondary or tertiary indicators or confer confirmation on my analysis. That's it. All right. So, they price, movement and patterns that are created with bar charts do have some usefulness, but I was going to go so far as to say, I don't even need bar charts.

[00:42:29] So that would often escape the need for any of those patterns. I think that you can trade only with volume profile very effectively, but since we have it and it's out there and there's statistical evidence that we can use, why not use it? That's my art. In one of your videos, you mentioned Tom, I'm sorry.

[00:42:46] I said Thomas Bukowski. Yes. When would we add this to our analysis in conjunction with volume profile? It's easy. You do the volume profile that takes a few minutes to do right. You go to the pattern; you recognize the pattern. You go to the pattern site, you look it up and you see what the contextual the context is around that pattern to give it validity and then see whether or not you have that same context in the market there to be able to give you that secondary confirmation that you're doing something that has validity.

[00:43:16] But you don't use that as your go no-go that's your secondary or tertiary confirmation. All right. I want to make that clear question too. Once we get a better grasp of volume profile newbie here one weekend, how do we determine directional bias? Can you host one or multiple meetings on this?

[00:43:38] I do that. I do that every freaking day. Every day I am doing it, a global macro analysis. I'm looking at economic reports. I'm looking at the global macro and political condition. I am looking at the current. I'm looking at everything to give me some kind of insight as to where I think price is going and whether or not there's going to be a catalyst that might push it in one direction or the other.

[00:44:06] There's also an innate understanding of what the fed is doing and understanding what their special sauce is and what their magic is or what their deceit is. That's what I do every day. That's precisely what I'm doing in the room every day. So first I, I show you the map, the volume market structure we map it out.

[00:44:28] Then we look at the global macro condition decide which way price is likely to go create scenarios on the market analysis on that market structure, based on that idea where market is likely to go, what direction and what magnitude. Then we create scenarios, one, two, a bullish or bearish and a neutral scenario.

[00:44:48] Usually sometimes too bullish or two bearish scenarios, because there might be joining market profiles. What happens if it hits this one or goes down to the next one, that sort of thing. And then once we've developed a SU a few scenarios, then we put. Order to them, right? This is the number one, number two, number three, number four.

[00:45:09] And you put them in order of what you think their likelihood is. You don't have to be exactly right, but you just try to be as right as you can. And sometimes it's just totally obvious, which one has the highest likelihood, which has the second highest likelihood. Sometimes it’s a toss-up between two of them.

[00:45:26] All right. Then you construct an options model that will fit on top of that and place it in such a way where the strikes have that option model lineup with the inflection points that you've pointed out in your market structure. And you put it far enough away out of the money. You get an asymmetric trade.

[00:45:48] Why bar charts over Canada six? I don't give a shit about either bar charts, candlesticks that they're all the same.

[00:45:54] They show exact almost the same thing one's prettier than the other one.

[00:45:57] Any other questions? What I just laid down [00:46:00] was the four step the three steps and then the fourth step is the thing that the additional thing I wanted to talk about and that's to get out of a trade.

[00:46:07] Now I'm getting out of a trade is also an art, but our primary goal is to find a way to create an asymmetric trade and collect as much profit as fast as we can. So that's the goal. That's our directive. How can we spend a little time in the market and collect as much as we possibly can sometimes?

[00:46:36] Those two things are conflicting with each other. Sometimes you can get out before the market even opens. And we've done that before and made a nice profit. That's about as little time in the market, as you can possibly spend. Sometimes we must bring it all the way to the end of the day, or you can get out at any time in between. Now when you get out is largely dependent upon how much flexibility that you have with your position. If you have a small account, you don't have a lot of flexibility because you can only have maybe one, one position, one minimal size position on at any one time, because you simply can't take that much risk.

[00:47:13] You never really want to take more than say 5% of your capital and put it at risk. But if you have a larger account, then you can put more positions on. And now you can fashion some sort of strategy that if you get closer to the premium collection and maybe say three quarters of your positions have now been put in the money, you could take them off.

[00:47:36] And then finance the other quarter, that's left that would be one strategy or some combination thereof. So, when to get out, there is no hard and fast programmatic or prescriptive answer on when to get out. It depends on a lot of things. It depends on how big your account is, what the market looks like.

[00:48:00] That day. I'll volatile. Things are et cetera. How big our strategy that we modeled is, sometimes I put on very narrow ones because I'm not comfortable with so that we have much smaller risk. I'm not comfortable with the amount of premium that's in the market. Sometimes I put wide ones on I'll put on.

[00:48:19] I've put on as big as a 50 wide, total hundred widespread before a butterfly. And that's because I was very confident in that market and we made a shit load of money, but volatility was bigger than when volatility is higher. We can put on bigger spreads, further away. When volatility is tight, we put smallest spreads closer.

[00:48:44] That's really what it comes down to. So, less volatility, we have smaller targets with less to target. With more volatility, we have bigger targets with more to target.

[00:48:55] All right. Hopefully that that answers the question. Now it's not a direct answer to you, you know how, what is the strategy? There is no one strategy because that strategy depends on so many different factors. From your point of view, it depends on how big your account is. It also depends on what your tolerance and capacity for risk is.

[00:49:22] Your capacity will determine how big your general number of contracts that you take. Your tolerance will be how much that you can stomach to risk. Now, we try to minimize that stomach part by making it natural that we always have a very small amount of risk. We can make the same kind of return as say some of these other zero DTE outfits that are out.

[00:49:49] We can make the same amount of return as them using one 10th to one 20th of the amount of capital that is fucking mind blowing, right?

[00:50:01] So we can afford to trade smaller and expect to win a lot bigger. And therefore, we won't have the same kind of stress on us when you don't have stress. It's a lot easier than to realize what you're doing and make the right decisions and develop confidence in what you're doing. That's the whole point by creating a methodology, a strategy and a process that has virtually no stress, it will make us better.

[00:50:35] And so with the superior way to trade and a superior attitude, it's going to be easier to make profit.

[00:50:43] Are there any other questions?

[00:50:45] What are your ABC ratings based on? I just totally make them up. They're basically based on really this kind of sliding scale on my head of what my expectations are, how much money I think I can make and what I think the odds of making it are. Yeah, it is my swag. I just told him I don't have this formula that's back here.

[00:51:09] Where it translates into an ABC or a B plus or a B minus it doesn't exist. But I think it helps some people.

[00:51:18]I t just, it's just my outlook, what I think

[00:51:22] I wish it was it was more direct, prescriptive and formulaic, but it's not. And quite frankly, the people who are doing these types of trades, zero DTE trades, they go in with static strategies. I think they're idiots because first, they're choosing a static strategy that, that contains all kinds of risks.

[00:51:48] And so they're statically putting themselves into parallel all the time. It just doesn't make any sense.

[00:51:54] I changed trade size based on. Okay, so that's the next question? Do you trade change, trade size based on them, meaning the ABC? No. The ABC is a consequence of the amount of volatility that's in there and what the market's presenting to us and what the opportunity is. And so I changed trade size based on that as well.

[00:52:15] So when volatility is low, generally we create constricted or smaller targets, smaller spreads and deploy fewer contracts. When Trey, when volatility is higher, we do the opposite. We have bigger spreads and deploy more contracts.

[00:52:38] All right. That's really what it comes down to. And right now, A volatility level lower than 17 is it's, it sucks. It totally sucks. But in this totally sucky environment, we can still outperform everybody else by orders of magnitude. That's the cool part, I love that part. David's asking question.

[00:53:03] If we screw up and end up not exiting, get assigned in /ES, what happens versus SPX? it's cash settled, so there's no assignment of anything. They just give you the difference, right? With /ES if you're in the money (ITM). Now, if you're out of the money, there's nothing to worry about. If you're, if you go into exploration and you're short strikes are out of the money is really nothing to worry about.

[00:53:33] It's only when they're in the money. If they're in the money, then you are going to get assigned. Now that's not necessarily a bad thing. It can be a bad thing, but you can be prepared for it. So, if you realize that happens, that's going to happen because you were unable to take the tradeoff for whatever reason, then you should prepare yourself for when expiration happens.

[00:53:57] So that as soon as you're you see that assigned futures contract in your account, you dump it, and you have an exit. You have an order already staged, ready to get rid of it. That's what you do. Other than that, you should do everything that's in your power to never get into that situation. I don't understand why it's such a big deal, quite frankly, unless you're working a job and you normally get distracted, then I would be getting out of the trade way before and not trying to pin the trade or anything, just get out and just not chance it.

[00:54:33] But if there's some other mitigating circumstance or natural disaster, or you just fucked up, then you got to do whatever you can hold your nose, exit the trade. That's like my number one trade rule, hold your nose exited trade. Anytime you make a mistake, do not look at whether it's going to make you money, illusion money, cause it's a bad trade.

[00:54:58] No matter how you look at it, just get out of the fucking trade as fast as you fucking can in the most efficient way that you fucking can. Sorry for swearing, but that's just for emphasis because if you don't do it, I'm going to yell at. Even if you feel bad about it, I want to make you feel even worse.

[00:55:15] So there should be no reason to fuck up if I'm telling you how not to fuck up and then you go and do it anyways. How's that?

[00:55:22] just don't do it

[00:55:24] Any more questions? Oh, H is, oh, is volatility based on VIX one? Volatility, VIX is the volatility index. It's a calculated index that's based on the number of puts in in the market. So, I V is not the VIX I V is the market's outlook, their expected volatility. Into the future

[00:55:50] All right. If there are any more questions, I'll answer it now. Otherwise, we'll wrap this up. We're into this about an hour over an hour, sorry for putting you out for a Saturday afternoon.

[00:56:03] Nope. No more questions. Then I want to thank you very much for joining me here. I will. I will take this video and I will. I will put it up, process it and put it up on the website and then send the link out to everybody. Thank you very much for joining me. Hope you have a great weekend.

[00:56:21] I'll be I'm looking at the market tomorrow night when it opens at 6:00 PM Sunday night. All right. Take care. Bye. Peace to you all.