How 0-DTE Works

[00:00:00] All right, friends. It is Friday, the end of the week. And today is going to be a very special episode before I get started. I want to point you to the previous two episodes on Monday and Wednesday, where I talked about trading, not being or any kind of trading strategy, not being something that is, necessarily an income producing strategy, because it simply isn't, that would imply that the market is giving you regular consistent.

[00:00:54] Opportunities, which we all know that it does not do that at all. And then on Wednesday, I talked about how to grow a small account into a larger account using the Xero DTE strategy that I'm going to outline for you here right now. I also want to say that the internet here on the venue is totally bad.

[00:01:22] If I cut out, don't worry. I am recording this locally and I will upload this video for you later. All right, today, I'm going to detail the four steps that are involved in performing the zero dash D T E strategy. Now, if you would like to try the 0-DTE strategy DTE standing for zero days to expiration on the, on options on the S&P whether it's for the SPX or the E-mini S&P futures contract, we trade the options on both of those.

[00:02:06] I'm here to tell you that this is as far as I know, really the only day trading strategy that has egg. And what I mean by that is that it has a real opportunity to actually make money, unlike virtually every other strategy that you've ever come across, dealing with technical analysis or price action or Forex or anything else.

[00:02:30] I don't care what it is. All of them have been a tester for you to see just how much resilience you have until you find a strategy that actually works. Now the reason why this works is because it follows a certain number of principles. And really, I've also outlined before what I have remarked or had said that, there are really only two ways to make money in this market as a trader.

[00:02:59] And this is what the professionals know, and this is what the professionals do. You can either make it through pure arbitrage. Which is something what most investment houses are engaged in when they employed their market makers, they're performing a pure arbitrage. That means they play both sides of the market.

[00:03:20] And the difference between those two sides is their profit guaranteed. Right? It's what a market maker does. Plus, on top of that, they get a commission for providing liquidity to the market, the other way to make money. Is to become the insurance broker, the insurance salesman, selling insurance to ensure price levels in the market.

[00:03:46] Or another way to put it is to sell premium, to be the writer of options, contracts, to collect premium. And the reason why that has an edge is because time is on your side. You don't, you win. Whether you. You stay the same. And even when you go down and you can control the, your strategy in such a way that puts you into an ideal situation, most of the time.

[00:04:18] Now this strategy isn't infallible, because there are some times where you simply don't have the edge and you have to be able to recognize that. And we'll be talking about that in a little, but so arbitrary. Selling premium, really the only two proven ways to make money in this market. This strategy here, employees, number two.

[00:04:42] Now we do other things within this strategy and there's a whole philosophy behind it that gives you additional edge that layer the edges on top of edges until we have what we believe is an extremely strong strategy that if you follow it, you will make. Now there's a caveat. You will make money. There is some people, no matter what you do for them, you can leave.

[00:05:08] You can put the goose that lays the golden egg in their hands, and they will figure out a way to kill them, fricking goose. Unfortunately, those people are out there, and you may be one of them. I don't know. But most people, if they follow the strategy and become disciplined in its tenants, then they will make.

[00:05:30] I'm not going to say guarantee, but about as close to a guarantee as you can get now, also, I want to point out that this is a skilled strategy. This is not a prescriptive strategy. In other words, it's discretionary. It is based on, actual scientific proof on why these things work, but you have to make decisions.

[00:05:57] We don't have any automation or anything like that. Maybe someday we will, but there's nothing like that. And it's okay because it provides a tremendous amount of leeway for you to make money. Now it is not an income producing strategy. No trading strategy is it is a growth strategy. It is meant specifically to take an account and grow it to something.

[00:06:26] Now when growth happens, it doesn't happen in a regular incremental pattern. It comes in spurts. Now, fortunately with us, because we have three opportunities every week with the options on the S&P we get a chance to a spirit three times a week. It doesn't happen all the time, but we put ourselves in a position that we're such that will happen more often.

[00:06:54] Now, one of the other things that we do is we believe in asymmetry and that is taking the least amount of risk for the maximum possible gain. One of the things that usually trips up traders that makes them go off the farm, get on tilt is that they're constantly trying to manage their risk because they take way too much risk for the profit they're getting.

[00:07:23] We do something that is the complete inversion of that principle, where I call it the inversion of risk, catchy name, where we take small amount of risk for a very large amounts of profit. The other thing that we do is we do not employ any technical analysis. Technical analysis is not real. It's a pseudo-science.

[00:07:48] It was developed by the brokers part of their broker narrative, not necessarily just by the brokers, but people who are involved with the brokers and perpetually perpetuated through their training classes and seminars and everything else to get you to do one thing. And that is to produce commissions for the broker period.

[00:08:08] End of story. There is not a single technical analyst out there. No way. I shouldn't say there's none. But I could pretty much say that virtually all technical analysts that are out there that are trading are not successful over the long-term, maybe for short spurts, but they are not consistent. All right.

[00:08:29] It's just a fact face it, face it, you know, it's true. All right. Now, down to the four things that are part of the strategy, one of the premises behind all of this, first of all, besides using, selling premium as ours mainstay strategy. We have to put ourselves in a position where we can sell that premium and collect that premium more often than not.

[00:08:56] And so the way we do that is we have to be able to put on an asymmetric strategy that first, allows us to collect that premium, take very small amounts of risk so that we're not so the not way. Angsting over the trade. There's no anxiety. And that anxiety, that district corruption in your emotional content is what pushes you over the edge to make bad decisions.

[00:09:22] We only want to make good decisions. So that's one of the reasons why we take very little risk to make. Now, this is a principle also of most successful people, whether they're in business or they've become, you know, gone from a thousand air to a millionaire, to a billion. All of them. They didn't make their millions or billions by slowly incrementally accumulating wealth.

[00:09:49] No, they did it in spirits by taking small risks that produced large gains and they made a ton of mistakes, but because they made small risks, those mistakes didn't cost them. It didn't put them off their game. What they concentrated on was perfecting their process. And they knew that if they kept on putting on these small risks, that and put them into the pathway of opportunity, eventually they would hit big.

[00:10:17] That's another principle of this strategy. The other thing is that instead of technical analysis, what moves the market? Have you ever asked yourself that what moves the market? The market has moved by essentially. Economic reports, economic condition, political conditions, geo macro conditions, binary events, things that happen out there.

[00:10:44] The federal reserve, interest rates, interest bearing, assets that are going through an auction, those types of things. Those are the things that move the market, economic reports. I'm talking about those things that come out, that report on the. On consumer sentiment on manufacturing, on, inflation.

[00:11:09] Those are the things that move the market. So, what we do is we do a thorough analysis of everything for that day, for that particular session, what could move the market if there isn't anything, or if there's an absence of these Catalytics, then we rely on what is the current trends. Once we have a good understanding of the amount of catalyst or the direction of that catalyst and its magnitude.

[00:11:41] We then apply a second set of analysis, and that is a structural analysis of the market where we get a purely structural analysis through volume profile. Volume profile is the truth. Technical analysis with trends and trend lines and patterns on there. They mean nothing. They all resolve down to what is essentially the profile, the volume profile.

[00:12:09] Most people have no idea what that is, but it provides us a very detailed look at the market exactly where the market finds value and where it does not find value. And then combine that with the capital. The direction and magnitude of direction of price based on whatever catalyst is behind it, as it traverses that market structure that we've defined by the volume profile.

[00:12:37] It provides us with scenarios. We can determine the light. Behavior of price as it goes across that, based on our rules, once we've determined that we might come up with 1, 2, 3 different scenarios. Now we are in a prime position to take advantage of the thing that works for us and that's selling premium] and we can use all of that knowledge plus volatility plus expected, move to place a premium collection option strategy in such a way.

[00:13:11] It will give us, because we can predict with fair regularity where price will go and where it may end up, put a position, put a options position there so that it gives us an asymmetric return. Now, this asymmetry is not a binary return. It's not either you make a lot or make nothing. There is a spectrum of prices that you can make between.

[00:13:38] We placed the strategy coincident with our profile and our analysis on the catalysts. And we're able to generate trades that will have very small risks, very laboratory return. Typical for that would be, at the low end, a one part risk to five parts return at the high end one part risk to as much as 20 parts.

[00:14:04] Now we don't have to go too far towards that 20 X to make a lot of money. In fact, about 80% of the time, we only make it about maybe a third of the way, which will afford us anywhere from 150 to 400% return. That's what I said. That's what we're looking for. As opposed to most other people using options, looking for.

[00:14:30] Two or three parts risks to one part return or in other zero DTE strategies where they're looking for nine parts risks to one part return or even greater because they feel that putting on low Delta trades that have high probability of profit are the way to Nirvana, but it's not those strategies do not work.

[00:14:52] All right. So, once we've entered into a trade, we do not manage our work. That's something that is totally contrary to the ethos in most people's trading idea, because they've been taught really through the broken narrative, the wrong way to trade. We did not manage our risk. You did not have to manage your risk.

[00:15:17] If your risk is minuscule, what you do have to manage is your profit. If you're totally concentrate. On managing how much profit that you can take in. I guarantee you're going to be so much better off, particularly if you do not even have to worry about the risk, you can throw it away. Now, a good example of this would be just these last two weeks of trading.

[00:15:43] Right? Last week we put on three asymmetric trades, Monday, Wednesday, and Friday. One of them, we pinned the trade. Some people could have made as much as 1200%, but I think we averaged about a 400% return between three separate events. All right. In one week 400% of the risk that we took on is profit.

[00:16:09] One of the trades returned as much as 1200%. That's what it was like last week. This week was a very different story. Last week on Friday, I think we were lucky as volatility started to really plummet. And then this week has been just hell in terms of volatility. It is, we have been flatlined, so we didn't take a trade on Monday or Wednesday because there was no opportunity.

[00:16:31] There was no signal. There was more noise than signal our strategy, points these things out and keeps us from harm, keeps us from wasting our capital on days. There's simply nothing to collect today because of Jerome Powell speaking at 10:00 AM this morning, he provided a catalyst to the market, which was in the up direction.

[00:16:55] So we took a trade that had asymmetry that was above the current market. And we're currently in that trade right now. And it looks like we have a good prospect of making it. Now, if it doesn't make it, are we sitting here trying to get out of the tray, what is essentially a one to nine trade, one part risk to nine parts reward?

[00:17:18] Are we trying to get out? Because we don't feel like we're going to make it by the end of the day? No, it's okay if we lose, right. It's only one small loss. We didn't take it trade on Wednesday or Thursday. So, Wednesday or Monday. So, there was no loss. There, there was loss opportunity, but that was what the market gives you.

[00:17:38] Like I said, the market is not connected. It's not regular. It will not allow you to create an income. You do not deserve an income. You were there to wait for opportunities and then to take them and then to beat them to hell until they submit to you and put that money in your pocket. All right. So, there are four parts to our trade.

[00:18:04] One is a catalytic analysis to determine market direction and magnitude of that drug. Two is a market structural analysis to determine the potential behavior. If price were too diverse across that structure, and three is to then combine one and two to create scenarios. And what we believe are the most likely things to happen.

[00:18:29] And then to model a, an asymmetric option, a premium collector. On top of that one and two analysis. And then once we take the trade, three is managing that trade, managing the profit, extracting the maximum amount of profit we can from that premium collection event. There you go. That's how we average 150 to 200% return on our risk.

[00:18:59] Over the long-term. Some weeks are huge. Like last week, 400, 500% return. Some weeks are small. Now this week could end up being really big. We don't know yet because we only have one trade, but as it stands right now, we'll probably break even, however price looks like it's going up right near the end of the market.

[00:19:20] And it is very possible. It is possible that we could go from nothing to a 1000% winner on today's trade in this lab. 40 minutes. That's crazy. I know if we don't, no problem, no problem at all. There may be profit to make somewhere in between zero and a thousand percent, or we make nothing, not a big deal.

[00:19:51] Didn't lose very much. Didn't bet very much, but we have everything to gain. So we're in that trade. Zero anxiety, little Ray. Total confidence in what we're doing. If you would like to learn how to trade that way to trade, to grow your account and learn how to take asymmetric risks to no longer be, a slave to managing your risk and manage, trying to manage your anxiety, your emotions, and start managing confidence than joy.

[00:20:29] At 0-dte.com/try. That's all I've got to say for today. Do we have any comments? Milo says I have experienced trading options, but I have never done a zero DTE as one who is used to doing a 30-to-60-day audit. How to make profit within just one tiny bit of an extrinsic value left on.

[00:20:53] There's an incredible amount of extrinsic value left on that very last day. Seriously, it is not unusual that we could put up say $200 and make $2,000. All right. Is that enough for you? I guarantee you that your 30-to-60-day expiration trades. Return anything close to what we do in a single day.

[00:21:25] Sorry to say, but that's just the way it is. All right. I'm done for now. I hope everybody has a great weekend. I know I will. I'm here at the vacation home. I'm going to, now it's a little bit too late to get out to the beach, but I'm going to go take the dogs for a nice trail. So, peace, peace to all of you.

[00:21:48] Take care, sign up below. See you next time. Okay. Always have trouble finding this off button.

[00:22:06] Okay.