

To Kill a Butterfly

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[00:00:04] okay. Let's bring in the mic. How you doing Mike? All right. Are you doing friends? Is there any, and this is the zero dash DTE podcast. Zero days to expiration. This is episode number 53 and today. We are going to talk about how to make money by killing butterflies. No. Is that what we're talking about? Wait a minute.

[00:00:32] Is that what we talking about? Oh, no, we don't actually kill butterflies here, but what we do. We take the conventional wisdom, the conventional way, or the normal way that you would trade a strategy and we flip it on its head and in a way, it's killing all conventional notions of how one would trade a butterfly.

[00:00:58] And why don't we trade butterflies in the first place? For two reasons. One is that it is delta positive and Vega negative. What the hell does that mean? Or any delta positive, beta negative. Let me put it in another way. It's a strategy that allows us to collect premium. Why do we correct collect premium?

[00:01:21] We collect premium because we're trading the last day of expiration of options on the S and P. Now we're drilling down here and tilling giving you all the nitty gritty detail about why we kill butterflies. We trade the last day of expiration on the options on the S and P because that is the most opportune time to collect premium with a butterfly strategy, which is designed to collect premium.

[00:01:48] That's what delta positive means. That means that as time goes on, if you just hang out somewhere near the strategy that benefits you, what does Vega negative mean? That means that if volatility is decreasing it's going negative. That also benefits you, but Vega negative is like a helper. It's not a requirement because there is something else that we have in our, quiver, our satchel, our tool chest, our armory.

[00:02:24] And that is time. Time, time is the. Indelible it is the unimpeachable. It is the one thing that does not change time. You can't stop it. You cannot stop the last hour or the last day, last hour, the last minute, the last second from coming and you cannot stop therefore premium from degrading the. Why is that important?

[00:02:57] Because when you use a strategy, like the butterfly, you are collecting that premium that's because you have short strikes in there. Now short options, they collect premium, you get the premium as a seller of options. And so we like the butterfly because it concentrates that selling of premium on one.

[00:03:22] And that has a whole bunch of other benefits that benefit us, or allow us to create very, forgiving, very creative strategies that make it easy for us to collect asymmetric returns or put on strategies where the risk is extremely small, but the potential payout is very, very large in a very short amount of time.

[00:03:50] So it's like we have Thor's hammer to crush the butterfly. We lay the butterfly out on a board. It can't go anywhere. We take Thor's hammer. And that's kind of like what, trading butterflies on the zero day to expiration of options on the S and P, it gives you that kind of power. Now, do you always.

[00:04:16] Make money when you do this, the answer is no. We put ourselves into a position where we can create or generate the potential for making a lot of money relative to our risk as a very important part relative to our risk. So, we're creating an asymmetric trade, an asymmetric trade, where we have very small.

[00:04:43] And very large potential profit. The strategy itself, the butterfly allows us to create a very, very wide range of potential places where we can make profit. And we do it in an unconventional way. Most people look at the butterfly as a market neutral device, a market neutral strategy. Very similar to the iron condor, another market neutral feta, positive Vega, negative strategy where you set it up, you set it up.

[00:05:21] So that you're w exactly halfway in between, you're the wings of the strategy. So, you're smack dab in the middle. And the reason why you're smack dab in the middle is because that is where you're going to benefit most from this faded decay, this premium decay. The problem is the market. Doesn't give a damn that you're placing your trade there. It's not going to hang out there, waiting for the day to end so that it can give you its maximum profit.

[00:05:57] Very rarely does that happen very rarely. So, what some people do is they take the butterfly, and they obscure it. They take its wings, and they start stretching it like this and they turn it into a. So, yes, a butterfly metamorphosis is into a condor, an iron condor, and they make the wings, they pull them way, way out so that it increases their probability of profit, but that does two things that obvious skates or changes what we're after.

[00:06:31] And that's that asymmetric risk reward. What it does is it reduces the reward and increases the risk. By taking an iron butterfly or an iron, I'm sorry. I, in condor, it could be an iron butterfly too. And stretching the wings out to give you a better chance at profiting, you reduce the amount of profit that you can make, and you increase the amount of risk that you're going to take on.

[00:07:01] That is the way that is the conventional wisdom. And this is where, what I'm talking about, where I say that we're killing that conventional wisdom saying that is, I don't want to use these words. Words are so important in your meaning and what you want to get across. You don't want to call the other people that are doing that, idiots, but that's what they are.

[00:07:25] They're idiots because they live in a safe place or what they perceive as a safe place. And with that, they're willing to occasionally, take Thor's hammer to the side of their head, which is bad because it'll wipe out profits for weeks.

[00:07:49] It's a lot like some people's philosophies, if it feels good now all let's do it. Now let's forget about the risk in the future, but eventually that risk is going to catch up with you and it will. So, what we do is we flip that we do something, we call the inversion of risk and we never, ever subject ourselves to that huge profit I'm sorry, huge risk and always subject ourselves to the potential for huge profit.

So, we never subject ourselves to the huge risk and the small profit we invert it so that we're, we subject ourselves to small risk and potentially huge profit. The other thing that we do that is unconventional is that we did not treat it as a market neutral.

[00:08:40] Strategy, because there is so few instances where the market is neutral. If you go on a chart, go look at all the places where you're going to find where the market just stays within, say five points and just stay. They happened so rarely. So why would you do that? Why do all the people that are doing zero DTE strategies, putting on market neutral trades when the market is never neutral or very rarely neutral?

[00:09:12] It's a question for the ages. And it's a question that, has brought us to this point where we must kill the butterfly. Must kill. The butterfly because it does not serve us. So again, we flip that on its side, and we say the butterfly is no longer a market neutral strategy. It is a directional strategy.

[00:09:35] Now there are several advantages in doing. And besides that, there are a number of different types of butterflies that we can put on that will enhance our ability to, create that asymmetric trade and put the potential of profit in our favor and widen our probability of profit and our probability of touch and allow us asymmetric type return.

[00:10:06] So the difference in the way they do things is that they risk and put-up capital huge amounts of capital. I'll give you real numbers, like on an average trade for a minimal size position, they're putting up anywhere from 300 to a thousand dollars, usually closer to the thousand-dollar range to make a potential of \$50.

[00:10:36] And because they have so little confidence that they're going to end up on that, right in the middle of that strategy or inside of their range of profitability, they get out as quick as they can, as soon as they make 25 or 50% of that \$50. So that let's put that into perspective using a thousand dollars to potentially make \$25.

[00:11:04] Now here's another caveat. Because the market is not neutral in their strategy and the way they do it, the way Ode.com or Scott Stewart or Tammy Chamblis or, Axe Options. I'm just naming them. They put up huge amounts of capital to make a small amount of profit and they're trading by the seat of their pants.

[00:11:30] And. They get into trouble. They run into a risky situation whereas the market is known to do starts moving after they've gotten into the trade and it starts threatening the risky side of the trade, which could be any of the sides. So, it doesn't matter. The market could go left, it could go right up or down, and they are put into risk and they get all nervous.

[00:11:56] They start biting their nails. They start sweating bullets because they're afraid that this trade is going to be like all the other trades that they take a nail biter, anxiety ridden so that they can make that tiny little bit of profit while they're putting up all these huge amounts and mountains of cash.

[00:12:15] So they put in stops and they defeat the whole idea of creating that. Low probability trade by putting in stops that constrict how far price can go before they stop out and give themselves an automatic loss. That is their world. It's a world of fear, doubt, anxiety nail-biting to make small little bits of.

[00:12:44] That is the world of most zero D T E traders, but not our world, our world. We say, screw the butterfly, screw that condor, screw the conventional

way of thinking. Let's do it the exact opposite. Why not? Let's do it so that we take very little risk, potentially huge profit. Now I'm going to give you the opposite.

[00:13:12] Where they're putting on a thousand dollars to make \$25. We put on, let's say between 70 and \$150 for the potential of making 800, 1500, \$2,000.

[00:13:25] And during our trade, we are never worried about the risk. As a matter of fact, we don't even use stops. We don't even manage the risk side of the. Because it is a little consequence. Our days are spent when a trade is moving in our direction today happened to be not one of those days, by the way, it was a little ding.

[00:13:49] So we just toss it aside. Actually, the trade is still on. Where are we? I don't think we're oh, it still has a chance to tell you the truth. But anyways, last week and the week before that, and the week before. We're exactly what I'm talking about. You put on a small amount of risk, let's say a hundred dollars and we re, and sometimes you can get that pin trade where you can make the maximum profit, 800, a thousand, \$1,500, but more on the average, we're going to bring in about 150 to \$200 or 150 to 200% of our risk.

[00:14:28] And it's very different than bringing in. 5% of our risk. Like they do big difference between bringing in five or 10% of our risk or bring in 150 to 200. And that's the low end of ours. Now they're bringing in a profit. They never have an opportunity to create anything beyond that five to 10% with us. We won't take anything less than that hundred, 150 200% with the opportunity to make 500, 800, 1500% with them, they are, anxiety-ridden fearful that they're going to be thrown out of the trade and get a max loss.

[00:15:10] So they stop out with a loss that's 3, 4, 5 times bigger than our max loss on our side. Zero anxiety. We just let the trade right out. And then if it hits, we collect our profit with, by the way, about the same probability of profit, our, I guess paradoxically, our probability of profit, even though we have inverted, the risk is as high or higher than their stress.

[00:15:44] Because we do not have to be on the edge of a knife in order to profit. We spread that out because of the nature of our trade. We take the profit range and expand it. We pull that butterfly's wings where they're pulling it to try to get probability of profit of just any amount of profit. We. And we're pulling it to make the max profit.

[00:16:16] They're pulling it to make the minimum profit big difference. Huge difference. So that's what we do. That is why we are into killing butterflies. I don't know if anybody has any comment on that. That's what we do. We kill butterflies, kill the conventional wisdom, do the inversion of risk, the opposite of what all the other zero DTE traders are doing.

[00:16:48] And because of that, we have found a strategy that makes that well, first, let me just say this. There's this growing narrative that you can use. Selling a premium and premium collection as a way of making income in your trading. See, that's another idiotic idea. There's just no way to create income from your trading that is saying, or the delusion that the market is there to give you regular returns.

[00:17:27] It's not.

[00:17:27] You must find an edge. Their way has no edge. Our way has multiple edges, and they stack on top of one another. We are not under the delusion that you can make a, an income. What we're going after is growth. So, we grow an account and when we miss, we get tiny little dings, then. Tiny little ding grow, grow, grow tiny little ding.

[00:17:54] The way they trade. They get tiny little profit, huge Dang, tiny little profit, tiny little profit, huge dang. I'm trying to illustrate here or, though, through my words because of course this is a podcast, and it will be rebroadcast on apple podcasts, to get the idea.

[00:18:15] So that is why we kill butterflies

[00:18:18] today though. Unfortunately, it wasn't one of those days. So still this chance. See, there's the other difference. If you were in one of these other services? The trade got away from you. Price got away from you. You would get stopped out automatic loss, and it would be a big loss with us.

[00:18:42] Trade gets away from us. It's a very tiny loss, tiny little ding, but we don't even have to get out. There's no reason to manage the risk. In fact, now the trades coming back and there is a halfway decent probability that we'll still pro. So even in the risk mitigation part, our way is vastly superior.

[00:19:07] We're always in the game with no real risk. That we must worry about. The other thing that this sets up for the average trader is that it creates a level of confidence in your trading because you're no longer on edge like that.

There's no longer anxiety, so you can make your clear clear-minded. You can make clear-headed decisions, good decisions.

[00:19:34] The other way you cannot, you are constantly on it. There are so many of you that have come from these other services to our service and told me the stories. And now they're trading is literally transformed a metamorphosis phasis. So to speak, the butterfly was a worm and now it's turned into a butterfly.

[00:20:01] All right. That's probably the wrong analogy, right? Because I've been talking about killing the butterfly, but you get what I'm saying. They have transformed into something that was ugly into something that is beautiful.

[00:20:16] All right. That's it. I want to thank everybody. I'm very surprised that the peanut gallery isn't there offering comments. Usually, we have some comments and hopefully I entertained you, but anyways, that's why we kill butterflies here at zero dash DTE. If you want to give the strategy, you try, we offer a four-week trial, go to 0-dte.com/try that's T R Y.

[00:20:46] And you get a four-week trial. If you become a member, I will rebate the cost of that trial towards.

[00:20:52] And it doesn't matter if you're new to options or a seasoned professional, the seasoned professional or those people who I need to reprogram to tell you the truth. And that may scare you away at first thinking high or, and he's going to reprogram me. Yeah. Because it takes a lot to get people out of the conventional way of thinking and back in, into this unconvinced.

[00:21:19] Different mindset, this inversion. So new traders are you are the best. If you're new to options, this strategy is for you. If you're familiar with options, this strategy is for you. If you are an expert at options, this strategy will open your eyes.

[00:21:38] Zero gravity says, yes, I like the, like the icons. All right. Thank you very much. We'll see you on Wednesday and hopefully this trade turns around. If it doesn't no big deal, we have another trade coming up on Wednesday, then on Friday, take care. Peace.

[00:21:58] All right. Find that off button. It's great. Move that window out of the way. There we go.