

Given my notes and new investment strategy (listed below), I have questions that I would like to answer. For context 99% of my portfolio is in a taxed account (not tax-free).

The first question is how to find an optimal asset to trade against (ie TAO)? IA says, "desynchronized assets". I assume I must identify the assets that I would like to own, then find which assets are least correlated. What about if I haven't found an counter party asset to trade against or if the assets are too closely correlated, then I find a temporary uncorrelated asset to pair trade with ignoring the minimum hold on the temporary asset?

NOTES:

My Summary

- Big idea: Maximize the number of shares held (or buying power) between assets by swapping or pair trading based on relative values because assets can move at different times.
- New investment strategy: Buy, hold, swap, and leverage high conviction assets to maximize wealth, health, and happiness.
- Rule: Only swap assets held < 1 year in tax-free account or if ratio is $> x$ (TBD) and worth x (TBD) more than loss from taxes.
- Rule: Hold a minimum of $x\%$ shares for each asset regardless of ratio
- Share Ratio = Price of Asset A / Price of Asset B
- Swap Checklist:
 - Is the share ratio $> x$ or $< x$?

Video Notes (MP: indicates personal thoughts)

- Title: EXCLUSIVE VIDEO - When to Swap From One Asset to Another
- Source: https://www.patreon.com/posts/133146866?utm_campaign=postshare_fan
- The big idea behind swapping is maximize buying power relative prospective assets.

- The most important is think in number of shares not asset price.
- The goal is maximize the number of shares
- Common fallacy: Wait for x asset to peak before rotating.
- MP: How do I maximize shares in context of taxes - wait for 1 year, only use tax-free account, synthetic longs?
- MP: Is there a minimum percentage of shares to hold of an asset?
- Hypothesis: "All assets move at different times, and can we capture the peaks and troughs?"
- MP: Minimizing taxes for assets held <1 year I should explore synthetic longs
- In video Jacob tradingview chart using bolliger bands, IA trend, mean reversion, and IA buy/sell signal.
- MP: Should you do predictive allocation based on upcoming narratives or reactive only?
- MP: What if I used a small percentage of portfolio to trade ultra high risk like meme coin with ultra low risk like gold? Undermines strategy as these are not assets I would want to own, only short term trades. However I could still use it trade TAO or NVDA or something else. Basically a small starting position to acculate as TAO.
- MP: This idea could be powerful when applied to TAO's alpha tokens.
- MP: In comments someone has a minimum ratio of 1.4 for swapping. Could be good rule to have a minimum ratio.
- In comments for taxes, the trade has to be worth more than the loss from tax.
- MP: An options play is to sell covered call on one asset, and buy a call for the other asset. Hard part is time length.
- MP: Should have a layer approach to mitigate risk if a ratio delta continues to increase. Remember IA multiple purchases of MSTR to TSLA after having held MSTR >2 years.
- MP: How to find an optimal asset to trade against (ie TAO)? IA says, "desynchronized assets"

Source Notes

Jacob teaches us timing on MSTR/TSLA pair trading and what factors to think about.

Here are the top rules we use

Core Philosophy: Maximize Buying Power, Not Price Gains

The central idea isn't about selling at highs or buying at lows in dollar terms, but rather maximizing the number of shares (units) you can own through strategic swaps. As I say MSTR is my Currency....

This means:

Share ratio is king: Always ask, "How many shares of asset B can I get by selling one unit of asset A?"

Forget the all-time high myth or the Dollar value: Waiting for an asset to reach a new high before swapping often reduces buying power if the target asset also appreciates simultaneously.

When to Swap: The Share Ratio Framework

Here's how to detect ideal swap conditions using relative strength and share ratio analysis:

Use the Share Ratio Formula:

Share Ratio=Price of Asset A/Price of Asset B

When this ratio is rising, Asset A is gaining strength relative to Asset B.

Ideal time to sell Asset A (the strong horse) and buy Asset B (the weak horse).

Best-Case Scenarios to Swap:

Asset A (current holding) goes up, Asset B goes down: Ratio spikes.

Asset A stays flat, Asset B declines: Still an improved ratio.

Both fall, but Asset A falls less: Maintains superior ratio.

Both rise, but Asset A rises more: Again, ratio improves.

Goal: Enter when you can buy more units of the second asset than you previously could—ride the faster horse, then swap to the slower one before it catches up.

Avoid This Common Mistake

"I'll wait for MSTR to peak before buying TSLA."

Reading the Pair Chart: The Trader's Radar

Use a pair chart (MSTR/TSLA or vice versa):

Watch for trend changes, confluence zones, and buy/sell signals on IADSS.

Look for divergence between asset performance:

E.g. MSTR flat while TSLA crashes → ratio spikes → swap into TSLA.

E.g. MSTR dips while TSLA pumps → ratio bottoms → swap into MSTR.

Example Case Study: Tesla vs. MicroStrategy

Event: Tesla dropped due to Elon/Trump controversy while MSTR remained flat.

Result: MSTR/TSLA ratio peaked → ideal to rotate into Tesla.

Follow-up: TSLA recovered; MSTR dipped → ratio bottomed → ideal to rotate back into MSTR.

Conclusion: The pair chart captures these divergences before the individual charts might confirm.

Macro + TA Combo: As I say always keep your head out the window
MSTR Macro catalysts:

e.g. MicroStrategy inclusion in the S&P 500

e.g. BTC breaking resistance

Technical signals:

Optimized trend flips (e.g. orange → blue = trend change)

Support/resistance levels

Moving averages (especially 200-day)

Gaps in price action

Checklist for Expert Swaps

Check the share ratio (A/B) — is it peaking or bottoming?

Confirm with the pair chart — any buy/sell signals?

Analyze individual trends — is one asset trending while the other isn't?

Factor in macro events — upcoming news that might affect the assets differently?

Be dynamic — don't marry your asset; marry the buying power strategy.

Advanced Notes for the Elite Swapper

Use confluence bands and hourly/daily pair chart overlays.

Watch for "relative outperformance" over short windows.

Rotation model: Not just for MSTR/TSLA—apply to IBIT, BTC, or other correlated but desynchronized assets.

Mental model: Think like a value hunter in share terms, not just a price chaser.

Final Wisdom

"The pair chart tells the story underneath... Follow the signals."

The magic isn't in finding the perfect top or bottom—it's in being directionally correct and compounding share count across cycles of volatility. This is how James turned \$200K into \$1M—through repeatable asymmetric swaps, not brute leverage or guessing price tops.

Q Thought for 38s

Expand for details



Finding an optimal asset to trade against (e.g., TAO) in your pair trading strategy is a key step to maximize buying power while managing the tax implications of your largely taxable portfolio. Below, I'll address your question directly, including how to identify "desynchronized assets," what to do if no ideal counter asset exists, and how to handle temporary uncorrelated assets, all tailored to your notes and strategy.

Understanding "Desynchronized Assets"

"Desynchronized assets," as mentioned by IA, refer to assets whose price movements are not closely correlated. In pair trading, the goal is to swap from one asset (e.g., TAO) into another when their relative values shift, allowing you to accumulate more shares of your desired asset over time. Low correlation ensures that the assets move independently, creating opportunities to "ride the stronger horse" and swap into the "weaker horse" at optimal times.

How to Find Them

- **Identify High-Conviction Assets**
 - Start with assets you want to own long-term, like TAO, NVDA, or others in your portfolio. These are your core holdings you aim to accumulate.
- **Look for Low-Correlation Assets**
 - Find assets that don't move in tandem with your high-conviction assets. For example:
 - If TAO is tech-focused, consider assets in unrelated sectors like healthcare, commodities, or defensive stocks.
 - If TAO is part of an ecosystem (e.g., alpha tokens), explore other tokens within that ecosystem with different price drivers.
 - **Tools:** Use correlation coefficients (available on platforms like TradingView or portfolio analysis tools) to measure historical correlation. A value close to 0 (or negative) indicates low correlation.
 - **Manual Check:** Observe historical price charts to see if the assets peak and trough at different times.
- **Practical Examples**
 - Pair a volatile tech asset (TAO) with a stable commodity (gold) or a dividend stock.
 - If TAO follows narrative-driven cycles, pair it with an asset tied to macroeconomic trends (e.g., interest rates).

What If No Ideal Counter Asset Exists or Assets Are Too Correlated?

If you can't find a suitable long-term counter asset, or if potential pairs (e.g., TAO and another asset) are too closely correlated, you've suggested using a **temporary uncorrelated asset** for pair trading, even if it's not something you'd hold long-term. Here's how to approach this:

Strategy

- **Use as a Bridge:** Trade into a temporary uncorrelated asset to take advantage of a favorable share ratio, then swap back into your high-conviction asset (e.g., TAO) when the opportunity arises.
- **Example:** If TAO is outperforming but you can't find a low-correlation asset you believe in, swap into a stable, uncorrelated asset (like gold or a broad ETF) temporarily, then later trade into more TAO when its relative value dips.

Pros

- Allows you to capture short-term relative value shifts and increase your share count of TAO over time.
- Maintains flexibility in your taxable account.

Cons and Risks

- **Tax Implications:** Frequent swaps in your taxable account (99% of your portfolio) could trigger short-term capital gains taxes (higher than long-term rates). For assets held less than a year, this could erode gains unless the trade is highly profitable.
- **Unwanted Exposure:** Holding an asset you don't believe in long-term risks losses if its price moves against you unexpectedly.
- **Complexity:** Adds an extra step, increasing the chance of mistiming trades.

Recommendation

- **Limit Scope:** Use this tactic with a small percentage of your portfolio (e.g., the portion you considered for high-risk trades like meme coins) to minimize risk and tax exposure.
 - **Tax Check:** Only proceed if the expected gain exceeds the tax cost (per your rule: "trade has to be worth more than the loss from tax").
 - **Ignore Minimum Hold Temporarily:** Since this is a short-term play, you can bypass your "minimum % of shares" rule for the temporary asset, but ensure you maintain it for high-conviction assets like TAO.
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Tax-Efficient Execution in a Taxable Account

Since 99% of your portfolio is taxable, taxes are a critical factor. Here's how to integrate this into your strategy:

- **Hold for Long-Term Gains**
 - Whenever possible, hold assets for at least one year to qualify for lower long-term capital gains tax rates. Avoid swapping assets held less than a year unless the gain justifies the tax hit.
- **Set a Minimum Share Ratio**
 - Use your idea of a minimum ratio (e.g., 1.4 from comments) to trigger swaps. Calculate:

$$\text{Share Ratio} = \text{Price of Asset A} / \text{Price of Asset B}$$



- Swap only if the ratio exceeds your threshold (e.g., >1.4) and the profit outweighs the tax cost.
 - **Leverage Tax-Advantaged Accounts**
 - If the remaining 1% of your portfolio is in a tax-free account, use it for frequent swaps to avoid taxes entirely. Reserve the taxable account for longer-term holds.
 - **Synthetic Longs**
 - For assets held less than a year, explore synthetic longs (e.g., buying call options) to gain exposure without selling and triggering a taxable event. This is complex and requires options expertise, so proceed cautiously.
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Practical Steps to Find an Optimal Asset to Trade Against TAO

- **Analyze TAO's Behavior**
 - Study TAO's price drivers (e.g., tech trends, narratives). Is it volatile or stable? Sector-specific or ecosystem-driven?
- **Screen for Candidates**
 - Look for assets with low correlation to TAO:
 - Different sectors (e.g., energy, utilities).
 - Different risk profiles (e.g., stable ETFs vs. TAO's volatility).
 - Use pair charts or correlation tools to confirm.
- **Set Swap Rules**
 - **Ratio Threshold:** Swap when the TAO/Asset B ratio peaks (TAO strong, Asset B weak).
 - **Tax Filter:** Ensure the trade's value exceeds the tax liability in your taxable account.
 - **Minimum Holdings:** Maintain a minimum % of TAO shares, even during swaps.
- **Temporary Asset Option**
 - If no ideal pair emerges, pick a low-correlation asset (e.g., gold, a stablecoin, or broad market ETF) as a temporary hold, then swap back to TAO when the ratio favors it.

Final Thoughts

To find an optimal asset to trade against TAO:

- **Prioritize low-correlation, desynchronized assets** aligned with your long-term goals.
- **Use temporary uncorrelated assets sparingly** in small amounts, ensuring gains outweigh taxes and risks.
- **Balance taxes and gains** by setting clear ratio thresholds and leveraging your small tax-free allocation.

This approach aligns with your goal of maximizing shares while navigating a taxable account. Let me know if you'd like help refining your ratio threshold or exploring specific asset pairs!

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Given I'm an American citizen with approximately \$1 million in stocks. What is the best way to maximize shares for a pair trade in context of taxes - wait >1 year for 20% long term capital gains tax (LTCG), options strategy (sell covered call for one asset, buy call for another with premium), % allocation LTCG and STCG, or something else? Keep in mind the provided notes.

💡 Thought for 1m 9s

Expand for details



Given your situation as an American citizen with approximately \$1 million in stocks, you're looking to maximize shares through pair trading while minimizing taxes in a largely taxable account (99% taxed, per your notes). Pair trading involves simultaneously buying and selling two correlated assets to profit from their relative price movements, and your goal suggests accumulating more shares of high-conviction assets over time. Let's evaluate the options—waiting for long-term capital gains (LTCG), using an options strategy, allocating percentages to LTCG and STCG, or exploring alternatives—and determine the best approach, considering tax implications and your notes.

Understanding Taxes and Your Goal

- **Tax Rates:** In the U.S., gains on assets held over one year qualify for LTCG tax at 20%, while short-term capital gains (STCG) on assets held less than a year are taxed at your ordinary income rate (likely higher, depending on your bracket).
 - **Pair Trading Objective:** You aim to swap assets to increase shares of the asset you believe will outperform, using relative value opportunities, while keeping taxes low.
 - **Notes Insight:** Your rule—"swap assets held <1 year in tax-free account or if ratio is >x and worth x more than loss from taxes"—suggests you're willing to trade short-term holdings only if the profit outweighs the tax cost.
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Evaluating the Options

1. Wait >1 Year for 20% LTCG

- **How It Works:** Hold assets for over a year before swapping in a pair trade, ensuring gains are taxed at 20%.
- **Pros:** Minimizes tax rate, aligning with tax efficiency.
- **Cons:** Pair trades often rely on shorter-term relative price movements, so waiting may cause you to miss opportunities, limiting your ability to maximize shares quickly.
- **Fit:** Too restrictive for active pair trading, though useful for some trades.

2. Options Strategy (Sell Covered Call on One Asset, Buy Call on Another)

- **How It Works:** Sell a covered call on an asset you own (e.g., Asset A), using the premium to buy a call on the paired asset (e.g., Asset B). If B outperforms, the call gains value, potentially letting you buy more shares later.
- **Pros:** Generates income and leverages relative price movements without immediately selling the underlying asset.
- **Cons:**
 - Premiums from covered calls are taxed as STCG (higher rate).
 - If the covered call is exercised, you sell Asset A, triggering a taxable event (LTCG or STCG based on holding period).

- Adds complexity and risk (e.g., if prices move unexpectedly).
- **Fit:** Doesn't directly minimize taxes and may not maximize shares efficiently due to tax treatment and risks.

3. % Allocation to LTCG and STCG

- **How It Works:** Allocate a fixed percentage of your portfolio to long-term pair trades (LTCG) and another to short-term trades (STCG), balancing tax efficiency and trading frequency.
- **Pros:** Offers flexibility to act on short-term opportunities while keeping some tax efficiency.
- **Cons:** Lacks precision—arbitrary allocation may not optimize for specific trade profitability or tax impact.
- **Fit:** Less tailored than evaluating each trade individually.

4. Something Else

- **Exploring Alternatives:** Your notes and tax situation suggest a hybrid strategy could work better, leveraging LTCG, specific tax rules, and your small tax-free account.
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Recommended Strategy

The best way to maximize shares through pair trading while minimizing taxes combines tax-efficient practices with your trading goals. Here's a step-by-step approach:

1. Prioritize Pair Trades with Assets Held Over One Year

- **Why:** Selling assets held over a year triggers LTCG at 20%, reducing your tax burden compared to STCG.
- **How:** Identify pair trades where the asset to sell has been held for over a year. Swap into the outperforming asset when the relative value is favorable, keeping taxes low while accumulating shares.

2. Use Specific Identification for Tax-Efficient Selling

- **Why:** U.S. tax rules allow you to choose which lots of an asset to sell, optimizing for LTCG.
- **How:** When selling, specify lots held over a year (notify your broker at the time of sale). This ensures the lowest tax rate applies, preserving more capital to reinvest in shares.

3. Trade Assets Held Less Than a Year Only if Profit Justifies the Tax

- **Why:** STCG taxes are higher, so short-term trades must be highly profitable.
- **How:** Per your notes, swap assets held <1 year only if the expected gain exceeds the additional tax cost (STCG rate - 20%). For example:
 - Calculate the trade's profit.
 - Estimate the tax difference (e.g., 37% STCG vs. 20% LTCG).
 - Proceed if profit > extra tax.

4. Leverage Tax-Loss Harvesting to Offset Gains

- **Why:** Losses can offset gains, reducing your taxable income from pair trades.
- **How:** Sell underperforming assets to realize losses, offsetting STCG or LTCG from trades. Avoid the wash-sale rule by not repurchasing the same asset within 30 days.

5. Use Your Tax-Free Account for Frequent Trades

- **Why:** Your small tax-free account (1% of portfolio) allows tax-free swaps, perfect for short-term or frequent pair trades.
 - **How:** Allocate high-turnover pair trades to this account, maximizing flexibility without tax consequences.
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Why This Works

- **Tax Efficiency:** Focuses on LTCG where possible and uses specific identification to minimize taxes.
 - **Share Maximization:** Allows active pair trading while ensuring trades are profitable enough to justify tax costs.
 - **Practicality:** Leverages your existing rule, tax-free account, and loss harvesting for a balanced approach.
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Practical Example

You own:

- **Asset A:** \$500,000, held 14 months (LTCG-eligible).

- **Asset B:** \$500,000, held 8 months (STCG if sold).

You expect Asset B to outperform Asset A soon.

- **Action:** Sell Asset A (LTCG at 20%) and buy more Asset B. Reinvest proceeds to increase B's shares.
- **If B Must Be Sold:** Check if the profit from swapping B into A exceeds the STCG tax cost (e.g., 37% vs. 20%). If yes, proceed; if no, wait or use the tax-free account.
- **Loss Harvesting:** Sell a losing position (e.g., \$50,000 loss) to offset gains, reducing taxes.

Final Answer

The best way to maximize shares through pair trading while minimizing taxes is **not to rely solely on one option** but to use a hybrid strategy:

- **Prioritize pair trades** with assets held over a year for LTCG at 20%.
- **Use specific identification** to sell tax-efficient lots.
- **Only trade assets held <1 year** if the profit outweighs the higher STCG tax, per your rule.
- **Leverage tax-loss harvesting** to offset gains.
- **Use your tax-free account** for short-term trades.

This approach outperforms waiting for LTCG alone (too slow), options strategies (complex and tax-inefficient), or fixed allocations (less precise), aligning with your \$1 million taxable portfolio and share-maximization goal.

Disclaimer: I'm not a financial adviser; consult one for personalized advice. Avoid sharing identifying details.



What is the minimum percentage of shares to hold of an asset while pair trading? Said another way, what percentage of shares should I not sell regardless of the share ratio?

Q Thought for 19s

Expand for details



In pair trading, there isn't a universal “minimum percentage” of shares you must hold without selling, as it depends on your specific investment goals, risk tolerance, and the characteristics of the assets involved. However, a common approach is to maintain at least **10-20%** of your total position in each asset. This ensures you retain some exposure to the asset, even when the share ratio suggests reducing your position, while still allowing flexibility to adjust based on relative price movements.

Why 10-20%?

- **Risk Management:** Holding a minimum percentage helps manage risk by ensuring you don't completely exit a position that could rebound or align with your long-term beliefs.
- **Exposure Maintenance:** It keeps you invested in assets you may want to hold for strategic reasons, such as long-term growth potential or diversification.
- **Flexibility:** This range allows you to adjust your position based on the share ratio while avoiding over-concentration or complete divestment.

Tailoring to Your Strategy

- **Long-Term Beliefs:** If you have strong conviction in one asset, you might opt for a higher minimum (e.g., 20-30%) to ensure you benefit from its potential upside.
- **Volatility Consideration:** For highly volatile assets, a slightly higher minimum (e.g., 15-25%) can help mitigate the risk of being whipsawed by short-term price movements.
- **Portfolio Goals:** If your goal is aggressive profit maximization, a lower minimum (e.g., 5-10%) might work, though it increases the risk of missing out if the asset rebounds.

Ultimately, the exact percentage should align with your overall portfolio strategy and risk appetite. Since pair trading involves balancing positions in two correlated assets (typically long one, short the other), consider how your minimum hold affects your ability to profit from relative price movements. For personalized guidance, consulting a financial advisor is recommended.

Disclaimer: I'm not a financial adviser; consult one for tailored advice. Avoid sharing identifying details.