



Two Day Seminar
December 2nd & 3rd
2022



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Two Day Seminar December 2nd & 3rd 2022

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What's Your biggest Frustration...



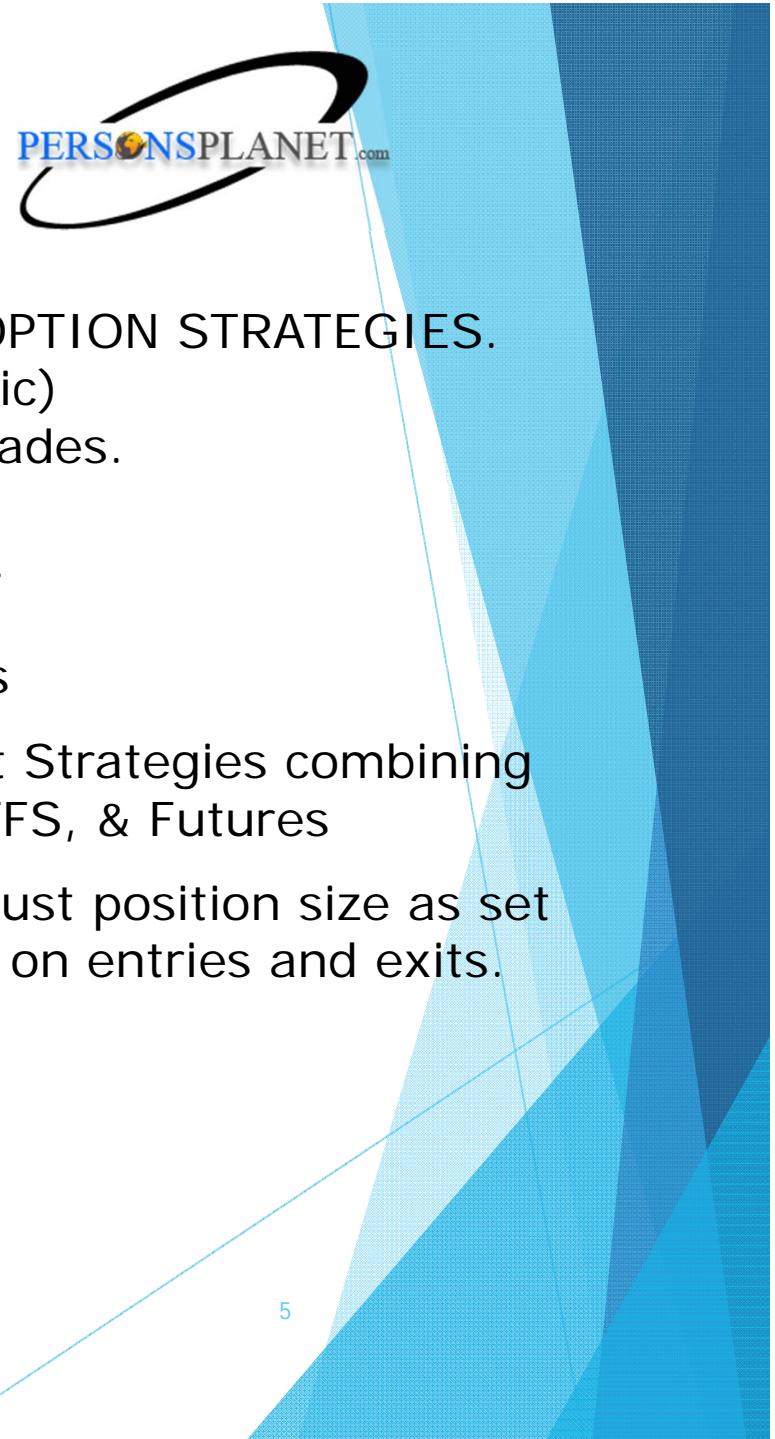
- ❖ **Not knowing when or what price to enter a position?**
- ❖ **Wondering when and how to exit a trade?**
- ❖ **Not sure where to place stop loss orders or how to trail a stop?**
- ❖ **Not sure which Option Strategy to employ let alone what strike prices?**

Outline & Topics



- ❖ PPS with Persons Pivots and the importance behind the “Blue – Gold” indicator.
- ❖ Learning why Relative Strength Analysis is paramount to stock & ETF traders.
- ❖ Volume Analysis: The lifeblood of markets.
- ❖ Cross-sectional time series trade set-ups.
- ❖ Learning correlation analysis to trade specific ETF's & ETNS and how to trade with inverse and tandem relationships (When, Why and How to use spreads).
- ❖ Option Strategies!

Outline & Topics



- ❖ CRITERIAS For CHOOSING DIRECTIONAL OPTION STRATEGIES.
 - Understanding Volatility (Implied & Historic)
 - Choosing the right Deltas for directional trades.
 - Selecting Expiration dates.
 - Vertical versus Diagonal Calendar spreads.
 - Ratio Back Spreads.
 - When to use Unweighted Butterfly spreads
- ❖ Short- and Long-term momentum Breakout Strategies combining LCC levels with Pivot Analysis for Stocks ETFS, & Futures
- ❖ Adjusting Position Size tactics: Learn to adjust position size as set by risk or use stagnant position size orders on entries and exits.



PPS with Persons Pivots and the importance behind the “Blue – Gold” indicator.

Section I

Bullish Market Conditions

- 1.) Higher highs.
- 2.) Higher lows.
- 3.) Close greater than open ($C > O$).
- 4.) Closes greater than past closes.
- 5.) Close greater than past high!
- 6.) Close closer to current bar high.



Bearish Market Conditions

- 1.) Lower highs.
- 2.) Lower lows.
- 3.) Close less than open ($C < O$).
- 4.) Closes lower than past close.
- 5.) Closes lower than prior lows.
- 6.) Closes closer to current bars low.



How to Use a M/A of Pivot Points

- ❖ The pivot point number is the high, low, close added up and then divided by three. $P=(H+L+C)/3$ = pivot point.
- ❖ I want to introduce a concept using the pivot Point as a moving average.
- ❖ It captures the relationship of the close to a low or high as a reference point, thereby giving a better gauge of value.

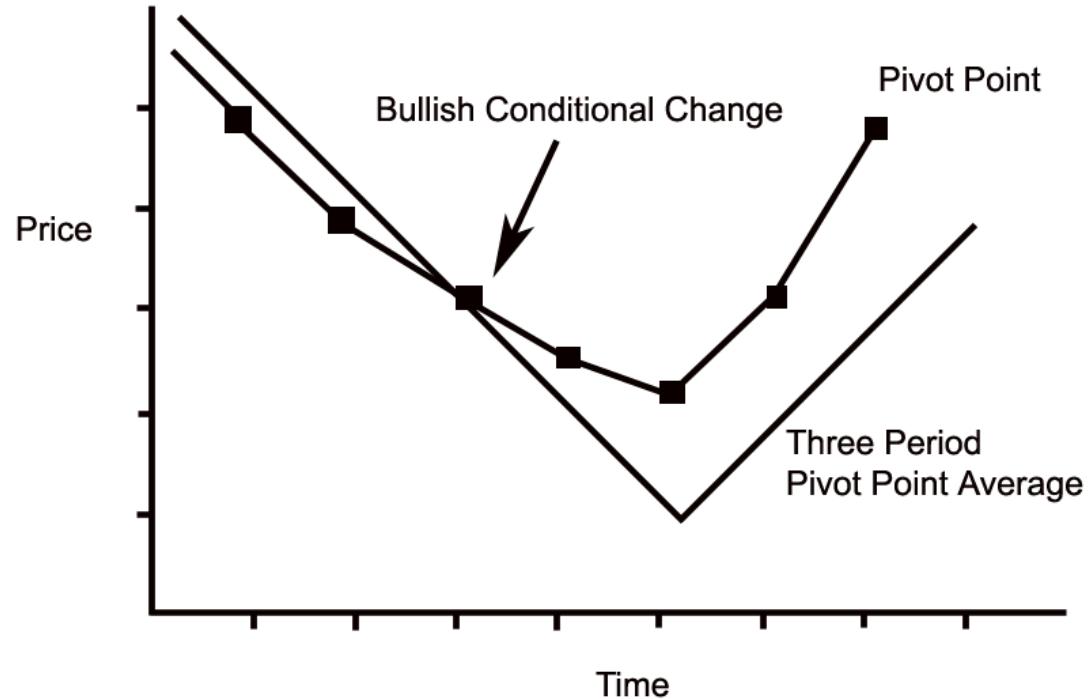
Person Pivot Indicator

- ▶ The “PPI” is a combination of the one period Pivot versus the 3 period average of the actual pivot point. It can act as a support number in Bullish conditions and I give it a high degree of importance when one of the calculations coincides or is near that number.

Pivot Point Sentiment Indicator

- ▶ With the aid of being able to “target” the potential range in a given trading session traders then can add another dimension to their analysis and look for patterns or signals to trade off of...

Pivot Point Sentiment Indicator





ZG-067: Gold 100oz CBOT CAdj Liq (60 minute bars)

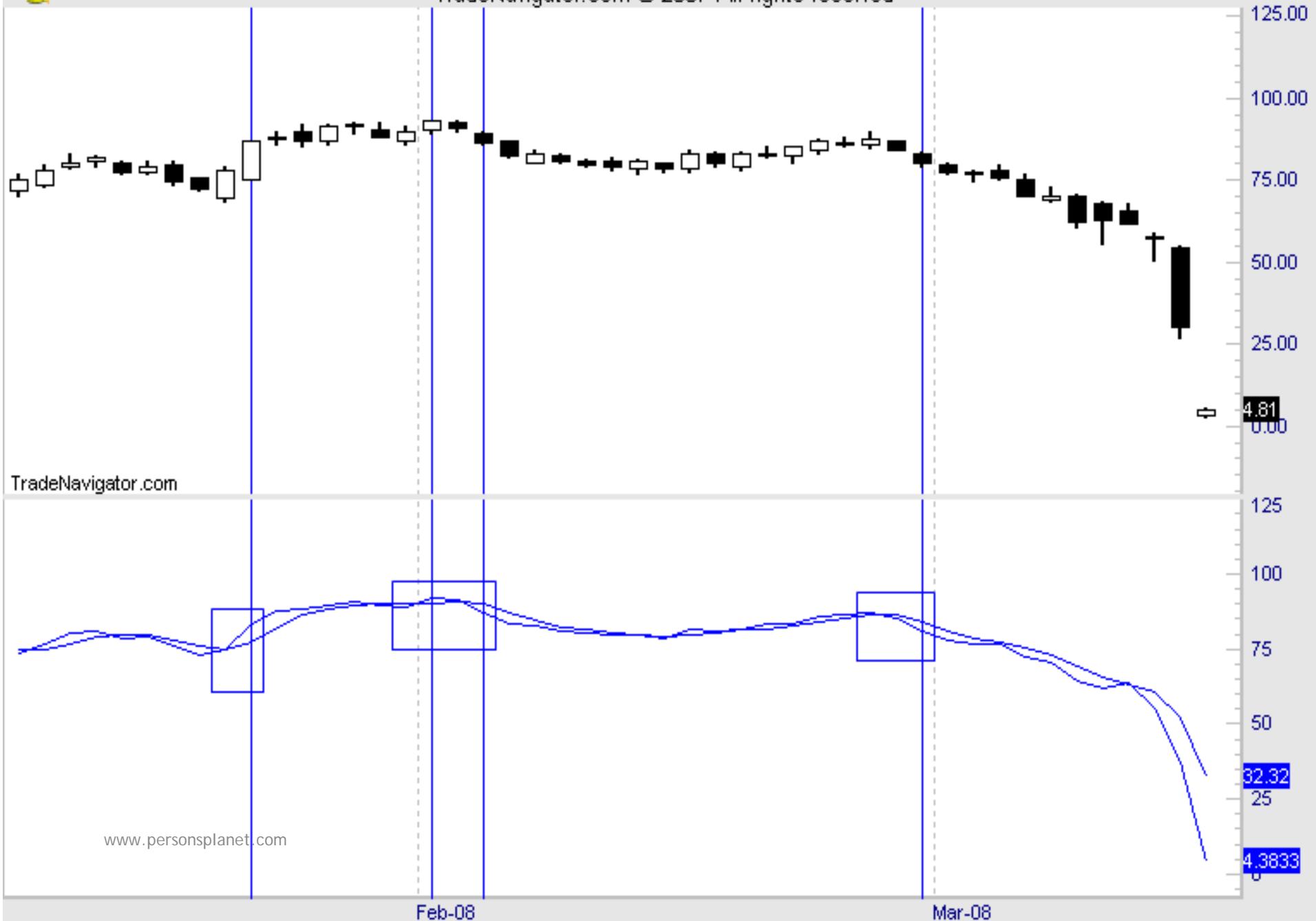
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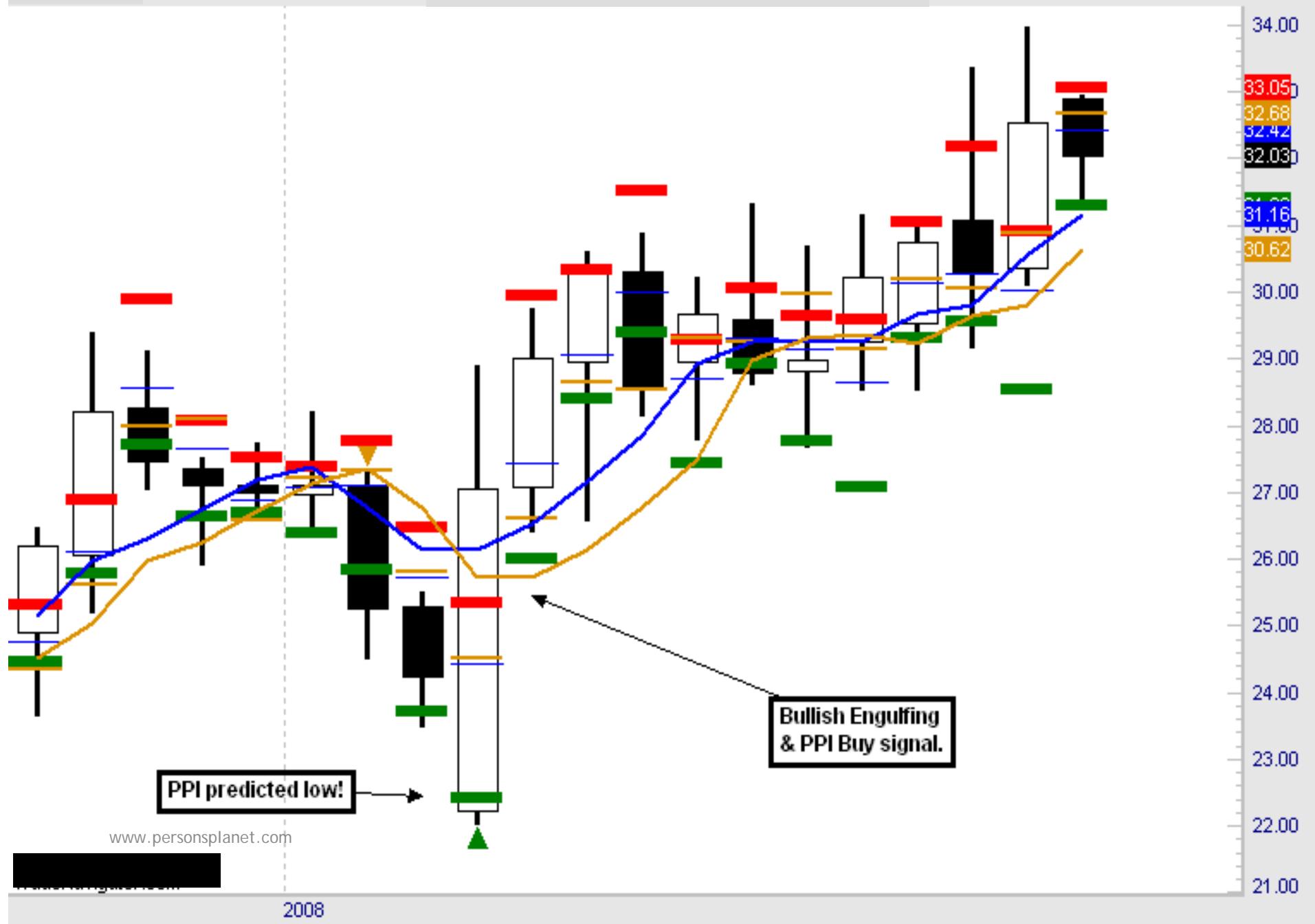


BSC: Bear Stearns Cos (Daily bars)

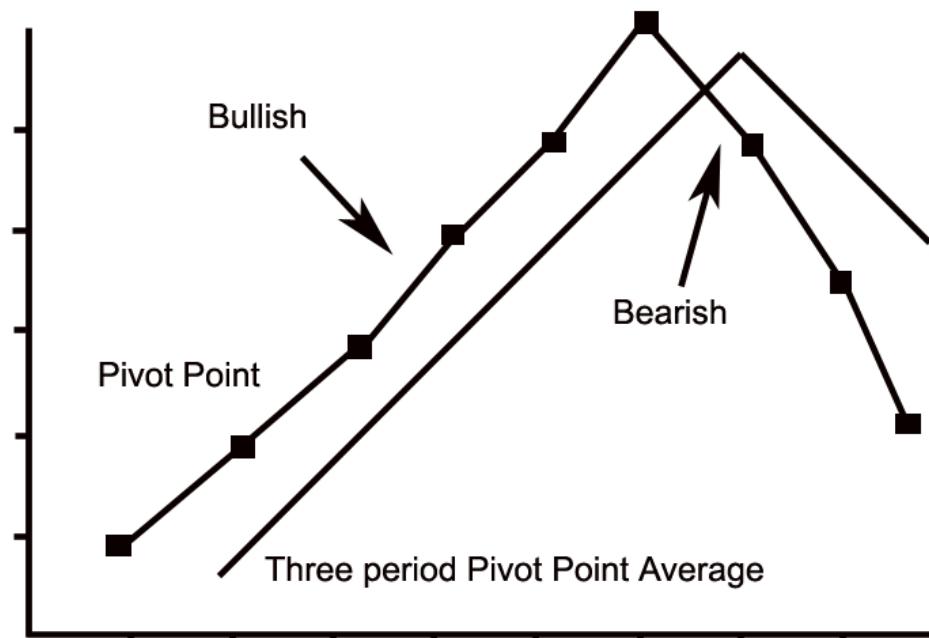
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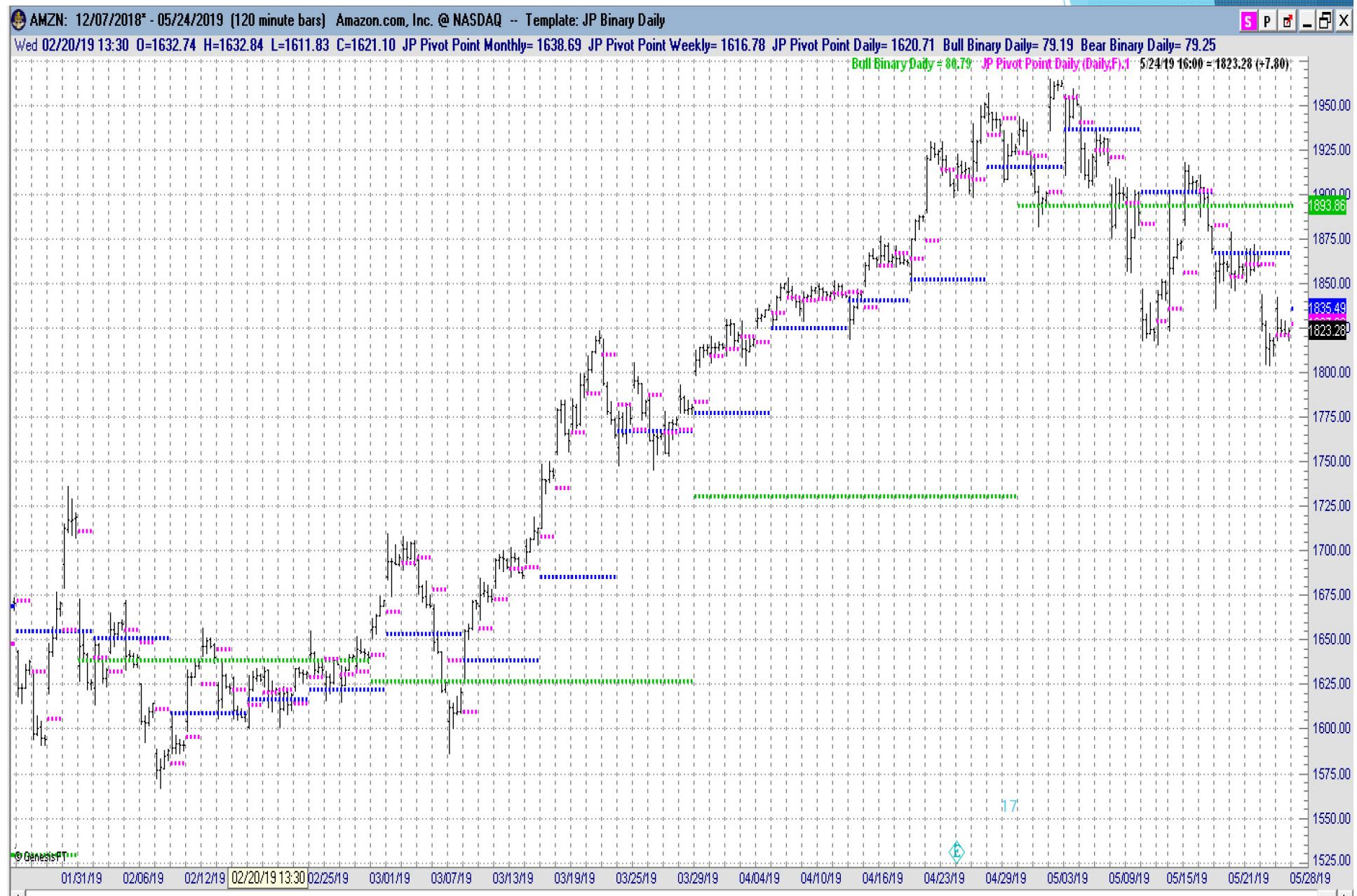
URBN: Urban Outfitters, Inc. (Weekly bars)



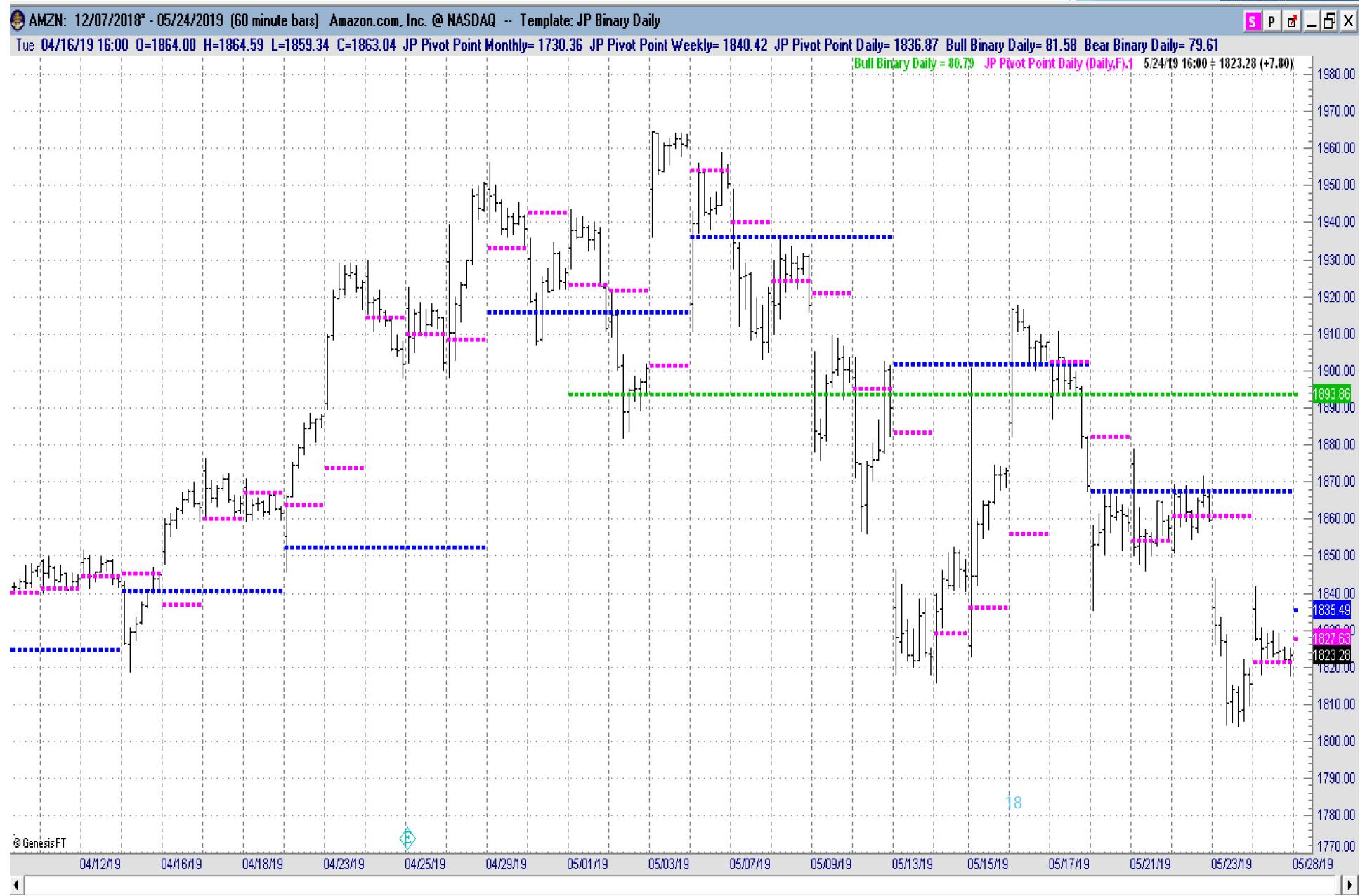
Pivot Point Sentiment Indicator



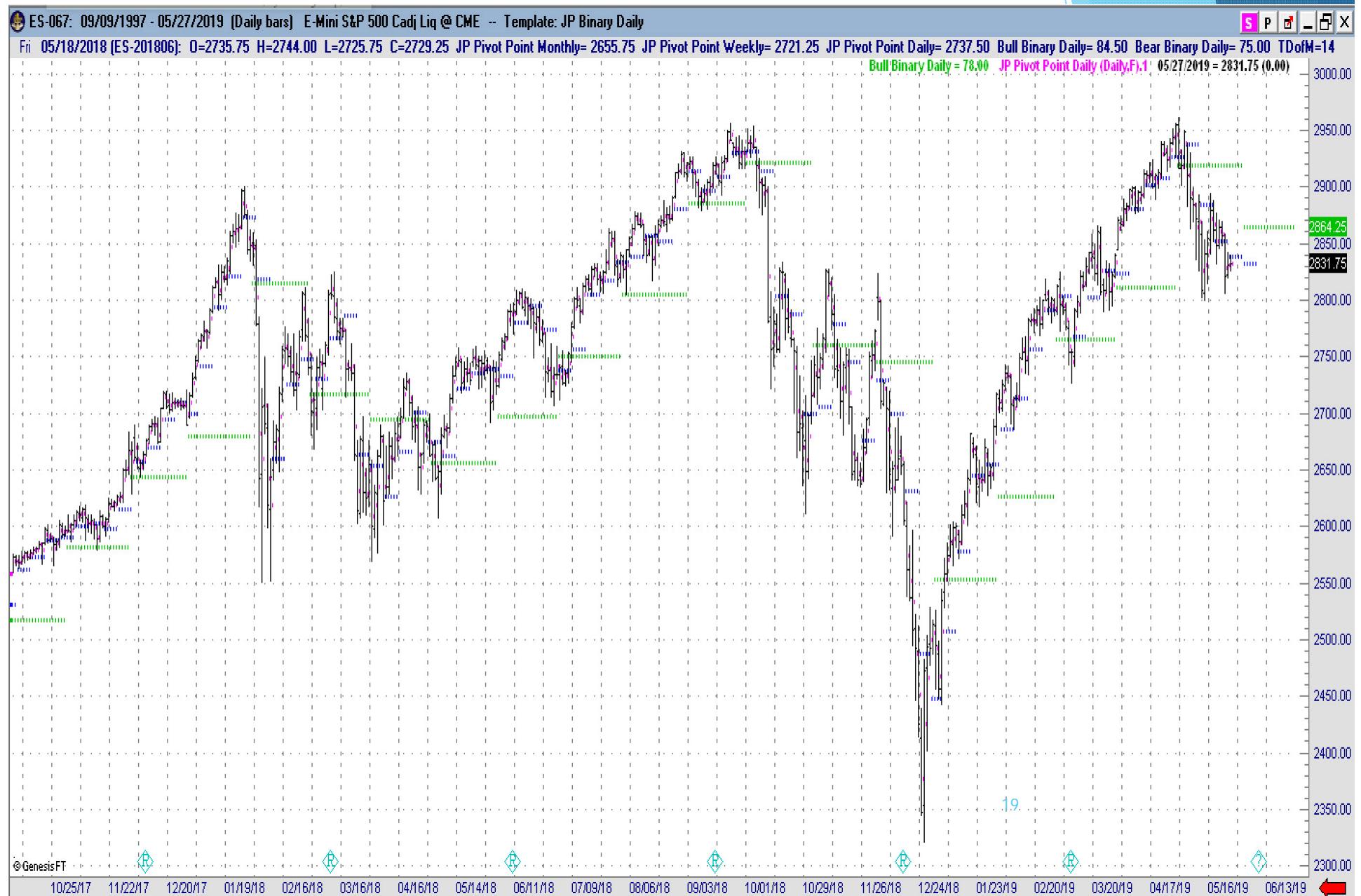
Multi-Time Pivot Analysis



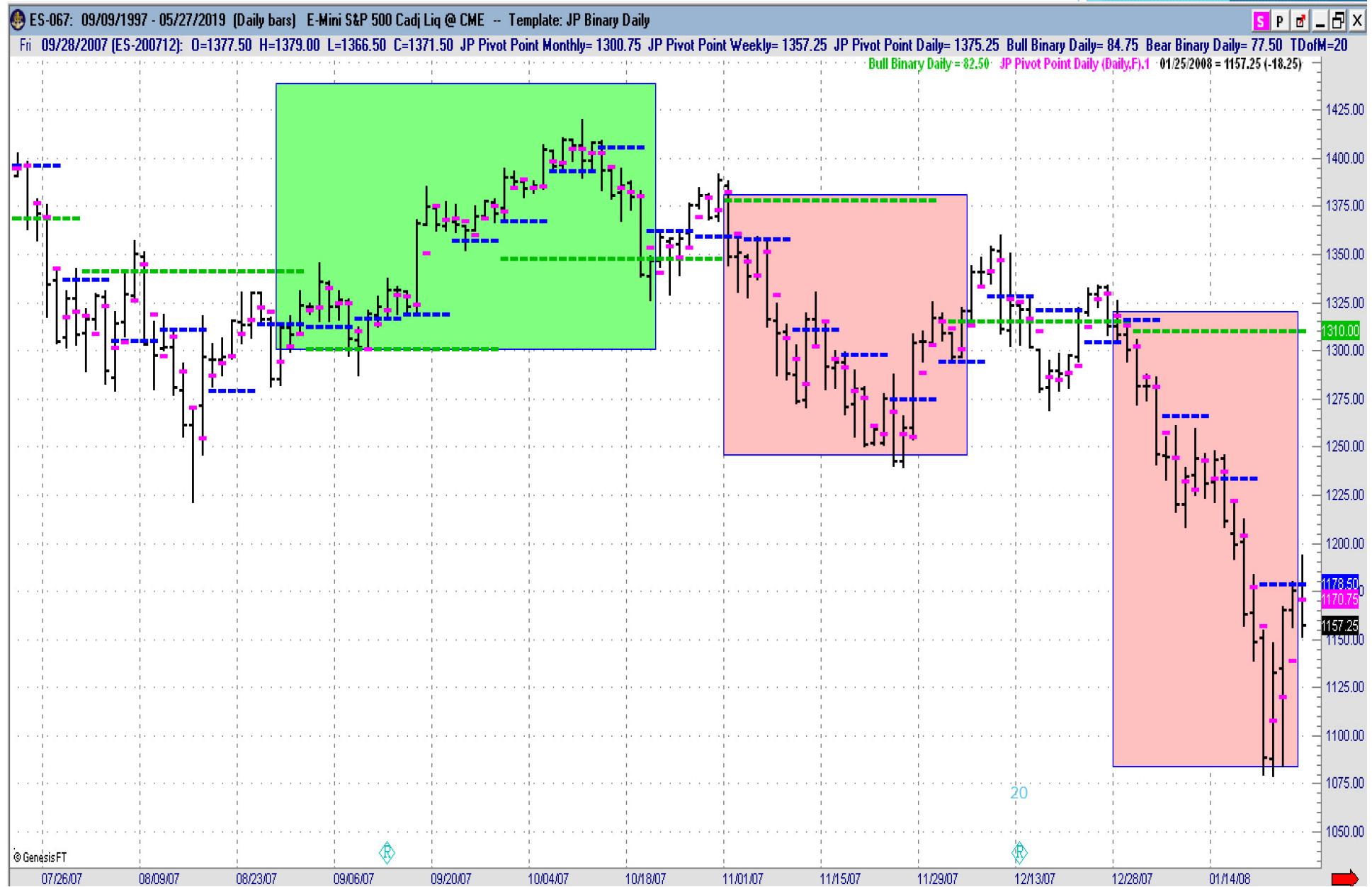
Multi-Time Pivot Analysis



Multi-Time Pivot Analysis



Multi-Time Pivot Analysis





Learning why Relative Strength Analysis is
paramount to stock & ETF traders.

Section II

What Is Relative Strength Analysis

- ❖ Compares one market to another to identify positive or negative momentum changes.
- ❖ Compares individual stocks or sectors to the benchmark stock Index like the S&P 500.
- ❖ We can also compare sectors versus the S&P500 or other Index ETF's like DIA, IWM or QQQ's.

Person Market Catcher

- ▶ The individual RS lines once again give pretty good clue about individual comparisons vs benchmark.
- ▶ The RS lines answer “good” or “bad” or “best” and “worst”

Person Market Catcher

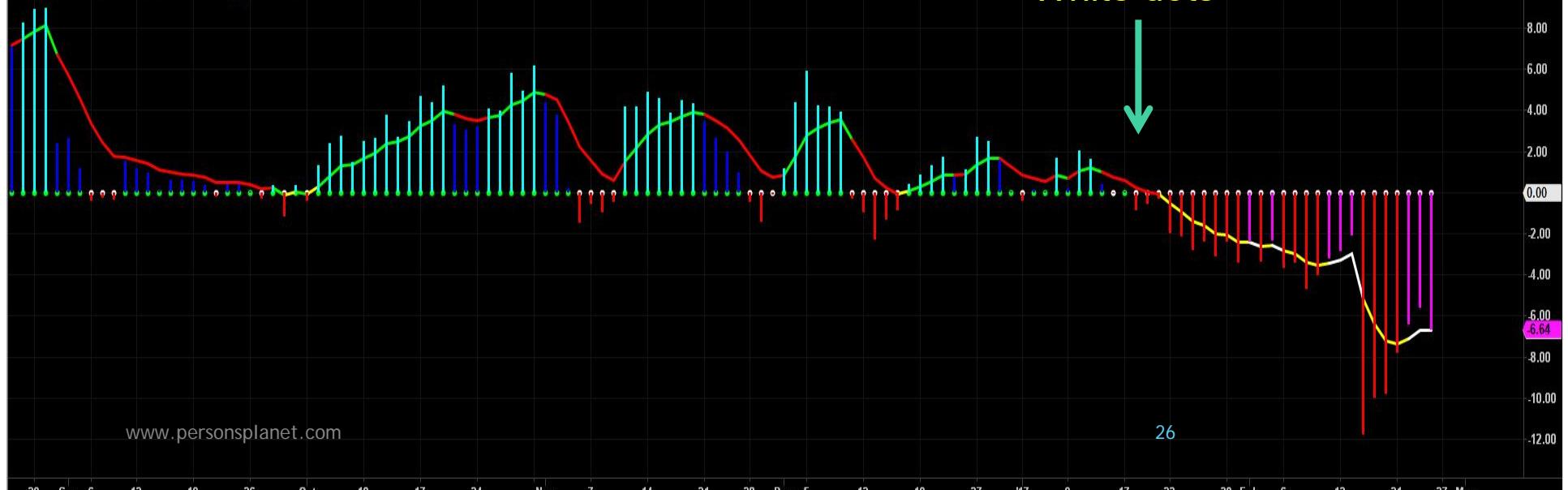
- ▶ Lagging to weakening stage is Identified when “histogram” bars turn red when reading is beneath zero line.
- ▶ The MA will be Yellow in a weakening stage when it is below zero line.
- ▶ The “zero” line turns into white Dots when we have a weakening stage.
- ▶ The MA turns White when the RS is turning Less negative.



14 AIG - Daily NYSE L=63.56 -0.46 -0.72% B=63.56 A=63.57 O=63.69 Hi=63.71 Lo=63.22 V=3,641,396



JP:Persons Market Catcher ("SPY") -6.64 -6.70 0.00



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14 CAT - Daily NYSE L=95.09 -0.46 -0.48% B=95.08 A=95.10 O=94.86 Hi=95.11 Lo=93.50 V=3,257,246

CAT,Day Caterpillar Inc

Dark blue bars & red MA
= weakening RS

JP:Persons Market Catcher ("SPY") -5.10 -2.36 0.00

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Stock Traders Beware



- ▶ Before you leap into a trade understand the “health” of the markets.
- ▶ Navigating the markets can be very difficult.
- ▶ There’s unseen “danger” in the water.





Volume Analysis: Lifeblood of markets.



Section III

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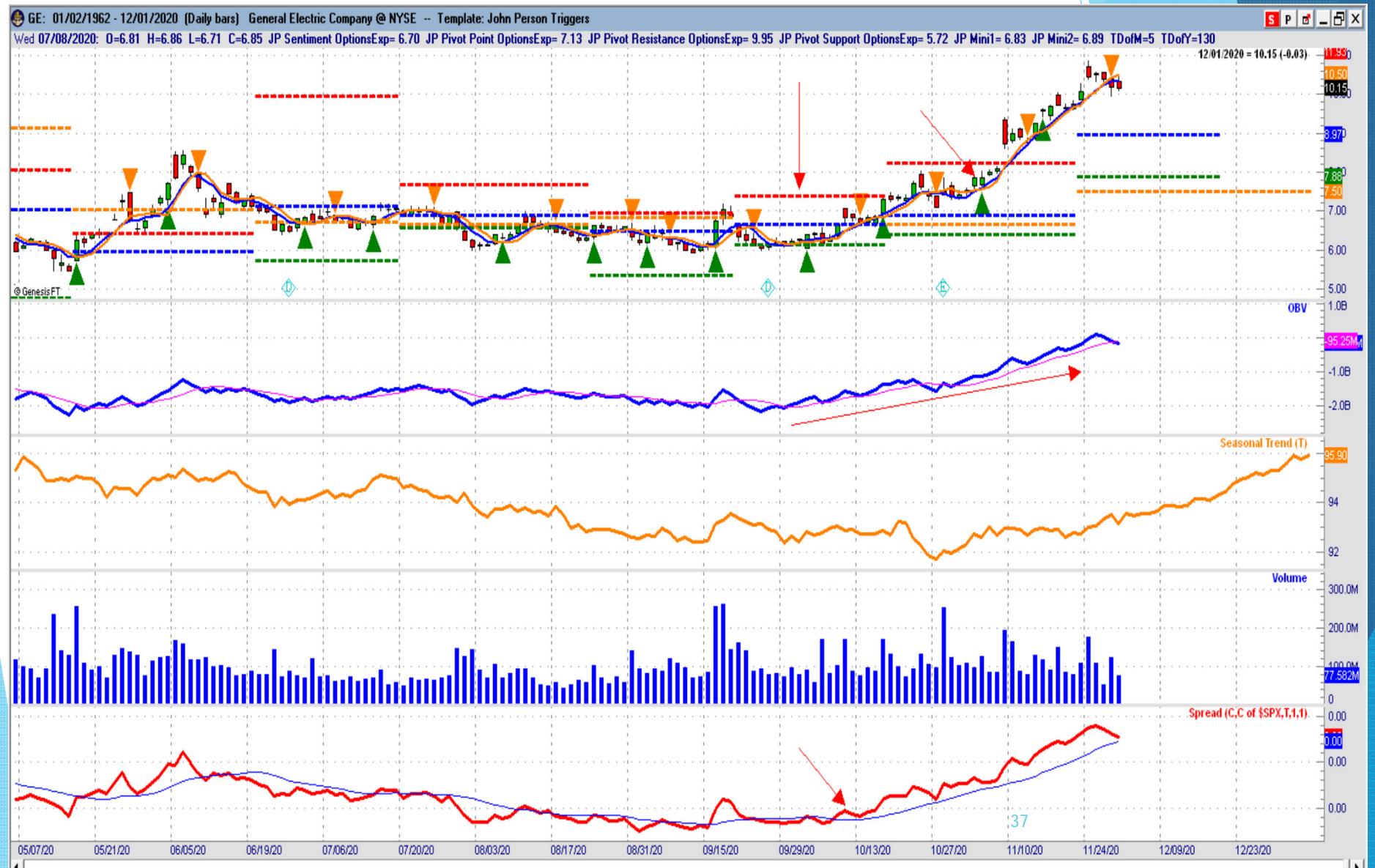
Volume Analysis: Lifeblood of markets.

- ❖ I use Volume histogram bars to determine a single time frames level, however I compare the daily volume versus the 10-day average volume per the Tradestation Radar screen.
- ❖ On Balance Volume (OBV) as an indicator gives a running total of an asset's trading volume and indicates whether this volume supports the current price trend (up or down).
- ❖ JP Volume Indicator (proprietary) takes a blend of a percent change of volume in a histogram and uses a moving average formula that smooths out volume levels.

General Electric (\$GE)



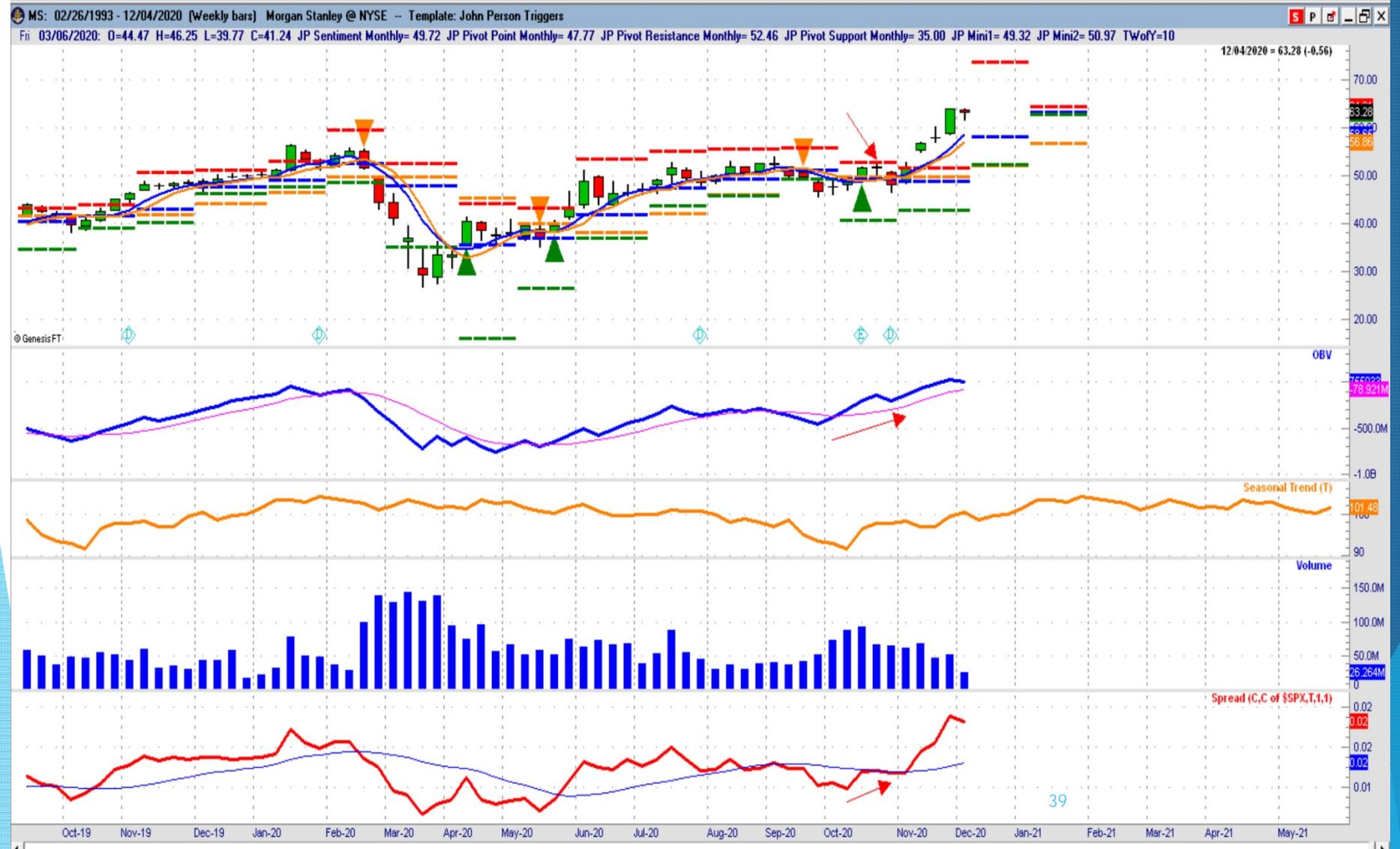
General Electric (\$GE)



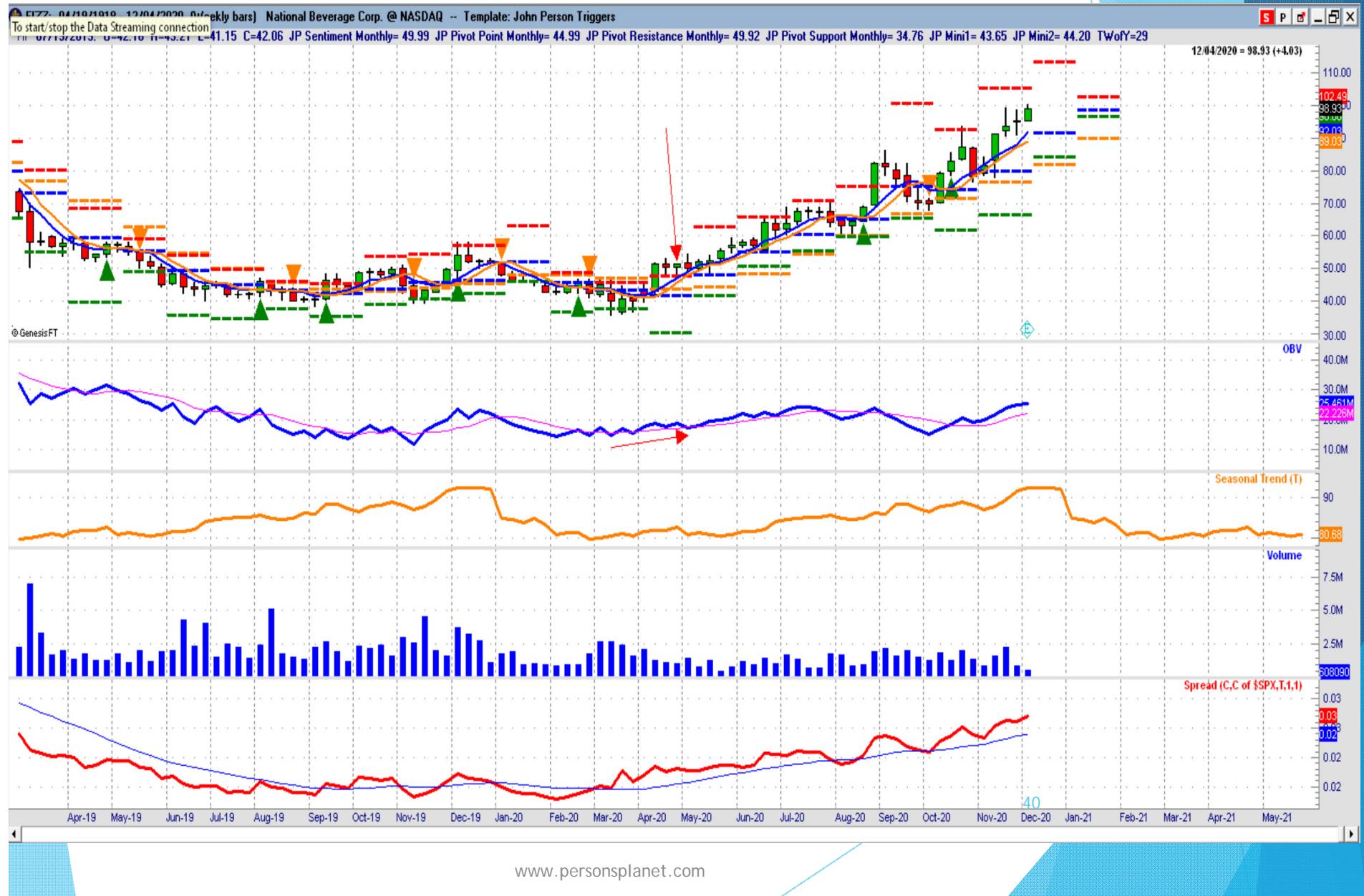
Discover (\$DFS) April



Discover (\$DFS) October



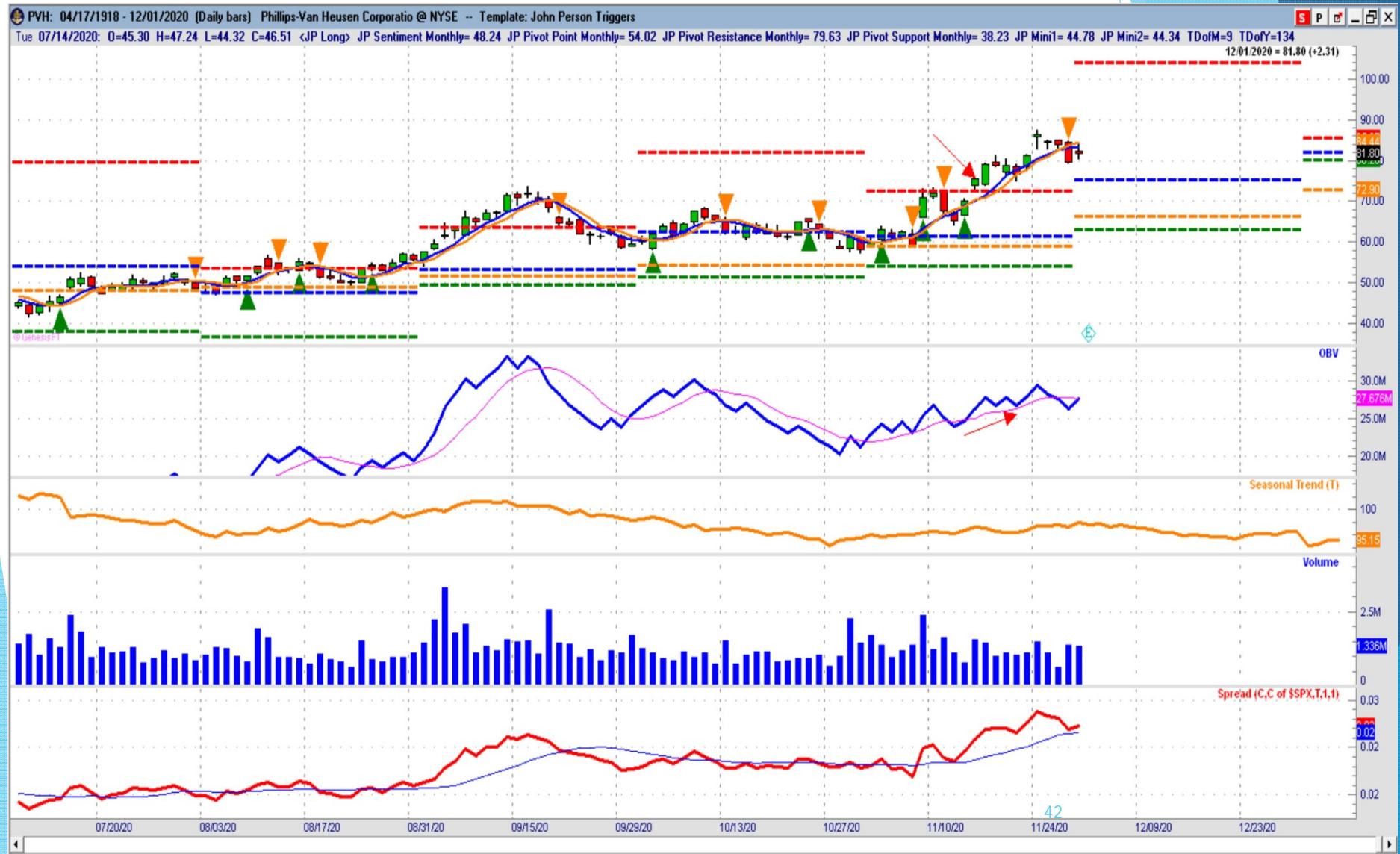
National Beverage (\$FIZZ)



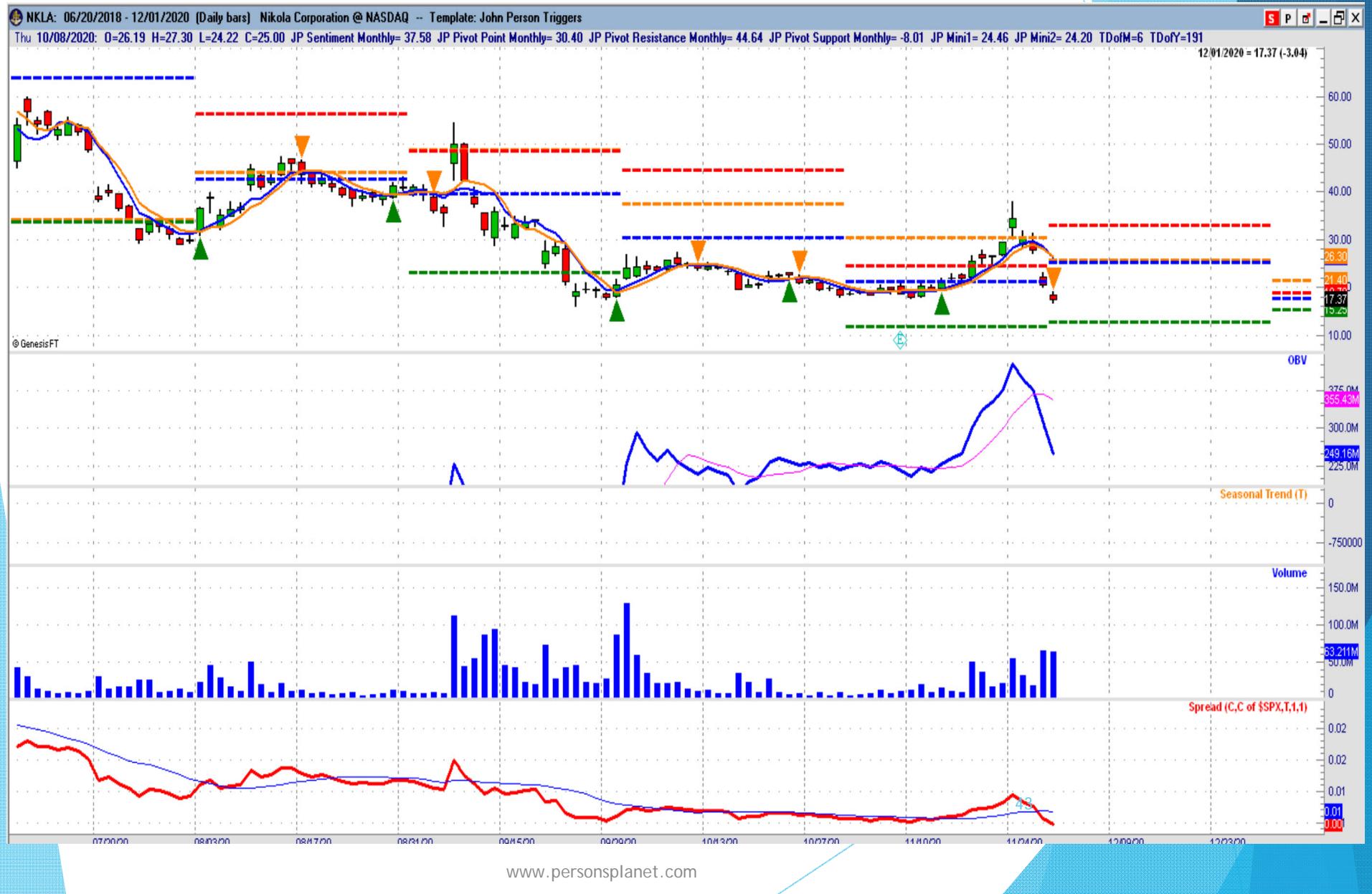
Mosaic (\$MOS)



Phillips Van Heusen (\$PVH)



Nikola (\$NKLA) Boom- Bust



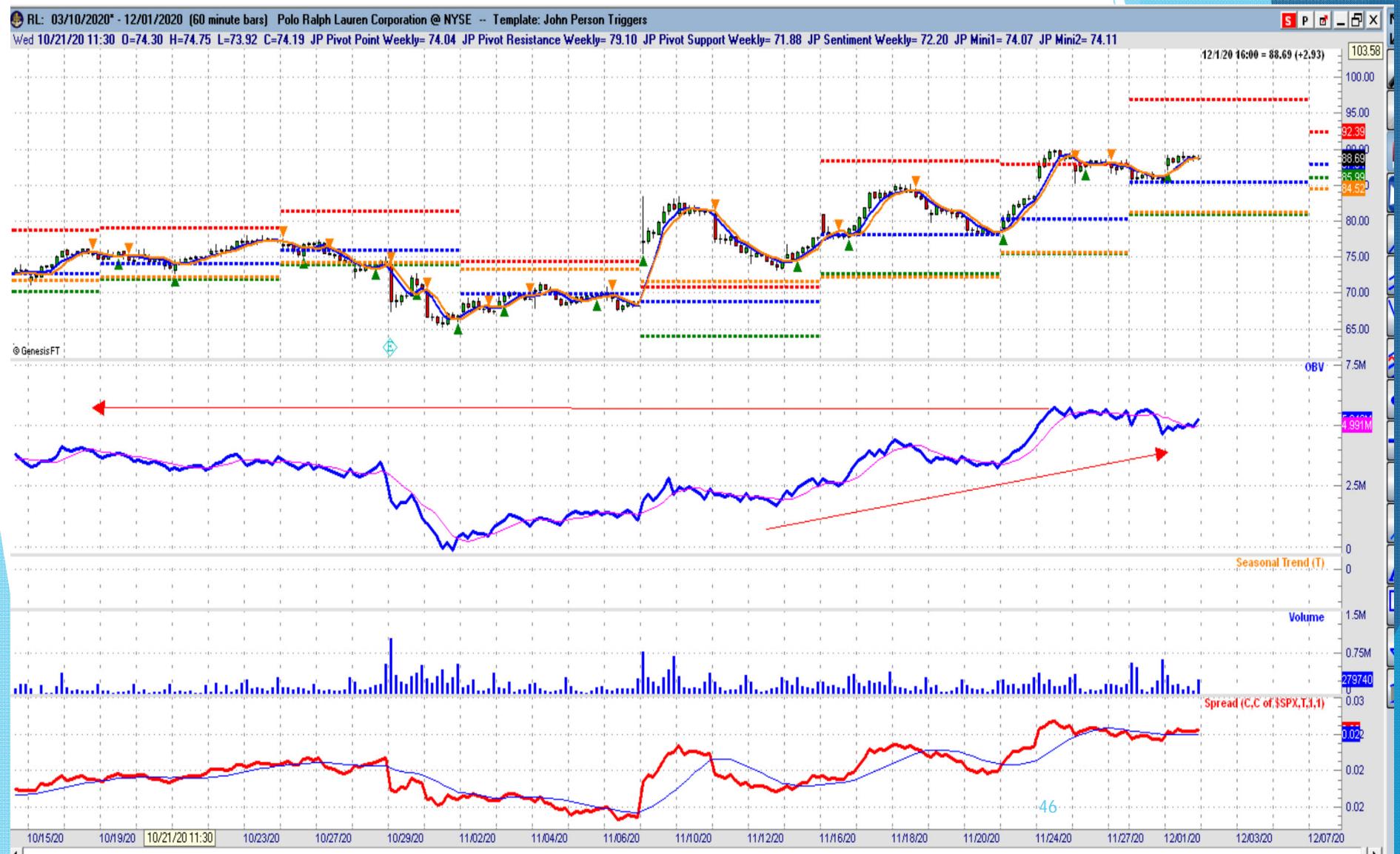
Wynn Resorts (\$WYNN)



Walgreens (\$WBA)

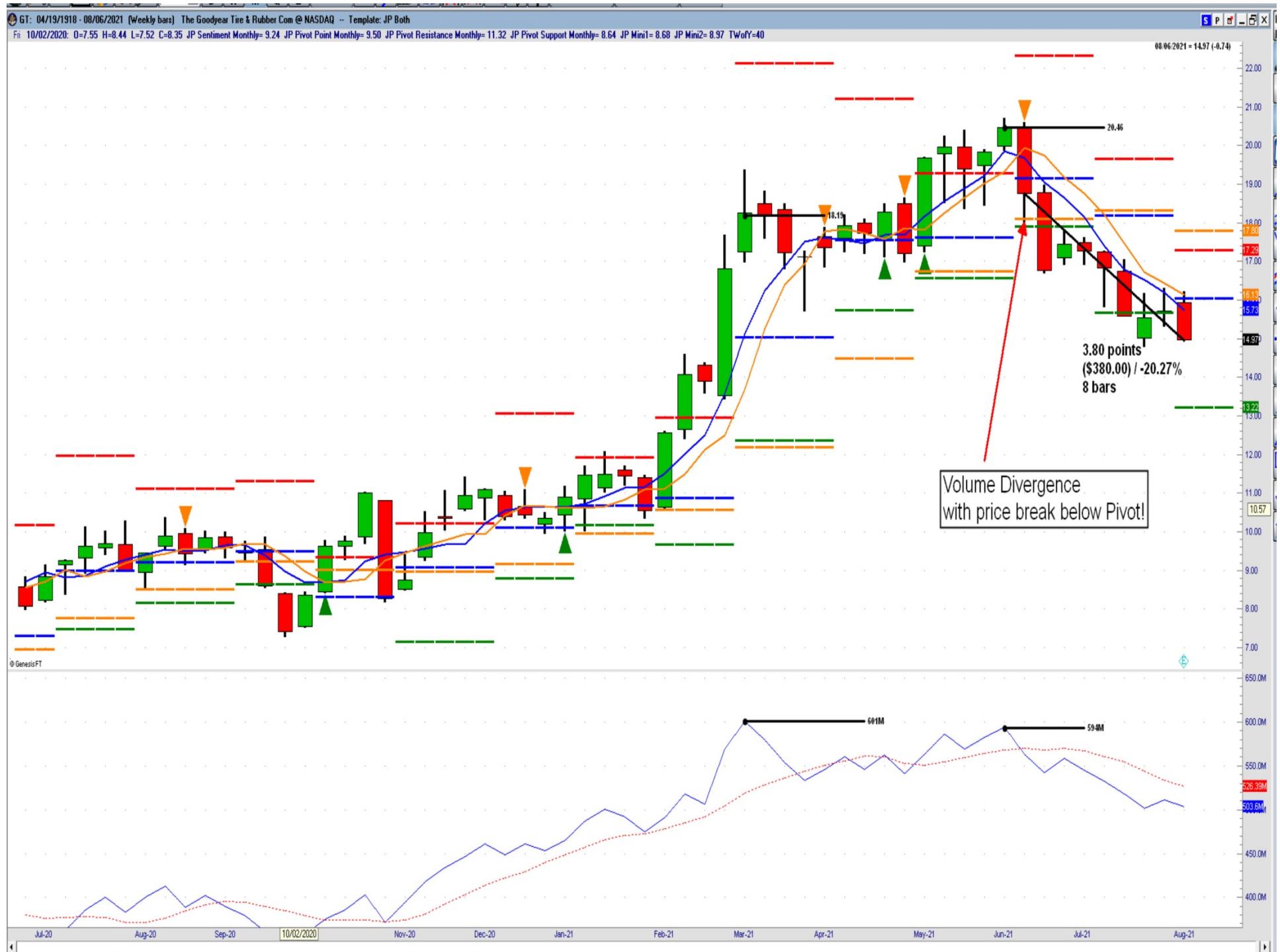


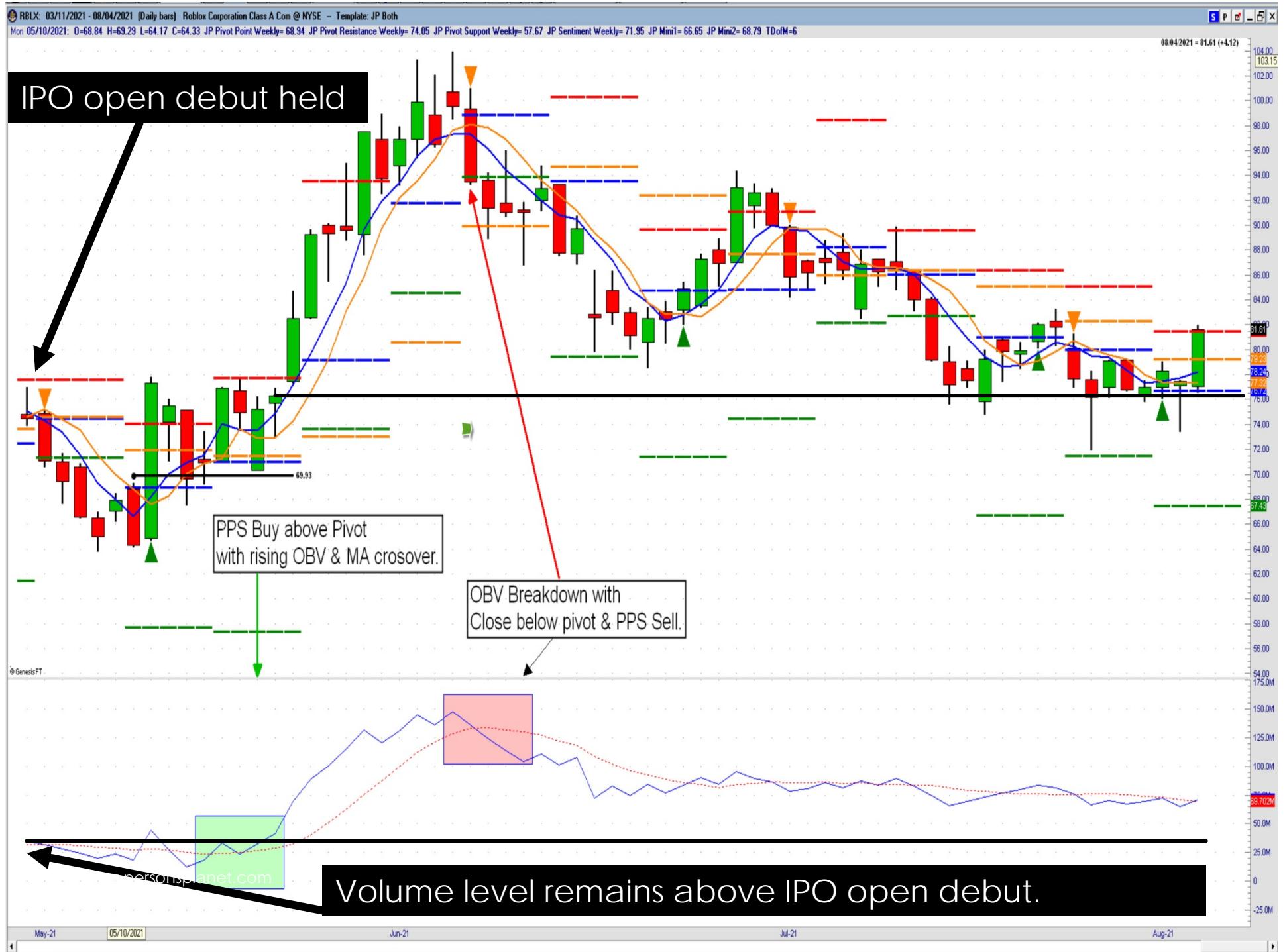
Ralph Lauren (\$RL)







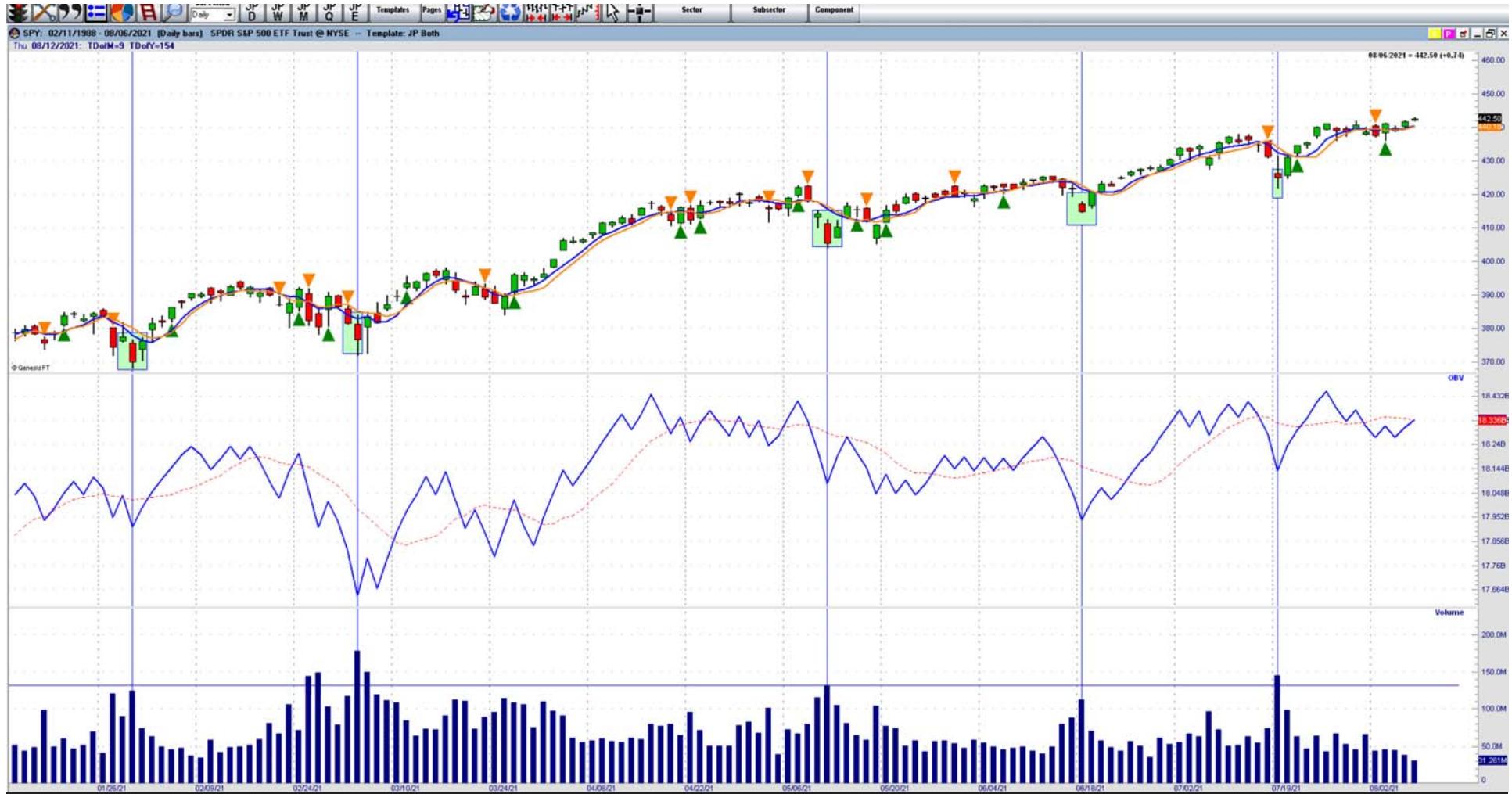




Volume Analysis

- Volume Histogram is not a reliable trend confirmation tool but rather it serves traders well to look at one day versus past sessions to see if a price move was made on extremely light or heavy Volume.
- It also helps traders see when and when buyers or sellers are present on dips or rallies.





Volume Analysis

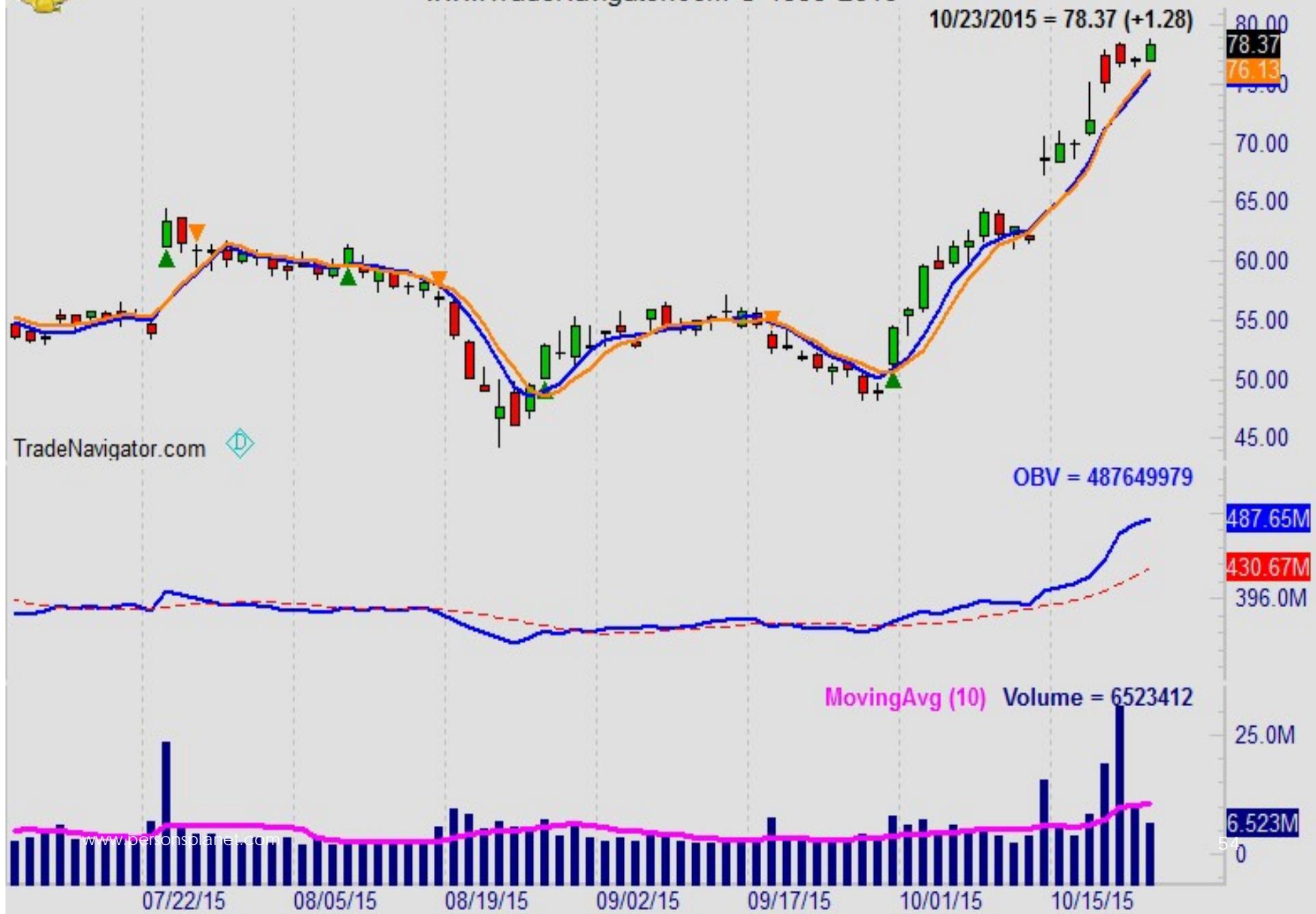
- In 1st half 2021- Highest volume days is on lows with Equal & opposite daily candle patterns.

Adding A Moving Average To OBV

- One Can add a "study" to OBV as it is a considered a line tool.
- It plots its value as a line chart based on "closes".
- Tradestation has it in my indicator package.
- HGSI also has it defined under the same parameters.
- Thinkorswim has this based on my work under OBV Modified.
- Scans in TOS can be set using PPS buy/ sells using a filtering addition using OBV.
- Swing traders define OBV setting using a 3 day value.
- Intermediate term traders can use 10 and 20 day values.

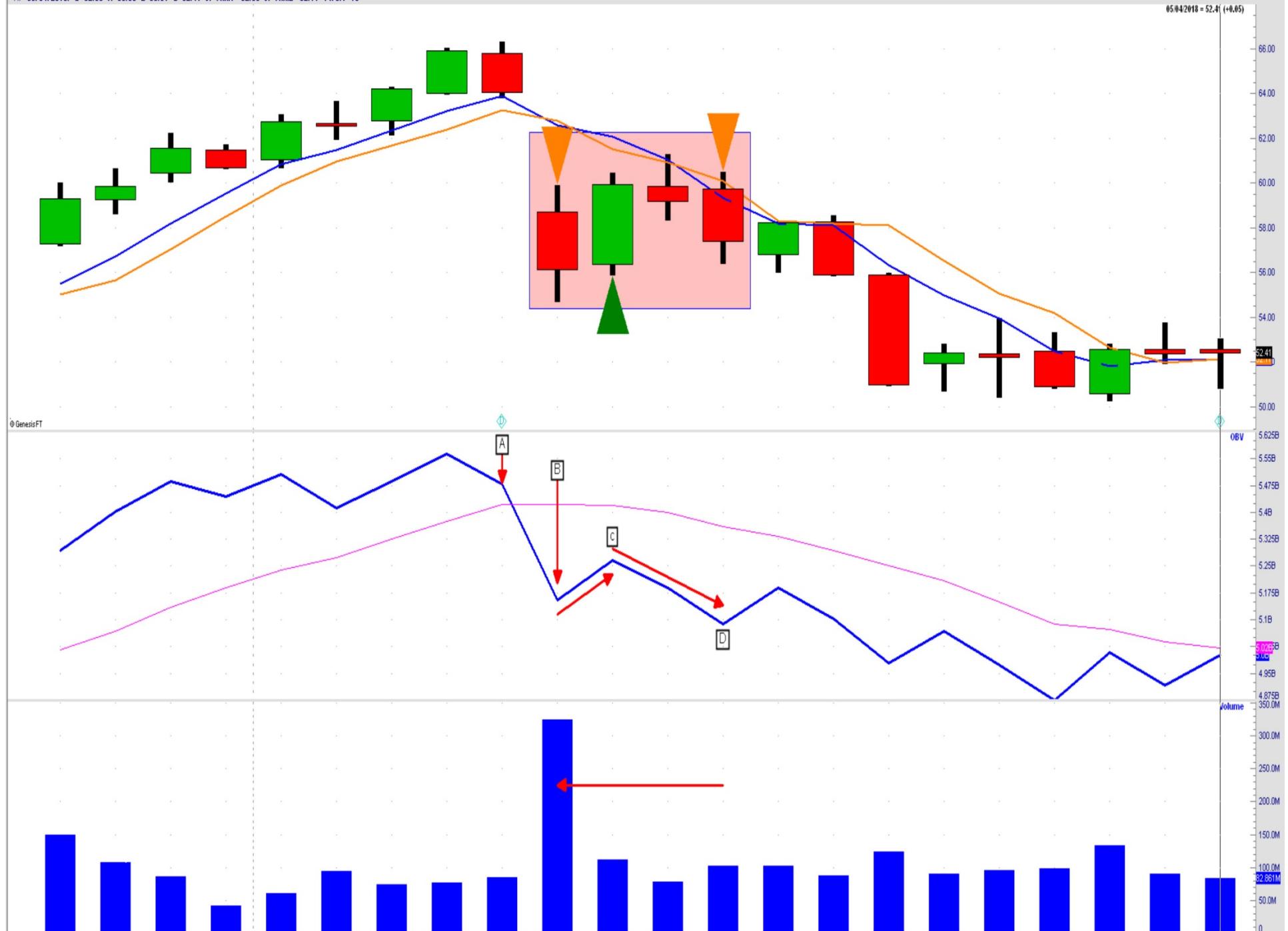


SNDK: SanDisk Corporation @ NASDAQ (Daily bars)
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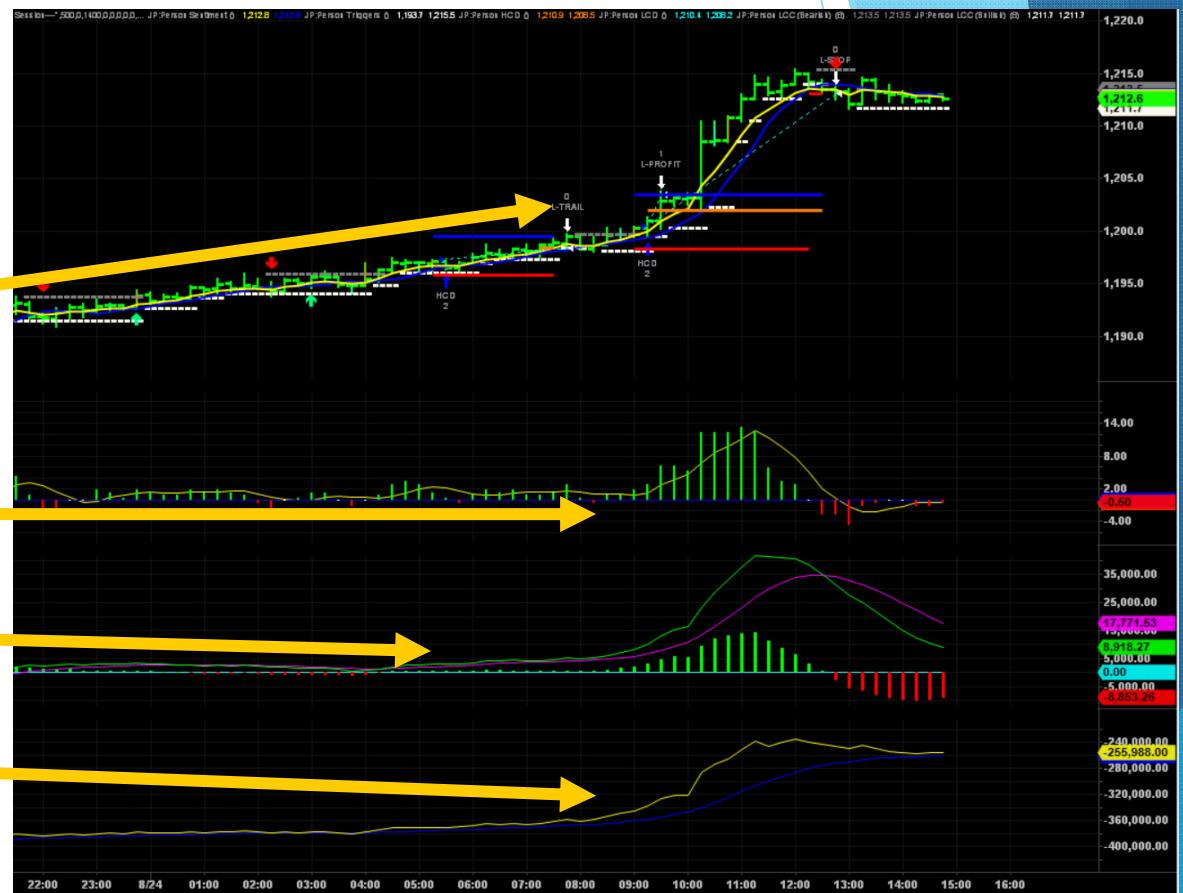
OBV Measuring Patterns

- Measuring Volume patterns using OBV involves comparing price bars to OBV dates.
- Using Price closing levels as reference bars one can grasp a better understanding of the strength or weakness of a move to see if it's a defining trend reversal.
- Volume Histogram Bars are used to see if there is an unusual volume print as well.



Define Your BEST Trade Set-ups & Make That YOUR plan.

- ▶ Buy Signal Check List:
- ▶ PPS/ HCD Buy signals with LCC breakups.
- ▶ Positive Momentum
- ▶ Volume breakups.
- ▶ OBV Breakup.



Define Your BEST Trade Set-ups & Make That YOUR plan.

- ▶ Sell Signal Check List:
- ▶ PPS Sell signals with LCC breakdowns.
- ▶ Volume breakdown.
- ▶ Negative Momentum.
- ▶ OBV Breakdown.



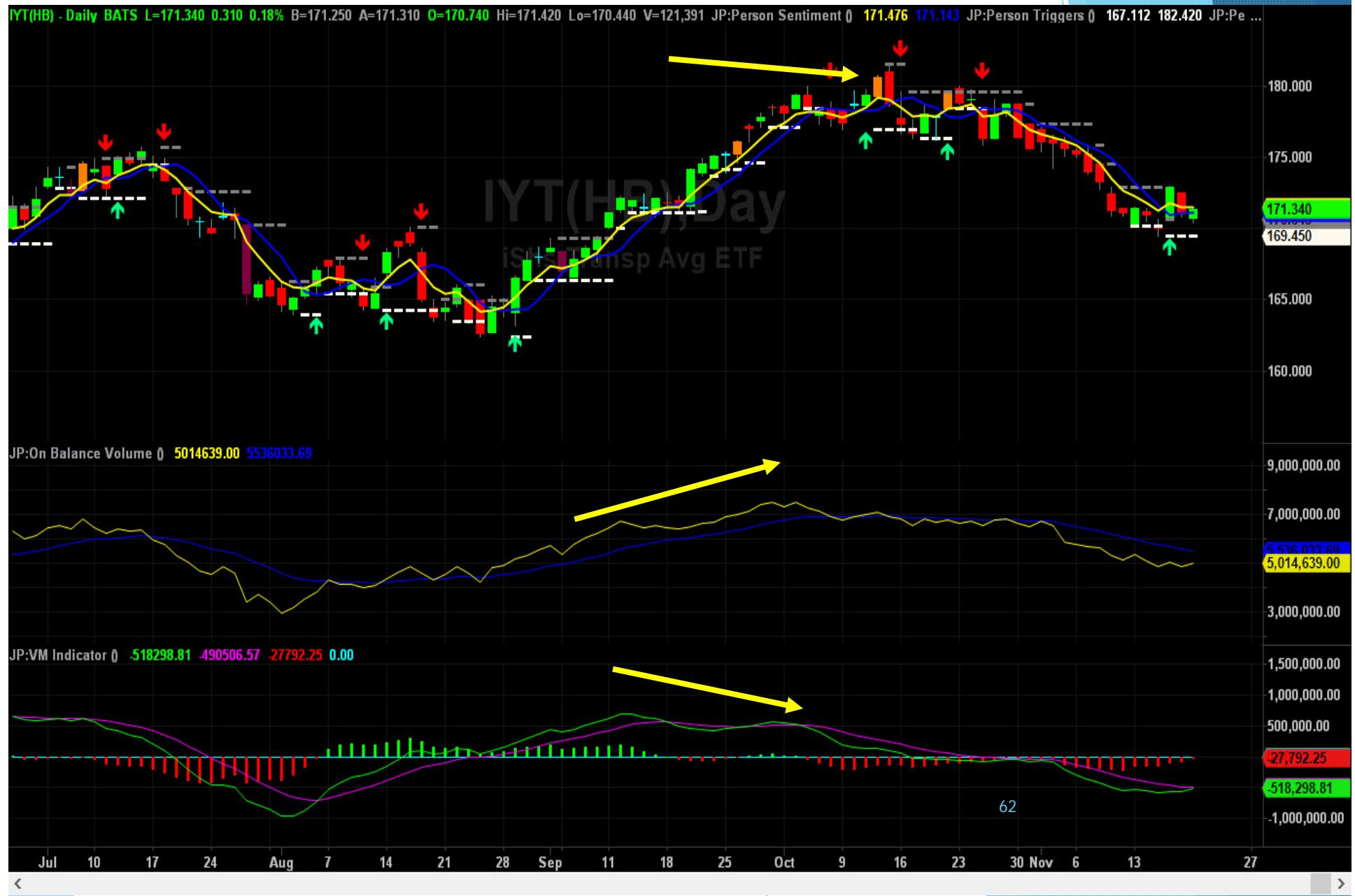




Top & Bottom Picking Using Volume (Convergence/ Divergence)



Mean Reverting: Bearish Divergence





Cross-sectional time series trade set-ups. (TSI Indicator)

Section IV

TSI Indicator

- ▶ A powerful and modernized trading indicator.
 - ▶ The TSI identifies a change in trend.
 - ▶ Trend continuation with a trailing stop function
 - ▶ Trade signals with breakout levels.







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Option Strategies

Implied Volatility

- ▶ Implied volatility attempts to price risk each day. Generally speaking, greater demand for options increases implied volatilities and less demand decreases implied volatilities.
- ▶ Higher Vol. translates to higher priced option premiums as there is a greater chance of market moving to OTM Strike.
- ▶ Sellers want more premium to offset risk of getting exercised on.



Ignoring Volatility Can be a Huge Mistake!

- ▶ No strategy works all the time.
- ▶ You should tailor your options strategies based on volatility; both in individual stocks and the broad market Indexes.
- ▶ The one constant that changes is Volatility.

Volatility Analysis

- ▶ Use technical, fundamental & volatility analysis to get edge.
- ▶ All trades have an uncertain outcome, trade from a statistical advantage point of view.
- ▶ Volatility analysis “normalizes” option values.
- ▶ Volatility is very important source of edge to aid in strategy selection.

Implied Volatility (IV)

- ▶ When IV is low, options are cheap.
- ▶ When IV is high, options are expensive.
- ▶ When IV increases, options get more expensive.

Implied Volatility

- ▶ Implied volatility is the volatility input used in an options pricing model that results in a theoretical value for the option price that is equal to the last actual market price of the option.
- ▶ The implied volatility is the options market's best guess of how volatile the underlying asset might be in the future, based on what market participants are willing to pay for the option.
- ▶ This can be determined by the Bid and the ask of a option premium.
- ▶ Therefore IV refers to the current supply & demand picture or the "right now" market outlook.

Implied Volatility is Everything !

- ▶ *Realized volatility* is a measure of how much the underlying stock has moved during the recent past
- ▶ *Implied volatility* is a measure of how cheap or expensive options are, all else held the same.

Implied Volatility is Everything !

- ▶ When options prices are rising, that means IV is rising.
- ▶ When option prices are falling, that means IV is falling.
- ▶ IV is derived from the market.
- ▶ IV is *sometimes* more important than directional movement.

Using the \$VIX (\$VXX)

- ▶ The VXX is based from the value of the “average” of the two front month futures contracts.
- ▶ When the \$VXX goes in a “Backwardation” (downward slope) to the forward futures contracts it is a warning that a bearish move is implied for the \$SPY.
Backwardation = forward prices are less than spot month.
- ▶ When there is a “Contango” (upward slope) to the forward futures contracts it is signaling a strong bullish sentiment for \$SPY. Contango = forward prices are more expensive than the spot month.

Finding Strong Trade Signals

- ▶ Scan for stocks in Indexes or Sectors entering/exiting seasonal turns using PPS buy/sell mode.
- ▶ Filter using Persons Pivots typically near Monthly Support & Resistance levels.
- ▶ Additional filter is to use OBV with M/A cross (Persons Volume & PMC Indicator).

Choosing Strategies With IV's !

- ▶ Bullish: buy low (+) Delta OTM Calls (ratio back's).
- ▶ Bearish/Neutral: sell high Delta ATM call spreads*.
- ▶ *Neutral Trading Range* :Theta (time decay)
strategies (Condors & Butterflies)

Directional Option Trades

- ▶ Use same analysis as trading stocks, but you have more considerations like...
 - ▶ Time decay.
 - ▶ Volatility (Implied & Historic)
 - ▶ Probability of move reaching strike.
 - ▶ ROI & Risk/Reward.
 - ▶ Lower the risk either the lower the profit or probability of profit.

YOUR GOAL :

- ▶ Choosing an option strategy for the trade set up that maximizes your investment based on profit and loss with proper position sizing & capital.
- ▶ Need to consider and take into account time for trade to mature (theta) and probability of market to reach strike proximity
- ▶ Match strategy to forecast!

Which Option To Buy?

- ▶ The shorter term your horizon, the higher the delta should be.
- ▶ Day traders: use the underlying buy in-the-money. **0.75 – 0.85**
- ▶ Intermediate-term position traders (3 months): buy near the money. **0.32 - 0.40**

Seasonally Strong Period (very bullish)

- ▶ Long Call - 65 (DTE) & Delta above 50.
- ▶ Long Call - 90 (DTE) & Delta above 35.
- ▶ Vertical Spread - 45 (DTE) 2 strikes wide.
- ▶ Vertical Calendar Spread- Sell near by less than 38 (DTE) Buy Back month 66 (DTE) same strike price.
- ▶ Ratio Back Spread- Initiate Delta neutral & Exit 30 DTE!

Stock Replacement for Strong Momentum Buy Signals

- ▶ Stock Replacement strategy works best for a shorter term horizon in a normalized IV range market environment.
- ▶ Delta of 75- 85 range or...
- ▶ Strike price is typically between 4-8% away of stock price.

Stock Replacement for Short Term Buy Signals

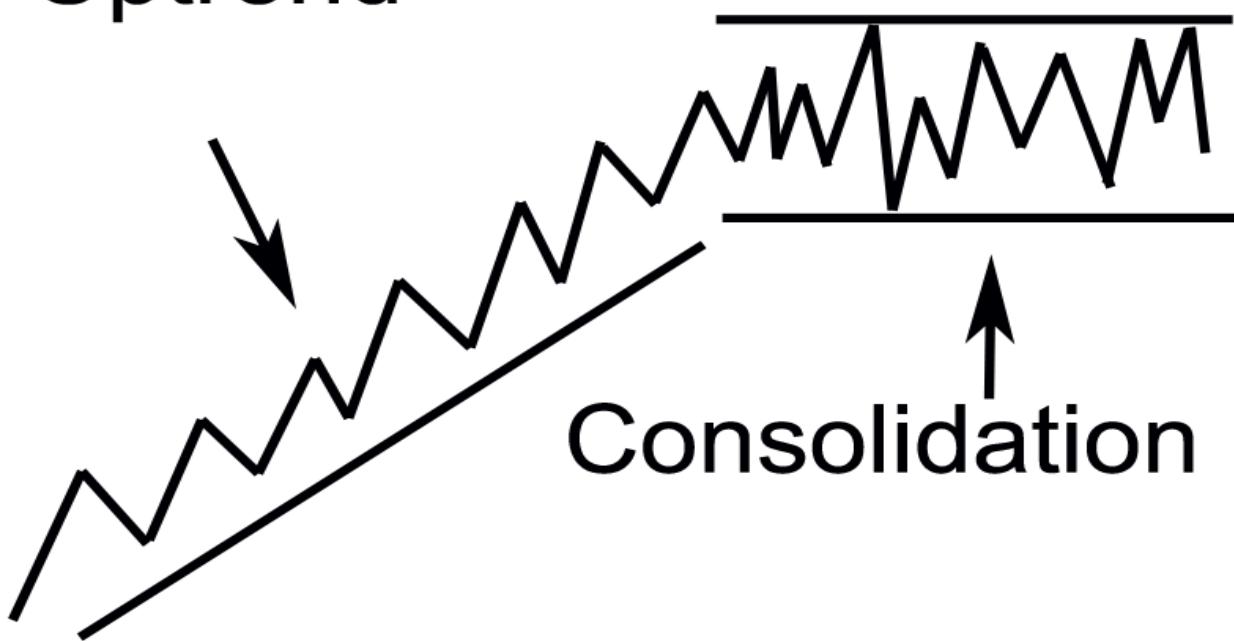
- ▶ Cost efficient compared to outright stock buy
- ▶ Risk- limited to what you paid.
- ▶ Reward- Unlimited.
- ▶ Flexible exit strategy does not hold buyer hostage to time, like spreads.
- ▶ ITM's not affected as much by Theta or Vega since Deltas are near 80% it has no extrinsic value.

Market Stages & Conditions

- ▶ Tops take longer to form thus “rounding top” patterns occur. Exceptions are made.
- ▶ Typically bottoms are made fast and furious thus “V” bottoms form.
- ▶ So when is it best to use a Credit Spreads versus a directional unlimited profit strategy?

After Bull Trend Ends: Spreads can be the better play to capture a “new leg” breakout with defined risk in case market reverses uptrend after consolidation phase.

Uptrend



Consolidation

Market Stages & Conditions

- ▶ When indicators suggest a top is forming or bull trend is exhausted, I implement more Credit Call Spreads.
- ▶ Since bottoms are made fast and furious thus "V" bottoms form, then I will use long calls or sell OTM puts, with high priced stocks, or leveraged instruments I will still implement credit spreads (ie AMZN).
- ▶ Strong directional trades on \$1000 stock prices one can use 10-20 deltas*****

Vertical Spreads (Credit)

- ▶ Strategy contains two calls (puts) with the same expiration but different strikes.
- ▶ The strike price of the short side (Put or Call) is (ATM) or slightly OTM.
- ▶ The strike of the long side (Put or Call) is (OTM) or simply further out than the strike of the short option.
- ▶ Typically one would like to execute this with less than 42 (DTE) and more than 20 (DTE)

Vertical Spreads (Debit)

- ▶ Strategy contains two calls with the same expiration but different strikes.
- ▶ The strike price of the long option is (ITM) or close to the money.
- ▶ The short option is (OTM) or simply higher than the strike of the long option.
- ▶ Typically one would like to execute this with less than 50 (DTE).
- ▶ Use when options are “expensive” sell upper strike (bull call spread) when short call strike has higher IV than strike being bought.

Calendar Spreads

- ▶ Sell near by less than 40 (DTE).
- ▶ Buy Back month 70 (DTE) [30-45 day difference] Except LEAPS!*
- ▶ Horizontal calendar is same strike price.
- ▶ Vertical calendar consists of a higher strike in the out month.
- ▶ Inverted calendar consists of lower strike in back month.

Ratio Back Spreads

- ▶ Short one call near the money with delta near 60
- ▶ Simultaneously buy two calls of the same expiration with a higher strike with delta's near 30.
- ▶ Enter position with more than 55 (DTE)
- ▶ **MUST** Exit strategy before 30 (DTE)

Long Call Butterfly

- ▶ Simultaneously sell two calls at a middle strike, and long one call each at the lower and upper strike.
- ▶ The upper and lower strikes (wings) must both be equidistant in distance of strike prices from the middle strike
- ▶ All executed in the same expiration month.

Synthetic Positions

- ▶ Synthetic positions in stocks and options are generated from positions in other instruments.
- ▶ To replicate the gain/loss characteristics of a long stock position, one would purchase a call and write a put simultaneously. The call and put would have the same strike price and the same expiration.
- ▶ This assumes the strike prices and the expirations are the same on the call and put with interest rates and dividends equal to zero.
- ▶ No less than 30 (DTE) unless looking for immediate gain.

When Volatility is high....

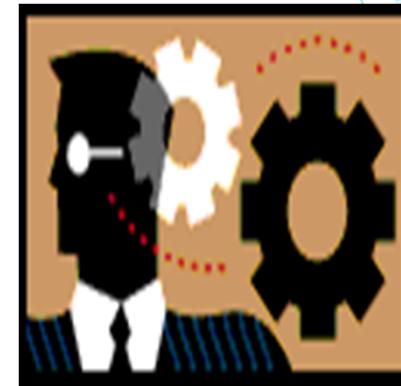
Use Selling strategies:

- ▶ Covered call writing.
- ▶ Write naked puts (on stocks you want to own).
- ▶ Credit spreads.

When Volatility is low...

Use Buying strategies:

- ▶ Buy underlying stock.
- ▶ Debit spreads.
- ▶ Buy Puts for Protection.



The End

Remember ... “breakouts from the left, prompts buying pullbacks on the right”...

All the best to you in 2022 and beyond-

John L. Person