Be Your Own Hedge Fund

Frequently Asked Questions

BeYourOwnHedgeFund.com

How are you different than other stock picking services?

You're probably familiar with the phrase "Monday morning quarterback". In trading, there is vast opportunity in hindsight. But hindsight is not actionable and results can be cherry picked.

There are a number of impersonal advisory services vying for your attention. In our opinion, any service worthy of consideration needs to satisfy 3 basic requirements. Does the service :

1. Inform you of each trade they're going to make in advance?
2. Simulate trade executions in an unambiguous and realistic manner?
3. Provide ALL performance results in a clear and verifiable way?

Our simulated trades are:

1. Actionable. Trades are specified in advance, the night before.
2. Executable. Our algorithm produces exact timing and guaranteed execution.
3. Verifiable. All trades are simulated at the next opening bell price.

How can I mirror your simulated trades in my online brokerage account?

Nightly updates are posted to the website and email/text alerts are sent after the market close (usually by 4:30PM Pacific time). To mirror a trade, a market order can be placed after the close, prior to the next opening bell. This is known as a Market-on-Open (MOO) order. A MOO order is NOT the same as an after-hours (or extended hours) order in that it won't execute until the next market open.

Note that it's unlikely a MOO order will fill at exactly the opening bell price. Although we trade highly liquid stocks, after-hours MOO orders are queued and will execute after the opening bell at a price based on your position in queue and the relative distribution of buyers and sellers.

The bottom line is that with a MOO order you might get a better fill than the opening bell price and you might not. To mitigate this risk, you could wait until just after the open and place a limit order. The downside of this is that you may not get filled at all and you'll need to be at your computer to watch the open.

What’s the difference between portfolios? What is my default portfolio?

The portfolios are differentiated by their maximum allowed number of simultaneous open positions. For example, the Max-2 portfolio can hold up to two open trades at a time whereas Max-4 can hold up to four. The idea is to diversify while maintaining a customizable account funding size. The algorithm enforces each portfolio's maximum while attempting to hold positions in different industry sectors whenever possible.

Your default portfolio is the one you'll receive email/text notifications on. You can change your default portfolio at any time from the 'My Settings' menu.

Why don’t you use limit orders or stop-loss orders?

If we used limit or stop-loss orders, in the real world some trades would not have executed and some stops would not have been 'hit'. Our algorithm was developed to trade at the market-on-open (MOO) which guarantees execution but not price. It includes an internal stop that generates an exit signal for the next open. Of course when trading in your own account, the decision to use limit orders or stops is certainly reasonable and is up to you.

How do you decide how many shares to trade?

To keep things simple, we choose the number of shares closest to a $10,000 investment, rounded to the nearest 10 shares. Thus each trade is roughly equally sized and the percentage gain easy to determine.

For example, if you bought a number of shares totaling a $10,000 investment and then sold those shares for $10,350, your $350 profit represents a 3.5% gain, not including commissions. Of course, in real-world trading, the number of shares you trade (if any) is entirely up to you.

How does the algorithm decide what stocks to trade and when?

Our algorithm uses cutting-edge statistical and digital signal processing (DSP) techniques to “mine” price/volume data from a universe of about 600 large-cap U.S. stocks. The algorithm is a mean-reversion swing reversal system. That is, it generates buy signals after a price dip (not just any price dip!) in anticipation of a near-term bullish move.

The key take away is that a buy signal occurs when a stock's recent price pattern matches the algorithm's formula to detect a high probability near-term bullish condition.

Is there any reason not to take a particular trade?

It's up to you! All trading signals are posted in advance so you have time to do your own research. For instance, an after-hours news event could factor into your decision. Say we had a buy signal on XYZ and you noticed a late-breaking story about XYZ's CEO being under investigation. You might want to avoid that trade.

A more typical scenario is that of earnings announcements. Our algorithm pays no attention to earnings dates but you might want to. For example, based on your own research and risk tolerance, you might choose to avoid a trade if the company has a scheduled earnings announcement within a few weeks.

What is your average holding period?

The algorithm was designed to forecast short-term price swings within an intermediate trend. Trades have an average holding time of 6-7 market days and a maximum of 15 market days (approx. 3 weeks). All trades are held for at least one day although the most-likely minimum is 3.

What options strategies work best with your trading signals?

For most options traders, our signals are arguably best-suited to simple bullish put selling strategies; either selling puts or bullish vertical put spreads. Our mean-reversion algo “buys the dip”, often favoring the put option seller over the call option buyer due to the larger premium collected when prices are falling.

Please note that we do not provide options education or consulting services but there are lots of folks who do. If you are unfamiliar with options trading, we suggest you research options trading books or training courses. Here are the important points:

- Our signals are directional (moderately bullish)
- Our trades are short-term, from a few days to a few weeks (3 weeks max)
- Our algorithm “buys the dip” (collect higher premiums from selling puts)