Saturday Meetup Oct 2

[00:00:00]

[00:00:00] now, remember, I'm going to be going over the basics, what this whole thing is about. And that's really what this meeting is about, what every Saturday meeting is about. And that is touching on the basics. Sometimes we talk about a specific topic other times. Retrospect go all the way back in time and talk about exactly why we're here.

[00:00:24] And that's one of these times there is a new wave of new people coming into the service, starting the trial. Right now, we have, I believe almost 70 people in the trial. And as time goes on, that's going to increase. There's going to be a point where we're going to have up to a hundred people in the trial and not everybody, not everybody decides to join the service full time, but they may spend four weeks here and get a good education.

[00:01:00] Some of them, it's not for them. I get it.

[00:01:03] And I'd say about 60% of the people, maybe 70. Depends. I don't know. 60, 70% of the people. Well, let's say anywhere from 50 to 70% of the people who sign up for the trial end up becoming members, which is if you're into internet related businesses is an extraordinarily high percentage of conversions.

[00:01:28] Just so you know, I expect that number of people that are coming in for the trial and the number of people that become members to be increasing steadily, and maybe even increasing faster, I've been making use of a Google ad words or Google ads actually. And I spend, a very small amount of money for the ad.

[00:01:51] Not anywhere close to what other people are spending for their internet businesses, but I've just recently this morning increased it by 50%. So I'm expecting 50% more people coming in for the trial. If that all works that way. I think it does.

[00:02:10] Chris wants to know how the hell did you know that the price action was going to jump over an entire volume node to get to the next one on Friday.

[00:02:19] Hey Chris, how many times have I done that?

[00:02:22] I know that you you've been with the service for a little while, but let's see where you at here from the beginning. I can't remember, but how many times have I done that?

[00:02:32] Yeah, several. How many times have I missed.

[00:02:36] There's a better question. The times that, , we just, you know, it, it just moved way beyond what we thought it was going to move and we just didn't capture it.

[00:02:45] You probably thinking, man, I can't think of one. Maybe there was one.

[00:02:51] Sometimes we fell short, however, I'm always expecting, and this is part of the strategy, by the [00:03:00] way. I'm never fully expecting to hit that long shot. What I'm really going for is the short game. And because there that's where the greater probability.

[00:03:15] sometimes it just doesn't make it and doesn't do what we expect. And it's been tough. I'll tell you, in this past September has been very diff difficult because of the lower volatility. September was really the first month that we've actually passed on trade trading days and not even offered up a trade at all.

[00:03:35] And within the same week also had a loss. And prior to that, losses were almost unheard of. I think we went for almost two or three months with, all those trades and maybe just two losses or something ridiculously small like that. And then September came along and now we, then we had three past trades and three or four [00:04:00] losses.

[00:04:01] But on the other hand, we also have. A majority of wins. So we had more wins and some of the wins were multitudes bigger than the losses. So I guess that kind of makes up for it. So even though September was a tough month, it was still a winning month. Now, not everybody wins, not everybody follows the prescribed methodology and the recommendation.

[00:04:25] As a matter of fact, there's lots of people that don't follow it at all. And they have their own ideas on, on what to do. And, I'd say that's fine, except that if you want to really continue with this service and you want to do that, then you're going to have to be completely on your own.

[00:04:44] I don't want to hear anything that you have to say. And if you do over time, I'll probably just ask you to leave.

[00:04:50] That might sound arrogant.

[00:04:52] And I don't give a fuck if you think it sounds arrogant. So Dan wants to know, how did you estimate [00:05:00] pricing for Friday's butterfly? Two 50 seemed very low when the trade was posted. Uh, okay. So why don't we just get into that for, well, let's first, before I answer that question, let's start at the basics of what the service is all about.

[00:05:18] First of all, the service is not an alert service. It is an educational service where we're here to learn not only a strategy, but an entire process and a whole set of methodologies that are all put together into a trading system. So my goal here is to teach people how to become. Traders with the primary focus on a strategy instead of methodologies and a process, a continuing improvement process or continuous improvement process.

[00:05:58] I can't emphasize [00:06:00] enough how, and in fact, this meeting here is part of that continuous improvement process. This is what we call, the ceremony called the retrospective. This is where we take some time to review or take a retrospect on the week's trades, what we did, right. What we did wrong, what we can do to improve, and then talk about anything else that we can do to make ourselves better.

[00:06:29] Today's topic is really to review the fundamental. So that, that is the ultimate purpose of this is to teach you that, that this is an agile process. If you've ever been into software development or business, uh, business processes, then you may understand what agile is, but essentially it is a time-boxed methodology or process where we break down the individual parts of that process into small chunks.

[00:06:57] In our case, that's really easy to do because those small [00:07:00] chunks are the trading days, and we practice a specific step-by-step methodology. Sometimes we don't get a chance to do all four steps. It's a four-step methodology, sometimes it's three. And then I delineate those as either alerted trades or suggested trades, but they're all still the same thing.

[00:07:21] They're the. Nuts nuggets. There are three nuggets every week. And at the end of that week, we do the retrospective and then we just do it all over again. The next week, each day is like a microcosm of the whole week because after the end of the day, we review what we've done and do a minor retrospective.

[00:07:43] So it's all fractal each day, we do something to go through the loop and then Monday the loop, Wednesday, the loop Friday, the loop, and then the whole week, the loop. Hopefully that makes sense to you all. That is the [00:08:00] primary process.

[00:08:02] Now within that process the retrospective is the only real ceremony that I publicized. There are other things that you can be doing to, to incorporate into that. You could come up with some way. Reviewing or, doing some statistical analysis of what you're personally doing.

[00:08:22] I'm not going to do any statistical analysis for the group because everyone's different and everyone has different goals, different risk tolerances and capacity for risk and different sides of counts and different levels of experience. And to try to come up here and say, this is the way you do it.

[00:08:41] 100% would be a fool's game and it wouldn't be beneficial to you. So what I'm teaching is the overall process, the primary strategy, which has four steps and those four steps is, and while there's also a philosophy behind this too. So let me [00:09:00] just say that the whole reason why I come up with the process, that strategy that four step strategy is because of the... I guess you could say it's the hypothesis behind the whole thing. So, each little thing is a test of that hypothesis. And the hypothesis is that we have an edge, and we have an edge because generally selling premium, there ha there is an edge there's a known edge. And part of that edge is due to the fact that premium, and volatility is overstated.

[00:09:34] The majority of the time. Also, there are multiple ways that you can win as a seller of premium, right? You can win where the price goes against you. A little bit stays the same or goes up or down wherever a direction it happens to be going. So, there is inherent edge in being the seller of, of options there and the particular [00:10:00] event that we choose to trade.

[00:10:02] The Zara DTE is the point in time in the end of that options contract where premium is decaying at its at its fastest. And so that is paramount to our hypothesis. I'm sorry, I'm doing something here.

[00:10:20] there we go. I have multiple screens here that I'm working with.

[00:10:25] Hopefully everybody can hear me.

[00:10:27] So, that's one of our edges. The other edge is the analysis that we do in terms of market structure. And I've shown that with market structure and volume profile, that you can discern the expected behavior of price action as it moves across the structure. And then the other part of that is coming up with at least some sort of bias or idea how price is going to move in that short period of time that we're going to trade.

[00:10:58] Is it going to move up or [00:11:00] down or stay the same and with what kind of veracity, what kind of power behind it or energy? Now, a lot of people say, well, that's just a fool's game. Just play the odds. I'll tell you right now, that's Jew. That is stupid because the odds that are built into your platform are hardly ever right.

[00:11:21] And to ignore what is right in front of your face, it's like, , the weatherman is giving you odds for what the rain is, but I don't need the weathermen cause I can look right outside the window and tell you whether or not it's raining or not. So why do I need the odds to tell me that I can see prices moving up and it's moving up fast when the odds of saying, well, the odds are that it's going to just sort of hang out where it's going to hang out, but it's moving up.

[00:11:46] So should I go by the odds, or should I go by what I see?

[00:11:49] It's a rhetorical question.

[00:11:52] So what I'm really making a case for here is that a discretionary approach, I believe with this particular [00:12:00] strategy is far more effective than an automated or systematic approach that I see everybody else using. And they're all failing miserably, yet we are not failing miserably.

[00:12:11] And as a matter of fact, in the toughest month in the toughest conditions, we still show profit or ways to profit. Some people need to get on board a little bit with the strategy and get more skilled at what they're doing, et cetera. So you've got this process or, overall process. We have the strategy that is in there.

[00:12:34] That's four steps. Figure out the directional bias. Do the market structure come up with a or model. A premium collection device using those steps one and two, and then manage your profits. Those are our four steps. Every trade is the same thing. Sometimes we don't have the benefit of a clear directional [00:13:00] bias.

[00:13:00] And so we have to use something else. And that was very, that was indicative of Friday's traits. So now I'm going to get to Dan's question, right?

And so now Chris is asking seriously, though, how did you determine that the sell-off would have that big of a retrace? So you remember, and this has to do with perspective, right?

[00:13:22] Most people, when they're trading, they get so deep into the weeds that they can't see the perspective, , there's a cliche that says you can't see the forest for being in the woods. Is that what it is being in the trees you're in the trees. You can't see the four.

[00:13:39] So, what I do is I never allow that to happen. I can, I always step back and then step in, step back, step in, step back, step in. There's a fundamental thing, right? It's fundamental thing to doing analysis is getting a full picture of what you're looking at. So every day when I'm doing my analysis, you'll notice that I update the market structure graph, right, but I'm not doing it.

[00:14:09] And I may show you in one timeframe or one amount of time that we're looking at only so that it there's some continuity in what we're looking at. And it seems to look at, but occasionally, I'll show you all the different timeframes. And some of you haven't been here long enough to see that where I'll show showing, six months of time down to two or one month of time down to two or three days' worth of time.

[00:14:31] And then how the volume profile. Uh, changes with that amount of time showing, see, the thing is sometimes when you're showing six, six months of time, you can't see all the different volume Wells and volume nodes. And so when you're looking at it with only say two or three days' worth of time, and you're saying, well, how does he know that it's going to bounce off of there without the benefit of seeing, what's there, there's nothing [00:15:00] there, but there is, if you put in enough of the time and you see the full picture of the market structure, and if you recall going back a ways I had, uh, come up with this additional hypothesis of buying the dip, which it really isn't my hypothesis.

[00:15:18] Everybody buys the dip, I'm coming up with, a methodology to do that, and the methodology basically is that when we pull back and we pull back to a volume. And we know that volume Wells tend to either allow price to move through them very quickly, or they get rejected somewhere at the lowest point of the well, if we move back to a volume, well , and we get that classic V shape that comes down and it comes back up, which has done a million times before then it's going to move up quickly to the next potentially the next major node, not the minor node, but the major node, when you're in real close, all the nodes look [00:16:00] like major nodes.

[00:16:00] But what you're seeing really from a step back point of view is more like noise. And so I'll show you what I'm talking about.

[00:16:11] So several weeks back, uh, before we had this first initial dip here, we started to move down. I said, look, there's a potential. And this was when we were way up here.

[00:16:24] I drew these two D1 and D2 lines when we were way up here. I think it was on, you know, mid-September or so. I said, look, if we come down and do a dip, like we've done many times before, there's going to be a point where we're going to come down and we're going to hit that point. And then we're going to give a V bottom.

[00:16:47] And I drew two lines. I drew this D one and D two, and they were coincident with low points in the volume, this big volume. Which looks like it has a bunch of stalactites and stalagmites in it, you know, [00:17:00] or I don't know, which is the bottom is a stalactite the bottom or a stalagmite I don't know. But in any case, they were put there with respect to the lowest points of volume.

[00:17:12] So the first low point was D1and the second was D2. And so, when we came down, we took a trade on D1, it came down and hit it and bounce back up. Right. And I was fully expecting to keep on going up, but then it, for whatever reasons, decided to turn around and on Friday, it turned around even some more.

[00:17:31] And I said, look, I think that it's going to go down some more. And I didn't say it at the time, but D2 was already there. My hypothesis that it was probably going to stop somewhere around D2, but I didn't know when it was going to do that or if it was going to do that. So Thursday evening. I said that, hey, let's just take a shot at this.

[00:17:54] Let's hang in order. And so I hung an order that, essentially would have triggered [00:18:00] when we got around D2 and that's exactly what happened. And then the idea with then was that it would come back up to the mix next major node, which happened to be T0. And that's exactly what happened. Now. That's a huge move.

[00:18:17] Now, if we were focused in, on say a 30-minute chart, or even a 15 minute chart,

[00:18:26] let's see five minutes, let's go to five minutes.

[00:18:28] This is what we see. Right? How did I know that it was going to come up to, 43 seconds? In this chart when we're down here, when it looks clearly like we should be going to 43, 20, 43, 10 or whatever. Right. Because I knew that on moves like this, that bounce off of huge volume nodes that we have, usually an equal amount of energy coming up.

[00:18:57] You can't see that here, [00:19:00] but you can see it here.

[00:19:03] So Chris does that. And Dan, does that make sense to you?

[00:19:07] Does that answer your question?

[00:19:09] It's because I don't live my life in the trees what is, remember that movie? What is it called? A. Was it loopers or, I forgot what it was. The guys that go in and out of time, I go in and out of time I am constantly looking. Oh, but why $2.50? Well, first of all, 2.50 w when we were at that point, if you put on that butterfly, it was giving us a price of about three, no $4 in something.

[00:19:45] And, but that was at that current price. And we weren't down to D2 yet. We were way up here above D1. And I thought that, well, we're not going to be awake overnight. And if it goes down to D2, it's not going to be [00:20:00] a price of $4 in something it's going to be something much less. So I picked $2.50, estimating that $2.50 would have brought us right down to about D two.

[00:20:09] And it actually ended up going a little bit beyond two 50. I think some people actually got a price of a $1.50 or a $1.25 at some point. So it went even a little bit beyond what I thought, but I thought $2.50 was, would have been a great price for that because it gave us a nice what, one to eight or one to six or one to eight.

[00:20:30] You can more than that, almost a one to 10 risk to reward. And that's what I wanted, even though it wasn't showing at that time. But I knew there was a strong possibility that we were going to keep on moving down and touch that D two and we wouldn't be there to catch it. So I said, Hey, let's just hang in order and see if we catch it.

[00:20:50] And then lo and behold, that's exactly what.

[00:20:52] All right. So Dan, does that make sense? Why I chose $2.50

[00:20:57] you know? [00:21:00] Sure. Was it like chance or a guess? I call it a swag. Right? What does a SAWG that stands for a scientific wild ass guess?

And it's not just a guess. It's a, it's an informed guess and it's built on experience and also doing this jumping out of time and in time analysis. And saying, it's probably going to go down to D two, which is the next lowest point in the, in this big volume.

[00:21:33] Well, and then it's probably going to get, it's either going to get rejected or it's going to come all the way down to this note. And I didn't think that it was going to come down to this node yet. It may still, and if it comes down to that node, then it's going to stick. It's not going to come back up and we may still do that.

[00:21:53] I don't know. I'm hoping that we go back up because we have a long, we still have our long on [00:22:00] from the first time it came down and touch . Alright. So there was an analysis of, that particular trade and also the process that we go through and employing these principles of volume profile and, , market bias where we think it's going to go.

[00:22:23] Is the overall, is the overall trends still up? There's a good question. I think it is. I think the overall trend is still up, particularly since it, it bounced off of here. But I think that if we came down to this other node down here, it wouldn't be up anymore. I think that is like the line of demarcation.

[00:22:44] If we came down to this node and then bounced down below it and got into this wealth as big, well down here, we are definitely not going up anytime soon. Maybe eventually we will, but not in any time soon. Probably not knock Tobar maybe in November. But [00:23:00] seeing that we came down here to D two and bounced back up, I think for now, at least the market has a better chance of retracing and going back up and going for new all-time highs.

[00:23:11] And then hopefully our little, dip trade that we took a few weeks ago will work out by midnight. Will it, I don't know, but we didn't take much of a risk, so it's not a big deal if it doesn't. So that's the other, one of the other principles that we use in all the trades that we take. We only take asymmetric trades, trades that have super low risk and super high by comparison, potential profit.

[00:23:38] And that, the reason for that is that it is hearkening back to a set of principles. And I haven't told everybody this, or haven't you, maybe you haven't been here long enough to hear it, but you'll probably know that I have a set of principles that are built on an entire philosophy. That is really the brainchild of a very famous,[00:24:00] academic mathematician and philosopher by the name of Nassim Taleb.

[00:24:05] He's written several seminal books on the nature of volatility and randomly. And other topics that are directly applicable to trading. In fact, this they're meant to be applicable to trading. However, they don't really talk about trading directly. They are in the form of allegories that are proving out, through these allegories or demonstrating through these allegories, these principles.

[00:24:34] And so I tell everybody that if you really want a great understanding of how markets work, then read these books, this four books they paint. And they're, , the reason why I like them so much, besides the fact that I find so much truth in them is that they are things that I have found out through my career independently as well.

[00:24:56] And then I find this one person that's able to,[00:25:00] literate these ideas into a cohesive philosophy or set of philosophy. So the first is, well, two of them that I think that have to do with asymmetry are skin in the game and black Swan, the black Swan. You've probably heard of that. So, those two books let's see, I have to let somebody in here.

[00:25:29] Those two books are really important because they are all on this concept of asymmetry. The other two books that are incredibly important are antifragile systems that gain from disorder. And that goes to the whole concept behind a convexity and the edge that you get with, decaying pre-me premium, and then fooled by randomness is the fourth book.

[00:25:58] So black. [00:26:00] Skin in the game, antifragile systems that gained from dis order and fooled by randomness those four books, you must read them. You must, if you really want to get a full understanding of what the hell we're doing here.

[00:26:17] All right, let's go back to the big head.

[00:26:20] Everything that I do here are based in one way or another, these, this set of philosophies, convexity and asymmetry, everything. And then the process stuff, continuous improvement, um, Kanban, Kaizen or something. Also another philosophy known as good change is the process that we're all practice. There, there is an incredible amount of depth to everything that we're doing here.

[00:26:54] This is not just some random philosophy or a strategy that I whipped together and said, hey, let's try [00:27:00] this. I think it works. No, this is the work of 30 years of study and experience that I've put together end an aggregation of some of the best minds ever to trade that I've put together that I think makes sense.

[00:27:17] And also taking advantage of really the only two things that professional traders actually make money at in the markets, which are completely ignored by most retail traders. And that is arbitrage and selling premium. That's how pros make money period. End of story. That's what. High-frequency trading and market makers are all about arbitrage.

[00:27:45] Everybody else is selling premium. At least the pros. Sure. There are some pros that are doing some price action stuff and claim that they're doing technical analysis, but they represent, you know, less than 1% [00:28:00] of the pros that are out there yet. Those things are the things that retail traders, I guess can understand, because I don't know why, because they've been brainwashed into thinking that that is, uh, the way that you actually make money in these markets.

[00:28:18] And I do know why to cause that this is another thing that I bring to the table that a lot of you don't know about me, many of you do because I've repeated it so often that when the brokers, the major brokers of the world, the biggest. All right. I'm talking about the Fidelity's the child's Schwab's that the TD Waterhouse and all those, which were all my clients came to bring their brokerages online.

[00:28:47] I was the guy, literally the guy that helped them actually implement their ideas and put them on online, did it for Charles Schwab, did it for fidelity, did it [00:29:00] for Sun Microsystems, where I was chief architect, directing all of this work and implementing the systems of wall street, all the major investment houses and the exchanges.

[00:29:14] Right? So I'm bringing with me a boatload of experience and knowledge of the conspiracy that brokers have against the retailers, which still goes on to this day where their primary goal is to get. To create transactions, period. End of story. Technical analysis and all the education that goes around that has nothing to do with trying to make you a better trader.

[00:29:44] It has everything to do with getting you to create transactions.

[00:29:49] All right. So we take advantage of that. We don't do that. We understand that. So we just use the systems [00:30:00] that, that work, the thing, same thing that the professionals do and we ignore what all the retail traders do. Now. The hard part of this service is when people new people come in is to try to, figure out where they are.

[00:30:20] In terms of that knowledge base, , most people that come into the service are steeped in their retail trader mentality. They are completely brainwashed into thinking that they know how you have to do it, that you have to have the right psychology and you have to have the right, risk management and all this other bullshit to become successful yet.

[00:30:41] It's so elusive to them that they can never really become successful. They made for a little bit, then they'd go back a little bit, go back. It's like this never-ending cycle all by design, by the way, by these bigger powers that be, I know that this sounds crazy maybe to some of you, but that's [00:31:00] the way this world works, that there are people with way more money than you could ever possibly imagine that have been controlling you right from the very beginning and getting you to do the…

[00:31:11] To create transactions so that they can collect their commissions and become Uber wealthy.

[00:31:16] All right. So there's, that is the basis behind everything that we do and understanding of what the market is, how it works, what works, what are the right philosophies, to latch onto that word? And then developing a continuous improvement process, which is another thing that's unrelated to the market that I brought in.

[00:31:41] That's my contribution to all of this. I didn't develop continuous improvement or Kaizen or Kanban or any of these other agile methodologies, but I happened to be a student of it and an expert in it. And in fact, even back in the 90s and 2000s brought it to Sun Microsystems [00:32:00] and they developed their whole worldwide development process around these things that I brought to there.

[00:32:07] And these are the fundamental things that virtually every software development organization, Ian now, management organizations, and now implementing agile processes that came from originally way back after WWII. When we crushed the Japanese and sent over some of our, our best manufacturing people to help them rebuild.

[00:32:31] We taught them this idea of continuous improvement and Toyota latched onto that and developed it into the Toyota manufacturing process and became the most successful car company in the world. And then eventually that found its way into other manufacturing, uh, and then finally into software development.

[00:32:52] And, it's a science that's been, or a study that's been around for a long time. Let me just say that. [00:33:00] And so I brought that into and combined it with all these other elements to make this service. So that's what we do. So maybe just understanding that and understanding that this isn't just a bunch of things that I throw at you.

[00:33:13] And I say we're really doing a continuous improvement process. And then for you to just sort of like fluff that off and say, oh yeah, yeah, whatever, any, you're not doing yourself any favors. You should become a student of all these fundamental things you should read about continuous improvement and understand it.

[00:33:35] You should read the books that Nassim Taleb has written about how markets actually work.

[00:33:44] I don't know what that is.

[00:33:47] There we go. Turn that off, Chris says, just so everyone knows the actual chronological order of those books is fooled by randomness black Swan, antifragile and skin in the game. And that is true. [00:34:00] However, you'll find that, he wrote skin in the game as a clarification of blacks.

[00:34:08] So the order isn't that important? The important part is that they, it's kind of a unified theory of everything that has to do with the way markets work and the way systems work. All right. So that's what this service is. This service is me as a. And let me just give you another little bit of information about why I say that this is not an alert service.

[00:34:34] This is really an educational service where I help you by keeping you accountable as a coach and mentor. Right. And that is because that's another part that I bring to this, that I've been an executive coach to C-level folk and other people in industry for the better part of 25 years. And I'm really good at it.

[00:34:59] People used to [00:35:00] pay well, when I was with Sun they used to pay upwards of, I don't know, 500 to a thousand dollars an hour for me to go in and coach the C level, the C suite folk of fortune fives. These are people that

[00:35:15] are making more money than God, yet they would hire me to go in there and pay me to yell at them. Well, not yell at them. I like to use that word yell because it has some shock value, but to keep them accountable to what they're doing and to help guide them to realize this is the right way to go down their technology path.

[00:35:36] That's what I did for a living. So I'm bringing that in here as well. And if I yell at you, it's not because I'm some asshole, I could be an asshole. I mean there's no discounting that, but I'm yelling at you. To try to keep you accountable to what we're doing and keep you focused on what we're doing.

[00:35:59] [00:36:00] And then for that, I charge a pittance of a price on a system that absolutely kills any other strategy that is out there. If you would just allow yourself to, develop some sort of mind-meld with it and try to divorce yourself from the things that have poisoned your mind all of these years.

[00:36:22] Now, I want to tell you that I didn't come to this realization, , dozens of years ago. It's only been just recently within the last five, 10 years that I've really developed this idea and it took the total. And the mentorship of a couple of very prominent mentors on my part before I fully understood what I had already experienced and practiced for decades, because I too was, , a big winner and loser on, on the, in the markets, a phenomenal loser in some cases more than you could possibly imagine, but also [00:37:00] a winner.

[00:37:01] Fortunately, I'm about even at least on that scale, on the smallest scale, now that I'm using my own money, I'm becoming, , what I think is, a very big winner. So, I've, I have the scars and I am using that experience to help.

[00:37:20] So, I guess one of the running jokes here is when someone comes into the discord and then starts trying to, educate us with Ballinger bans or some other technical analysis, bullshit. And then people just love it when I come back and lambaste them that they should never mention those things here again,

[00:37:42] that is because, like I said, it is a false prophecy. It is, it is a false science. It's not even a science, it's a pseudoscience.

[00:37:52] All right. And volume profile by the way, is something that's been used forever in different forms. It's been, and it's [00:38:00] continue to this day being used by the pros. This is what they use. Order flow volume profile. You go back to Jesse Livermore, he was using a form of order flow and volume profile back then.

[00:38:16] And they've been using it ever since. So what I've done is I've done a huge study on it and I've come up with a way to simplify it down to some basic rules on how to use it and what is really important. And we bring it all together.

[00:38:33] You glad that I'm not a villain and working for the wall Streeters anymore. I don't know if I was ever a villain. It would have been an unwitting villain because they were paying me gobs of money to do the, their bidding. , I saw what they were doing the sausage , being made behind the scenes.

[00:38:49] And I swallowed it because like I said, made a crap load of money and great experience. So there's that [00:39:00] now that I'm completely on my own, I can do whatever the hell I want. All right. So I'm getting back to this past month. So now that we've finished up a month I told everybody in August that September expect September to be a really bad month.

[00:39:18] And if you were here before then, you know that I, I said this and I said, why? I said this, that there was no definitive reason why September was a bad month, but if you went back and looked at 50 years of data on the market, September is clearly the worst month in terms of performance, not just for the markets, but for.

[00:39:37] Systems, whether they're algo systems or financial houses or fund managers, traders September is by, by and far the worst month on average. And for what we do it is, it was, it's definitely the most difficult month and it proved out to be. But now we're [00:40:00] coming into one of the better parts of the year, October, November, December in January.

[00:40:06] Excellent, excellent months historically doesn't mean that they have to be for us, but I'm just saying historically, based on whatever the market dynamics are, those four months are going to be fantastic. And if they are even close to what August or July is, which aren't necessarily some of the better months, but they're better than September, then they're going to be unbelievably good.

[00:40:31] So I'm really looking forward.

[00:40:33] Now you don't have to understand why. And in fact, most people don't really understand why September is bad. Everyone has their own theories. I have theories too, but they're worth as much as everybody else's, which is nothing. All you really need to really understand is that it's a fact, and now that we stepped into October, we very first trade into October and it's a huge winner. I'm not saying that that's proof that October is better than September. I'm just saying that at [00:41:00] least where we're going, we're riding that curve, that historical curve. And so we'll see what happens as we go further into the month.

[00:41:08] Now this past week Super low volatility, really tough markets because there wasn't any real catalyst in either of our trades on Monday and Wednesday, but we were still able to employ some of , the convexity principles, the idea of selling premium and getting within range of that premium collection device, to be able to at least collect some high probability profit.

[00:41:37] And this is one thing that a lot of people that are trading butterflies and I, I in Condors have no conception of, if you show them where I place these butterflies, they're completely dumbfounded how you can make money from it, because all they focused on , is the shape of the profit lines at expiration, which don't mean shit.

[00:41:58] And why people look at Bose as if [00:42:00] that is what you should be looking at for the butterflies it's beyond me when that's not the reality until the very, very last minute of that particular strategy. Before that the profit curve looks completely different. It looks like this very flattened dome in our case when we use butterflies.

[00:42:19] So the P and L line, when we first put it on is, is very flat, broad dome. Now, sometimes it's a little flatter and broader than other times. Other times it's a little bit more elevated like this, and then eventually over time it grows as time goes on until it fills up the butterfly, right. It's profitability prior to expiration extends well beyond the breakeven lines of the butterfly

[00:42:50] sometimes way. The higher, the volatility is the higher or the broader and flatter that curve [00:43:00] becomes. And particularly if we think that we've, , hit a peak in volatility and then we expect it to kind of go the other way, which is something that happens on a buy the dip kind of thing. So on the buy, the dip thing, price drops, volatility rises the P and L line of the butterfly flattens because it all rise.

[00:43:21] The whole structure rises. It gives you a better risk to reward. And then when it hits the bottom, it goes the other way. And now volatility drops, and the opposite happens. The P and L line and the ad expiration structure comes down and the PNL line relative goes up and we collect profit.

[00:43:45] I don't know if that is making sense to you. But that's why buying volatility or selling volatility high and then letting it then decay as [00:44:00] volatility comes up and accelerates is what puts us into favor. That is the ideal situation. That is why after we get a big spike in volatility, our best trades are the ones as volatility is dropping.

[00:44:14] Right. It goes, we're like this right then is the best time to take the trade. As it comes down, we get out of a trade and then it usually does a little nother spike and we take a trade. It comes down now. Yeah. And then it finally settles out and gets way below to a point where the volatility is so low we lose the signal inside the noise.

[00:44:42] Okay. So that's what we're going for. We're going for anytime. There's a spike in volatility. Ideally, sometimes there isn't. So, we have to improvise, but ideally it would be best when price drops and then comes back up.

[00:44:58] Hopefully that makes [00:45:00] sense. And all of that can be explained, , from a mathematical point of view, if you study Nassim Taleb, he'll tell you, , what the actual formulas are behind all of that. He won't tell you on the books that I mentioned. There's virtually no academic math, mathematics in those books.

[00:45:17] There's a little bit, but very little, he puts everything in layman's terms. So it's easy to just.

[00:45:22] Okay. Here's a comment. So buy the dip trades are especially good for zero DTE trades and not so much trades that are more or less, akin to going short the market. Exactly. Yeah. Buy the dip is like the perfect trade. Yeah. Buy the dip is almost the perfect trade. And particularly if you can get a really good price by hanging in order, like we did, that was, I don't know.

[00:45:49] It was fun.

[00:45:50] It seems like magic almost when it happens. And I suggest, hey, let's hang in order. We'll put it. Wait. We'll expect. We'll try to catch it way down here. Yeah. But already that's like [00:46:00] $2 away. How are we going to get down there? How can you, where sometimes we put on butterflies and we're trying to fight for five or 10 cents and I'm putting a trade that's $2 a week.

[00:46:10] So now, you know why I did it.

[00:46:12] Let's see.

[00:46:13] Are there any more questions? So again, the whole purpose of this is to try to give you that, that overall what we're doing, why we're doing it, why it works, the process that we're going through. And here's one more thing that I want to say before we go any further. And in fact, we'll probably end up right here.

[00:46:36] I did, my last podcast Friday on what is the best way to grow an account compounding or linear position sizing or.

[00:46:48] Oh, what was the point I was going to make? It was a good, really, really good one. Oh, here it is. And in that podcast, I talked about the difference between process and setting goals.[00:47:00] And I know that, , most of you have all been taught. That setting goals is the right way to go. And I'm going to tell you, watch that podcast.

[00:47:11] Why goal setting is the absolute worst way you can go, it's limiting, and it puts you on the losing side immediately. it is just like putting on an iron condor, using the other way of zero DTE. And putting on a butterfly and inversion of risk for the same reason setting goals is the wrong way. Developing your process in getting skilled at the process.

[00:47:44] And the continuous improvement is the right way.

[00:47:47] You will become a better trader, more consistent trader, and you will have far more potential to go higher than you would. [00:48:00] If you are focused on your goals. The only goal that you should be focused on is getting better at the process and each individual aspect of the process. And then that is why you need somebody to keep you accountable.

[00:48:15] And that's why this service exists in the form that it exists. To help you through that. There's another, there's a great book, that I could, refer you to that explains this very well. And it's a book that you probably wouldn't think of reading for trading, but I think that it is an exemplary book for that this very purpose, and it was written by a cartoonist named Scott Adams.

[00:48:42] And, I believe the book that has this idea in it is how to fail at almost anything and still win bigly. I can recommend that book highly, almost as highly as any of the Nassim Taleb books. I think that is a Seminole book in, the right thing. There's also [00:49:00] another book that he writes that is more a set of allegories that he put together, called loser.

[00:49:06] I think those two books are fantastic books on this whole idea of the difference between developing your process versus setting goals.

[00:49:19] All right, so now you have homework.

[00:49:21] It is Scott Adams. He's the author or the creator of the comic strip called Dilbert. You are probably familiar with that. And he's probably one of the most famous comic strip authors in the world. So, Scott Adams has, he has several books, but those two books, how to fail at most anything and win bigly and loser.

[00:49:43] Frank, those two books, fantastic books, and then the four books by Nassim Taleb. So I'm not mentioning these for my. So that you can just get, the cliff note versions of these books are mentioning them because if you really want to become a [00:50:00] skilled trader, then you need to embrace the philosophies that are in these books.

[00:50:08] Dan is asking, I know your services, zero DTE, but is there a specific detriment to practicing live on Tuesday and or Thursday? And the biggest reason is that you need a break. You need a way to reset and then evaluate what you're doing. If you're continually going from day to day to day. Then you never get a chance to look back and then do that reset.

[00:50:32] And so it's almost a gift that they have these things three days a week, I think so that there's always some time in between. We are natural cyclical beings, and it helps us clear our minds and then reset and then focus on the next day. It's all about focusing on the thing and being present on the trade that you're doing.

[00:50:54] If you're going from day to day to day, you never get that chance to reset.

[00:50:58] So that's why I don't like the [00:51:00] I, and that's why when we get, , this end of month thing that comes on a Thursday and people say, oh, we got another zero DTE day today. This week, it's like a bonus earning. I said, no, it's actually exactly the opposite.

[00:51:12] all right. So been here for an hour. I think that I've said enough, it's a lot to chew, but that's what I would recommend is that you start in on these books. I would start with the Nassim Taleb book, black Swan, because you know that in skin in the game will start really giving you this asymmetry part, I think.

[00:51:36] And then of course, antifragile and fooled by randomness. It doesn't matter what order both of them you need to do. And then from a process point of view, the Scott Adams books I would even go so far as to say that there are some books like the Toyota way is another great book. If you really want to get deep into it.

[00:51:56] I can't imagine why you wouldn't want to get deep into it. See, [00:52:00] that's the thing. Most people just want, like I said, the cliff note versions of the strategy, just show me, just lead me by the hand and tell me what to do. And then that's good enough for me or any. I don't really have to know the underpinnings of all this stuff.

[00:52:14] I don't really have to live it. Just make me into a monkey that can push the right button.

[00:52:20] I don't want that.

[00:52:22] All right, I'm done any more questions?

[00:52:28] Alright, great.

[00:52:30] Just give it a couple of seconds here. And if there aren't any. Then we will call it a day and I hope everybody has a great rest of the weekend. I'm going to start my analysis again on, tomorrow night for a Monday, and we'll go from there. And as you know, there's a possibility of taking a trade between nine 30 and 10 30 the night before.

[00:52:52] The next possibility is usually after economic reports are out at eight 30 in the morning and before the market opens at [00:53:00] nine 30 and then the next opportunity, although more rare is to take one late morning or early afternoon around noon time. And that's it. All right. Thank you very much.

[00:53:16] Take care.