

Monday iQ

June 17, 2024



5K Challenge

3 Things That Matter

S&P sets new highs; divergence between mega-cap and all others.

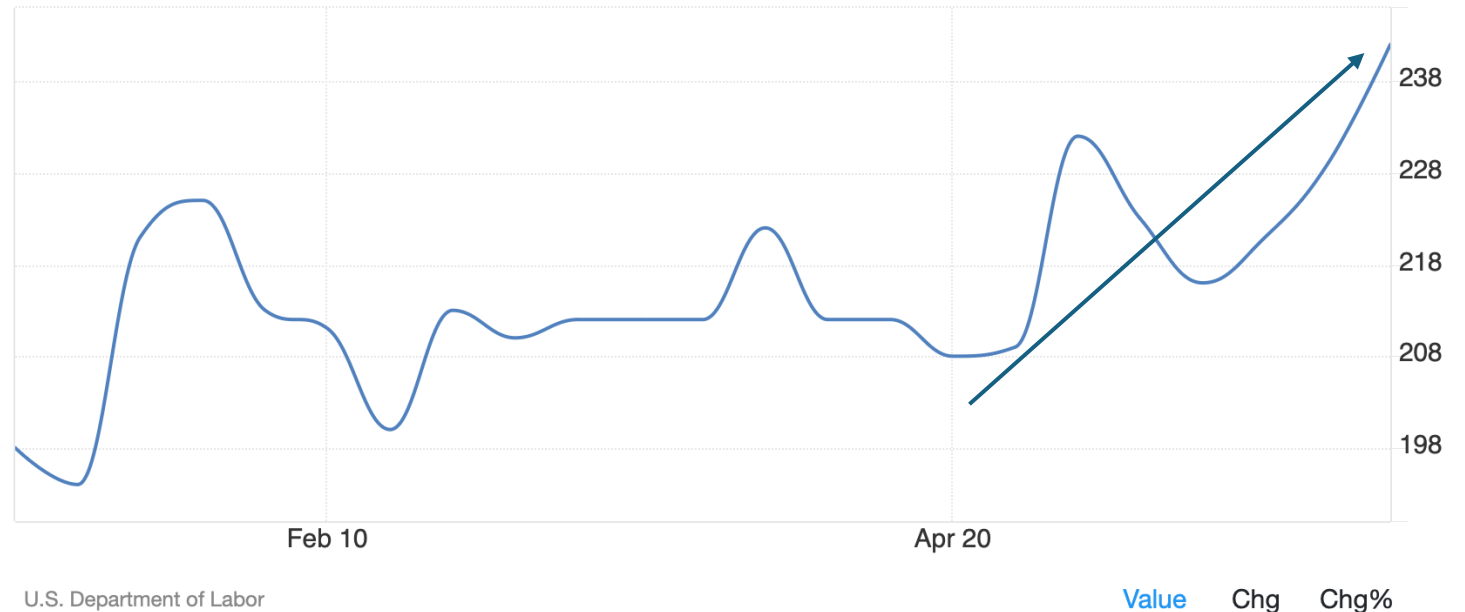
Fed still neutral-hawkish; employment metrics deteriorate, increasing Sep. rate cut probability (61%).

10-Yr UST yield falls 24 basis points in one week to 4.22%, a stock-positive range.

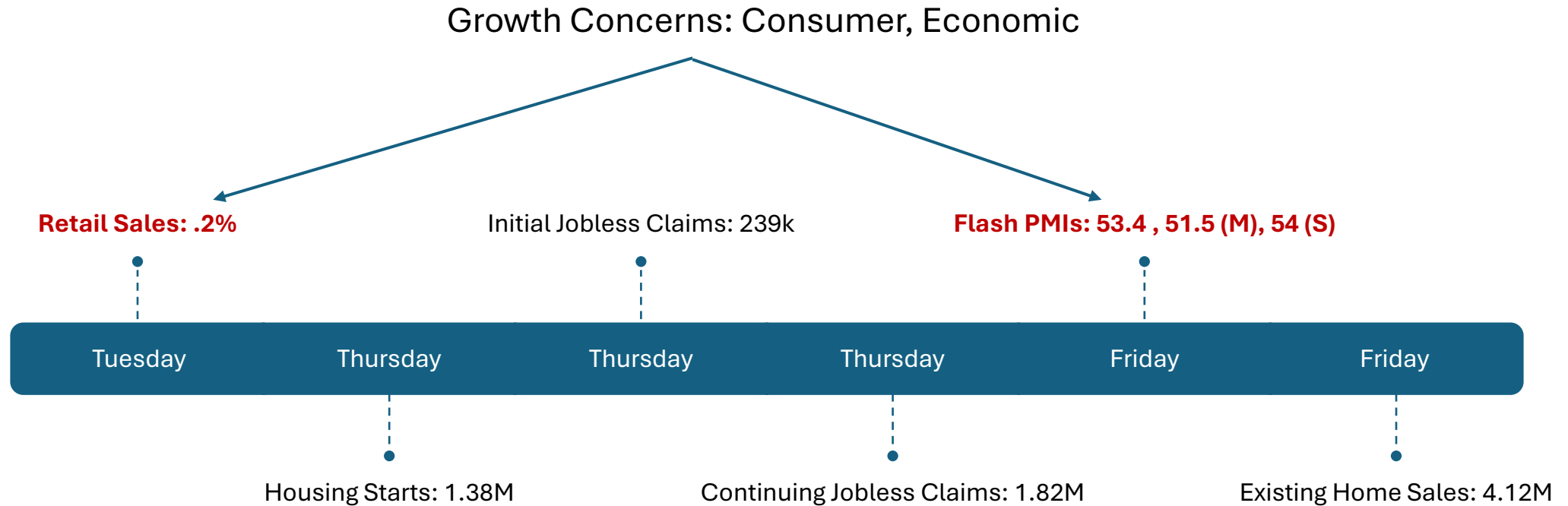
The Trend Is Higher, Until It Isn't

- We've seen this before
- S&P 500 trading at 20x forward earnings (2025)
- When the Fed cuts rates is less important than data
- Growth, Consumer, Employment metrics will determine momentum

Initial Jobless Claims Rising but Does It Hold

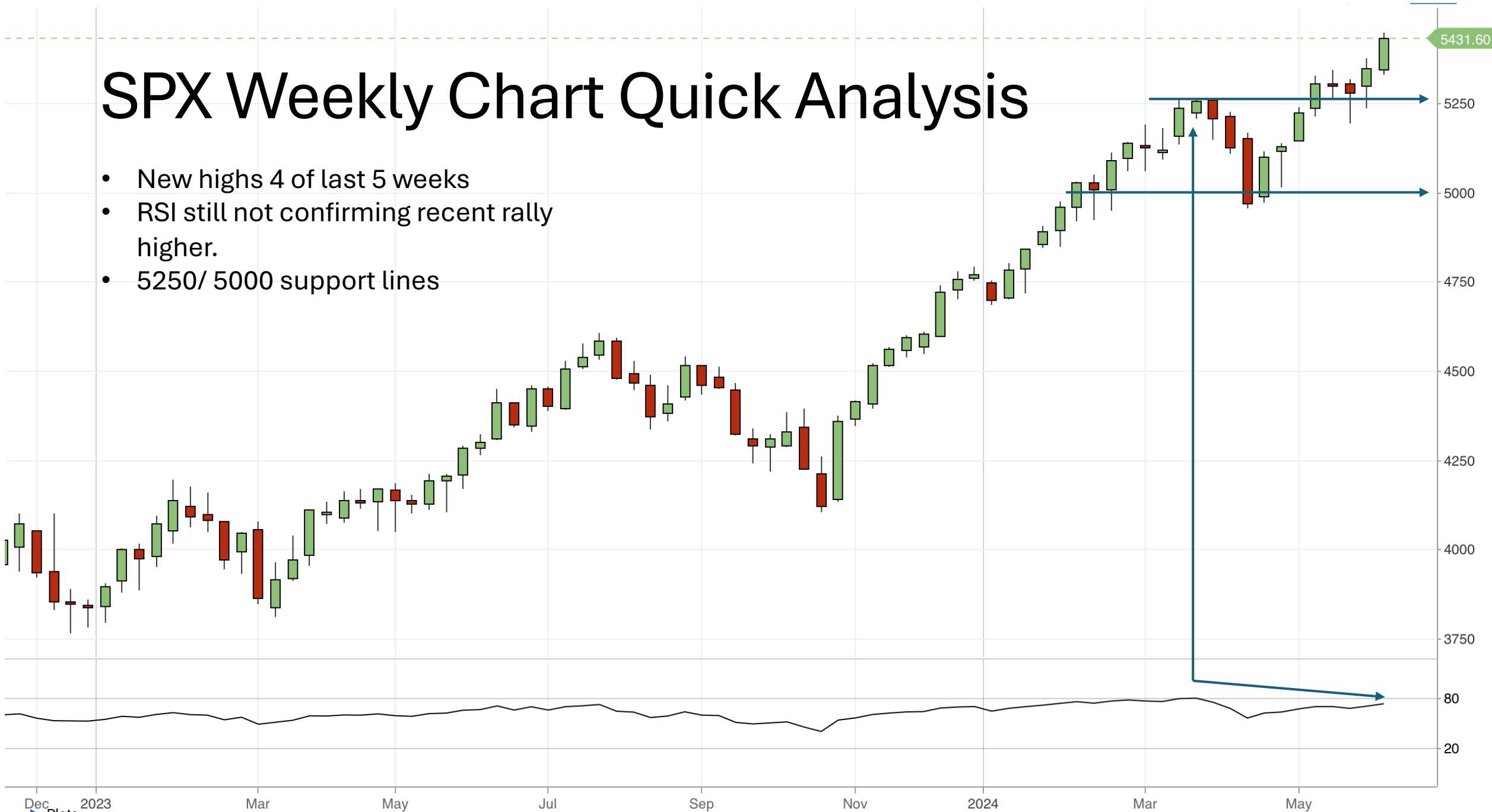


What Will Move Stocks This Week



SPX Weekly Chart Quick Analysis

- New highs 4 of last 5 weeks
- RSI still not confirming recent rally higher.
- 5250/ 5000 support lines



RSP -2.79%
SPY 3.95%

RSP = Equal Weight S&P 500
SPY = Weighted S&P 500

04/01/2024 - 06/15/2024

DAILY



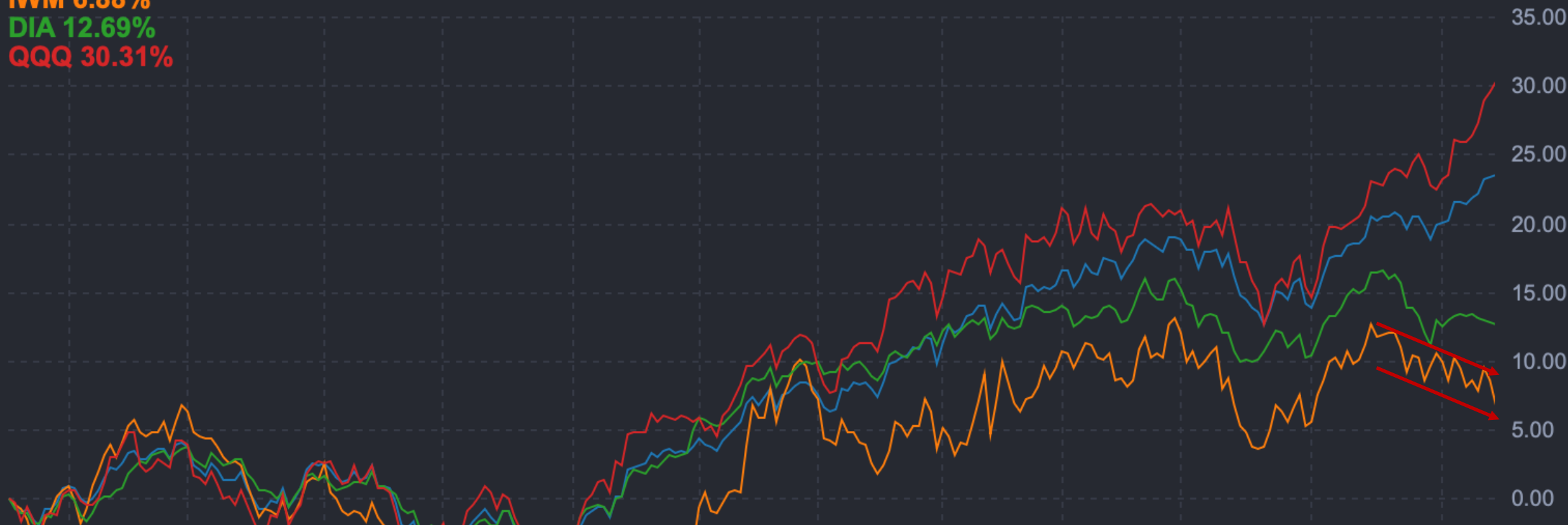
Monthly performance from Jul 23 to Jun 24

	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Total
RSP	+3.50%	-3.20%	-5.49%	-4.14%	+9.18%	+6.41%	-0.85%	+4.05%	+4.04%	-4.82%	+2.84%	-1.27%	+9.38%
SPY	+3.27%	-1.63%	-5.08%	-2.17%	+9.13%	+4.14%	+1.59%	+5.22%	+2.95%	-4.03%	+5.06%	+2.92%	+22.45%

SPY 23.51%
IWM 6.88%
DIA 12.69%
QQQ 30.31%

06/16/2023 - 06/16/2024

DAILY



Monthly performance from Jul 23 to Jun 24

	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Total
SPY	+3.27%	-1.63%	-5.08%	-2.17%	+9.13%	+4.14%	+1.59%	+5.22%	+2.95%	-4.03%	+5.06%	+2.92%	+22.45%
DIA	+3.41%	-2.18%	-3.70%	-1.33%	+8.93%	+4.69%	+1.19%	+2.25%	+2.00%	-4.94%	+2.49%	-0.28%	+12.39%
QQQ	+3.86%	-1.48%	-5.22%	-2.07%	+10.82%	+5.38%	+1.82%	+5.28%	+1.14%	-4.37%	+6.15%	+6.32%	+29.78%
IWM	+6.11%	-5.08%	-6.29%	-6.91%	+9.20%	+11.72%	-3.90%	+5.63%	+3.22%	-6.85%	+5.04%	-3.42%	+6.12%

Watching Dow Theory
for bearish shift.

Not uncommon for one
index to lead the other
for several weeks.

Weakness in
transportation; Dow
(industrials) not making
new highs like QQQ or
SPX.

DJIA Dow Industrial

- Lower Highs (level to watch:
39120, 40077)
- No Lower Lows (level to watch:
38000)

.DJT Dow Transports weekly chart

- Lower Highs (level to watch:
15764)
- Lower Lows (level to watch:
14547)



What All of This Means

- Do not be surprised by increased volatility in the weeks ahead
- Wall Street using “bad data is good” for rate cut expectations
- At some point, bad data is BAD, but not at present
- Small caps not participating – that’s a problem
- Like 2017 when S&P 500 gain driven by 7 stocks
- Still see a small cap rally in 2025 (perhaps late ‘24)

5k Challenge Updates

- Trade Report: Open & Closed
- Quick schedule update
- This Week's Trading Plan
- Understanding the SPX R3 trade
- Plans for SPX R3
- Coming soon: Pop-up trading sessions for rolling the SPX R3 trade



5K
Challenge

5k Challenge Trade Report

Open Trades									
Symbol	Vol	Exp	Margin	Credit	Debit	Net	Return\$	Return%	Risk
QQQ	2	19-Jul	\$ 1,092	\$ -	\$ (5.46)	\$ (10.92)	\$ (1,092.00)	-100%	1.1%
SPX R3	1	27-Jun	\$ 1,870	\$ 1.30	\$ (0.92)	\$ 0.38	\$ 38.00	2.0%	1.9%
	1	1-Jul	\$ 1,870	\$ 1.22	\$ (0.41)	\$ 0.81	\$ 81.00	4.3%	1.9%
	1	3-Jul	\$ 1,870	\$ 0.81	\$ (0.85)	\$ (0.04)	\$ (4.00)	-0.2%	1.9%
	1	5-Jul	\$ 1,870	\$ 1.05	\$ -	\$ 1.05	\$ 105.00	5.6%	1.9%
			\$ 1,870	\$ 4.38	\$ (2.18)	\$ 2.20	\$ 220.00	11.8%	1.9%
MSFT	1	20-Sep	\$ 2,255	\$ 2.45	\$ -	\$ 2.45	\$ 245.00	10.9%	2.3%
MSFT	1	16-Aug	\$ 668	\$ 3.32	\$ -	\$ 3.32	\$ 332.00	49.7%	0.7%
Capital Committed			\$ 5,885			\$ (4.07)	\$ (407.00)	-6.9%	5.9%
Closed Trades									
NVDA	2	Cal/Dia	\$ 1,959	\$ 21.65	\$ (19.59)	\$ 4.12	\$ 412.00	21%	2.0%

5k Challenge Trading Plan

Open Positions

- QQQ Debit Spread
- MSFT (2) – No Action Likely needed
- SPX R3 – Rolls on Monday, Friday (12-2pm range)
- Market closed on Wednesday

New Trade(s)

- Dave traveling Thursday morning
- Jeff and John hosting live trading session
- MSFT 60- or 90-DTE depending upon market conditions
- XBI, XLK
- NVDA, AAPL, META, AMZN possible targets

5k Challenge: SPX R3 Primer



Training session coming soon



Why SPX and not SPY?



Assignment risk SPX vs SPY



Objective is to collect daily income 3 times per week



The current approach is a building block to a more aggressive version

5k Challenge: SPX R3 Primer

- Get results at low delta, low risk, low margin, trading just one contract
- Focus on process before we scale or trade more aggressively
- The trade can be closed simply by buying back the current spread.
- Jun-Aug: trading the “low and slow” version
- Sept/Oct: we’ll move to the high-octane version
- Cover this trade in-depth during Millionaire’s Trading Club in Las Vegas (October)
- Even as we move to the more aggressive version, we can still leverage the conservative version.



Why That Last Bullet Matters:

Is SPX Neutral to Bearish

- Trade the conservative version
- Decrease risk
- Maintain income stream
- More flexibility to move with the SPX, even if lower

Is SPX Neutral to Bullish

- Trade the aggressive version
- Follow the market up
- Increase income and scale

5k Challenge: SPX R3 (low and slow) Primer

SPX R3	1	27-Jun	\$ 1,870	\$ 1.30	\$ (0.92)	\$ 0.38	\$ 38.00	2.0%	1.9%
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- First roll to 1JUL nets additional \$.30
- Second roll to 3JUL nets additional \$.40
- Third roll to 5JUL nets additional \$.20

- Premium based on Jeff's actual executions
- \$1.30 or \$130 income for week ending June 7
- \$.90 or \$90 income for week ending June 14
- 11.8% Return on Risk in 8 days
- **Current multiple is 5x reward to risk**
- 438% Annualized

SPX R3: Aggressive Version Overview

- Wider spread than current 20-wide
- Shorten duration from 21-DTE to 7-DTE
- Goal is \$3-\$4.50 in weekly net credit versus current \$1.00
- Margin: \$4-\$5,000 per contract versus ~\$2,000 per contract
- Max Contracts: 4 to 5, maintaining maximum margin no greater than \$20,000 (20% of \$100,000 portfolio)
- REMINDER: We can swing between the conservative and aggressive approaches depending upon market conditions.



Comparison of R3 Tactic

Conservative SPX R3

Width	Max 20
Margin per contract	\$2,000
Maximum contracts	(1) Up to 10
Goal Credit per Week	\$1.00
Goal Return on Risk (W)	5%

Aggressive SPX R3

Width	Max 50
Margin per contract	\$4,000
Maximum contracts	5
Goal Credit per Week	\$3.00
Goal Return on Risk (W)	7.5%

We're
already
trading the
aggressive
version

Trade Date	Expiration	Margin	Net Credit	If @ Scale
June 5	12JUN	\$3,677	\$2.33	\$11.65
Jun 10	17JUN	\$3,677	\$2.41	\$12.05
Jun 12	20JUN	\$3,677	\$1.41	\$7.05
Jun 14	21JUN	\$3,677	\$.76	\$3.80
		\$3,677	\$6.90	\$34.55

- 18.7% Return on Risk in 10 Days
- \$690 Gross Income (excluding fees)
- Hypothetical: At 5x contracts, \$3,455 in 10 days
- This level of capital and income fits goals of 5k Challenge

5k Challenge Schedule

- Live trading Thursday at 10:30am
- Next e*View session, Monday, June 24 at 10:30am
- Update later this week for Pop-up SPX sessions (planning ahead)
- Update and schedule a Training Session next week (end June or early July)

