FOMC Helps 0-DTE

[00:00:00] All right, friends. How you doing, Ernie here? And it is Wednesday, September 22nd. And it is our second zero DTE trading day of the week, Monday, a huge win. And today another huge winner in the face of the FOMC minutes being released today. And this is a very interesting one. And it's one of the reasons why today I want to talk about how the FOMC, the federal open market committee or the F the board of federal reserve governors along with their illustrious leader, Jerome Powell, have decided that they're going to guide this market and how that affects our zero DTE.

[00:00:54] I'm sorry, our zero dash DTE strategies ever forget the dash that's 0-dte.com. You want to try out the service at 0-dte.com/try pretty easy.

[00:01:13] And you'll be very, very happy when you do try by the way. Anyways, excuse me, anyways, back to the FOMC and what they mean to us. They don't mean a whole lot to us. Really as traders. The FOMC, although they will affect where the market goes in a large degree, uh, and, and they Telegraph it.

[00:01:43] So that is to our benefit, but I don't see the FOMC as hurting us or helping us. In that they are not doing anything that would make our job more difficult on the contrary. I think that the way the FOMC telegraphs their moves or how they're going to guide the economy. So, they think they are doing that is to our benefit.

[00:02:17] We find. In general, I'll have to say this, that in general, the FOMC and the fed governors, some of them are okay, but they're as a group, mostly wrong about everything that they're doing. When you consider that, if they are in fact guiding the economy, they're doing a horrible job at it. So. They rarely do what they say they're going to do or what they're trying to do.

[00:02:46] Or they use mealy mouth excuses to let us believe that they know what they're doing. But all of that aside, it, it is of no consequence because regardless of whether or not what they're doing works or not, the market reacts to what they say. And that's what is important to us.

[00:03:08] There's the first article that has come out that I've seen on Yahoo finance. And I'd like to explore that a little bit. Now. I haven't read it yet. I've only seen the headline and it says fed signals possibility of six to seven rate hikes through 2024 as taper talks, advance. Right. Now they've been talking about talking about tapering for a long time, and we're still in, I believe that stage of talking about talking about tapering.

[00:03:41] There are no real plans to taper. Now they've given us a date of 2024, because there was at some point a date that was floating around, like at the end of this year in November or something. And of course, that went right out the window. What they do is. They'll throw out this bait and then see how the market reacts to it.

[00:04:01] I don't believe that anything that, what they're saying has true intent other than to be like, A B testing from a marketing exact right. That's what they're doing. They are testing the market, testing the waters by throwing chum out there and seeing how many sharks show up. They have no intention of tapering anytime soon.

[00:04:24] Now, first of all, what is tapering actually mean in the truest sense of the word? Tapering would mean reducing the Fed's balance sheet, and the reason why you would do that is that that balance sheet it's largess. Cost us a lot of money, the taxpayers, a lot of money to maintain.

[00:04:46] Those are represented by bonds and those bonds. They are interest bearing instrument. Of which that interest is a debit to the United States tax holder. And we need to pay that. That is taking away from every dollar of interest that we pay towards bonds. Treasuries is a dollar that comes away from the budget.

[00:05:15] Actually a better way to say that every dollar that is added to the interest rates of the debt is an additional dollar that is taxed besides the budget on, uh, us citizens. So. If you want to look at it from a government positive point of view, if you're so inclined. In other words, if you think that the government is doing good things with our money, besides the necessary things that they should be charged to do all this misspending and whatever, I don't know that you can consider it good, but some people do they think that no matter what the government does, it's okay.

[00:05:55] You just give them all the money they want, and they'll spend it better than we can. Well, whatever that is. That amount of money that they are using to do supposed good. You can add to that, the service that we have on the U S debt, which currently stands at something like. I dunno, 22 or 23, I might be off.

[00:06:17] I might be low 23 trillion. I think it might be up to $24 trillion. We're paying interest on $24 trillion. Now, first, to get a handle around what a trillion dollars is, a trillion dollars is a thousand billion, a billion dollars is a thousand million. So, in other words, a trillion is a million million.

[00:06:40] Dollars. That's a lot of money. Now we have 24 of those in service that we're in service to. So, before we get a single service out of the government, we need to pay the interest rate on that debt. Now here's really the problem that interest. Is now a mounting to somewhere around, I think it's something ridiculous, like up to a trillion dollars a year or 25% of the total U S government budget, which I think now is around 4 trillion?

[00:07:18] If you could imagine that it, you know, somewhere around that, these are the numbers that I've heard. I don't have the exact numbers. So please, you know, help me out if, if you know the exact numbers, but I think they're pretty close. Now. Here's the problem. If the fed were to raise interest rates, in other words, they would raise the amount it would cost to service that debt.

[00:07:42] Now the reason why they raise interest rates is to try to slow down a heated economy. And why they're talking about slowing down a heated economy when the economy is in such turmoil and is slow, as molasses is beyond me, what they are trying to do. In one hand is to, is to project some hope that in the future, the whole COVID thing is going to subside, and people are going to come back to work, and everything will get back to normal.

[00:08:11] And then we will expand and blah, blah, blah, blah. And then by really putting out there that, oh, we're, we're not just saying. A single interest hike. We're talking about six or seven, maybe 30 interest hikes. All right. These are the word games that the federal reserve plays. So again, now they're talking about 2024.

[00:08:38] When these hikes may finally be realized 2024 it's two and a half years away. What does that got to do with now? It has nothing to do with now. Absolutely nothing. And besides that, it is all rhetoric. So as soon as the market heard that. The federal reserve planned not to raise interest rates, which largely they already knew.

[00:09:08] And in fact, the entire bond market basically votes on this with their feet and the way the purchase bonds. And there was a hundred percent certainty according to the CBO, Zoe, and their tracking of this, that. They knew that interest rates would not rise. So, there was no surprise coming into this. So, there wasn't like a huge move up.

[00:09:30] It was a little bit of a move up. It was kind of relief. Oh, we're a hundred percent certain that it's not, they're not going to raise rates. Oh, they're not going to raise rates. Let's move the market up a few points. It's just insane. And then they follow that up with, well, you know, Things are going very well.

[00:09:47] Or we think things are going to go well. So, we might raise rates or hike rates six or seven times in the next three years. And so, they hear that they don't hear three years, or we might, or things might get better. Rate hikes six to seven times and the market goes apoplectic and not so much.

[00:10:09] So, I mean, it was somewhat subdued. So, the market drops about, let's see it dropped oh, 25 30 points, and now it's regaining all of that. And I expect it to gain all of that back once they, they pick up their mind up off the sidewalk. And realize that it is all just rhetoric and that there's no way in hell that the fed could raise rates because if they raised rates, the debt would become unserviceable.

[00:10:39] Unless we had an enormously expanding market and the economy just went gangbusters, which it's not, and there's no indication that it will not, or that it will. So that is the situation we're in, where in this giant word game, giant word, game rhetoric, rhetoric. That's all. It is just words as this really the only tool that they have.

[00:11:07] And so now we're advancing the tapering talks a little bit by front, running it with this idea that we may be doing six or seven rate Heights. And with rate hikes, you know, well, what are they going to do? What's better a rate hike or to taper, right. So how to rate hikes advanced the talk of tapering because they both would in effect do the same thing.

[00:11:33] Tapering would be like doing a rate hike. So, which is it? Are they going to taper and then count that as a rate hike? Or are they going to rate hike and count that as a taper? Or are they gonna do both? We don't want. But those are additional tools that the federal reserve has in their back pocket. They want to keep us thinking that maybe they'll do both.

[00:11:54] Maybe they'll do neither. Maybe they'll do some of it. Maybe they'll do a little. And so, the market reacts to that now, right now, the market is now taking that 30 point drop and just wiping it off the face of the planet. And they're going to go straight up of which, you know, that means that our trade is going to make probably.

[00:12:13] Oh, I'm going to guess and say 600, maybe 800% today, which would be really cool.

[00:12:21] We've already had the opportunity to make about four or 500%. And until that whole idea of taper, taper talk stuff came out and then the market dropped, but now we're, we're coming right back. So that's where we're at. And that's how, I guess that. F OMC affects us as zero DTE traders. It's all just a game.

[00:12:46] Now we understand the game and we understand that they're dealing with just a house of cards. It's all slight of key. And it's magic. They're trying to present it as magic that somehow, they know what they're doing, and they want to give the idea that they know what they're doing. And they're, you know, guiding us to some sort of financial Nirvana, which is all crap.

[00:13:08] They're not doing any of that, but we must pay attention because their words matter. And our zero DTE trades only encompass a few short hours within that day. And so that can be impactful on the trades that we make. And that's really all we care about. We only care about those few short hours that influenced the price up or down.

[00:13:34] Doesn't matter how much it influences voluntary. Et cetera. So that's how the FOMC affects us. Now.

[00:13:46] Let's we can talk a little bit more about whether tapering is going to happen. And I didn't give a pure definition of what tapering is. Tapering is the actual reduction of the balance sheet. The quantitative easing that has spent being spent every month. Currently it's at a clip of $120 billion by the federal reserve.

[00:14:10] They are purchasing bonds and other assets at the rate of $120 billion per month. Now what they're floating out there, the idea, their idea of tapering isn't reducing the total. Balance sheet that they're accumulating at the rate of $120 billion a month, which stands at over $8 trillion. Right now.

[00:14:33] They're there. They're not talking about reducing that $8 trillion. No. What they're talking about is reducing the rate of QE or a bond purchasing that they're doing. So, in other words, instead of spending $120 billion a month, they might spend $110 billion a month. So, the balance sheet continues to grow just at a slower clip, a slightly slower clip, a very, very small, slight adjustment to the rate of increase, but that in of itself, is enough for the market to lose their minds, because that is backing off on the hopium that is being injected directly into the wall, the arm of wall street.

[00:15:21] And we know that, you know, over time we build up a resistance to any kind of drug that we use. And so right now we're used to getting $120 billion injected, direct mainline directly in, and that reduction will start cause start us to cause to kind of shiver and shake kind of like getting the heebie-jeebies as they say, you know what that is?

[00:15:47] It's like when an alcoholic has to go cold Turkey. Drinking or a cigarette smoker must go cold Turkey or even worse. Someone who is a heroin addict go cold Turkey. They will literally go through days and days and days of the heebie-jeebies the most intense pain and struggle and struggle. Ever in their lives as their body reacclimate to not receiving this hopium or opium in their case.

[00:16:21] It's the same thing with wall street, same exact thing. They don't want to have the heebie-jeebies. They fear the heebie-jeebies.

[00:16:30] So that's really where we're at. That's it, in a nutshell, really. Now, I'd like to get to this article and just read a little bit of it and see what it has to say. It says the federal reserve on Wednesday telegraphed, it could take, it could hike rates six to seven times by the end of 2024, illustrating the central banks optimism that the COVID 19 recovery will progress well enough for the fed to tighten its easy money policies in a few years.

[00:17:01] But I'm, I'm confused. I keep on hearing about how bad the Delta variant is and how it is basically shutting down. And every everyone's talking about vaccine mandates and all this other stuff, how is it getting better or is it just optimism that it's getting better? Is it misplaced optimism? I don't know.

[00:17:20] The policy setting, federal open market committee still held interest rates at near zero, actually at zero in it's updated statement, but it said it had advanced talks on pairing back its asset purchase program. All right. It had advanced talks. Now that means, see there's really four levels. There are reasons for the Spanish inquisition.

[00:17:47] Now there are four levels to. Right first. There's what they're engaged in right now and where they're talking about talking about tapering, right? Because they're not really talking about taping, they're not setting any schedules or anything like that. They're talking, it's sort of a meta talk about tapering, right?

[00:18:07] How they're going to. Talk about, they've really talking about how they're going to talk about tapering is what they're doing right now. And this is what they mean by their advancing the talks on tapering. Once they get beyond that point, once they get to the point where they can no longer bamboozle us with their nonsense about floating, you know, throwing chum into the sea, they will.

[00:18:34] Seriously, considering tape tapering, you know, talk about tapering. When will tapering happen? Now they've already floated out here. Like I said, this idea of six to seven rate hikes by 2024, but that is so arbitrary. They haven't given any definitive dates or scheduler timeframe or anything, and that's on purpose because they don't intend to do that.

[00:18:59] So we are so far away from talking about. That right now, we are still engaged in the fourth level of talking about how we're going to talk about tapering. Once we start getting into talking about tapering, then things are going to progress a little faster. We will then start talking about tapering and we'll talk about how we're going to couch this or how we're going to plan this.

[00:19:24] Or what's the schedule going to be now? That's not actually creating the schedule because that would be the third level. Of tapering. The third level is that once they've gotten beyond that level and that could take years, who knows? Maybe never, but the third level will be setting a schedule.

[00:19:42] Now that schedule is subject to things that could happen and trust me, something will happen. So, they're going to set a schedule and if everything goes perfectly, the economy expands. Full employment COVID goes away, never another pandemic. Then we will start tapering. Of course, you know, that is some fantasy reality that the fed is trying to paint for us, that's essentially what the third level is.

[00:20:15] And of course the fourth level will be actual taper. Now I could put into that a fifth level because actual tapering, as I said, would be a complete shutdown of the QE program because there would be no need for QE. If you were truly tapering, you would stop QE and then you would start reducing the balance sheet, which I don't see ever happening that will never happen.

[00:20:42] Not in my lifetime. So. Okay. So. There really aren’t four levels. There are five levels of tapering, which all resolved down to the same reality, and that is nothing's going to happen. They're going to keep interest rates at zero. Quantitative Easing (QE) is going to go full on full bore and probably expand once that next pandemic appears, which it will soon or another variant mutation of the COVID.

[00:21:16] You know, right now we have the Delta variant and there will be the lamb Lambda. Then there'll be the gamma and any other Greek letter that you can come up with, it will happen. And then that will push everything out, push it out. So, we may go from the fifth level to the fourth level, back to the fifth level, back to the fourth level, to the third, back to the fifth, something like that.

[00:21:41] That's what I see here. All the meanwhile, by the way, for us traders, this is wonderful. Just keep that market moving. And I think really that is really the design, because part of the problem of what QE produces is very low volatility and low volatility. That anemic condition isn't really that great for the market.

[00:22:03] They can only do it for so long. They need a refresh now. So wise as to let the market refresh on its own because as humans, well, there is some argument as to whether people in government and in the federal reserve are actually humans. I think that they are aliens, but as humans, we tend to like to take natural things and think that we can do better.

[00:22:30] We like to take squiggly lines and try to straighten them out. And that is exactly what the fed does. That's what government does. They want to take the things that work and then improve them, improve them. It's air quotes for those people in the podcast. So that's where we're at right now. I hope you understand.

[00:22:55] And this is entirely clear to you. What, we're, what we're dealing with. We're dealing with a world where eventually, Quantitative Easing is going to spill over into some sort of universal basic income, a UBI. And that will be our reality.

[00:23:14] Anyways. I hope this has been enlightening and I hope you've learned something. The biggest thing you should have learned is that this does not affect us in the zero DTE. Service and what we do in any way, negatively at all. If anything, what it does is it presents new opportunities. And we like that. And there's new opportunities three times a week, Monday, Wednesday, and Friday, every day that there's an expiration on the S on options on the S and P and we trade the E-mini futures options on the E-mini futures, as well as options on the SPX, the spy index.

[00:23:57] Or the S and P index. Now there is an interesting development that's going to happen later this fall. And that is that the SPX, the index, the big index, which is not something you can trade directly. You must trade options on it because it's just a calculated index. Currently, you can only trade options on the SPX during market hours.

[00:24:21] And this was one of the reasons why the futures are such an asset to us because it gives us the flexibility of trading 23 hours a day. Now, the CBO has recently announced that both the SPX, as well as the VIX are both going to be available to trade 23 hours a day, starting November 24. And that's going to open a whole new set of possibilities for us, including an arbitrage between the futures and the SPX, I guess.

[00:24:54] But it will allow, for more flexibility in the trades that we make and we'll be able to combine the best of the future options on the futures, which do not suffer from the pattern day trader rule. Plus, they have volume. We need the volume of the futures in order to do our analysis. Of where price is going to go, where the SPX doesn't have any volumes.

[00:25:18] So we still need the futures. And then plus we'll be able to combine the cash settled feature of the SPX and the lower commission. So, both of those things are benefits. Lower commission doesn't really affect us that much because our risk to reward our reward is so big compared to the amount of risks that we take in the, and the cost of our trades. Unlike. Zero DTE strategies where they must Trey the SPX because the cost of commissions.

[00:25:52] So overwhelms the small amount of profit that they go go for. That is a fundamental difference between what we do and what they do. Plus, the fact that we have an inversion of risk, where they are constantly trying to manage their risk. We never manage our risks because there's no need because our risk is so small.

[00:26:11] All we do is manage profit. That is the difference in the zero dash DTE strategy. All right. That's everything. I'd see. Do we have any questions? Let's go up to the peanut gallery and see, do they have any questions? Uh, Jacob has, Hey Ernie, as a trader with only one position. And on a day like today, would you have sold for a good profit, or would you keep holding to pin the trade?

[00:26:40] Well, that's a very good question, Jacob. We're close to getting inside of the prophet tent, but we only have, let's see how much time we have. We only have half an hour to go. I would take the profit, take the profit and run.

That's what I would do. It's good. Profit. Take it. Be happy. As a matter of fact, while I'm here live, maybe that's what else?

[00:27:07] We are inside of the M and there is a possibility that we could get another push up. So, I think, I think I'm going to hold it for a little while, you know, because when we get another pushup, we could go from a couple of hundred dollars, a profit to a thousand dollars of profit. No. Rebel Renegade wants to know, Hey Ernie, did you take ivermectin to treat COVID?

[00:27:32] Yes, I did. And it cured me, but we're not supposed to talk about that because that is, I guess a no-no, you know, to promote something that works. All right, everybody. Thank you very much. I really appreciate. And by the way, I did this all online and it was available. You go back and you can watch anyways.

[00:27:56] Thank you very much. I appreciate you coming here, watching the show, please. Come back on Friday. We're going to have another great show. I'm sure that it will be another great trade for us. And right now, where we're turning the whole beginning of September around, it was September is one of the toughest months to trade.

[00:28:18] The first two weeks, we were still profitable, profitable, profitable, uh, in September. However, it's slowed down from the previous months because of the low volatility. Now it's really starting to ramp up and we like that. All right. Thank you very much. Again, if you want to try out our strategy, we have a four-week trial and that it would be 0-dte.com/try.

[00:28:51] All right. Thank you very much, Peace.

[00:28:54] Okay, gotta move all these windows. Where is that button up? There it is. All right.