

Mini-Guide: Leveraged ETF BTS Service

Introduction

In general, there are three ways I implement the BTS:

1. Optimal Portfolio: An optimal portfolio described in the BTS Subscribers' Guide.
2. Option Strategies: A range of option strategies traded proactively around the signals.
3. Leveraged ETFs: 1-3x ETFs for varying asset classes in a proprietary 5-bucket system.

The add-on BTS service will specifically offer item #3 above to include:

1. Subscribers will get real-time, detailed entry and exit prices of positions within the context of managing a portfolio.
 - a. Subscribers will get detailed guidance for stopping out of positions – with exact stop out prices provided real-time.
 - b. Subscribers will get detailed guidance for harvesting profits – with exact profit taking prices provided real-time.
2. The purpose of this mini-guide is to tell you exactly what you are getting as a subscriber – in the way that the BTS Subscribers' Guide informs you what you are getting with the optimal portfolio BTS service. Please set your expectations and feedback in that context. For example, if you go to a restaurant and know exactly what you are ordering before you receive your meal, then it is unreasonable to complain you wanted fish, when you ordered steak.
3. Bottom line: If you are interested in a service providing exact entry and exit details for a range of 1-3x ETFs, then the service is for you.

Details: A Five Bucket Approach

The proprietary, leveraged ETF BTS trading system is comprised of:

1. Five buckets each weighted at 20% of the portfolio.
2. When positions are taken, the system works towards having three buckets exposed in some capacity to at least three different asset classes; preferably with each asset class as uncorrelated as possible. For example, the three buckets may have oil, indices, and metals or natural gas, metals, and oil...etc. It would be rare for the three buckets to be SPY, QQQ, and IWM. The remaining two buckets are considered opportunistic buckets that target (1) doubling down on one of the active three buckets and/or (2) positioning accordingly in “stretched” asset classes.
3. Why 3 buckets? Trading is an exercise in probabilities. The goal is to average “winning” in 2 out of 3 buckets over time. Even when the odds are working against the trader, only winning in 1 out of 3 buckets allows for minimizing losses. Obviously, winning in all 3 buckets is ideal and losing in all 3 buckets is undesirable.

4. Let's discuss a bucket – i.e. 20% of the portfolio. A bucket is broken up into 1/4ths, or 5% of the entire portfolio. Therefore, a bucket can be 1/4, 1/2, 3/4 or full. Therefore, a full bucket would be 20% of the portfolio. Other examples include: half bucket is 10% of the portfolio and 3/4ths of a bucket is 15% of the portfolio. Further, it's possible an ETF will comprise more than one bucket; as such, terminology like 1.5 buckets (i.e. 30% of the portfolio) or 2 buckets (i.e. 40% of the portfolio) will be used. (Note: On rare occasions, an 1/8th of a bucket is used for fine tuning.)
5. Real time alerts will go out in terms of an ETF and bucket amount added or closed. A few examples:
 - a. Real time alert “Long half bucket UGAZ at 70.00”; then two hours later another alert goes out “Add 1/4 bucket of UGAZ at 69.50”.
 - b. Real time alert “Sell half bucket of UGAZ at 72.00”; then one day later another alert goes out “Sell 1/4 bucket of UGAZ at 71.50”
6. Let's bring it all together using a simple example. Here is a table describing positions:

Bucket #	ETF	Action	Bucket Size	Price	Position Date	% G/L
1	UGAZ	Long	0.50	70	1/3/18	
	UGAZ	Long	0.25	71	1/4/18	
	UGAZ	Sell	0.25	74	1/8/18	
2	USLV	Long	1.00	12	1/4/18	
	USLV	Long	0.50	11.50	1/5/18	
	USLV	Sell	1.50	12.50	1/9/18	
3	DWT	Long	0.25	13	1/6/18	
	DWT	Long	0.25	13.25	1/7/18	

Expectations

The leveraged ETF BTS trading system operates within these expectations:

1. Be prepared to be stopped out of positions on a regular basis. It takes numerous tries, while risk managing, to get into a proper position. The goal is to position properly for a several week trade – but sometimes it doesn't work out that way and getting “the hell out of dodge” with minimal losses is desirable. Historical holding periods have extended the entire spectrum between several minutes to 15 weeks per position.
2. In general, the ETF BTS trading system applies a targeted 5% stop loss rule per full bucket. As such, a quarter bucket may have significantly more drawdown than 5%; but is done so as a position is “averaged into” to achieve a full bucket. If and when a full bucket is allocated, then the targeted 5% rule applies to the full bucket amount. Further note, the 5% is a ***targeted*** total drawdown per bucket allocation as the ETF BTS trading system is real-time processing lots of information. As such, plan for stop losses to range between 1% and 10% per bucket -- with an expected value of 5% across time.

3. Stop losses will not be statically posted in the trade table – stop losses are viewed as dynamic and you will get a real-time trade notice when a stop loss has been triggered. OR you can set your own stop losses for a full bucket around 5%-ish – just be sure to follow along to maintain comparable bucket exposure with the BTS, if that is your objective.
4. Is the ETF BTS trading system mechanical? Yes and no. Yes: In the context that the trading system mechanically identifies highest return-to-lowest risk positioning dynamics using a proprietary balancing of many variables. No: In the context that the trader makes the operational trade call from the mechanical trade alert, as they deem appropriate.
5. It is very important for regulatory reasons you understand these are “Trade Alerts” and are not trade recommendations. Also, these are not actual trades, but rather trade set-ups based on real-time prices -- provided for educational purposes only. See EWT's terms & conditions for more detail. I will not be able to specifically address trade recommendation questions from members for regulatory reasons. I am not purposely being elusive – but if you want a service like the one described in this mini-guide, then this is how it needs to be.
6. Be aware of gap risk for some ETFs – some ETFs have consistent gap risk (like UGAZ); as such, it is quite possible stop losses can exceed the targeted 5% on a gap... understand what you are trading!
7. I get the question many times.... What is my opinion on 3x ETFs? Well here it is.... Leveraged ETFs should be viewed as an “up to ___” return. For example, for holding periods less than one-month 3x ETFs generally return “1 to 4x” on the asset of interest; with an expected value in the 2-2.6x return on the asset of interest. Don’t get so caught up in 3x being exactly “3x”. If you commit to use 3x ETFs, then understand them!
8. How much of my total liquid net worth should I set aside for this strategy? After reading this mini-guide, you should have some idea of the risk-return potential of the leveraged ETF BTS strategy. As such, I leave this decision to you – only to say – be sure to diversify not only your holdings, but your trading strategies, as well. Putting your eggs in numerous baskets is better than one basket.
9. Subscribers will receive limited commentary on “why” a position is taken. Given the real-time nature of managing money and associated time constraints, the add-on service will only provide detailed trade set ups. Like many of our EWT members and analysts, my time is spread across many business activities. Please be respectful of this fact. This is what I can offer at this time.
10. Subscribers will not receive detailed historical results. This is due to regulatory reasons as there is not a consistent data set from which to draw reliable results.
11. I’m happy to answer questions in the context of the discussion in this guide. If it works for you, then come trade along with myself and my BTS team of professional traders.