Multi-Edged Strategy

[00:00:00] Hey friends, how you doing? It is Friday, September 10th. Today was a losing day for us. I am putting a, last, not a last-minute trade, but a trade that made a lot of sense. But any anyways, it might, stem the losses who knows it's up right now, but I'll talk about that in a little bit. What I want to talk about is the overall strategy that we're employing.

[00:00:30] And the strategy that we're employing is I guess, largely known as the zero DTE. Of course, I call it the zero dash DTE because the dash is significant in terms of my web address, that's 0-dte.com. If you want to try out the strategy, you go to zero-dte.com/try. Now, why would you want to trade this strategy?

[00:01:03] Well, I think the biggest reason is that it is a monumental departure from the way you're probably used to trading. And, and with that, it presents. Incredible opportunity. A very, very strong edge now and not in the title here I put in multiage and I'm going to explain that we don't just have one edge.

[00:01:33] We have edges stacked on top of one another, and I think that's important. I mean, why would you trade something without an edge? And more importantly, why would you trade something if you didn't understand what that edge was? Or not specifically, I know that most people that are doing technical analysis, they might say, oh yeah, we have edge, but they have no way of articulating it.

[00:01:56] They have no idea what that edge actually is.

[00:02:00] We can articulate our edge. I can show you exactly what that edge is and why it works. Now, the other, interesting thing here is. We do something now, now let me just back up here. There are a lot of other services out there that do zero DTE strategies. I mean, zero DTE. Isn't a strategy of itself. It's just a declaration of what this is, and that is trading options on the very last day of expiration.

[00:02:35] Now, why would you do that? Well, that's pretty well known and that is because you want to take advantage of the exponential premium. Well, how is that going to give you an edge journey? Well, the way it gives you an edge is that when you have exponential premium decay, if you're long, obviously exponential decay is against you, however, your short and option, or in other words, you're the writer of that option.

[00:03:01] Then exponential decay is exactly what you want and the faster it comes, the more money that you realize in that trade. So that's what we. We put on strategies that are collecting that premium decay. Now that in of itself has a very strong edge and it's very well known that people who write options or so options are far more successful than those people who go long options.

[00:03:32] And it only makes sense because time is on your side. Yeah, there are other things that are also on your side when it comes to premium collection. And that is premium. One of the principal things that makes up premium is volatility or implied volatility when there's implied volatility that inflates the premium.

[00:03:54] So that's like saying I am selling premium; I'm selling inflated price. Which goes to that whole adage of, you know, buy low, sell high here, we're selling high, we're selling something that's overpriced. Now that should make a lot of sense to people. I mean, it's not a very hard concept to understand.

[00:04:15] But here's where the edge comes in. The edge comes in that, people systems or anything, human derived, tends to overstate volatility. Let's put it another way. They tend to overstate fear or the unknown. And that's what volatility is all about. When you have an excess of unknown, there is fear involved in that it's like, you know, walking into a dark room.

[00:04:50] You can't see it. You don't know what's there and the longer you stay there, if you, especially, if you start hearing creaks and, uh, movement in there, you know, you get anxious because of that fear, that same kind of anxiety in the market sense is what inflates premium. When you have something that is further out in time, new visitors, that type of.

[00:05:19] Situation creates more fear, more fear because it is unknowable. The further out you get it's unknowable, where price is going to go. So that's why long dated options or even long dated futures contracts you'll see are always priced higher than the near dated ones. The ones that are here and now, and that is largely known.

[00:05:45] There's a term for that. And it's called container. So contango is the normal situation in our lives. Whether you're talking about futures, contracts like oil, and as you go further out there, they're dated or they're priced higher or options, option contracts that are further dated are priced at higher amounts.

[00:06:08] Sometimes they get much. Because of things that happen in the here and now, so that future dating then gets overstated. If people think that things here are bad or fearful, whatever that means to somebody. So that's one of the edges that we rely on. And of course, the optimal situation would be that you sold when that fear is at its peak.

[00:06:38] And then you. Bought it back as that fear subsided, because that would increase the decay of that fear even more. And that happens occasionally. But time decay in of itself is enough that you sell something that's overpriced. And then as time comes, time is one of those constants that you cannot get around that premium visitor will decay even fast.

[00:07:06] So that's our first edge. And by the way, this overstatement of volatility, it happens about, 85% of the time. So, for instance, if you were to do a plot. Of historic volatility versus implied volatility. You would see that 85% of the time that the implied volatility is higher than the historic volatility.

[00:07:31] Now it's always kind of leading, right? And then as you get to the end of that expiration, they kind of converged. They must converge because they're both going to. So that change, that divergence is where we derive our drive our edge. Now there are sometimes when we don't have that overstated edge, but we still have the edge of selling premium being the group of people that generally are taking that risk of insuring other contracts, most people that are selling or buying premium or buying options are really betting that their price is going to come in within a certain period of time. And that's a lot of pressure because as they get deeper and deeper into that contract time is ticking away.

[00:08:22] They can't stop time. The value of their contract is decreasing at an ever-increasing rate. And so that creates a lot of fear in those people and they tend to get out, , before they have substantial loss. Occasionally, a very small percentage of long volatility traders, uh, will make money.

[00:08:44] But in general, they are kind of like the same group of people that a day trading stocks or Forex. And we know that by and large these day traders are because they have no edge are losers. There are studies showing that up to 98% of people that date trade are losers in the long run. 98%. It's incredible. Now this is a day trade.

[00:09:12] However, this is what we're doing. We're taking the opposite side of the trade of these losers. Think of it that way we're taking the opposite side of the trade of losers, you might think, well, why don't they do it? Because they don't understand it. Can't wrap their heads around it. Now, there are other things that we do that increase our probabilities dramatically.

[00:09:40] Right now. One of the things that I have in the title of this episode, I say, well, they're asymmetric risks. So, what does that mean? Well, that means that we put on strategies in such a way that our risks are very, very small compared to the potential profit so that even if we lose our losses are I'm going to say it it's, they're inconsequential.

[00:10:06] If we win, our wins are consequential. And for that reason, This strategy. I like to talk, I, I call it a growth strategy. It is not an income strategy because it's opportunistic. There's no doubt about it. And particularly when you have, when you're in periods of very low volatility, where that premium edge starts to whittle away a little bit.

[00:10:31] And, I guess the signal or the movement of assets a much more difficult to ascertain, you know, where to put it. Asymmetric strategy to best advantage, the Delta in the market. And that's because when volatility is very low, it's very difficult to discern the difference between noise and signal, we want signal like this and noise like this, but then what happens during low volatility times they become even, and then the signal gets obscured by.

[00:11:06] By the noise. So low volatility is a detractor to our strategy. However, because of the edges that we have, it's still not something that detours us from the strategy because we are still overall winners. Even in those low volatility times. Now I did a podcast just, uh, yesterday. Well, I released it yesterday, but I did it on Monday.

[00:11:30] About September, September is one is the worst month historically for markets, for traders, for fund managers, for algos, for hedge funds, everything, September is the worst by far. However, for this strategy, we will still be positive. Because of these edges that we have because of the asymmetric risks that we take combined with that overstatement of volatility.

[00:12:00] One of the things that goes along with a bad September is that volatility tends to increase a bit. It's opposite. Most traders are hoping that they have a fair amount of volatility. And then it goes to low volatility. September is always the opposite. It's going from low volatility to high volatility.

[00:12:20] And so that makes it very difficult for most traders. I don't know if that is the exact reason why, you know, most people have a difficult time in September, but generally I think that that's the reason. So September is very difficult. It's not difficult for us. It is difficult only in that our opportunities become.

[00:12:40] Um, but that doesn't detract from our, our growth strategy. What it really means is that we, we choose fewer trades to get into, and the ones that we do, we have a slightly lower win rate, but the ones that we win are still asymmetric wins. So, we lose small, fewer, small, but we win big on those ones that we.

[00:13:07] When we get into better times, like October is by and far, one of the best months of the year to trade during those times are our win rate will be much higher. And our asymmetric strategies will be even, uh, at a greater divergence. So, our win rate and our return on capital increase will increase dramatically.

[00:13:28] Or at least that is the theory. Although we've proven that out in previous months,

[00:13:33] That is what we do now. There are other things that we do to put the odds in our favor, and a lot of them are kind of our, our secret sauce, but they've not, not well-known. Perhaps the methodologies that we use are different from what most people use and that's unique to us, but that is, part of our IP, our intellectual property.

[00:14:00] But I'll tell you what it is. Part of it is being able to be somewhat right in the short term, on market direction. Now we don't have to be perfectly right. And sometimes we don't have to be right at all, but we must be a little bit, right. Most of the time, sometimes if we're really right then the asymmetry of our returns, explodes.

[00:14:26] We achieve what I call pinning the trade, and we can make as much as 1000 to 2000% on a single trade versus our risk. On average, when you combine all our trades, we average about 150 to 200% return on our risk, which is that's darn good.

[00:14:50] This tool or this method that I'm talking about that allows us to place our trades in an asymmetrical way that allows us to have at least a degree of accuracy, in determining price direction or Delta is a methodology, well there are two things that we do. One is we do what I call a catalytic analysis and that's analysis of all the things that tend to be catalysts to the market.

[00:15:18] The market moves because things happen. So, we make it a study of what things can happen to the market and then how they impact the market. And with those, we're able to least. More often than not tell the direction. And to some extent the magnitude of that direction that helps us then decide along with things like expected move.

[00:15:46] Although expected move is really based on, really optimized models of a normal distribution, which aren't true, but it helps us at least get us partway there along with expected move. How far away we can place a strategy. The further we can place it away, in terms of, the current price, the better we can get that asymmetry, the more exacting that we can be, or the more sured that we can be of our catalyst analysis, the further we can place it away.

[00:16:22] And if we're accurate, just a portion of the time, we don't even have to come close. We have to come close, but we don't have to actually. These strategies, these premium collection strategies and still be profitable, but every about 10 to 15% of the time we do. And we do what I call pinning the trade.

[00:16:40] And that's where I talked about making the thousand or 2000% return. Most of the time we only come partway and that's all that's necessary. And with that, we can do a hundred, 200, 400, 500% return.

[00:16:56] By being just almost right. We can, and through that asymmetry, that is another thing that gives us that edge. Now it's more than just the catalyst, right? The catalyst is just the thing that pushes us in that direction. The next part that we incorporate into those as volume profile and volume profile will give us a look at the market structure with the market struggle.

[00:17:26] We can also and given that we have a catalyst, and we know that price may or may not move across that structure, we have our own rules that will show what are the, what's the likelihood of price moving from one level to the next. And that again, that is our secret sauce and what you would learn if you became a member.

[00:17:52] And with that, we're able to accurately place those strategies based on market movement and where price is moving over that structure, that movement over the structure then implies certain behavior of the market. And these are things that I've talked about it in great detail in many other videos.

[00:18:15] So if you're interested, you know, just go to my YouTube and search volume profile and I talk about it all the time. That behavior is another part that we incorporate into that, and that gives us an additional edge. So here we have all these edges that stack up on top of one, another, at least three things that I bring together that I have found that I have edge in separately.

[00:18:42] But then when combined give this strategy tremendous. Or brings tremendous opportunity to those that practice it. Now, the hard part about this strategy is for some people that are coming into it that are steeped in the idea of risk management. And with this methodology, this strategy, the process that we go through, we soundly reject the idea of risk management.

[00:19:12] Risk management is inherent. In our strategy, if you're going to be going for what they call income producing strategies. Yes. You must practice risk management because virtually every trade that you put on is in peril of dumping and wiping out a good portion of your account. But in our strategy, every trade that we put on has virtually zero or very little effect on our account.

[00:19:36] Even if we lost, I dunno, 5, 6, 7, 10 in a row still, we can make one. And eclipse 10 losses. That's a huge advantage. And it gives you a psychological advantage and a confidence advantage, reducing anxiety to virtually nil, and allows you to concentrate and make good decisions on your trading. So that is why I think that the zero DTE strategy, the zero dash DTE strategy that we practice.

[00:20:11] And it's asymmetric risk or what I call the inversion of risk and the multi edged approach where we have all these edges stacked on one, another produce such great results. And as I was about to say, or started to say, the people that I find that are most difficult to say convert to the strategy are those that are steeped in this old way of trading this risk adverse way of trading, where they are.

[00:20:40] Into manage the, managing their risk. They tend to pick their trades, which is stupid, and they tend to overtrade on the, on those picks that they make and they're guessing, and their unwillingness to follow the strategy. As I just laid out makes it difficult for them to adopt it. In other words, they don't do the strategy.

[00:21:03] If you do the strategy, it's just fantastic. You know, you just follow along. It works. Now it's a skill strategy and it's a discretionary strategy. So that means that obviously you have the tenants of the strategy that puts you in a position to profit very nicely. However, like anything else that's worth doing, you need to continually improve on top of that.

[00:21:28] And I guess this would be the. Part of that edge thing that I'm talking about, but this is a little bit more, I don't want to say ambiguous, but not as clear cut because it really it's really a progressive process. It's an agile approach to doing the trading. It's a continuous improvement process that we overlay over the entire methodology.

[00:21:51] And so every week we perform what I call a retrospective and that's a group meeting where we talk about our trades, what we did, right. What we did wrong and what we could do to improve. And we try to take what we learn in there. And then re-inject it into our weekly plan on how we're going to approach the markets that continuous improvement process makes us better and better.

[00:22:17] And that doesn't mean that occasionally, you can't fall off the farm, it's just like anything else when you're trying to get better at something. But what it helps us do is build that muscle memory of good decision-making and then following and improving on the strategy that already has significant edge.

[00:22:36] So if you'd like to trade that way, go to 0-dte.com/try, give it a shot. I think that you'll. We have now here's another difference in our service than any others. This is not an alert service. If I, if it were just an alert service, you wouldn't learn anything. You wouldn't learn how to take the strategy and make it your own, how to improve upon it, how to become skilled at it because you would be a monkey just pushing buttons.

[00:23:11] What this is. Is a coaching and mentoring service. And that's one thing that completely separates us from every other service. When you join the service, you get my personal phone number. You also are entitled to one-on-one coaching and mentoring as well as group coaching and mentoring. That is a huge advantage.

[00:23:34] And, it's an edge that cannot be overstated.

[00:23:37] 0-dte.com/try. Give it a shot.

[00:23:43] I know that you'll love it. All right. Thank you very much for showing up. Really appreciate it.

[00:23:49] Peace.