How to Spot 90% Winners Instantly…

With Your Phone
And Yes, It Really Is That Simple

By Don Fishback

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

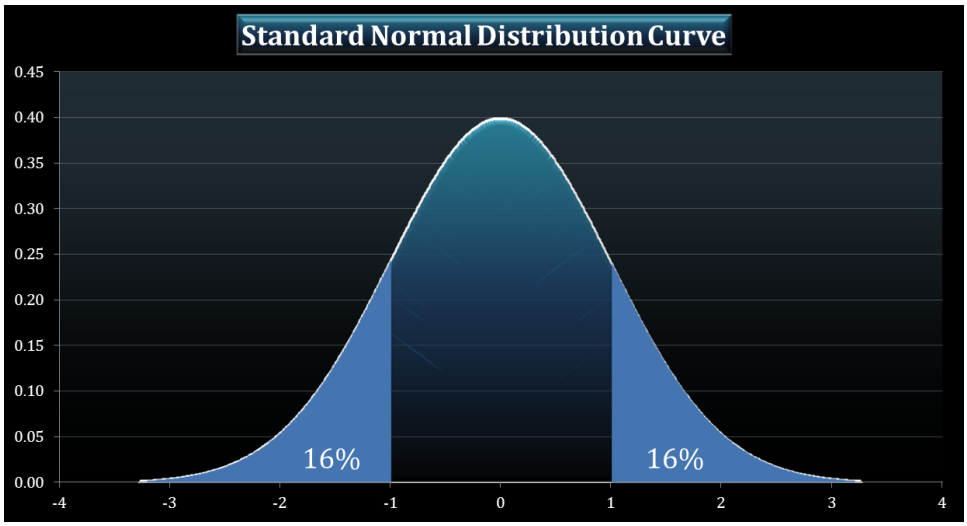
When someone asks me what separates the professional from the novice, one thing comes to mind – the professional tries to keep it simple, while the novice tends to make things far more complicated than necessary. The pro, for example, looks for trades that will win consistently, and then implements the appropriate strategy. The key is finding those trades that are likely to be consistent winners. To find them, many professionals use volatility.

As demonstrated in the accompanying course, volatility provides you with everything you need to calculate probability. If you want to win consistently, it naturally follows that you would look for trades that have a high probability of success.

This special report reiterates the simplicity for spotting trades that have a 90% chance of success. Basically, you reverse the process. Instead of finding a trade and then calculating the probability of profit, you determine the probability you want to achieve, and then find the trade. Once you've done that, you determine an appropriate price. The best part is that this 3-Step Process is so easy, it will shock you!

Before embarking on the path toward finding 90% winners, recall from the video that probability is equal to the area under the bell curve.

In this chart, we have the bell curve, with the areas below -1 standard deviation, and above +1 standard deviation highlighted.



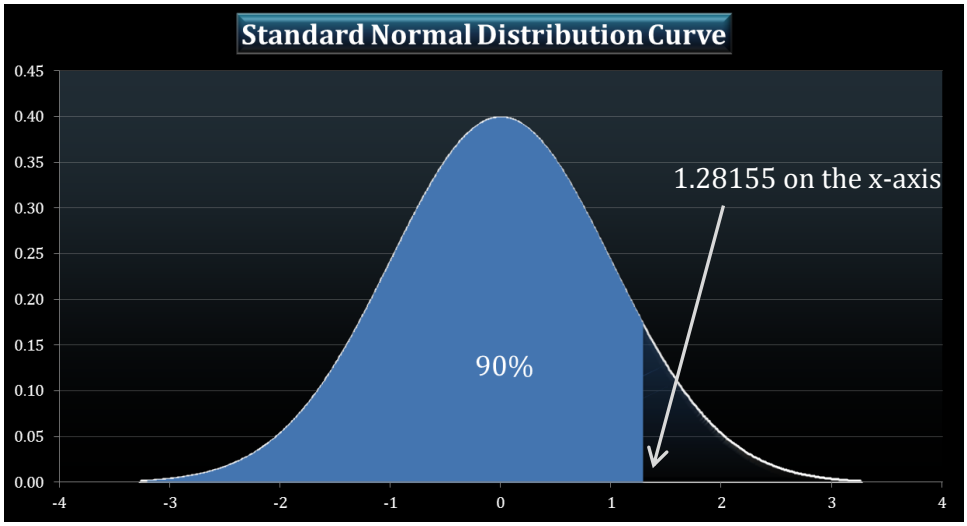
The shaded area comprises approximately 32% of the entire area under the bell curve line: 16% below -1 standard deviation and 16% above +1 standard deviation.

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

If we are looking for a trade that has a 90% chance of success, then we need to find a trade whose profit range will comprise 90% of the area under the curve.

Let's take a look at the graph below to show you what we mean:



The highlighted area identifies 90% of the area under the curve. The 90% boundary is 1.28155 standard deviations.

We can use that 1.28155 standard deviation boundary to find a trade with a 90% of success. Because any options strategy whose profit range is less than 1.28155 standard deviations from the current price will have a 90% chance of being profitable.

The problem is, 1.28155 standard deviations isn't useful to a trader. After all, I can't pick up the phone and say, "I'd like to buy the 1.28155 standard deviation call."

We need to turn the standard deviation into a usable price.

In your course, we showed you how to turn a price into a standard deviation, and then turn the standard deviation into probability. Well, we turned probability into standard deviation: 90% into 1.28155. Now we need to turn standard deviation into price. This is *Step 1* of our 3-Step Process.

To do that, you'll want to use the very first ODDS® formula I came up with back in 1993.

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

Here it is:

$$X = Se^{z\sigma t}$$

Where,
X = Target Price
S = Current Price
z = Standard Deviations
σ = Volatility

$$t = \sqrt{\frac{periods}{periods\ in\ a\ year}}$$

Although it may *look* complicated, it's not nearly as bad as it seems. In fact, this is easily done using a calculator, or even your phone. I'll prove it to you.

Let's take a look at a generic example of a stock or ETF. Let's say that the ETF is priced at 400 and it has a volatility of 10%. (You can get stock and volatility data from our software, ODDS OptionApps software www.optionapps.com.)

Remember, we're looking for the asset price that is 1.28155 standard deviations above the current price, so μ = 1.28155. The only additional piece of information we need to use the ODDS Formula is the number of days, which is typically the duration of the trade. Let's say we're looking at a trade that will last three weeks (21 calendar days).

We now have all the factors to calculate our boundary. Let's plug the numbers into the equation:

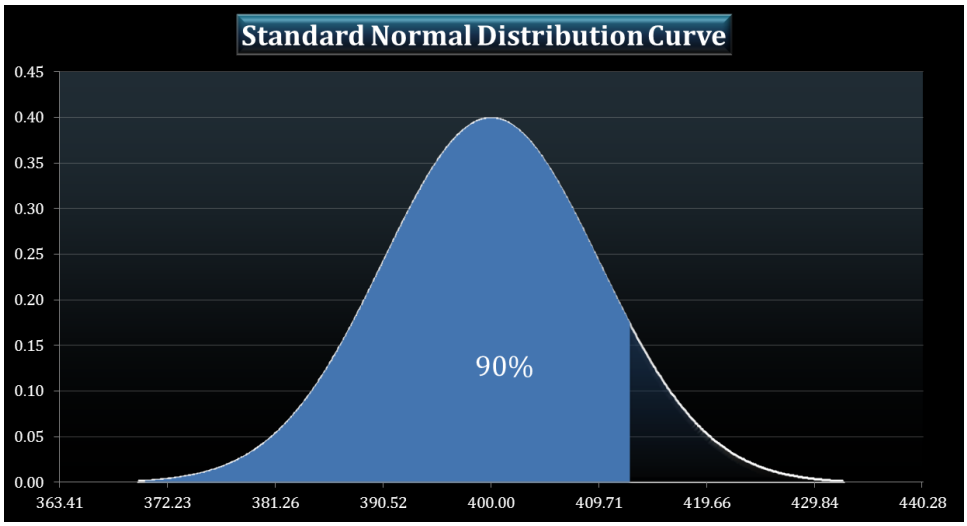
$$X = e^{1.28155\times 10\%\times\sqrt{\frac{21}{365}}} \times 400 = 412.49$$

This means that there is a 90% chance that the ETF will be below 412.49 in 21 days.

How to Spot 90% Winners Instantly...

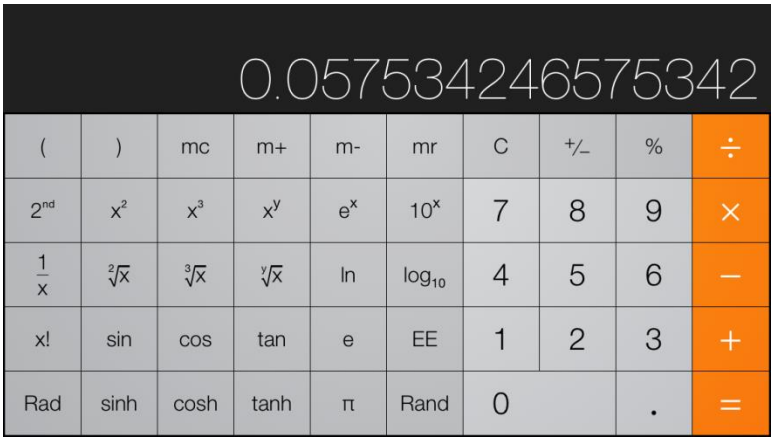
With Your Phone -- And Yes, It Really Is That Simple

The next graph illustrates what we mean.



To prove to you that this calculation can be done using nothing more than your phone, I am going to show you a few screen shots taken directly from my iPhone. The calculator app in the iPhone comes standard. You can easily do the same thing with an Android phone or Windows phone.

First, you divide 21/365:

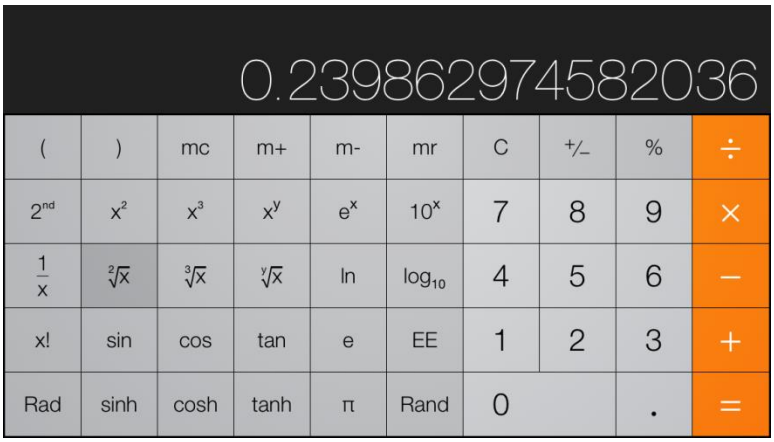


125 Church Street ▪ Lexington, KY 40507 Tel.: +1 859.224.4424 ▪ info@donfishback.com ▪ www.donfishback.com

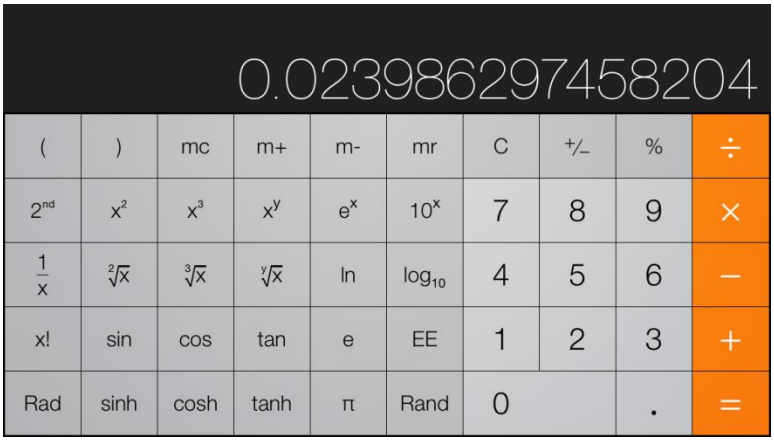
How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

Then you take the Square Root of that:



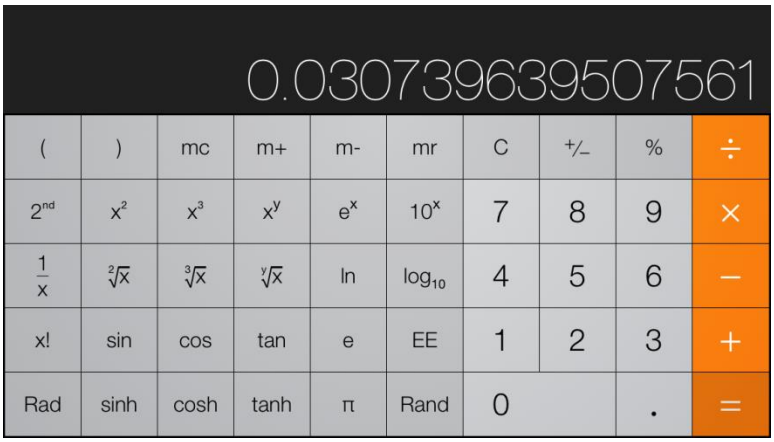
Next, you multiply the Square root by 10%, or 0.10:



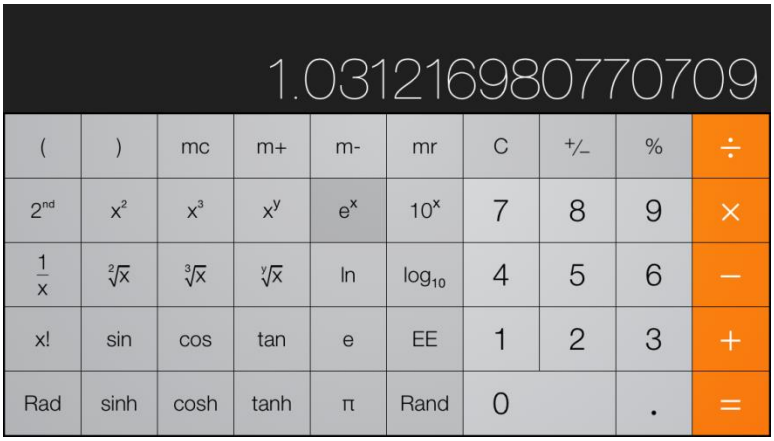
How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

You then multiply that product by 1.28155:



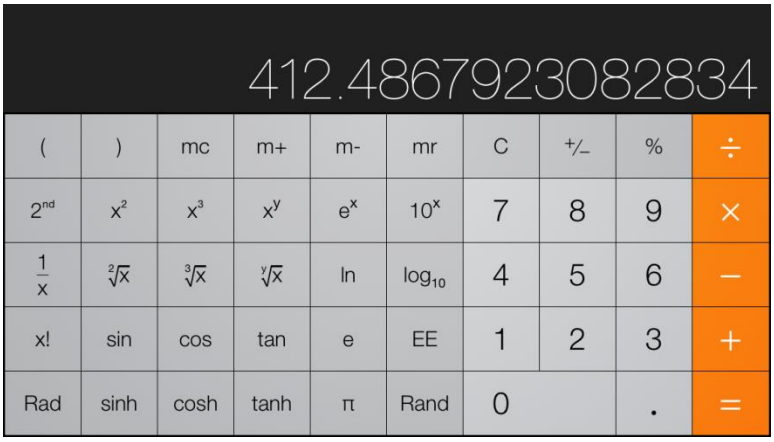
Here's where it might get tricky. You input that product into what's called the Exponential Function. That is, you are raising *e* to the power of that product:



How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

Last, you multiply that result by the current price of the ETF (or whatever asset you might be trading, such as a stock or an index):



Rounded to two decimals, that is 412.49.

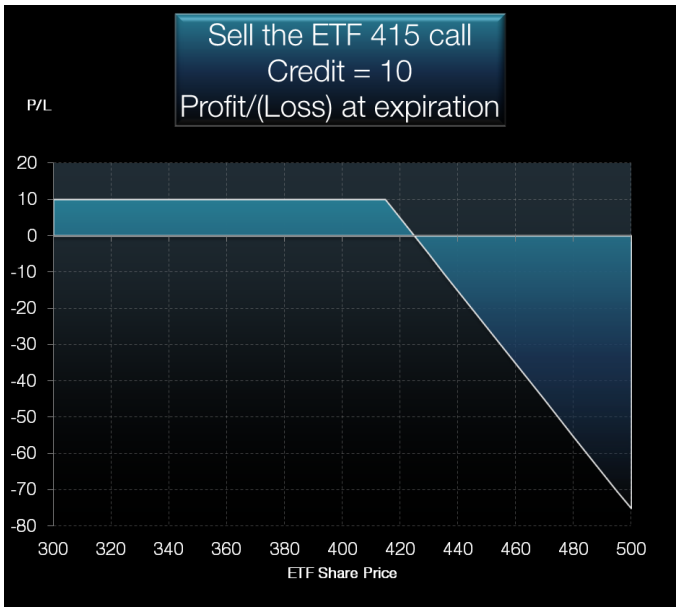
Realize it's much easier if use a spreadsheet. And it's *even easier* if you have software that performs this calculation for you! The point is, you can do this on your phone if you choose. You don't need to buy another thing. [If you don't have a smart phone, just follow the steps using a scientific calculator.]

So that's ***Step 1***, converting the probability factor into an asset price, in this case 412.49. The fact that we now know that the index has a 90% chance of finishing below 412.49 leads us to ***Step 2***, which is to select our option strategy. All we need to do now is select a strategy that will be profitable as long as the index remains below 412.49.

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

The simplest strategy that would accomplish this is to sell a 415 call, which is *more* than 1.28155 standard deviations away from 400. Because 415 is further away from 400, selling a 415 call would have an *even higher* probability of profit than 90%! Because it's selling a call, however, it also means that, theoretically, you'd be subject to unlimited risk.



A far safer strategy would be to sell a 415 call and simultaneously buy a 425 call (otherwise known as the 415/425 call credit spread).

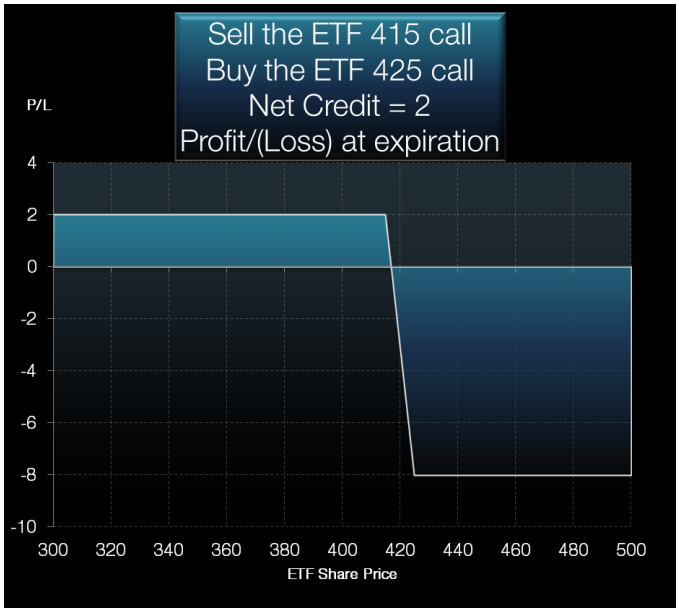
Although we did not cover credit spreads in the What Are Options - Basic course, they are quite simple. You simultaneously sell one option and you buy another. The option you sell is more expensive than the option you buy.

You can implement call credit spreads and put credit spreads. You can even do both at the same time! These types of spreads are one of our favorite options strategies.

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

When selling the 415/425 call credit spread, your breakeven is still above 415, so the odds of making money are better than 90% and your risk is limited.



The question that you need to ask here, however, is the reward potential sufficient to offset the risk. Even though that risk is limited, it could still be substantial.

This leads us to ***Step 3***. If you have a trade that wins 90% of the time, your risk to reward ratio needs to be more favorable than 9 to 1.

For example, if you win 9 times out of 10 (90% of the time), and when you win, you win one and when you lose, you lose 9, Your profit after 10 trades will be zero. That's because 9 times you won 1, for a total of +9, and 1 time you lost 9, for a total of -9. You broke even.

That means that for a 90% winner, you need the profit-to-loss ratio to be better than 1 to 9. In our example, we are looking at a 10 point wide credit spread (415/425 call credit spread). Our risk potential is the difference between the strike prices minus the credit received.

Our reward potential is the credit received. We now need to figure out just how big that credit needs to be, in order to justify implementing a position. I'm going to show you a shortcut that you can use for most credit spreads.

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

Realize that this shortcut has a huge margin of safety built in. You may not need to get a credit as large as this. We're showing it to you so you can spot and find trades without a computer. If you have a computer, you can do more sophisticated modeling and find trades with smaller credits. With that in mind, here is the shortcut formula:

Minimum credit > Difference in strike prices x probability of loss

In our example, the difference in strike prices is 10 points, the probability of profit is some number greater than 90%, so the probability of loss is equal to some number less than 10%. We'll just use 10% for now. Simply multiply 10 times 10%. That is equal to 1. That's how big our credit needs to be just to break even. Therefore, to earn a profit, we need the credit to be some number bigger than 1. That's it.

In this hypothetical example, the net credit is 2, which is much higher than required. So this trade meets our guidelines. Realize that the market does not provide guideline-meeting trades all the time!

That's *Step 3*.

Let's review everything we've determined via Steps 1, 2 & 3. We wanted to implement a limited risk trade with a 90% chance of winning. The trade is: Sell the 415 call and buy the 425 call for a net credit of 1 or better. That's what we've got -- a 90% winner whose risk and reward potential are properly balanced so that we *should* make money.

This is what I mean by keeping it simple! The professional option trader uses volatility to determine his objective and then finds an option strategy that meets that objective. Above all, they go about this process with the goal of keeping things as simple as possible. By doing nothing more than following this simple 3-Step Process, you will automatically put your expected odds of winning at 90%!

For more details on how this simple systematic approach works, please review the video and accompanying guide.

If you'd like a more comprehensive discussion of probability and its application to the financial markets, check out our course, *The Casino Secret to Profitable Options Trading*.

If you'd like to investigate software that searches for trades, finds them, and calculates probability automatically, you'll want to investigate our software: *ODDS OptionApps*. There is no obligation.

Please read page 11 for important disclosure information.

125 Church Street ▪ Lexington, KY 40507 Tel.: +1 859.224.4424 ▪ info@donfishback.com ▪ www.donfishback.com

How to Spot 90% Winners Instantly...

With Your Phone -- And Yes, It Really Is That Simple

Disclosure Statement

Don Fishback, his company, his employees and contractors ('Publisher') may have an interest in the securities discussed.

The Publisher's economic interest is subject to change without notice.

The views expressed are the views of the Publisher and are subject to change at any time based on market and other conditions.

The information in this report is not an offer to sell or the solicitation of any offer to buy any security and should not be construed as such.

References to specific securities and issuers are for illustrative purposes only and not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

While all the information prepared for this report is believed to be accurate, the Publisher makes no express warranty as to the completeness or accuracy, nor can it accept responsibility for errors appearing in the web site.

Any performance figures contained herein are unaudited and prepared by the Publisher. They are intended for illustrative purposes only.

Past performance is not indicative of future results, which may vary.

There is a risk of substantial loss associated with trading stocks, ETFs, Mutual Funds, options and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading options on stocks, ETFs or indexes, one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading options. All funds committed to such a trading strategy should be purely risk capital.

Quantitative backtests are simulated and hypothetical.

Hypothetical performance results have many inherent limitations, some of which, but not all, are described herein. No representation is being made that any subscriber will or is likely to achieve profits or losses similar to those shown herein. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently realized by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can adversely affect actual trading results.

The hypothetical performance results contained herein represent the application of the quantitative models as currently in effect on the date of publication and there can be no assurance that the models will remain the same in the future or that an application of the current models in the future will produce similar results because the relevant market and economic conditions that prevailed during the hypothetical performance period will not necessarily recur. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, all of which can adversely affect actual trading results.

Hypothetical performance results are presented for illustrative purposes only. There is no guarantee, express or implied, that long-term return and/or risk targets will be achieved. Realized returns and/or risks may come in higher or lower than expected.