Case Study - Analysis of a successful trader’s log

After we did the case study on one of our traders who wasn’t making much progress, I was overwhelmed with the number of members who emailed/DMd me with how good they are performing after joining our group. I would love to do a case study on all of them. But in the interest of time, I plan to do these by comparing and contrasting a case study where the trader made mistakes vs another where the trader did something which everybody should already be doing.

This trader seems like a poster child for the 25K trading method. The trade log from one of his accounts is attached below. My goal with these case studies is to highlight some high level points which stand out to me, not something which you can give to Ernst & Young to audit. So keep that in mind in case there are minor mistakes or rounding errors and keep your focus on the bigger objective.

Jesse has 4 accounts. I am only covering 1 account here, but here is his progress so far:
Account#1 - 400% growth in 12 months
Account#2 - 396% growth in 12 months
Account#3 - 267% growth in 11 months
Account#4 - 58% growth in 7 months (*I am guessing this is the one started this year because the less than stellar returns reflect what a lot of us are facing due to the market environment we have seen from Jan until June*)

Trade Log:
https://docs.google.com/spreadsheets/d/1lhSOxM59k1MU9DoEC27hr_yaswnN-pY58S437Ylde_A/edit#gid=156531257

- **#1 - Paper Trading/Start Small -** Jesse paper traded the method with a small account first. He took that account from $2,500 to $15,000 pretty quick. That gave him the confidence to do it with a bigger size. I applaud him for doing this.

  Some people join us (*and predictably leave pretty soon*) with the mindset that the magical returns will pay for the monthly subscription fee. That is a very short-term mindset and will not serve you in any area of your life. I run this as an educational group where I am simply sharing a sustainable trading methodology which I have evolved by actually doing things myself. Try to spend your time in our group with the mindset of learning and refining it. You need to get comfortable with opening/closing trades, adjusting portfolio allocations in different market situations, and preferably go through a correction (Our senior member Jan calls Corrections “Mass Extinction Events”) and see how you fare. If at the end of 6 months you are making profits, by all means scale up to larger accounts. But if you can’t make money on a small account, you will most likely have the same outcome on a larger account too.

  Market conditions vary from year to year. Some years may not yield results as good as others. I sometimes see people calling 100% returns in a year as a dismal year. The industry standard is that if you can magically get 10%-12% a year, you are “killing it”. If you are not happy with that, you can give your money to a top hedge fund and see if you get even 20% - 25% returns (*Oh! please keep $25K - $100K ready as a* *minimum for a hedge fund with no guarantee of any returns to start with*). I just wanted to throw these numbers in as that helps keep a clear head.

- **#2** - **Constantly learning and correcting wrong behavior**. I have exchanged multiple emails with Jesse about his trade log. He joined us in Jun 2020 and you will see that initially he was heavily over-allocated for his starting capital of $3500. (*Portfolio allocations and allocation calculator are linked in #25k-trading-method on Discord).* But as he started learning, he quickly realized his mistake and corrected it as shown below.

  PS: Anytime I see a trader with heavy losses, more often than not it is always due to over-trading and over-allocation. I have seen this pattern over and over again. You can initially get lucky if all your trades turn out in your favor but the stock market has a way of reinforcing bad behavior and if you keep doing this, it will lead to a portfolio blowout. Anytime I blew up my portfolio in my younger years, the reason for me was always over-allocation, “going all in” with a BTFD/averaging down mentality!

  Initial trade allocations were very high.

Trade Date	Symbol	Long strike	Short strike	#Contracts	Price Paid		Sector	Trader's P&L%	25K P&L% Target	Outcome	Trader's P&L	
			EXPIRY 7/17									
6/12/2020	DLTR	90	95	1	$203		Consumer Discretionary	97	94	WINNER	$ 196.91	$
43999	DE	155	160	1	$250		Industrials	94	94	WINNER	$ 235.00	$
6/17/2020	JPM	100	105	1	$200		Financials	-46	-50	LOSER	$ (92.00)	$
6/26/2020	SEDG	135	140	1	$230		Information Technology	104	94	WINNER	$ 239.20	$
6/26/2020	FB	220	225	1	$249		Communication Services	95	94	WINNER	$ 236.55	$
										Net P&L =>	$ 815.66	$
			EXPIRY 7/24									
6/19/2020	SWKS	128	133	1	$242		Information Technology	45	94	WINNER	$ 108.90	$
6/19/2020	BIIB	265	270	1	$239		Health Care	68	94	WINNER	$ 162.52	$
6/24/2020	ULTA	200	205	1	$250		Consumer Discretionary	27	94	WINNER	$ 67.50	$
6/24/2020	IBM	115	120	1	$125		Information Technology	129	94	WINNER	$ 161.25	$
6/26/2020	BABA	215	220	1	$250		Consumer Discretionary	94	94	WINNER	$ 235.00	$
										Net P&L =>	$ 735.17	$
			EXPIRY 7/31									

Trading too big for his account size and just got lucky in the beginning. The luck wouldn't have lasted if he didn't correct himself

For an account size of $3500, he is risking $750 per expiration!!!

Jesse quickly realized his mistake and cut down his allocations.

			EXPIRY 8/28							
7/30/2020	IBM	120	125	1	$250		Information Technology	8	94	WINNER
										Net P&L =>
			EXPIRY 9/4							
8/4/2020	AMZN	3080	3090	1	$500		Consumer Discretionary	90	94	WINNER
8/5/2020	MMM	150	155	1	$250		Industrials	94	94	WINNER
8/6/2020	ROKU	150	155	1	$250		Communication Services	94	94	WINNER
8/7/2020	ANET	230	235	1	$250		Information Technology	-86	-50	LOSER
										Net P&L =>
			EXPIRY 9/11							
8/11/2020	SHOP	980	985	1	$250		Information Technology	-50	-50	LOSER
8/10/2020	TDOC	185	190	1	$250		Health Care	94	94	WINNER
										Net P&L =>
			EXPIRY 9/18							
7/31/2020	APD	280	290	1	$500		Materials	90	94	WINNER
8/24/2020	AAP	155	160	1	$250		Consumer Discretionary	14	94	WINNER
										Net P&L =>

He quickly realized his mistake and brought down his allocations. Notice the last few trades are running into the Sept crash. If he hadn't done this, this would likely lead to a portfolio blowout.

- **#3 - Stops trading when unsure of the markets**. Jesse shared this himself with me in his notes. Whenever he is unsure of the markets (eg. when markets were peaking before the Sept crash), he dials down his trades and just stops trading altogether. His mentality is a winner's mentality - i.e Trading at the right time (not all the time) is what gets you there. You don't have to trade all the time. A week or two with no trades is not a lost opportunity, it builds the mindset that you need to get into trades at the right time! When you are nervous or when markets are looking frothy, simply step away from trading and do other stuff in your life.

			EXPIRY 9/4							
8/4/2020	AMZN	3080	3090	1	$500		Consumer Discretionary	90	94	WINNER
8/5/2020	MMM	150	155	1	$250		Industrials	94	94	WINNER
8/6/2020	ROKU	150	155	1	$250		Communication Services	94	94	WINNER
8/7/2020	ANET	230	235	1	$250		Information Technology	-86	-50	LOSER
										Net P&L =>
			EXPIRY 9/11							
8/11/2020	SHOP	980	985	1	$250		Information Technology	-50	-50	LOSER
8/10/2020	TDOC	185	190	1	$250		Health Care	94	94	WINNER
										Net P&L =>
			EXPIRY 9/18							
7/31/2020	APD	280	290	1	$500		Materials	90	94	WINNER
8/24/2020	AAP	155	160	1	$250		Consumer Discretionary	14	94	WINNER
										Net P&L =>
			EXPIRY 9/25							
8/25/2020	NVAX	100	105	1	$250		Health Care	60	94	WINNER
										Net P&L =>

Jesse simply stops trading as evident by his shrinking number of trades when he is uncomfortable abou the market. This is the time when markets were peaking before the Sept crash

- **#4 - Waits 2-5 days before taking a trade**. This is an interesting one. Many of these trades are taken below the strike prices I posted. You will see me constantly reminding members to spread out their trades across a week and wait patiently to see if they get lower fills. This gives you the best bang for your buck (*at my cost, since I got the higher fill*). Jesse took a lot of trades at lower strikes than what I posted, so he always had a higher probability of winning than me. Of course, a lot of these trades became winners for both of us, but what is more important here is the discipline that he has to wait before taking a trade. This becomes even more important for smaller accounts, as a few consecutive losers can really set you back. Jesse attributes this to his years of day trading experience. When he sees a trade alert, he looks at the chart and comes up with a price that he is comfortable getting into. For some reason he likes round numbers. Eg. If I post XYZ 315-320 spread, he tends to wait for 295-300. It just so happened that the prices he liked showed up 2-5 days after posting a trade alert.

  When markets are pulling back, this strategy will work great and I highly recommend keeping the market's overall movement in mind when doing this. Jesse also told me that because of the way he picks strikes he misses out on a ton of successful trades too because they just don't come down to the prices he wants. This will happen in uptrending markets. So, my tip for you is when markets are pulling back, wait before taking trades. But when they are uptrending or stable, you may miss out on a good trade or two. When you have a small account and that 1 trade per week will make or break you, you should do this no matter what. It is better to miss a trade than get into the wrong one. For larger accounts, this hardly matters as the law of large numbers is working in your favor.

  3 trades shown below are taken at lower strikes than the official alert

		EXPIRY 6/18								
5/4/2021	FVRR	185	190	1	$250		Consumer Discretionary	94	94	WINNER
5/5/2021	TWLO	290	300	1	$500		Information Technology	90	94	WINNER
5/10/2021	TTD	495	500	1	$250		Information Technology	94	94	WINNER
5/11/2021	RACE	195	200	1						
5/12/2021	CMG	1350	1355	1						

Nishant 05/06/2021

@everyone

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+TRADE ALERT
SYMBOL: TWLO
SECTOR: Information Technology
EXPIRY: 6/18
TRADE: $300 - $310 Bull Call Spread (Call Debit Spread)
TRADE BREAKUP: Buy $300 Call, Sell $310 Call for a net debit
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Official Trade Alert

		EXPIRY 3/12								
1/29/2021	AAPL	130	135	1	$234		Information Technology	-100	-100	LOSER
1/29/2021	WHR	185	190	1	$250		Consumer Discretionary	94	94	WINNER

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-CLOSING TRADE
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SYMBOL: WHR
TRADE OPEN DATE: 1/28
EXPIRY: 3/5
ORIGINAL SPREAD: $190 - $195
Call Spread
COST: $250
CLOSING LIMIT ORDER AT: $2.50
PROFIT: $0 (Break-even)
```

		EXPIRY 6/18								
5/4/2021	FVRR	185	190	1	$250		Consumer Discretionary	94	94	WINNER
5/5/2021	TWLO	290	300	1	$500		Information Technology	90	94	WINNER
5/10/2021	TTD	495	500	1	$250		Information Technology	94	94	WINNER
5/11/2021	RACE	195	200	1	$250		Consumer Discretionary	94	94	WINNER

```
+TRADE ALERT
SYMBOL: TWLO
SECTOR: Information Technology
EXPIRY: 6/18
TRADE: $300 - $310 Bull Call Spread (Call Debit Spread)
```

- **#5** - **Stays mostly under-allocated** - Another interesting one. I keep reminding our members to stay under allocated when markets are peaking and stretch yourself during sell-offs. However, Jesse just stays under-allocated most of the time. Even after doing that, his results are off the charts. I could attribute his success to the market conditions that we have experienced in the last 1 year. Corrections (Mass Extinction Events) have become the norm since September, and by being under-allocated, he just doesn't get affected at all by a correction. I have posted many times that if you keep your allocations between 12% - 18% approx. it becomes literally impossible to blow up. In Jesse's case his returns have come from surviving nasty corrections and sell-offs.

			EXPIRY 9/4							
8/4/2020	AMZN	3080	3090	1	$500		Consumer Discretionary	90	94	WINNER
8/5/2020	MMM	150	155	1	$250		Industrials	94	94	WINNER
8/6/2020	ROKU	150	155	1	$250		Communication Services	94	94	WINNER
8/7/2020	ANET	230	235	1	$250		Information Technology	-86	-50	LOSER
										Net P&L =>
			EXPIRY 9/11							
8/11/2020	SHOP	980	985	1	$250		Information Technology	-50	-50	LOSER
8/10/2020	TDOC	185	190	1	$250		Health Care	94	94	WINNER
										Net P&L =>
			EXPIRY 9/18							
7/31/2020	APD	280	290	1	$500		Materials	90	94	WINNER
8/24/2020	AAP	155	160	1	$250		Consumer Discretionary	14	94	WINNER
										Net P&L =>
			EXPIRY 9/25							
8/25/2020	NVAX	100	105	1	$250		Health Care	60	94	WINNER
										Net P&L =>

Under-allocated, when markets were peaking before Sep correction

			EXPIRY 1/15							
12/3/2020	EQIX	690	700	1	$500		Real Estate	-61	-50	LOSER
12/3/2020	REGN	495	505	1	$500		Health Care	-49	-50	LOSER
										Net P&L =>
			EXPIRY 2/19							
1/27/2021	AAP	145	150	1	$250		Consumer Discretionary	41	94	WINNER
										Net P&L =>
			EXPIRY 2/26							
1/25/2021	IBM	115	120	1	$250		Information Technology	83	94	WINNER
1/25/2021	AZO	1190	1195	1	$250		Consumer Discretionary	-39	-50	LOSER
1/26/2021	LULU	320	325	1	$250		Consumer Discretionary	-60	-50	LOSER
1/27/2021	COUP	295	300	1	$250		Information Technology	94	94	WINNER

Mostly under-allocated in the weeks leading up to Feb Correction.

			EXPIRY 5/21				
4/5/2021	UI	280	290	1	$461		Information Technology
4/29/2021	NFLX	495	500	1	$250		Communication Services
			EXPIRY 5/28				
5/3/2021	NOW	495	500	1	$250		Information Technology

Hardly any trades in April when we had green days every single day throught the month. This was followed by a nasty pullback in May

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