Ain't Over Until It's Over

[00:00:00] How you doing friends? Ernie here. This is episode number. Number? What number is it? This is episode number 54. Today we're going to talk about something that maybe a little bit cryptic to some people. When I say that there are zombie markets and ain't over till it's over. A lot of the members are probably wondering what in the world are you talking about or any, what do you mean by it ain't over till it's over and what does that have to do with the things that we were asking you about today?

[00:00:34] All right. I'll try to explain now, one of the problems with trading and really one of the problems with life, and it's not necessarily a problem, it's just, that's the way it is. We like to think that we know or can predict what is going to happen. And if we could predict what was going to happen, then we could set up all our lives in our schedules and everything else to meet some perfect obligation or result or return or whatever it happens to be.

[00:01:08] But we don't know. And in fact, with all the different things that we do during the day and all the, all the other possible interjections or things that would come into play outside of your control, trying to predict what will happen by the end of the day is not so easy. Now you can put yourself into a relatively.

[00:01:40] Low risk situation. And then the probabilistic outcomes are a little bit more attainable or predictable. If you put yourself into a volatile situation, then of course, then the outcomes are a less predictable or probabilistic mean. That only makes sense. Now what about those situations with. It appears that there's no volatility.

[00:02:08] How do you predict that you can't? In fact, it's not just volatility, it's the unknown or the situation that is unknown. And today is a very good point. In fact, for this conversation.

[00:02:27] Now, you might think that a zombie might be predictable because they go after brains, and they want to bite you or scratch you or whatever. However, they infect you with the and they won't stop unless you blast them in the brain. But they are still unpredictable because they. There's nothing behind there.

[00:02:51] They there, I know where I'm talking about zombies. Like they're real. There's nothing there. There's just this visceral reaction to almost like a fruit fly or a mosquito or a tick, it doesn't know what its next victim is going to be. It just hangs its feet up there and hope something warm comes by that it can latch on.

[00:03:14] So today was kind of like that the market has been like that now. So far, the market has been in hindsight, predictable. You look at it and you say, man, it just goes up every day. Why don't I just go along? I'll go along every day. And that's probably the best thing to do because now you have.

[00:03:37] What appears to be a low volatility situation. Volatility is dropping down to practically graveyard levels to keep the whole zombie vibe going there. And it goes up every day. It, sometimes it jumps. Sometimes it crawls, sometimes it meanders, but it's still going up.

[00:03:56] The reasons why it goes. That might be a little bit more contextual and unpredictable, or maybe requires a little bit more knowledge of the situation. So, for instance, today we have a very important report that came out called the economic situation, or I'm sorry, the employment situation report on Wednesday.

[00:04:21] We had an extremely important thing coming. And that was the FOMC minutes, the fed minutes to their meeting, that they had the PA the previous couple of days. Now the fed half of what they are judged on is employment. The other half is on a stable and growing economy with low interest rates. That's those are the two primary edicts.

[00:04:47] And so half of their report card was coming out today. Now. Released their minutes. And the whole market is waiting to hear what they have to say. And they said something that was a little bit different, but expected a little bit different, but expected. So, they met the expectations of the market in the market and love them for it and rose, it just kept on rising.

[00:05:14] And what I mean by that?

[00:05:16] Everyone's worried about tapering and keeping the whole money thing going with the fed their injection of QE. Most people believe, I think now that this injection of QE is a canard, it's not real. It isn't necessarily the. To our problems, but the fed seems to think it is. And they think that is one of their great tools.

[00:05:40] When in fact one of their great tools is. The words that they use the threat or the promise or the setting expectations is what the fed does. The market pays very strict attention to what the fed says and then goes on that so that they can also set their expectations. That's what it really is all about.

[00:06:02] Setting the expectation. What is going to happen in the future. If I have a clear idea of what I can expect in the future, then I can take care of what I need to take care of today.

[00:06:14] And a lot of traders, they miss that point from an analysis point of view. Anyways, they don't know what to expect. But if they do know what to expect, then it's a lot easier to take care of business in trading that is particularly a problem because you really don't know what's going to happen in a day.

[00:06:36] The day might start off where it's a runaway like this morning, it's the economic or economic report. The employment situation report came out and the market loved it and it went up, but only to a certain. It like shuts straight up and then just stopped, just stopped and hung in one spot in about a two-point range for several hours.

[00:07:03] And then as the day wore on suddenly, it just decided that it was going to test the waters a little bit and kind of drift, and then it just dropped. Now, if that were the expectation at the beginning of the day, and if you knew that was going to happen, then you might do something like put a trade on that would take advantage of the rise.

[00:07:25] And then one that took advantage of the fall. Now just so happens that we did exactly that, but it wasn't for that reason, it was more because we had no idea what was going to happen, and the market rose and stopped. And we thought, is it going to rise more? We don't know.

[00:07:41] So we book-ended the trade and put trades on both ends, not knowing which way it was going to go and put them on in such a way that the risk was extremely low, because we didn't know. We didn't know if the market was just going to hang out right there. As a matter of fact, I had commented that I bet you that the market is just going to hang out right there.

[00:08:00] So, but it didn't, it may end up right there, right in the. And not affect either of those, but what it did was it just hung out there and then it fell. And so now the trade that we put down below starts coming into play.

[00:08:18] All right, cool. You make some money there, tie it up, wrap it up, call it a day. But now the market starts going up again. And the beginning of this market, we thought it was just going to go up and hang, or just keep on going up. And now it's doing a double reverse on us. The point is that you never know what's going to happen.

[00:08:46] You never know. You might know or have an idea of what the expected. Move is, or the expected volatility or the amount of range that the market might exhibit in that day, all based on what it did the previous 2, 3, 5, 10 days, but it's not a predictor of what will happen. So, if you're in a trade and you don't know what's going to happen, but you've said.

[00:09:18] It in such a way that you could profit regardless of what happens. If say a couple of the different scenarios that you've conjured up, come to pass pro perhaps not in the order that you thought they would,

[00:09:33] then you're put into a situation where you start profiting. Do you hang onto that? Do you exit the trade and grab that? Or do you think that, okay, I was wrong. It looks like it's now coming down and it's going to meet me here. Should I hang on to it and try to grab all the profit? Or should I just grab what I can then get out?

[00:09:57] Because there is multiple possible outcomes and it's already proven that from the time we entered the day, the start of that day, that the market proved that it. Do multiple things. When we thought, it was going to do nothing and then do multiple things in a different order that we thought it could do, then it did.

[00:10:23] The point is that expectations are important. But putting down an expectation when you're trading and using that to try to gauge when you're going to get in or out of a trade, probably isn't the best idea. There are times when volatility is such that we can have. Nice smooth, strong moves, and it's a little bit more predictable and you can place things and make good money, have fair, a fair level of confidence that something's going to move into your range, and you can set up a strategy that would take advantage of that.

[00:11:03] But on days like today, where the volatility is extremely low and then decides to perk up without any real reasons. For perking up. And what I'm saying is that the Vicks, I had noted that, hey, the fix is curling up here yet. The market's not moving. Is that foretelling something? Now I don't know if it is or not.

[00:11:28] Well, it turns out that it was, and then the market started to drop. So for whatever reason, the market decided that it was going to elevate its position. And the VIX is really a. A calculated thing, calculated index that's based on the number of puts and calls and the market. And so obviously something was happening in the market where that there was a shift in the market, in the ratio of puts in calls.

[00:11:57] And that's why the Vic started to turn up, although the market wasn't even moving at the time. But these positions were obviously doing something. That's why the. And so, it was forecasting. What it was going to do now is that always the most predictive thing out there, can you look at the VIX and say, hey, it's doing that.

[00:12:21] So it's then now it's going to do that. No, because it doesn't always forecast. It's usually reactive. In other words, the market goes this way, the VIX goes the other way, but this time. And in cases like that, you may be wondering, when do I get out? I've made some profit on something that I wasn't expecting to make profit on.

[00:12:45] Should I hold on and see if I can make all the profit and be aware, it'd be a big winner or just take what I have and end it right here. Then it will be over, and I will have certainty. I will have the. Booked. And in my pocket

[00:13:02] now I could accept the eventuality that well price could have gone. I kept on going down and I could have held on right. That could have been one of the possible outcomes or it could have just turned around and that would have been the limit. And if I didn't do anything, I would be out of any profit and PR perhaps into a loss situation.

[00:13:23] When you don't have clear expectations when the market is unknowable and it's giving you a gift, the best advice is to take it. Just take it right. Don't question it. Just take it. Did you miss all that you could have gotten, perhaps did you avoid going back and experiencing a max loss, perhaps all that you really know is what you have then and there, and] based on what you've experienced for that day, if it was so unpredictable and now, you're in profit, is that the time to get out?

[00:14:08] I would say, yeah, probably. Now. What kind of strategy is that?

[00:14:14] It's one that it's one that alleviate some level of suffering, right? That suffering of unknown outcomes can wear on you. And when you start making too many decisions and trying to overthink things, it's usually better to just take what you have and be happy.

[00:14:37] Somebody's calling me. Oh, let's see. Chewbacca is asking aren't zombies. A social construct, not real. Oh, come on. Zombies are real!

[00:14:50] For the context of this conversation, let's just assume that zombies are real. All right. So that's one of the reasons why I titled this, zombie markets ain't over till it's over because you don't ever really know what's going to happen in the. There is sometimes when markets are more predictable, even when they have higher volatility, because they're predictable because you're expecting much larger moves.

[00:15:17] And so you can put things in the wake of that move that gives you an opportunity, right? And when you received that opportunity, that it happens, but in cases where the volatility is so low, that you have no idea and then it ends. Waking up and then moving towards one of your ideas and you've made profit.

[00:15:40] I would take that profit quickly. Right? So those are two different situations. One where the outcome is apparently unknowable and another, where the outcome is a little bit more knowable, and you can take chances. Periods where you have nice clean moves, nice clean signals, a little bit more clarity on what's happening.

[00:16:06] When I see trending market and it looks like it's going to keep on going, you don't know where it's going to stop, but you can put something in its place and then hope that you're going to maximize that return. And then there are those where you have no idea, like today we had no idea what was going on.

[00:16:26] No idea what was going to happen at all. And then it gave us a gift.

[00:16:32] Now the gift was wonderful.

[00:16:35] Do we take the gift or do we ask for more. I guess that depends on your personal situation, your personal risk tolerance and capacity and tolerance for risk and all that. But if you're granted a gift that you didn't expect, I would take it and then end the game right there. End it. Be happy with what you've.

[00:16:58] The end game is really what we're all after too. We're after that level of certainty and finality where we can say, look, I was expecting the probability of winning or losing this time I lost, I accepted things were clear. I put my money on the line. I executed correctly. It didn't work out. On the other hand, this time I did the same thing and it worked out and I got what I thought I should get within the bounds of what I thought.

[00:17:31] Then there are those times, like today that for all intents and purposes, probably we shouldn't have made a trade at all, that are just completely unknowable where we're at all-time highs overnight. We made an all-time high this morning. We made an all-time high later in the afternoon, we made another all-time high.

[00:17:51] All time high seemed to be the thing, but then we're in the back of our mind. We're saying to ourselves, this can't go on it you just can’t keep on going up without coming back. What goes up must come down. That's you know, that's, what's going through everybody's mind or when is that going to be? So, you're always tentative.

[00:18:14] And then finally it goes up and just stop. And this is something you've never experienced before.

[00:18:20] And now you're left with the quandary. What do I do? And then it just stays there. Do you act, do you not act, do you get out? Is there anything to fear?

[00:18:31] And then finally it does something gives you a gift. You take. Just take it. Don't argue with yourself. Don't think of what could or couldn't be. You'd had no expectations in the first place, and it worked out

[00:18:49] coming to that. Finality is, is so important for us. Fear of where that final moment may end up. Is the thing that causes traders to freeze to go on tilt because they never know or are not satisfied with what they got or what they could have gotten.

[00:19:11] So it infects their decision-making when in fact the best course of action is just to take what you have, be happy, live to fight another.

[00:19:22] All right. We have some more comments from our friends in the peanut gallery.

[00:19:29] Sorry, I can't repeat that one. I think there is a saying for that don't look a gift horse in the mouth. Yeah. I was using the.

[00:19:39] That is true. And that is also another Greek saying, believe it or not. And I believe that, some of what, I'm, what I'm referring to a Yogi Berra saying, which are also, sayings that are taken from a Greek philosopher named Solon. This whole idea of you cannot make a judgment on something until it's.

[00:20:03] And that's the Yogi Berra thing. It ain't over until it's over or it's not over until the fat lady sings. I don't think Yogi Berra said the fat lady thing. This is my intro to volume profile. I guess my question is, will this SPX stay in a VP? Well,

[00:20:19] oh, okay. So now we're asking, to be predictive of this unpredictable market. We entered a well and usually in volume profile parlance, that means that when we enter a well, we either zip through it or get rejected out of that. There are some rare cases where we go to the middle of the deepest part of the. And instead of being rejected immediately, the market seems to find value there and decides that it's going to consolidate.

[00:20:48] So that's another third possibility, but it is the lesser of the two. So that could happen. So just keep that in mind. And particularly when you're gapping up every day and you're creating these big spans of minimal volume being laid down as tracks along the way, creating these. Deficits of volume between prices.

[00:21:14] The market is constantly searching for value. It's out on this hunt, the big whales that are out there pushing the market up, trying to push it up to an area where they may find value. And if it sticks, then it starts consolidating their. If the market is generally unsatisfied with that, it might move further up or move back down to where it was before going through that.

[00:21:37] Again, going fast, it found that there was a little value there in the first place. So, the chances are, it will move down through that volume less area quickly, but it might not. It might find that it's such a large span that it gets halfway through and decides, hey, this is halfway between where we were and where we.

[00:21:57] But this halfway is probably good enough, so it will consolidate there. So, I want to throw that out as you know, maybe the third, but lesser of the two, lesser of the three, I should say behaviors that price has when it's traversing a market structure in a volume profile.

[00:22:18] And of course we'll know the answer here in about 37 minutes. Yeah. That's about true. That's about what it is. 37 it's actually, it's a, yes, it is 3 27 and that goes to my point too, it ain't over until it's over. You really won't know the outcome until it's over and over for us is at 4:00 PM or over is when you decide to get out of the.

[00:22:41] Because once you're out of the trade, you don't care where the market goes. You're out. Your participation is final.

[00:22:48] How would the zero DTE methodology stand up against another 2008 crash scenario? Oh, fantastic. During a scenario like that, volatility is heightened. Our directionality is a. It it's well known. If you're coming down and the cool part about coming down is that volatility is going up and premiums are elevated.

[00:23:14] And so our primary strategy and the way we get or derive the most of our edge is through the selling of inflated premium. The other thing is that because we're in the market for such a short amount of time and because we risk so little. We will both benefit and from the elevated premium of a general crash that's happening and the directionality and the shortened time in the market.

[00:23:45] I would say that those, all those things have it going on. A market crash. And, we have shown this in other mini crashes that have happened in the past. When we have strong moves down, they have sometimes produced our greatest profits. So, I would say that the zero dash DTE strategy is particularly strong in a declining market.

[00:24:08] It's more difficult when the market's going straight up, I will have to admit, but it is much more predictive when it's going. The biggest predictor or the most opportune time for zero DTE is a move down, followed by a move up in the case of say a pullback in a larger trend. That is probably the ideal scenario, but a falling market is.

[00:24:32] Let's see, I liked the strategy. I never traded this way before. I think we're just in uncharted waters. There's no doubt about it. I think. Everybody's in an uncharted water, so there are two things with us when you're at all-time highs there, there is no volume that has been laid down or very little, and there's none above you to be able to make any kind of analysis from a volume metric or a volume profile point of.

[00:24:57] There are no technical analysis methods that will tell you where a market might go. You say I can use the expected move but expected move. Doesn't tell you how far something's going to go. It's just a statistical measure using, normal distribution, giving an idea based on what's happened in the past 24 hours or 36 hours or whatever it is, whatever period that you're trading in.

[00:25:22] So we really don't know.

[00:25:24] If you think that you're going to continue to go up, then why not just play the market that way? Just, open a long options contract and be done with it. Open a leap. If you think it's going to continue for a long time.

[00:25:39] All right. I want to thank everybody for the questions there. We're just about done here. So just remember it's not over till it's over and over means one of two things, either you're out of the market or the market has closed. Those are the two possibilities. So, you're in control of that take profits.

[00:26:06] When you're, when there is a situation where it is unknowable. And you're handed a gift. You take the profits where you're in a situation where you feel you have a level of control, and it has provided you what you think. Don't try to get more, just take the profits. The sooner you get out, the greater, the level of your certainty will be and finality of what you're doing and then you can move on.

[00:26:37] So those are the lessons for today. I want to thank everybody for showing up and, it's Friday. Hope everybody has a great weekend. Peace to you. And we'll see you on Monday 0-dte.com. Don't forget if you want to try out the service, go to 0-dte.com/try. All right. Take care guys, gals.

[00:27:04] Where's that button wrong track pad. There it is way up there.