

# 0-DTE Kaizen

[00:00:00] 3, 2 1 LIVE, All right? It looks like we're live. How are you doing friends Ernie here with the zero dash DTE podcast. And this is the companion podcast to the service also by the same name, zero dash DTE. And that stands for. The last day, zero being the last day of expiration for options on the S&P.

[00:00:33] So what does that mean? That means that that's what we do. We trade options more specifically; we sell premium on the very last day of exploration on the S&P. Now there are several ways you can do that. You can do that by trading options on the futures S&P futures like the. Probably one of the most popularly traded assets in the world, or you could also trade options on the SPX.

[00:01:04] However, the SPX has its issues. The biggest one being that it doesn't trade 24 hours a day, like the mini does. However, that's all going to change November 21st, when it will start trading then, and then the SPX will be squarely in our wheelhouse. You could also trade the spy, but the spy really doesn't have the same advantages as the other two it's.

[00:01:30] Okay. But in any event, we take advantage of the extra ordinary decay and premium on that very last day. And the remarkable thing is that it's one of the very few. Options contracts that have an expiration three times a week. I mean, you've heard of weekly options and those are cool. You have at least four opportunities a month, sometimes five to trade a weekly option that expires at the end of the week.

[00:02:04] But the SPX, as well as the NDX, which we are looking at someday in the future, also trading, but the SPX, the, E-mini, the options on there. The S&P has three contracts a week that expire on Monday, Wednesday, and Friday. Now there are several services that are out there that are also practicing a title.

[00:02:26] Strategy. I wouldn't say it's like ours. As a matter of fact, I would say it's kind of like the exact opposite of what we do. And the real differentiator there is that they trade within extreme anxiety with huge risks, seeking very, very small profit potential. What we do is trade with zero anxiety.

[00:02:53] With extreme, small risk and very large profit potential. And it sounds like a no brainer which way you want to go. And in fact, it is, and that's because, and because of that fact, many of the people that are trading in these

other services are flocking to our service in droves. They all come to me and they say are any know.

[00:03:15] You're a video connected with me when you were telling me about all that anxiety, those anxiety ridden days, which are very often, by the way, almost every day that they trade where they're biting their nails, hoping that they don't stop out. Because as soon as they get into the trade, almost immediately, they go into.

[00:03:31] Which is something that we don't fear. And even if we do, we don't fear it because our profit is huge potential, and our risk is very small. So, it's an easy ride. We can trade literally one 10th of the capital that they do and make as much or more profit. Now, which way would you rather trade? Would you rather trade anxiety?

[00:03:56] For the potential of making a very small amount of profit, always in fear that you're going to hit a max loss and wipe out the next 2, 3, 4 weeks or the last 2, 3, 4 weeks of profit. If you, if that's what you did or would you rather trade with zero anxiety, not a care in a world. If you lose, I'm not saying you shouldn't care that you lose, but the pressure is all off on you with the potential of making.

[00:04:23] A hundred, 200%, 500%, a thousand percent, no 1500% on your money now like today, currently, uh, let's see, we are up about, I would say most people have taken profits already in the service, um, anywhere from a hundred percent to 500%, but today has the potential for being one of those 700, 800, 900% days.

[00:04:50] I know it's crazy, isn't it? So, anyways, now that I've told you about the service and the difference between what we do and what everybody else is doing, if you want to try it out, go to zero dash D T E. That was very important that you put that dash in there because there is another service that doesn't have a dash and look, go try them out.

[00:05:13] Really? I seriously go try them out. You'll be back. Don't worry. It's zero dash dte.com not 0dte.com, but 0-dte.com/try. And I'll give you four weeks, a four-week trial and it will be like no other that you've ever seen. Now. Firstly, we are not necessarily an alert service. Although we do provide alerts, the alerts go out there as a demonstration of our strategy and process and methodology.

[00:05:49] What we really are is a group of traders that are learning the strategy, learning the methodologies, learning the practices, and the process that we go through to become better traders, to trade a strategy that is extremely strong. In my view is without a doubt. And I've been at this game for what, 40 years.

[00:06:15] I know that kind of age is being, it is the best strategy that I have seen bar none, except for something that is unattainable by most of us. And that is a pure arbitrage, market-makers and most of us aren't going to pursue a career as a market maker. You can, if you want, but that is a pure arbitrage with a guaranteed profit.

[00:06:32] You make money by trading the spread between markets and your profit is that spread. Plus, you get a commission for adding liquidity. So, there is a pure way of making profit in this world of trading of day trading. The other way is to sell. And that's what we do. And there are several ways that you can do it.

[00:06:54] You can do it the hard way, the stupid way, like what most people do, or you could do it the smart way, the easy way. Now I hesitate to call anything easy, everything takes practice. And that's exactly what this service is about. And that's what this episode is about. It's all about that continuous improvement loop that we practice the Kaizen.

[00:07:19] And you've probably heard that term before. Kaizen is a term of art that began a long time ago. It's been around for centuries, but it was made most popular right after World War II. When Edward Deming went over to Japan after the war to help the Japanese improve their economy. And they ran with that and applied those principles of Kaizen or good change or continuous improvement and created things like the Toyota manufacturing process and other processes like Kanban, which was another manufacturing process.

[00:07:57] And more recently, these days into software practices that are often referred to as agile, which are also now spilling over into management processes over the past decade and transforming the way we operate our company. We practice a version of that. I happen to be a process expert, I'm a scrum master.

[00:08:18] Scrum is another of those technologies that's built around that certified scrum master, been practicing agile methodologies for more than 25 years. We take that and put that into this process as well. And it's a continuous improvement process where you take everything that you do, and you break it down into small time boxed things.

[00:08:40] And of course, trading day trading in fact is the ultimate time boxed experiment. And we repeat what we do over and over again, and then perform a retrospective around that process and all the things that we do and evaluate it and then take the good things and feed them back in and the bad things we.

[00:09:01] Now it's a little more involved than just that obviously, but that is really what I'd say would differentiate us from just about any other service besides the fact that our underlying philosophy. And the technology and the methodologies that we use, which are largely based upon a lot of the work that has been done by Nassim Taleb and things like the black Swan and antifragile and fooled by randomness and skin in the game, those ideas that involve asymmetry.

[00:09:34] And then we combine that with Kaizen continuous improvement, where we're constantly improving. In fact, Service here is a weekly retrospective meeting that we hold on Saturdays where we go back and we review everything that's done for the week, what we did, right. What we did badly or poorly, and what could we do to improve.

[00:09:56] And we use that as sort of a feedback loop and put it back into the process so that we're constantly getting better. When you come here and take our service or you join us, become a member. You learn. How to become continuously improving. So not only do you get the best strategy you are led by a person, namely me who has been in this industry doing this sort of thing, not only for traders, but also providing this kind of service and advice and mentorship and coaching for industry leaders.

[00:10:34] I was literally the code. To executives of fortune five's fortune, fifties, fortune 100s. And I provided that kind of a mentality, that kind of process to help them make their businesses better. And employ new strategies that can make them a more robust or antifragile company. So that's what I bring to this table and what you would benefit from, by becoming part of our service.

[00:11:09] All right. Right now, we are in a tray. And by the way, there are several technologies that you're probably familiar with. And one that we're using, and that I wouldn't even call it a technology, but it is in fact, a volume profile is how we do our analysis. We don't another, here's another way that we differentiate ourselves.

[00:11:29] We don't use any traditional technical analysis. As a matter of fact, you will. Not just very rarely, you will never, you will never see someone using a moving average or a MACD or an RSI for fear that I will jump all over them

and tell them what an idiot they are for falling for that crap. It's completely unnecessary completely.

[00:11:56] And anybody that tells you the technical analysis is a viable thing in trading. Absolutely doesn't know what they're talking about, and I know that I'll get castigated for this, but, uh, I've been in this industry long enough to understand the full background of technical analysis and how it was developed through the brokers.

[00:12:17] As a matter of fact, I helped push these types of educational services and technologies for the brokers, into the industry at the Dawn of the. Yep. That's how long I've been around. I was, by the time the internet came around, I had already been in industry for almost 20 years. All right.

[00:12:37] So anyways, that's what we do. We practice Kaizen good change. And so that's another very important point that all change is good. It is. Change is in fact. The one constant. I know that sounds like an oxymoronic statement, but change is the universal constant. That is the one thing that we can count on all the time that nothing stays the same.

[00:13:07] Everything is impermanent. We are constantly in a flux. Changing situations. And so, the idea that you can have a strategy that is static, that you can apply, like all these other DTE people are doing is insane. That is in fact, the definition of insane doing the same thing over and over and expecting a different result.

[00:13:31] So change and embracing change and knowing how to embrace change by employing a process, a discipline around. Embracing that change and learning from it is really the only way to go and our strategy and everything is built around that kind of idea. We have a question from Guy or Guy.

[00:13:54] He says, what time of the day did you enter the trade? That's a very good question. And this trade, we entered it last night and we entered it. While we were asleep. What you say or any, what is this heresy? You say you traded while you were asleep. Yes, we did. After the analysis, it became clear what the high probability trade was, what the low-risk trade was.

[00:14:23] And that was a trade that we could enter sometime in the morning, the wee hours of the morning, but we weren't going to be awake for it. So, we entered, what's called the hanging. I limit order, let the market come down to us, pick it up and then enter the trade. And then the trade was designed to take advantage of all the things that we do in terms of premium collection and

coincident with the analysis that we had and where we thought price was going to go.

[00:14:52] And the trade itself, I think for most people was probably triggered around 2:00 AM, maybe 3:00 AM in the. So that's when we entered the trade, we executed our order probably around nine or 10 at night after doing the analysis. And that's not unusual, but there's a lot of times where we will enter trades at night for a zero DTE trade the next day, which again is another thing that is completely outside the scope of what any of the other zero DTE people are doing.

[00:15:26] They might call that. One DTE for one day before. And it really isn't because the IES session starts at 6:00 PM the previous day. So, we are maximizing our position and the amount of credit, the amount of premium that we can bring in to our trade by doing this. Now we don't. Take trades in the middle of the night while we're sleeping.

[00:15:51] Often we wait until there's an economic report in the morning. Now this morning, there were none before the market opened. We, you would have to have waited until 10, 10 30 in the morning to come up with one. So, we didn't want it to wait that you give up all that premium. So, we put it in, put a hanging order, let the market come down.

[00:16:09] Kind of like a buy the dip while we were asleep and then took that trade there. And there we're currently, some people are currently in the. Those people who had multiple positions, they get into that trade. They've probably already taken their profit and guaranteed themselves a gain for the day. And now they're letting the rest ride for something that we call a pinned trade.

[00:16:34] And that looks like what's going to happen today. It looks like we're going to have a pinned trade. And that's where you expire the tray. The trade expires very near the short strikes of. Of our strategy in this case, it being a, um, an unbalanced butterfly. And so there are actually three short contracts for each position that we have where we think that the price will expire somewhere near that maybe within five or 10% of that.

[00:17:06] Allowing us to achieve what very close to what the maximum that this trade will afford us. And, in this case, that is probably somewhere around \$700 or so with an initial cost. Well, maybe about 800 with an initial cost of about a hundred, \$125. Around there approximately. So, we're really talking about a one part risk to 7, 8, 9 parts reward, or anywhere from 600 to a thousand

percent return on our capital and all that time without very little risks that we put on.

[00:17:44] Actually most of us woke up in the morning where we were already in profit and well on our way. And so, an exit strategy where they take part of their position. Once they've achieved, say a hundred or 200% return taking that off the table, guaranteeing them a profit, no matter what happens, let the rest ride in something that we call a free ride for the potential.

[00:18:07] And that potential looks very high today of pending. We pinned trades probably about 15, 20% of the time during low volatility regimes like we're in right now. And when volatility is heightened. In other words, when the VIX is up in the mid to upper twenties, we can achieve pin tray. And this has been our experience almost 30% of the time or once a week on average.

[00:18:37] And that's crazy when you think about it that one day a week, that. In a trade that can return as much as 500, a thousand, 1500%. And then the rest of the time, we're going for those smaller wins. And we average around 150 to 200% return on our risk per trade. And again, those numbers probably sound crazy, but to us, they are normal where all the other traders that are trading options.

[00:19:07] Biting their nails and jumping at the bit to potentially make 30 or 40% on their risk. We wouldn't even consider a trade that was in that range. So that is again another difference between what we do and what everybody else is doing. All right. I got something in my eye, probably my arm.

[00:19:31] All right. So, there we are. I must get back to work here and tend to the members and manage our profits here, I guess that is leading into another thing that we do differently. And that we've learned through this continuous improvement process, because we are dealing with this asymmetry very small.

[00:19:51] Risk to very large reward. We're not managing our risk, which seems to be like a fundamental that you hear about all the time in options trading or any kind of trading that you must manage your risk in order to be successful yet 90, 95%, maybe even as high as 98% of day traders are not successful managing their risk.

[00:20:10] Why is that? Why are they told to do something? What I like to say is they're managing their losses. They're trying to figure out how much they're going to lose. Why do they keep on doing that? Expecting a different result?

What we do is we manage our profits and as I said, that's what I need to get to here.

[00:20:30] Start managing our profits. Wouldn't you lay off. To instead of biting your nails, managing how much you're potentially going to lose are likely going to lose or sitting back, waking up, being in a trade and conversing with your friends, watching that and figuring out how you're going to extract the most profit that you're likely to make that.

[00:20:54] Big difference. These are all rhetorical questions, obviously. Of course, you'd rather trade this way. And again, if you would like to, you can try it out. We have a four-week trial go to [zero-dte.com/try](https://zero-dte.com/try) and where you can practice Kaizen with us. All right.

Oh, by the way, did you know that Kaizen it's a Japanese word, there are two routes to it, Kai, and then Zen. And a lot of you may be familiar with the word Zen as to me mean good or abundant or calm, all these sorts of very positive terms, but Kai means change. So, the literal translation of it is good change and what some people have substituted in an alternative.

[00:21:46] Translation for that is continuous improvement, which is also good change. You take change and you figure out how to make it better through a agile process. All right. That's it got to go? I want to thank you very much for showing up here. Really appreciate it. Please take the time to go down and smash that like button.

[00:22:09] I can't tell you how much that means to me, if you do that. And we'll see you on Friday. We have this podcast every Monday, Wednesday, and Friday, take care, except that I can never remember or find where I put that off button. I'm going to move all the windows out of the way. There it is in stream.

[00:22:32] Peace to you all,