

How to Trade a Difficult Market

[00:00:00] All right, today today's podcast. First, this is Ernie. How are you doing friends? And it is. Wednesday, October 13th. It's near the end of the day for the market. It's about 3:38 right now. Today was a Fed. And unfed days, everybody's on the edge of their seat because they are wondering, well, what's going to happen.

[00:00:26] Is the Fed going to change their direction? Are they going to taper? They not going to taper. Do we have to analyze their minutes for every little punctuation mark and try to figure out what in the world they're doing in the coming month. Is November going to be the big month where they start their tapering or reduction in the QE which every institutional trader at least on, on the street is deathly afraid of.

[00:00:55] It is more like they're just so hooked on the free money that they can't just imagine the Fed would do that. And then retail traders were trying to figure out what the hell's going on. You know, if the market kind of go up or is it down, that's all we really care about.

[00:01:12] It's usually the case where we don't want to be beholden to news because news is a loss leader news. Generally, is giving you after the fact information it's already been processed and figured in or calculated into or disk, as they say, discounted in the market. Now. Here at the zero, DTE don't necessarily follow news.

[00:01:49] We're looking more for specific things that tend to move the market like economic reports, I guess you could say in a way that that's news, but real news would be the people that take those economic reports, then analyze them and then give, then spit out what they, what their analysis is of them.

[00:02:05] I guess we are like those analysts. What I'm getting at here is that, over the past visitor, over the past month or so, let's turn that off over the past month or so the market has been in this kind of fun. Which is very normal for this time of the year, September and the beginning of October are bad for traders, for algos, for institutional traders, for mutual funds, all of them, in general, from a seasonal point of view, it's one of the worst times of the year.

[00:02:46] And if you go back 50 years, it's like that. This September is proving out that it's no different than any other year.

[00:02:53] Now, the problem that we're faced with is we're hoping for movement in the market. We want action without action. It's very difficult to achieve your goals without price action. I mean, in other words, the market trends one way or trends the other and for the past several weeks, it really hasn't been doing that for the past few months.

[00:03:21] I guess one could say that we've come off this incredible long trend. Literally years long. And we've been going straight up for months and months and months. And then suddenly fall comes around and we take this tiny little hook and we're in that hook right now. And a lot of people wondering is this the start of a new trend.

[00:03:48] Now we've been in that little hook now for about four weeks. There's a lot to digest. Are we coming down? Is the market coming down? Is it starting a new downward trend after we've been going up for seems like forever? For some people, they might even say that we've been going up for their entire career because the market started going up really in 2009.

[00:04:18] And there's arguments to be made, that it took a little bit of a hiatus in 2015. And then of course, in the pandemic in March of 2020, we had the pandemic, which was a kind of a blip, but it was a severe blip. We went down and then we came back up. But other than that, the market has gone straight up.

[00:04:39] And since that pandemic, oh my God. it has just been a straight line. And now suddenly, we're at a point where we're wondering, is that all going to continue? Are we going to continue that straight line? Or is this that inflection point? Is this that point that we must answer to? And in that time, in that transition, it's, you know what it's like, it's, it's like a.

[00:05:08] If you've ever played basketball, there's a particular foul in basketball. It's called goaltending and goaltending is defined as this. If you SWAT away the ball, that's going towards the goal on its way down or after it's finished its peak arch. And if you touch the ball at any point on its way down, that's considered goaltending, and they will essentially call a foul and award the points to the shooter.

[00:05:43] Now that point, that apex just when everything is turning, right, it's kind of an undefined moment. Well, I mean, if, if you did it in slow motion, but from a referee's point of view, they're running up and down the court and they are looking at this and they're trying to figure out is the ball has the ball reached its peak.

[00:06:02] And is it starting to head down? That's like where we're at in the market. It's a market without any discernible direction. Is it going down? Is. Going to be swatted away. Is it going to hit the rim what's happening? That's what this market feels like. Now you could look really close in and say, well, we've gone beyond what all the other dips look like or any, and this is a new trend, but is it, is it a new trend?

[00:06:40] Are we coming down how come volatility hasn't really perked up. It started to perk up and then it just gurgled and then flitted away. And now it's starting to come down again. So, an argument can be made perhaps we're not in a downtrend, maybe this is that apex move where it's deciding.

[00:07:01] How do you trade times like that? How do you trade a market without direction?

[00:07:06] So you really have a few choices, you can choose to pick a direction. In other words, you're at that undefinable moment where you're either going up or going down and you could say, I've chosen. I'm going to choose one direction and stick with it. And if I'm wrong, I'll take my licks and then I'll come back another day or you take the other side and you say, I'm going to go with the old direction.

[00:07:36] And it spins strong. And it's worked for me for a long time. And I'm going to go with that. That might work for you.

[00:07:44] Or you could say that I don't know, I am not Carnac the Magnificent, I cannot predict where this market's going. And so, I'm not going to do anything. I'm going to sit on the sidelines and watch and learn. And sometimes that is probably the best thing to do of all, if you're uncertain of something,

[00:08:06] Sit on the sideline, take a hiatus watch for a little while.

[00:08:11] People that are profit driven that are competitive, they want to be in that game and keep it going. What is this taking a break or any, you can't just sit back and not do anything. All right. So, there's that kind of pressure to keep on performing, but you must ask yourself, what are we in this game for?

[00:08:35] We're in this game to make money we're in this game to grow our capital, to have some sort of long-term success.

[00:08:44] And so you must assess the odds. What are the odds? You have these three different choices. You can go with the old trend, and you might be wrong.

You can go with this new trend, and you might be wrong, or you can decide to sit it out and wait and see what happens. And in that case, you really can't be wrong.

[00:09:06] There is no wrong there. It's just indecisive. You could be castigated or ridiculed for not taking a stand. And then I guess in that case, you'll feel the same, or a similar punishment that you would feel if you were in fact wrong. But your account won't have changed. It won't have gone down or gone up.

[00:09:34] And so you wouldn't have suffered from that point of view.

[00:09:37] So then you got to weigh these things, taking one direction, being right, and being a hero, taking another direction and being wrong and being a goat, taking that middle direction and really know how.

[00:09:52] So two of the choices, the winter direction and the no harm direction of both relatively good ones, benign. One's great. The other is just lose. So, you weigh it like that. I think you must choose the benign choice. Just not doing anything now we didn't not do anything today. There are probably half measures here, generally we're trying to look for asymmetric opportunities, but sometimes the market doesn't want to give them to you.

[00:10:33] So you still. Work with the strategy that you have and put on these asymmetric opportunities, even though the market isn't behaving the way it would normally do in that kind of situation. And what you need to do then is instead of letting things play out, like you normally would you take profits more quickly.

[00:10:55] And so then the question might be, then why are you trading this way? Is today going to be like yesterday and is tomorrow going to be like today? So, we only have three opportunities each week to trade this way.

[00:11:09] We don't know if the market's going to go up or go down. And so you second, guess all of your choices, you second, guess your strategy, you second, guess what you're doing from a day to day?

[00:11:24] You want to continue performing because you want the people that are following you to feel like they have confidence in what you're doing.

[00:11:31] And does non-action instill confidence, does non-action instill confidence or does non-action or a no position? Is that a show of strength, a strength of decision-making or character or whatever?

[00:11:50] Do you choose right or wrong left or right up or down, or do you just hang out? Is that wiser?

[00:12:00] These are tough questions. And I know that this podcast is very different from any other episode that I've done so far. In that, every other episode has been about a very specific, tangible thing that there's a philosophy and a reason and something that you do, but there are, there is that time where you must question what you're doing, and it's not so much questioning what you're doing, because the strategy that we have is a great strategy.

[00:12:32] It works. It works in just about every market out there, but there are times there are times whether it's this strategy or just about any kind of endeavor where things just don't gel. They don't work. There's no direction. There's froth, there's no footing.

[00:12:55] And I think at those times, It's Best to just step back, do nothing, let it pass and take. I think that in fact, take some strength and that kind of decision-making

[00:13:11] so I think that's where we're at.

[00:13:13] I think that's where we're at. We're at that apex. Are we going to go up down? Where is this market going? And when it comes down to it, our whole focus here is to grow our accounts. If we make a bad choice, can we recover? Of course, we can recover. We're taking these small risks for that very purpose.

[00:13:37] But I think there's also a time when you recognize that there's just nothing there, right? There's just nothing there. So do you play the game when there's nothing there

[00:13:48] and that's where we're at really believe that is where we are. Let's see five minutes left in this market. So, the market doesn't even know where it wants to go. It was interesting, the federal reserve had one of their meetings, their FLMC meetings, and they released their minutes today.

[00:14:07] And everybody's waiting for that two o'clock timeframe when they released those minutes. And you're expecting something big to happen, some big movement in the market and the minutes got released and. Shut up then shut down, but not a lot, just like 10 points up, 10 points down then went up and down and then it settled right back where it was again.

[00:14:31] And that's incredibly frustrating because if it were going in one direction or the other, you could say, okay, now we can live with this, whether it's good or bad, we can say, okay, it's going this way. We can plan on something. We can intercept that mood. But when it goes up and down and then just Peters out, not much you can do.

[00:14:51] And that's where we're at.

[00:14:53] I know this is a strange episode, very different from any of my other episodes and probably the last of its kind. But I think it's important. There are always those times when you're playing that middle game, when things are right at that apex, you don't know if it's right or wrong, or this is the way I should go.

[00:15:18] Now it's one of those times, so I believe that you just step aside and do nothing. That's it? That's it for this, that's it for this episode. All right. I want to thank you very much.

[00:15:34] If you'd like to try out our service, one of the most effective trading strategies that I've ever seen that I've ever come across. You can try it out for four weeks by going to 0-dte.com/try.

[00:15:50] There you go. Thank you very much ...peace. We'll see you Friday.

[00:15:57] Okay. Where's that button off button. I'm always missing that off.

[00:16:02] Ah, there we go.