How to Manage Profits with 0-DTE

[00:00:00] All right. We, uh, live got to turn off the phone here, so we don't get interrupted. Are you doing friends or any hair? And it is Monday the start of a new week and we love Mondays. I know. I always say that we love Mondays. One of the few people that probably loves the most. Because Monday means the start of another zero DTE.

[00:00:22] I'm sorry. I'm sorry. No, a not as there a DTE zero dash DTE trading week. And, well, so far, the trade that we have on is kind of a, nothing. And it wasn't one of the full implementations of our strategy when we don't have a full implementation of our strategy. In other words, we don't exercise all four steps of the process, which include analyzing a catalyst so that we can determine market direction, then market structure through volume profile.

[00:01:04] Then modeling an asymmetric trade around those first two steps and then managing our profits. When we are missing out on the first part, then we must do some mental gymnastics and come up with something that is probable and without the benefit of a catalyst. Now that would mean that. Perhaps we are doing just a technical trade and I don't want to confuse that with technical analysis but based on our market structure analysis and where price is and whether or not it is trending a nod or consolidating, whereas price likely to go.

[00:01:55] And what happened was over night and starting from. Friday. We had been in a pretty good trending move off the bottom, where we took a, what I call a buy the dip trade, and that trade is, is still on and still successful. And we trended up for about four or five days over the weekend. Starting last night, it looked like we were going to continue that trade.

[00:02:26] Sunday night when the futures open market started to move up, that trade became a much more valuable than it was the previous days. And so, the expectation was that the following day we would continue this trend. So I'd go to sleep, wake up the next day and lo and behold. After the European market opened and for no reason that I could tell maybe a little bit of strife in the world, concern over China and the, um, ever grind, a project or COVID or budgetary concerns, whether or not we're going to fund the government and have a shutdown or not, which is, oh, you know, it's a normal seasonal type of thing.

[00:03:15] Maybe. That all that combined caused the market to pull back a little bit, not a lot, maybe half a percent or so, but it appears to have stalled that trend that continued. And so here we are in the morning with a, I would say really no significant economic reports coming out. None that would. Really upset the market or charge it or anything like that.

[00:03:45] And, and fed governors were out in force, you know, giving their, their daily speeches and hoping, hopefully bolstering their narrative, but just a basic Monday. There's a five-year today that did not come into any prominence. So, what do you do in the morning on a trade like that? We look and fall back on the structural analysis of the market and see where we are in terms of where we were coming from, because in the absence of any kind of catalyst, then I typically go with the trend and the trend was up, but it had pulled back.

[00:04:26] So now we're in a pullback situation and we're pulling back right to a volume node. And on that volume node there is really good. So, the natural inclination there is, well, pullbacks are one of the few technical trades that you can take that have very high probability and in the context of volume profile, coming back to and landing in a, in a node being above that node in a breakout mode.

[00:04:57] And then coming back into that node is usually also a good pattern. Indicative of further move up. So, it's basically a trend pull back, going back up. And so, on that basis, we come up with a trade. Now this again is not the full implementation. We don't have the full confidence of this. So, we call this, we call this a suggested trade.

[00:05:24] And so in the suggested trade, we decided that, okay, Well pick a point that's above maybe to the next volume node. We name our volume nodes with a T for target, and then I will number them T zero T1 T2, Tn. And that numbering scheme really is the. The order or the likelihood that price will move to that next target.

[00:05:54] So in this case, we were at T zero going to T1. And so, we get out of T zero and then the European market opens in the morning. And we find when we wake up, that market has pulled back and now we're back in T zero. And so, this is a very common. Very, very common pattern where you move up through one volume node, a what's called maybe the parent node to a child node, pull back to the parent node and then continue back up, which is again like a, a pullback in a trend, very normal price action.

[00:06:30] So it decided it pulled back, but then it started to go up and then just decided to. I think we're really happy right here. So, we're going to hang out in this volume note for a bit, and it's been there all day and it's tried we're on a second attempt to try to break out. Will it happen? I don't know. So the interesting thing on, on this particular trade and what this, this episode is about is how we go about managing profits in a zero DTE strategy and the zero dash DTE stress.

[00:07:05] And what are we looking for? So, what I had declared earlier in the day, when coming up with the trade, the suggested trade, because it's not an alerted trade because it's not all four steps. That's the difference between suggestions and alerts. Although we take all the trades, but I want to differentiate them that way so that people understand the.

[00:07:31] We have higher confidence in the alerted trades because when you have a catalyst or at least some evidence and something objective that is moving the market, then I think you can feel more comfortable in planning out where that trade might go and that there is some energy injected into the market. In this case, there wasn't any of that.

[00:07:54] And so here we are, it started to move up. What I had told the group earlier in the morning was that this is one of those suggested trades. Don't know if it's going to go. It could, could not. I think that if we reached 50 or a hundred percent return on our capital, then it's probably a good time to take that trade.

[00:08:19] And in fact, the initial move up, we easily achieve that a hundred. It's a matter of fact, I think it went over a little bit, maybe 150%. And so, there was an opportunity to at least take some of the tradeoff. And one of our strategies that we use, if you're not trading with a minimal size account, because if you have a minimal size account, you couldn't employ that strategy, but let's say that you had a larger account and you could put on multiple positions, not just one.

[00:08:50] One of the strategies is that once we reach or attain a certain percentage level of return, then we take off some majority of those positions to guarantee a profit. So, guaranteed. And then we let the rest ride and what we call a free ride and on that free ride, should we move up further than we gained further and possibly move up all the way to a pin trade and gain a lot.

[00:09:18] And if we pull back, no big deal, worse it's going to happen is that we'll still profit. Just not as much as we had hoped. So that that's one of our profiting strategies. This idea of grabbing the initial. Thrust and the position and then allowing the rest of the position to move on. And so, this would imply that we have a certain number of tranches that we put on in any trade and how you get into those.

[00:09:49] That's another different type of strategy that we have. So, when we enter a trade, often we will enter with a little bit of guarded nature. So, this morning's trade, as it pulled back to support on the volume note. You get in with one, one position. If it pulls back a little bit more and you get a chance to, to improve your position or come up with a better cost basis, then maybe you add the second or the third tranche.

[00:10:20] And then once you start moving up and you're S you're still in a position where you have good risk to reward you, you may end, you have some confidence. Price is going to continue to move up only because of its uh, the nature of the move. You know, it's, it's now accelerating, moving up. Maybe you add a second and third tranche, if you have, say five tranches for our full, fully loaded position.

[00:10:45] If you're still unsure, there's no reason then to put on that third or fourth or fifth tranche, you might just hold off and say, hey, one or two is good enough for me.

[00:10:54] And that might be the case where if you don't have. The con you know, the high level of confidence that you have in this trade versus other trades. And there were other things that might factor into that. So, for instance, if you have a, a tighter. Risk to reward. And what I mean by a tighter risk to reward is anything that is approaching one to four, one to five, one to five is about our cutoff where we say, look, if, if it's below one to five, one part risk to five parts reward, not to be confused with what everybody else is doing.

[00:11:30] Like five parts risk to one part reward or 10 parts, or as to one part reward, we don't do that. But in the complete opposite, in a complete opposite situation, if we can't put on a position and we look at each new position as sort of starting the trade over, put on that position in at least a one to five risk to reward potential for that trade, then we won't put it on

[00:12:00] And so that's how we naturally curtail our, our position sizing.

[00:12:08] We had a question earlier in the group, you know, are, are you position sizing based on volatility? The answer is a qualified. No. What that means is that volatility is constantly changing and it's changing the nature of our strategy. And the strategy itself has kind of tuned into volatility in that, by, uh, looking for certain types of criteria like this one to five risk to reward.

[00:12:36] And also looking at the, with and spacing of the volume node volume nodes and the catalyst that has been supplied, the amount of energy that has been supplied into the market, you know, can we make it can price move? What is the expected move for that day is another question. Can price move 30, 50 or a hundred points in that day?

[00:12:59] Is the potential there. If the potential doesn't seem to be there. You can't put a trade far enough away and wide enough to, uh, to give you that one to five. So. Volatility and expected move, have a natural tendency to adjust the amount of money that we put into trades. So, in other words, when volatility is low and an expected move is low, that typically decreases the signal to noise ratio.

[00:13:30] So that noise now starts off skating signal, making it more difficult to put on a trade that is. And so, we end up putting on fewer positions in smaller trades, thereby using less capital. So, I guess you can say then that the strategy is self-regulating in that respect.

[00:13:51] So again, getting back to how we actually profit on things like this, where that is our primary focus too, is how we profit. It's a very high-quality problem that we have in this strategy. We are not looking to manage our risk. In fact, there are times when, like today, we moved up sharply in the beginning and then move back and then you might think, well, you move back and if you still have some positions left, are you going to take those positions off?

[00:14:25] I would say that it depends on how far we move back and where we moved back from. If we came back to. And it appears as if there's still some life left in this market and there's enough time left. Just let it go. Let the position go. It could recover. Now I've found that when you have that initial surge and then come back, it doesn't recover that often.

[00:14:50] However, if you have an initial surge and it only comes back a small amount, like a small pullback in a smaller trend, everything's fractal in nature, then you might stay with. If you start off the day and never really achieved that first initial position, but maybe pull back a little bit, but never move beyond support.

[00:15:11] In other words, support is elevating you, keeping you there, and that's typically the edge of a volume node, or even in a volume. Well, you might come out of the node and then get rejected. Those, those are times where there is really, even though you may have 50 to 70, or even a hundred percent loss in terms of the risk that you were willing to take on because our risk is so small right now.

[00:15:37] There's no real reason to get out of the trade. You've you already have an unrealized loss. What is, what are you going to achieve by taking that position off right now, save a couple bucks. It doesn't make any sense. So, the odds now are still with a better outcome. So, we'll keep the position on

[00:16:00] Now, if we move into profitability now, it's just a matter of, well, how much time is left in the day and how much time do we think that we have and how deep can we get inside of the profit area that is defined by the, what we call the T zero line in the butterfly. And is there a possibility of achieving or reaching the center?

[00:16:25] Part of that butterfly where the two short strikes are for maximum profitability and then how long can we stay there? How, you know, what does the market look like? What is the, um, what has been the pattern that you've seen happen over the past days or weeks? Is there still a high level of volatility? If there's a high level of volatility, sometimes you want to make sure that when you get near that those two center-strikes and the butterfly, you're not going to hang out there too long.

[00:16:57] You can't expect it because volatility is still high. It may go there and may pass through and go to the other side of the, uh, the other side of the butterfly, but goes to the other side of butterfly. Now you start losing a little bit of the profit that you gained. Depending on where you are in terms of the time of the day.

[00:17:18] One great thing about being in this trade is that once we're under that prophet tent time is on our side. Time is on our side because the K is a continual thing. Time is the constant here. Volatility is the variable, but time is the constant decay continues to happen. So. If we have all tile, but we're staying within a range.

[00:17:44] And we typically put our butterflies in a way that they kind of encapsulate a volume node and volume nodes. If you've done the study with volume profile you'll know, act as a magnet or an attractor to price, price tends to gravitate towards a volume note. And the point of control or the, the highest level of volume within that node.

[00:18:09] And then. It's planetary physics, you know, you, you get a small object that moves near a planet and it, as it gets closer, it gets attracted to it and then wants to orbit around it. It's very, very similar to that here.

[00:18:25] Those are the judgment calls that we make, when price changes or when we have certain amount of volatility, we have certain time left and all of this, there are no, there's no systematic approach to it. Unlike other. Failing zero DTE strategies where they have this systematic approach, but it's all designed around risk management because they're afraid of losing.

[00:18:56] And so they want to prevent losing. So as soon as they, they achieved some minimal level of, of profit, you know, they're, they get all excited and they want to get out of that as quickly as possible. And their minimal level of profit is, that would be the maximum level of profit.

[00:19:15] So for instance, in a iron condor situation, another zero or DTE trade, once they achieve 50% of the available premium, which that in of itself, Only amounts to about 5% of our available premium and our trades. They will consider getting out of the trade for fear of pulling back and then going to one of the stops or one of the wings and achieving a max loss, which could be 10 times or 20 times the amount of profit that they've.

[00:19:45] So that's why risk mitigation on their side is such a necessary thing, because if they are not, they're trying to manage their losses, they would lose huge all the time. They end up losing anyways in the long run, because it's a failing strategy in our case, we're never presented with that kind of problem.

[00:20:04] We're on the exact opposite side. And that's really the point of this episode. Ours again, I'll repeat as a high-quality problem that we manage the profits. Once we get into the profit zone, how are we going to get or maintain or realize at least a minimal amount of profit and go for more? So that is a fundamental difference in the way we trade versus other zero DTE strategies.

[00:20:37] Now, today is one of those days that there really isn't any reason to do anything, but wait, I mean, we're consolidating inside of a node. The way things go in this market, we could near as the market closes, closes or comes near close. We're almost near three o'clock right now. So we only have about an hour and five minutes left in the market.

[00:20:59] A lot of things happen. Volatility tends to pick up in that last hour so we could pull all the way back to. A deadpan loser, or we could start surging and potentially, uh, get up to where our target originally was and, and profit very nicely that we don't know. What we do know is that there is really nothing to do, but wait and see what happens there.

[00:21:27] There is no real reason to get out of a trade here because you're already. At a, at an unrealized loss, even though it's a minimal loss, we're not sweating over it because our losses are just a fraction of our potential profits. So it's not a big deal. And we're already coming off of save five or six consecutive wins and some very big wins.

[00:21:54] So this is not really. You know, an angst moment or there's zero anxiety. We're simply waiting. We'll wait and we'll see what the market brings us. And if it starts moving up, we'll just give it its room. If volatility starts kicking in a little bit, that'd be great too. And, and perhaps we can get to a pin trade, which would be phenomenal.

[00:22:18] And this has happened many times in the past. Now I'll say. The current situation that we're in has a lower probability of success based on my experience. And that experiences that when you have an initial move that is in profitability and we'd had that, and many of the, of our members already took profit.

[00:22:39] So in other words, from many of the traders that are in the service right now, we've already got a guaranteed profit. They're either out with a hundred, hundred and 50% profit or they've taken enough positions of where they have a guaranteed profit so that even if what's remaining goes to max loss, they still have made a profit that's.

[00:23:01] Personal position too. And there are some that have smaller accounts where they don't have that luxury of saying, taking a portion of their position off because maybe they only have one butterfly on instead of five, three or five or whatever the number is. And so, they've decided just to hang in there.

[00:23:19] And that's the, probably the position of a third of, of the people that are within the service. And so, what I would say in that case there, it doesn't really make a lot of sense to get out of the position because really the only, um, outcome that you could have from here different from where you are right now is positive.

[00:23:39] Right. If it, if it doesn't move at all, then your position isn't any. But if it moves up, then you could potentially move into profit. So it doesn't make a lot of sense to manage your risk, particularly when the risk is so small, so that hopefully I gave you a feel for what it's like to trade the zero dash DTE way of trading, where we have an inversion of risk, where we're constantly.

[00:24:10] Striving to get better at managing our profits and negating the risk compared to others that are hoping to get at least a sliver profit, and then spend most of their time managing risk. That's what we don't do that they do that. So that's where we're at right now. Now, as I said, um, we don't do, we don't take a systematic approach.

[00:24:39] It is completely a discretionary approach. We come up with, and the reason for that is that the market is always changing. The structural landscape. The market structure is different in many different cases in each different. Each trade is a little bit different. The volatility is on a spectrum.

[00:25:02] It's always going up or down. Things happen out in the market that can influence it all the time. I don't know how you come up with one set of rules that handles all the variability. So, what we try to do is we try to paint scenarios and understand what are the possible things that we could do. What happens if market does this, does a, does B to C and then manage each of those independently.

[00:25:30] So that's where we're at, right? Again, now we're sitting at almost at three o'clock. I would suspect that at three o'clock they call that. Why do they call? They call it the power hour. I hate that term. Um, it might sound, you know, make your trading sound exciting, all it really is that. People start getting more engaged near the end of the market.

[00:25:52] They want to try to make their profit. They want to try to exit their positions. Volatility starts going up a bit. Volume goes up a bit. And so there's the potential that something could happen. So, if you want to call it power hour, great do that. Whatever makes you happy, but, um, we'll just sit here, and we'll wait and see what happens.

[00:26:13] Take the old, wait and see attitude.

[00:26:15] We have a question. Can I pay monthly and how much? Yes, there is a monthly payment option and a yearly payment option. So first, there is a four-week trial to the service and that's a paid four weeks. So, each week you pay a small amount of money and then four weeks should be enough time for you to get a good feel for what the services are.

[00:26:41] And what it’s about, is an educational service, where you learn a strategy, methodology, and a process on how to become an options trader and an effective options trader with a strategy that has definitive edge at the end of that four weeks. If you decide to go and take either the monthly plan or the yearly plan, I will rebate the cost of that.

[00:27:06] Towards the cost of the monthly or the yearly plan, the monthly plan has a upfront fee. Plus, a monthly fee. The upfront fee is about is $285 and the monthly is $64 a month. And so, if you join, then you would take the cost of the trial off. That upfront fee, that upfront fee covers the cost of support and coaching and mentoring, which is world-class by any objective standard, the yearly fee, if you pay a whole year upfront in one lump sum is about a 25% discount from the monthly fee plus the, um, the reduction of the four-week trial.

[00:27:54] So it's a really. I would just say, look, just start off with the trial. Don't jump into the monthly or the yearly. Try it out. And if you like it, the worst that you're going to be out is a few bucks and an education on a fantastic, um, strategy and also a process. It's not just the strategy here. It's the.

[00:28:21] The methodologies that we've put into place in the processes that we put into place and all of that, uh, deserves really to be considered a first-class education in trading and for really a fantastic price. All right. It is now three o'clock and I see things starting to move a little bit. Probably not in the direction.

[00:28:47] I want them to move, but that's okay. It could turn around any at any. And I want to thank everybody for showing up here. Thank you very much. And we'll see you on Wednesday. We'll let you know how things turned out here. As I said, for most of the members, it's already turned out to be a positive trade, a winning trade, where we made essentially what is our average?

[00:29:13] About 150%. On an average trade, some trades we will make as much as 500, 800, even 1500%. Uh, but that, I don't think that's going to be today unless the market completely surprises me. Oh, I don't know. Unless a fed governor comes out and makes a surprise announcement on interest rates or who knows, who knows what could happen, but all the.

[00:29:40] We'll just going to focus on our high-quality problems of managing our profit, not our risk. I hope you enjoyed this episode and we shall see you next time again, if you want to join the trial, it's 0-dte.com/try link is down below. All right, everybody have a great rest of the day.

[00:30:05] Peace.

[00:30:06] All right. Thank you for telling me that. Where is off button? There you go.