

Staying in Motion - War Room 3 - Day 10 (2021-03-31)

- Assuming you get the net spends correct and execute at decent prices...
- How do we then seek to be actively trading the portfolio?
- In the 20-60 day horizon it really depends on many variables but the outcome of a position starts to become known into the first monthly Expiry when the position has been on for At least 20 days.
- Of course, it also depends on catalysts.
- But... when things start to play out, the position is either going to be a clear Loser or Winner or somewhere in between "Meh".
 - After 20 days, into the 1st expiry, you can have an idea if the trade is going to be a winner, a loser or a "Meh". Assign a probability to the outcome of the trade.
- With Losers beyond around 40 days, we are probably starting to wonder if our Margin is better spent somewhere else.
- Time decay will soon be kicking in.
- We start to take our medicine and book losses.
- With Winners, we are banking Profits along the way into the Realized Column to keep the cash register ringing and to keep the Realized Column going higher and higher all the time.
- Even though we are booking some losses at the same time, we seek to keep the Realized column going up.
- ...and we are seeking to potentially restructure Winners or move on to the next one.
- **IMPORTANT:**
 - Your P/L bookings into the Realized Column will come in clusters i.e. when Stocks have moved. It is not an everyday thing. It happened almost in a day the closing in clusters.

- If the only reason you came out of a Winner is to ensure that the Realized \$ are going higher due to a booking loss, it is highly likely you will restructure and go back in. (In a few days or if we think the most juice is over, we move to another trade)
- With "Meh" positions (30/40 days and nothing) i.e. Stocks that haven't moved we can be active to protect downside but keep upside open just in case.
- Don't trade on noise like piece of newsflow that doesn't mean anything for the Stock Do it solely for Risk Management purposes.
- Trimming and booking small losses from a "Meh" position is OK.
- You will have other positions that are offsetting Winners and you can conjure up some accounting magic and restructure Winners.
- Never close off the upside \$ potential of a "Meh" position structure for a small credit. That is over-trading!
 - A call option is at 4\$, and it was bought at 5\$, don't sell 20% OTM calls for cents. That is totally wrong!
 - Never cap the potential upside
- Better to just be (Reduced) a controllable size and be patient!
- Trade the Monthly Expiries aggressively – Go in with a plan of all scenarios and literally calculate the \$ Profit you are going to book over the Expiry.
- Never book just losses at Expiry.., always come out of an Expiry making Realized gains overall.
- Even if it means taking off a large % of your book. Keep Realized gains charging upwards, you can go back into Winners by restructuring.

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- DO NOT book only big losses. Once it's Realized it can never be taken back, seek to offset with Winners.
- DO NOT only book the losing side of a Spread and not the Winning side!
- Of course, we stick to the principle of "trade the Stock, not the P&L" – However, we do not want to be reckless.
- Booking big losses over and over into your Realized column and hoping your unrealized Winners will pay even more is a road to hell.
- Protect your Realized P/L column with your life!