


Leveraged ETFs & Seasonality

Active Trend Trading: Dennis W. Wilborn



“Observe things how they are;
See things how they can be!”

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- All Materials presented are for training purposes only . Traders should paper trade any new method prior to risk of personal capital.

Who I Am

Our Motto: Clarify, Simplify & Multiply

- **Founder & Lead Technical Analyst for Active Trend Trading**
- **Certified Candlestick Technician**
- **Affiliate of Market Technician Associations**
- **Guest Speaker on IBD How to Make Money in Stocks Radio Show**
- **Highlighted in the book “How to Make Money in Stocks-Success Stories”**
- **Publish “Art & Science of Active Trend Trading—Trader’s Report” Weekly**
- **Host “How to Make Money Trading Stocks Show” Weekly**
- **Systems Researcher**
- **Former Forbes Contributor**

- **Retired US Navy, Commander**
- **Civil Engineer**
- **Adjunct Professor MBA Program Chaminade University, Oahu, Hawaii**
- **Started Trading in 1989**
- **Started Trading For a Living in 2006**

- **Research Colleague Mike Trager, Dallas, Texas**



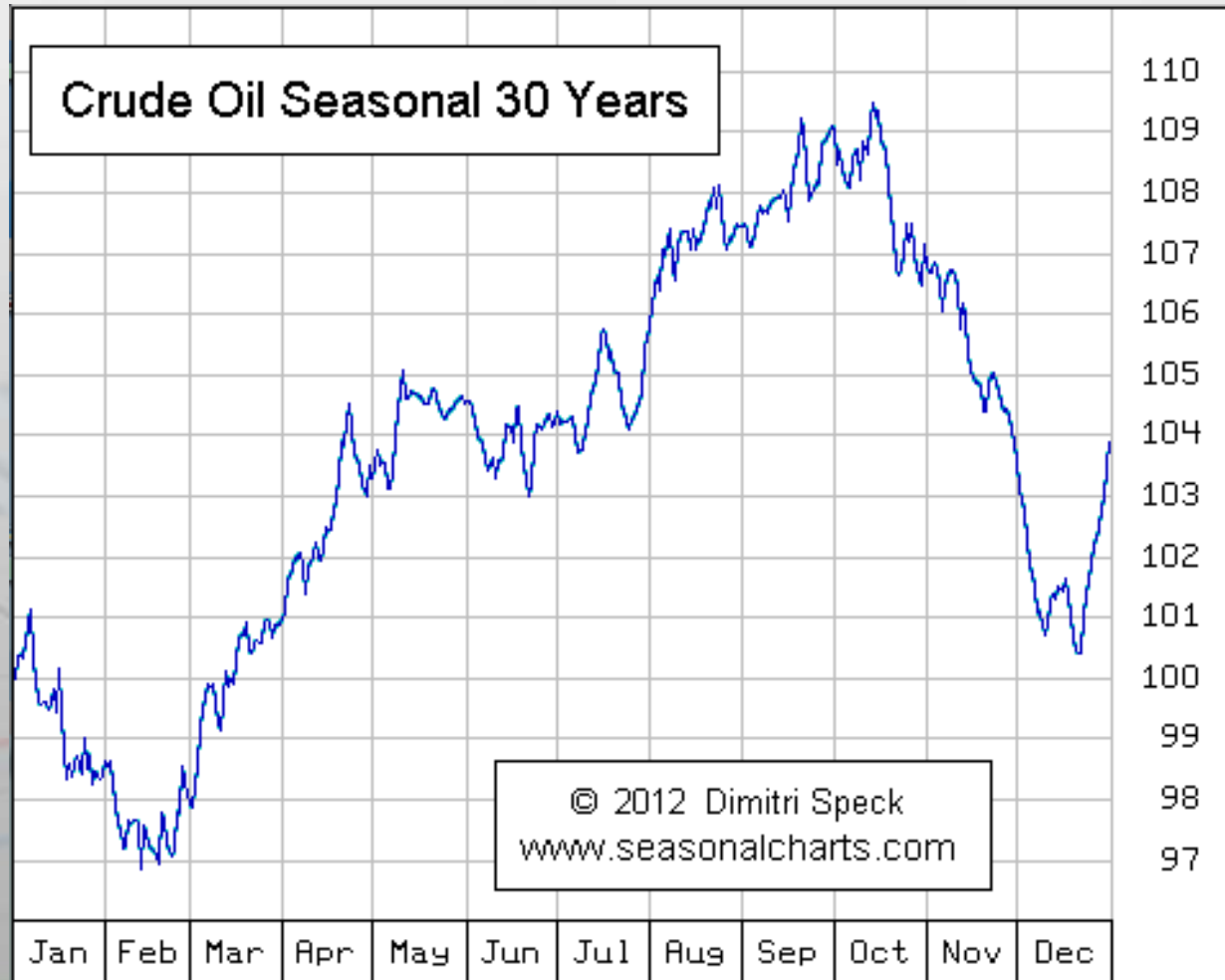
Seasonality—Wait for It!

Seasonality: Market Timing is based on short-term price patterns and trying to pick market tops and bottoms.

- **However, Seasonality is about anticipating how the market will behave in a given time of year and taking a position before the change occurs.**
- **Seasonality appears in stocks, commodities, nature, etc.**
- **By understanding the ebbs and flow of Seasonality, traders can better position themselves to take advantage of buying & selling opportunities**

Remember: Seasonality reflects a tendency and each year is different—Trade the Charts!

Oil Seasonality



Leveraged ETFs

Brief History of ETFs

1993 – SPY

1999 – QQQ

2000 – IWM

2006 – Leveraged & Inverse ETFs

Today over 4,396 ETFs Globally

“Vision is the art of Seeing Things Invisible!”

~~ Jonathan Swift

“People Only See What They are Prepared to See”

~~ Ralph Waldo Emerson

The Challenges of ETFs

1. They are all derivatives of an underlying entity and thus reflect additional variables
2. Being Derivatives of Derivatives, Leveraged ETFs carry a higher level of variables due to daily requirements to achieve a certain daily return compared to the underlying and the requirement to rebalance
3. Leveraged ETFs have personality traits that can cause them to actually lose value even if the underlying increases in value
4. Counteract this trait by selecting solid leveraged ETFs that trade millions of shares per day
5. Counteract this trait by limiting hold period—no more than 60-90 days
6. Counteract this trait by trading Leveraged ETFs that show sound technical patterns
7. Counteract this trait by limiting the number of Leveraged ETFs on the Watch List

Additional Facts

1. Leveraged ETFs seek to return 2x or 3x the *Daily* movement of the underlying entity
2. The derivatives held to provide the 2x or 3x daily movement are rebalanced or re-indexed
3. Rebalancing/Re-indexing can lead to slippage in the value of the leveraged ETF
4. This effect can be partially offset by limiting hold time and waiting for a strong trend to start. It is important to take each trade trigger, one never knows which entry = a Strong Trend
5. Being aware of Seasonal Tendencies can also help mitigate this trait

Active Trend Trading ETFs

We chose the ETFs based on several criteria including

1. Follows either the SPX, NDX or RUT
2. Follows select Commodities or Industries that demonstrate sound technical patterns and seasonality
3. Trade over a million shares per day
4. Would like each to also provide weekly options (not a requirement)

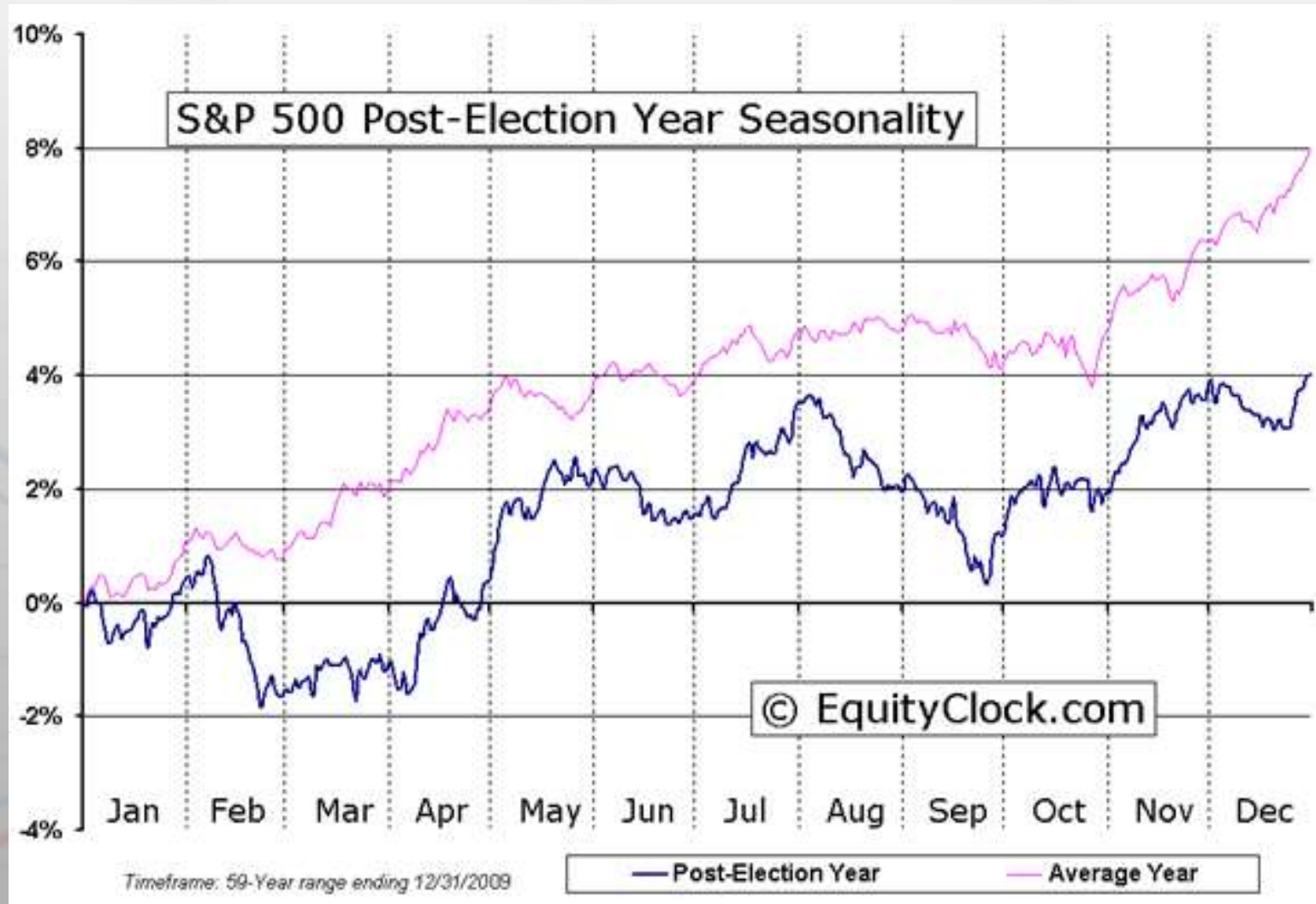
Active Trend Trading ETFs

1. Index Leveraged ETF's both Bullish and Bearish (Inverse)
 - SPX: UPRO and SPXU
 - NDX: TQQQ and SQQQ
 - IWM: TNA and TZA
2. Industries or Sectors
 - Financials – XLF: FAS and FAZ
 - Biotech – IBB: LABU and LABD
3. Commodities
 - Oil – UCO and SCO
 - Gold Miners – GDX: NUGT and DUST

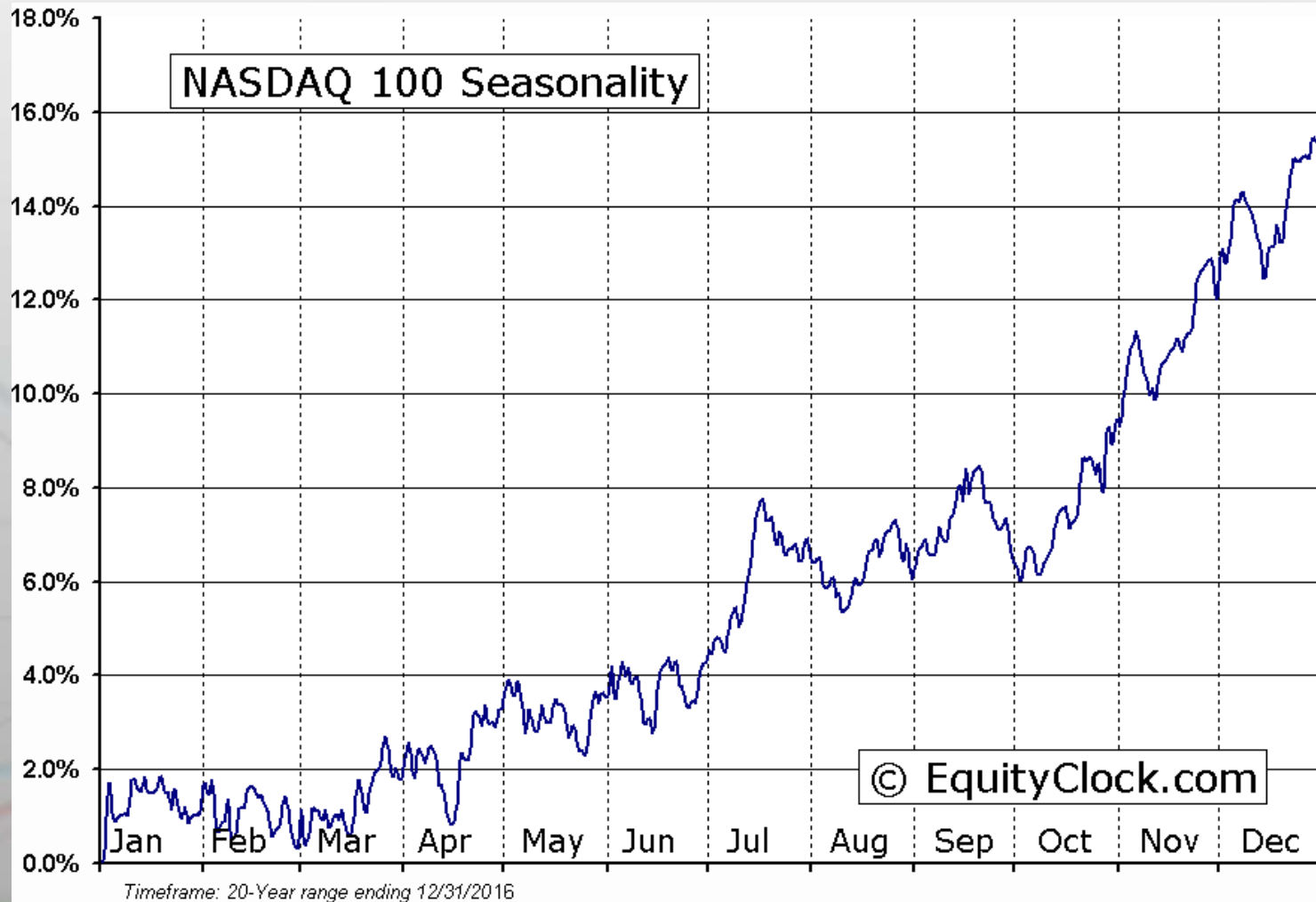
How to Trade the ETFs

1. Define planned exposure: 60% of trading capital equally split into 4 positions (*1-2 IBD 50 and 2-4 Leveraged ETFs*)
2. Follow sound ATTS entry criteria: support bounces, TSI Upticks, moving average bounce entries (second chance entries)
3. Entry Options: Enter $\frac{1}{2}$ sized position on the first trigger
4. Exit Options: place stop at 5% or 0.25-0.50 below swing low – adjust position size to never lose over 5%. Sell a portion of the position at 10%, make remaining shares breakeven
5. If price action pulls back to a new proper entry action point buy enough shares to make a full position. Use trailing stop based on 5 Objective exit training session

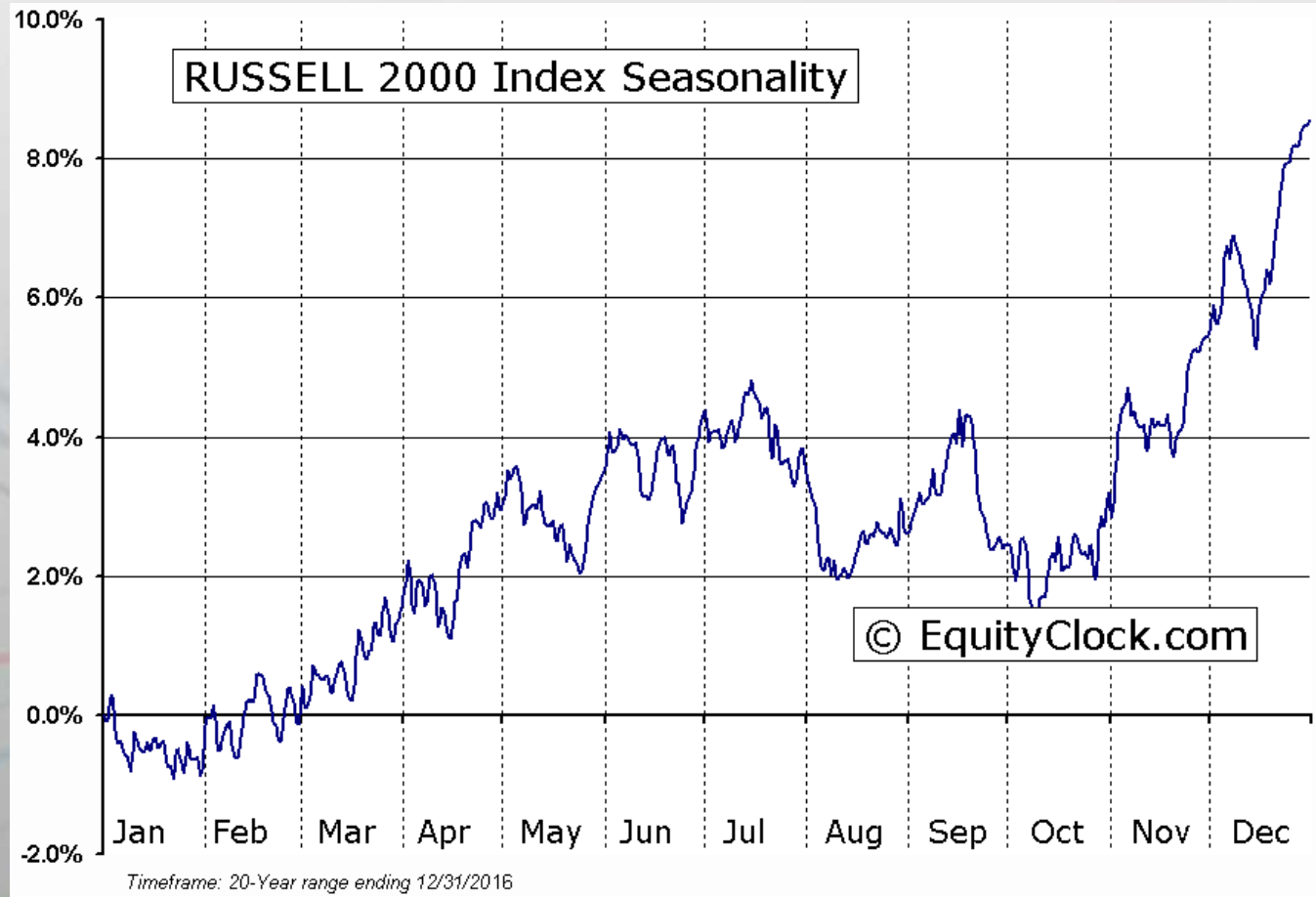
SPX Seasonality



NDX Seasonality



RUT Seasonality



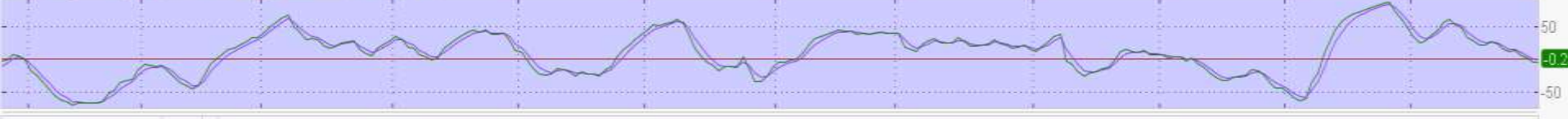
TNA 20 y D D: 1/13/17 O: 102.51 H: 105.44 L: 102.5 C: 103.9 R: 2.94 MovAvgExponential (OHLC4, 8, 0) 103.14 MovAvgEnvelope (0, 20, 10.0, 10.0, OHLC4, OHLC4, EXPONENTIAL) 112.71 82.22 MovAvgExponential (OHLC4, 50, 0) ...

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TNA-Daily



TrueStrengthIndex (8, 8, 3, EXPONENTIAL) -0.238902 -0.857915 0

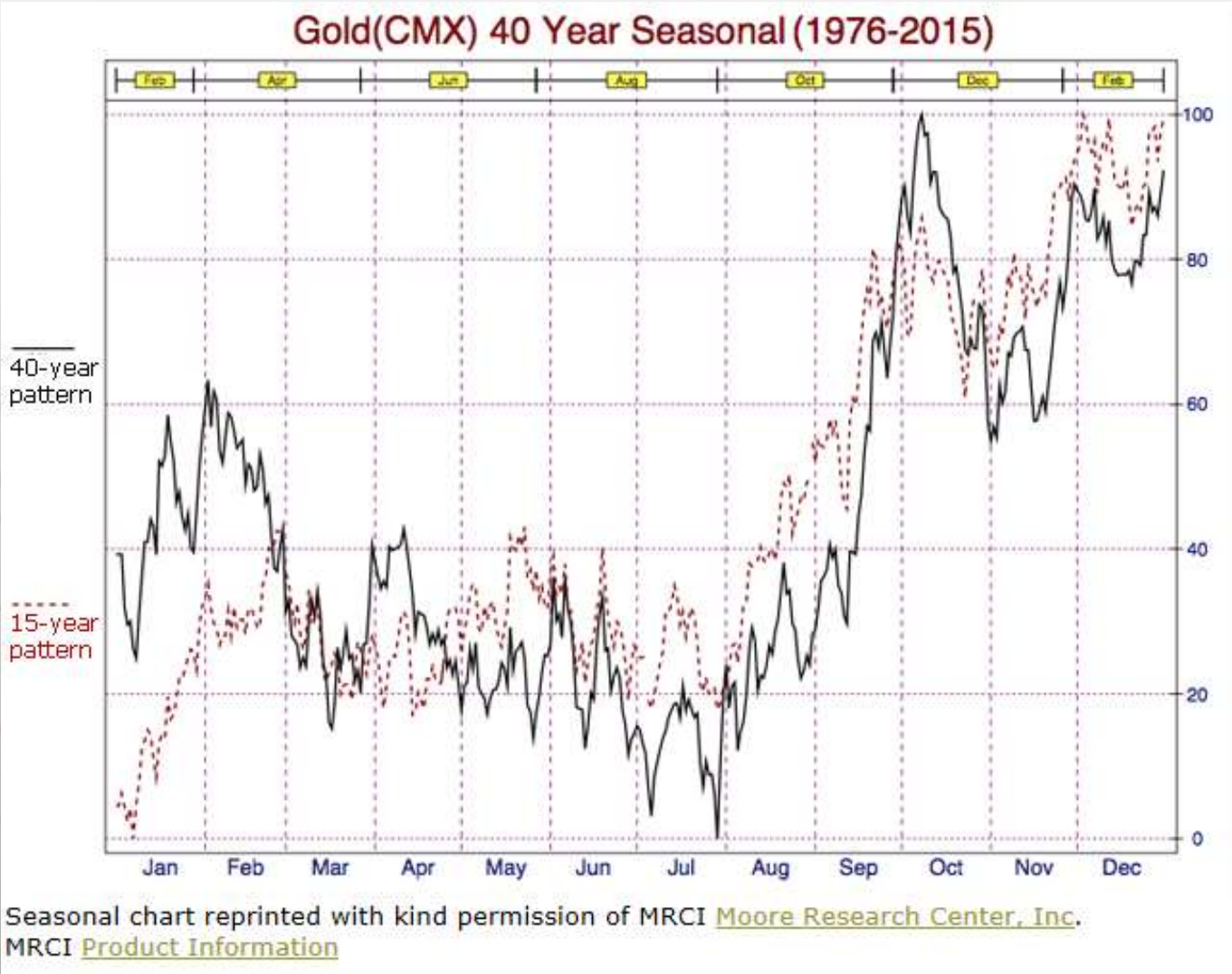


Momentum (12, OHLC4) -1.53 0



16 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Gold Seasonality

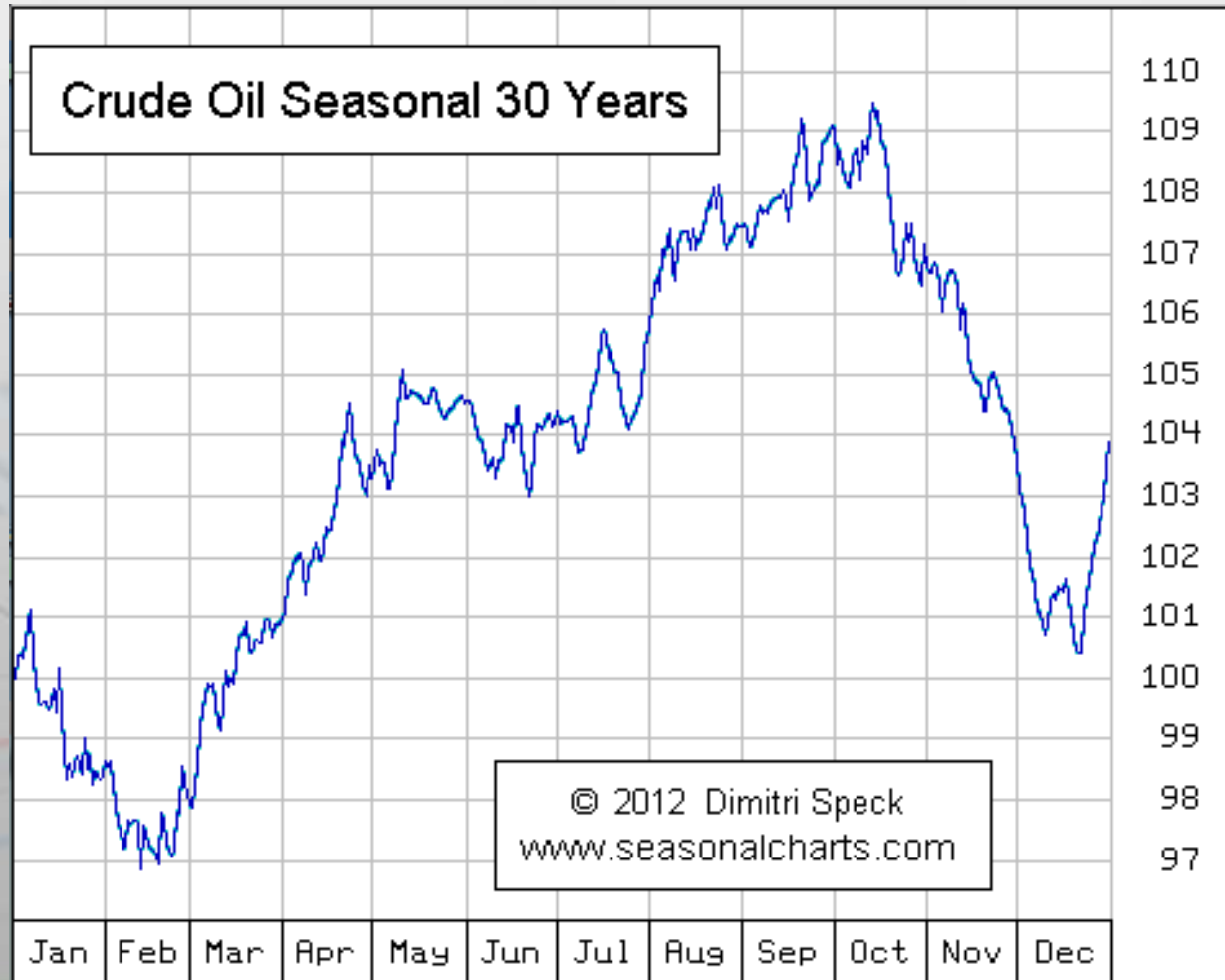


NUGT



1/17

Oil Seasonality

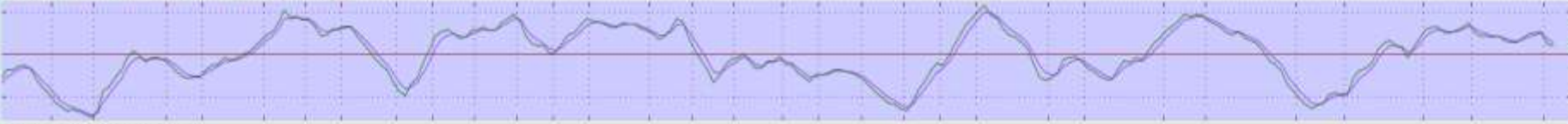


UCO 20 y D | D: 11/17 | O: 11.13 | H: 11.5 | L: 11.02 | C: 11.45 | R: 0.47 | MovAvgExponential (OHLC4, 8, 0) 11.5 | MovAvgExponential (OHLC4, 20, 0) 11.23 | KeltnerChannels (0, 2.0, 2.0, OHLC4, EXPONENTIAL, EXPONENTIAL) 11.23 | TTM_ScalpelAlert

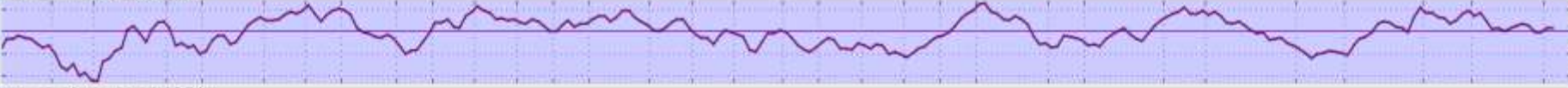
UCO



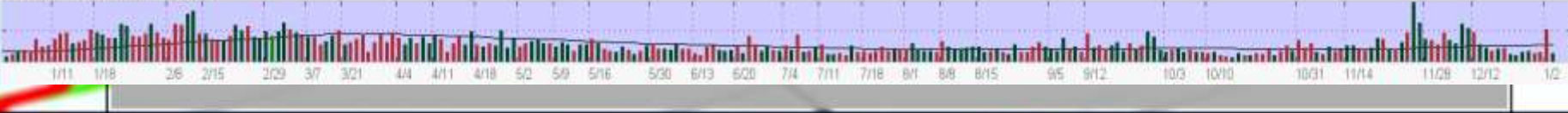
TrueStrengthIndex (8, 8, 3, EXPONENTIAL) 9.69487 | 14 2015 0



Momentum (12, OHLC4) 0.37875 0

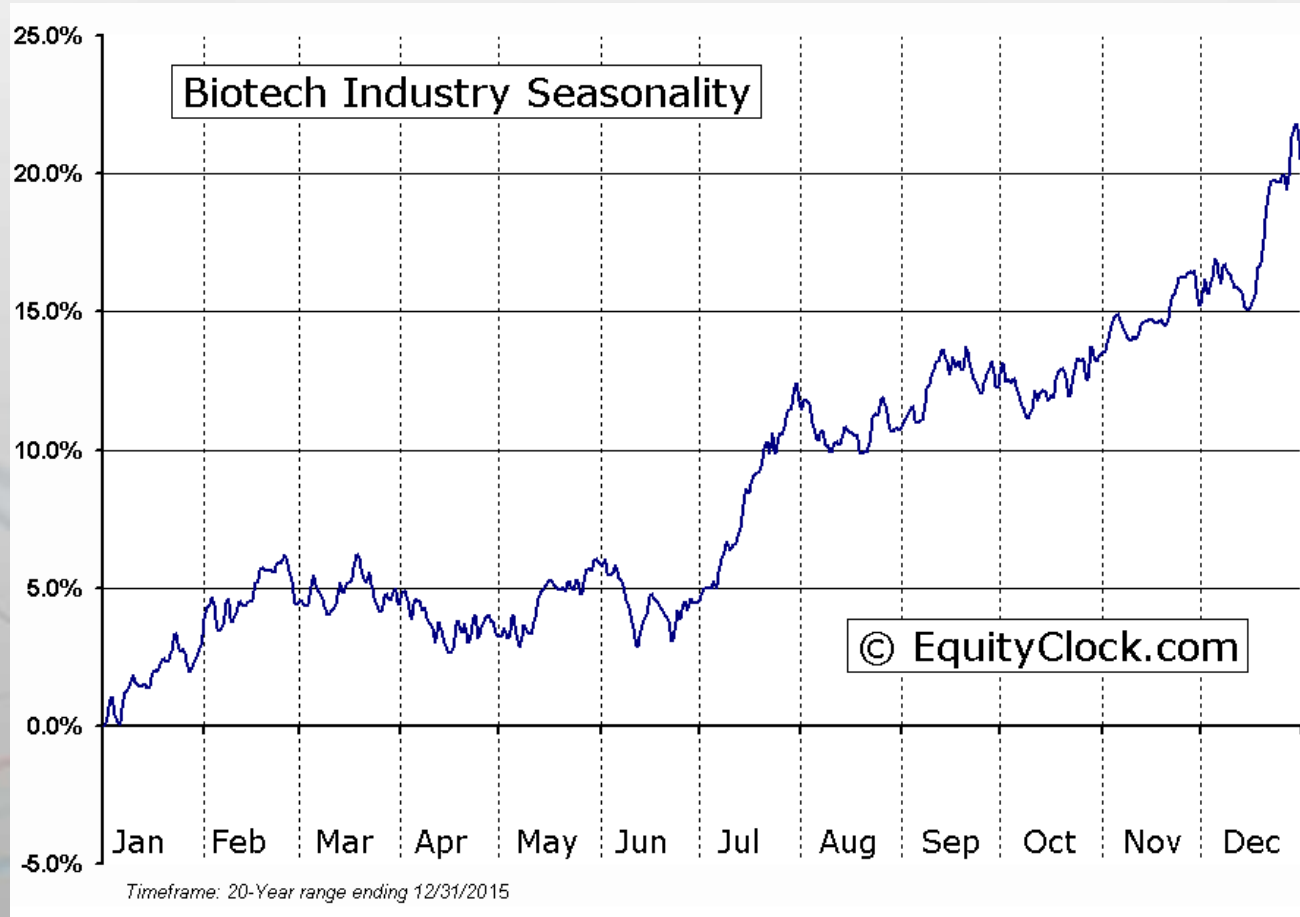


VolumeAvg (50) 6,273,200 | 11,273,873



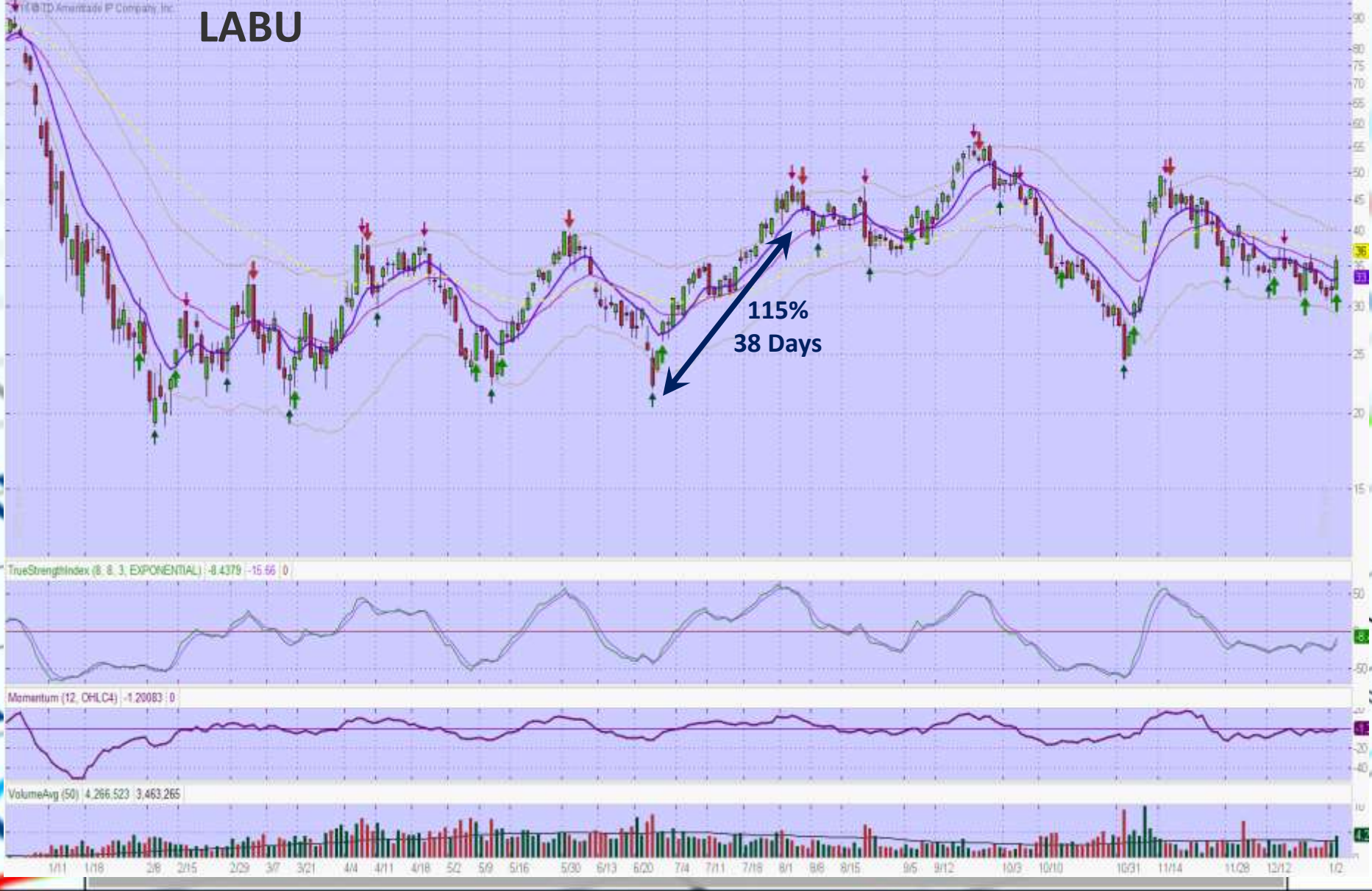
May

Biotech Seasonality



LABU 20 y D [NASDAQ] D: 1/4/17 O: 32.1 H: 36.45 L: 32.01 C: 35.76 R: 4.44 MovAvgExponential (OHLC4, 8, 0) 33.39 MovAvgExponential (OHLC4, 20, 0) 34.82 KeltnerChannels (0, 2.0, 20, OHLC4, EXPONENTIAL, EXPONENTIAL) 34.82

LABU



115%
38 Days

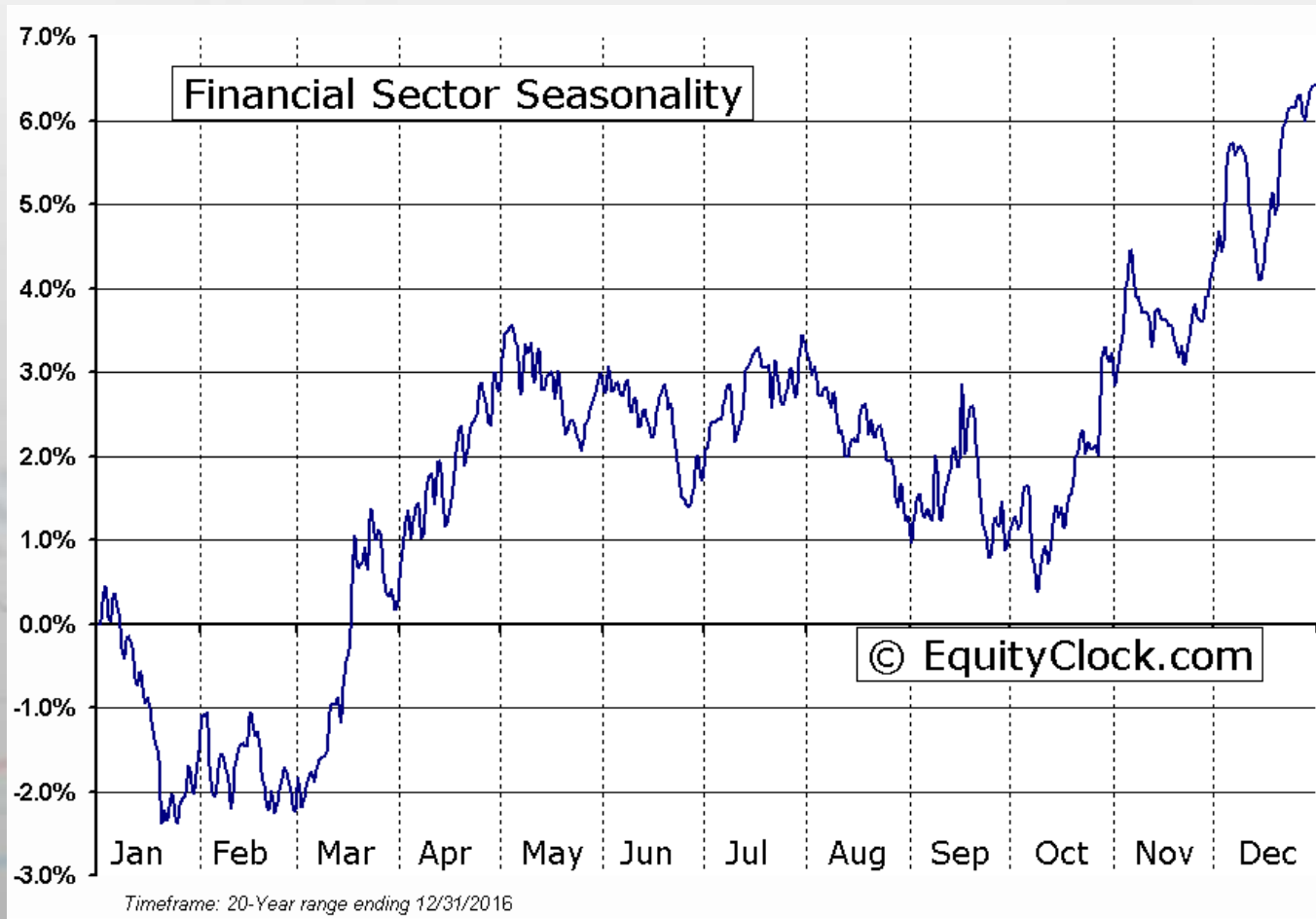
TrueStrengthIndex (8, 8, 3, EXPONENTIAL) -8.4379 -15.66 0

Momentum (12, OHLC4) -1.20083 0

VolumeAvg (50) 4,266,523 3,463,265

May

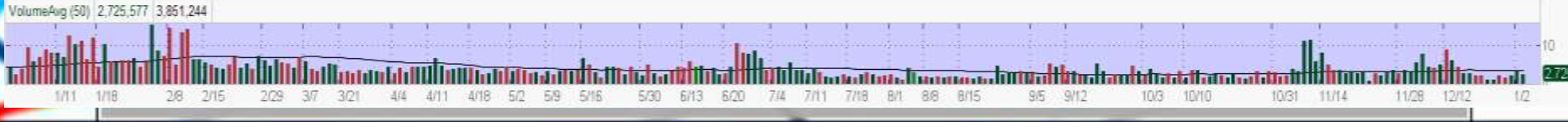
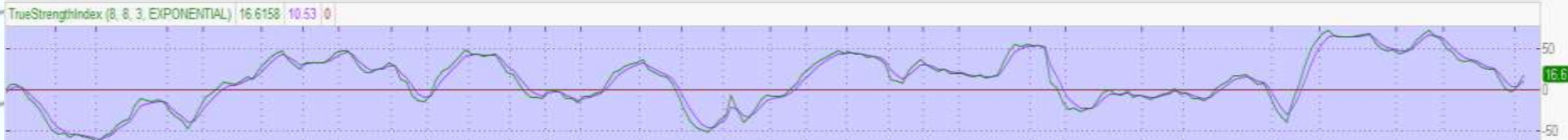
Financials Seasonality



FAS 20 y D D: 1/4/17 O: 42.12 H: 43.07 L: 42.12 C: 43.01 R: 0.95 MovAvgExponential (OHLC4, 8, 0) 41.7 BollingerBands (OHLC4, 20, 2) 41.55 MovAvgExponential (OHLC4, 20, 0) 40.77 KeltnerChannels (0, 2.0, 20, OHLC4, EXPONENTIAL, EXPONENTIAL) 40.77 TTM_Scalper...

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FAS



Bonus Presentation

5 Objective Profit Exits

5 Objective Profit Exits

- Profit Exits can be planned based on several objective parameters.
- Profit Exit parameters can be used in combination

5 Objective Profit Exits

- Set Percentage, Fib Extensions, Symmetry Extensions, Keltner or Moving Average Extensions

Set Percentage: 5%, 10%, 15%, 20% from Entry



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Fib Extension



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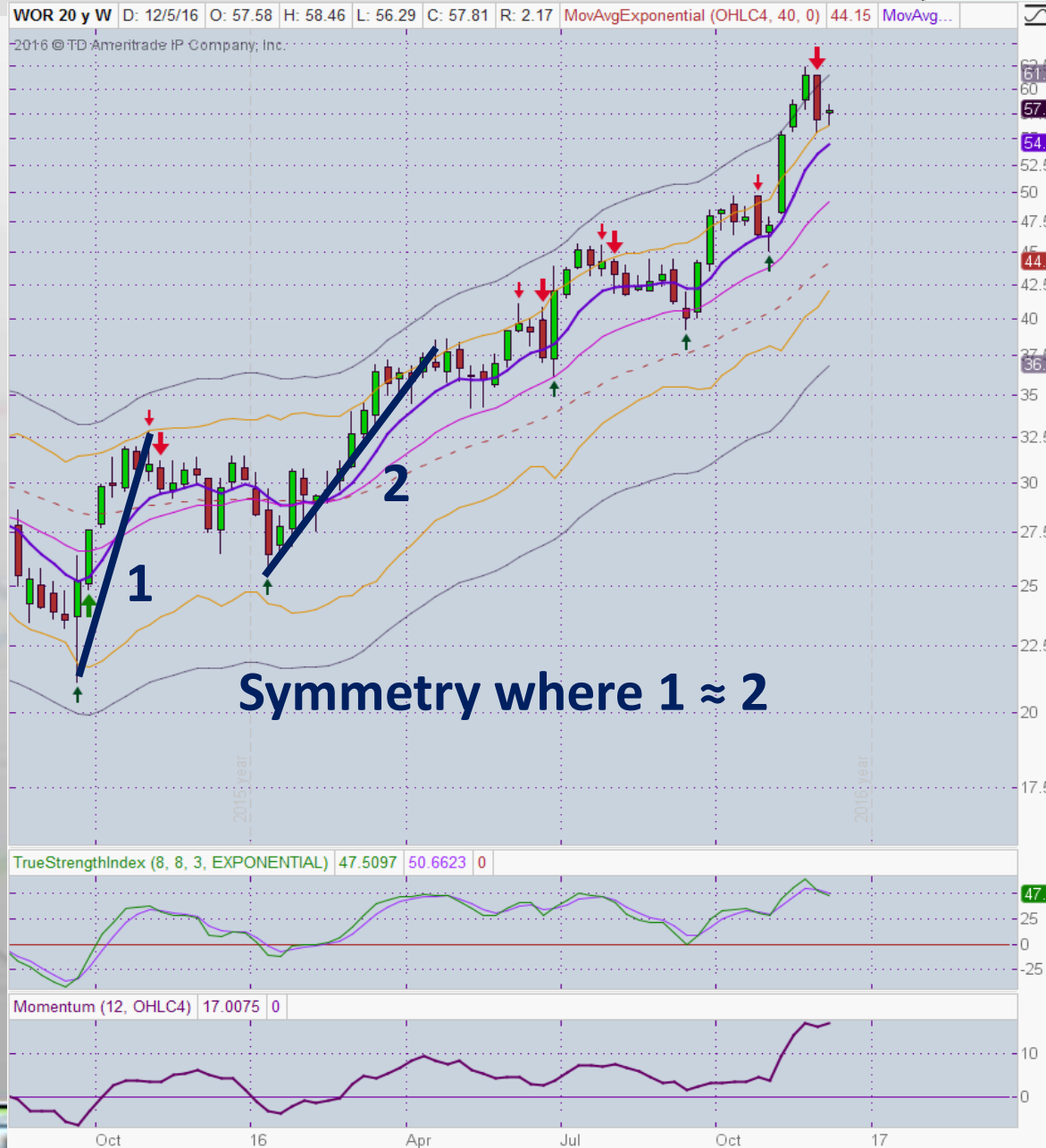
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Set Percentage: 5%, 10%, 15%, 20% from Entry

Fib Extension

Symmetry Extension



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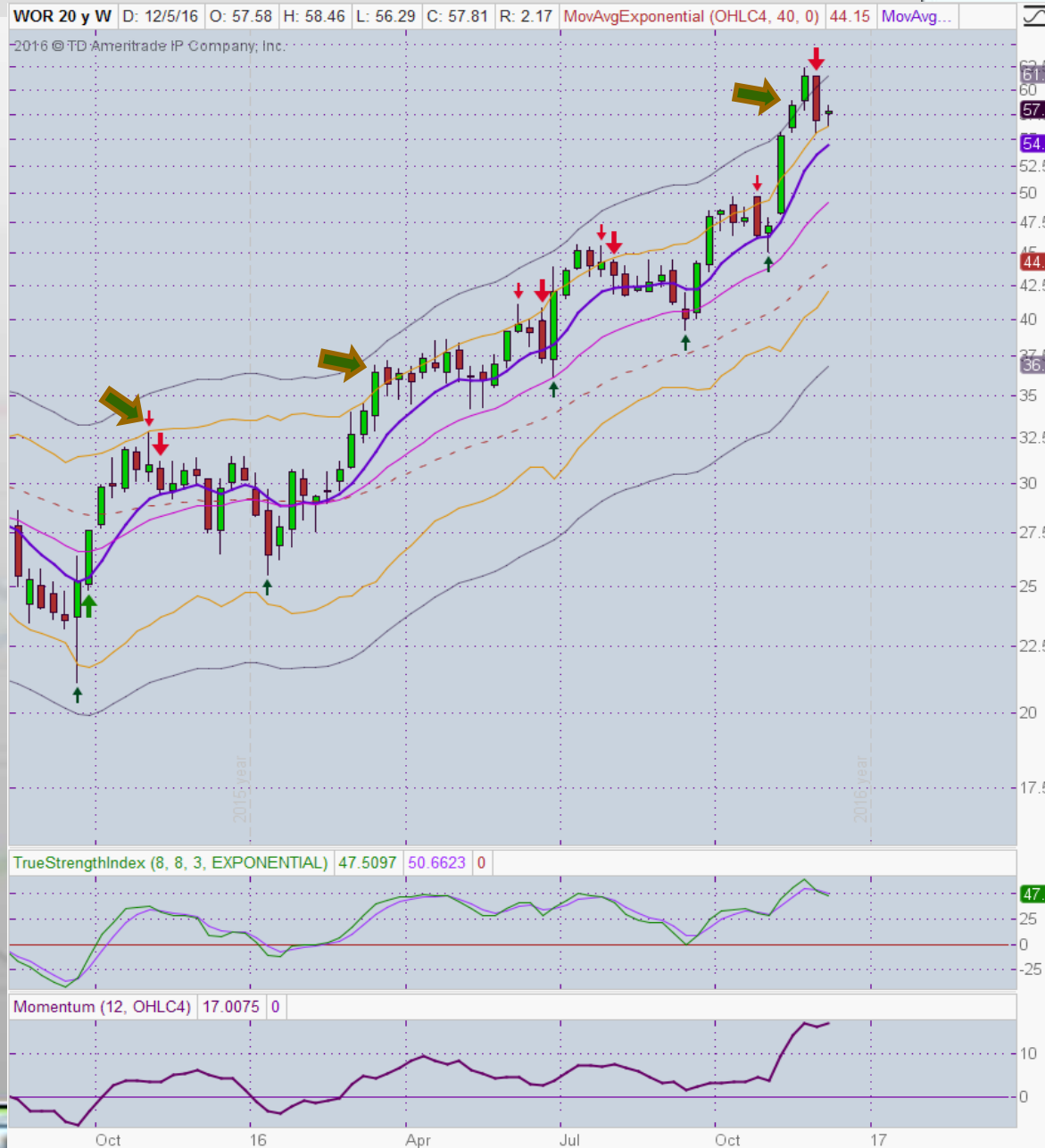
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Fib Extension

Symmetry Extension

Keltner or Moving Average Extensions



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- Set Percentage, Fib Extensions, Symmetry Extensions, Keltner or Moving Average Extensions
- **Pivot High/Low**



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- Set Percentage, Fib Extensions, Symmetry Extensions, Keltner or Moving Average Extensions
- Pivot High/Low
- **8 Period Moving Average**

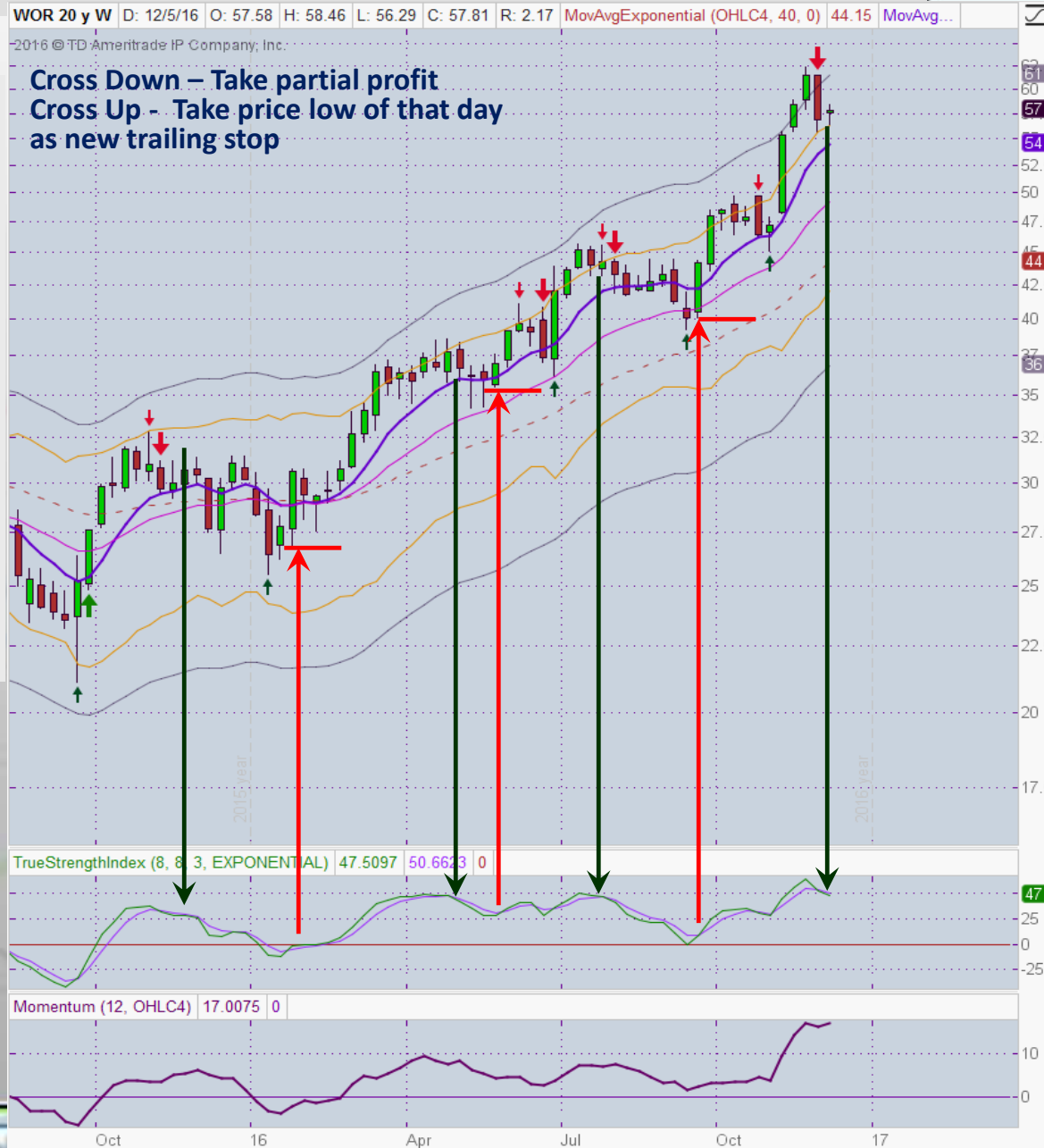


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5 Objective Profit Exits

- Set Percentage, Fib Extensions, Symmetry Extensions, Keltner or Moving Average Extensions
- Pivot High/Low
- 8 Period Moving Average
- **TSI**



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5 Objective Profit Exits

- Set Percentage, Fib Extensions, Symmetry Extensions, Keltner or Moving Average Extensions
- Pivot High/Low
- 8 Period Moving Average
- TSI
- **Engulfing Candlesticks**



5 Objective Profit Exits - Summary

5 Objective Profit Exits

- *Set Percentage, Fib Extensions, Symmetry Extensions, Keltner or Moving Average Extensions*
- *Pivot High/Low*
- *8 Period Moving Average*
- *TSI*
- *Engulfing Candlesticks*

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