FOR YOUR RETIREMENT, YOU NEED TO WIN. IT IS NOT A WISH

by: Guy R. Fleury

Over the last year, I wrote many articles about the ***One Percent Per Week*** stock trading strategy. It is an outstanding and highly volatile strategy that can nonetheless deliver over the long term, more than 50% per year, on average. The reason for its success is its method of play, which seems, at least, to have worked for the past 15 years.

Using TQQQ is behind its higher volatility rating. If the general market could deliver some 15 to 20% compounded over the years, TQQQ, with its 3x-leveraged scenario based on the QQQ ETF, could produce about 3 times more.

I've shown in my article: ***If You Want To, You Can Make It Big, Real Big***, that you could make it happen. It is an easy recipe to follow by hand or using the provided program code.

Nonetheless, the necessity of building a retirement fund goes deeper. You might wish for it, but you cannot afford to miss those retirement goals. You simply have to come on top.

It is the same proposition that was made in my free book: **Gain Your Financial Freedom**. You need to grow your retirement fund so that whatever happens, you will be more than secure financially for the rest of your life.

What could you do to ensure it will not just be making a wish to reach your retirement goals but also taking action in the next few years to make it happen?

At age 65 or older, you cannot afford to start all over again from scratch.

It can take some 20 years to build up a portfolio of sufficient size to provide you with a decent and long-lasting retirement income stream. Therefore, make sure you will win on your very first try. You can start that process now.

At whatever level, investing in the stock market is anything else than secure or having predictable outcomes. You will face uncertainty every step of the way, no matter how you would want to invest in that market. It is a way of saying you will never be sure the stock price will rise tomorrow. It is even worse: you will have the same problem every day for years and years.

So, what can you do to make sure you succeed?

Already, you know that what you could expect over the long term is to make about the same as the market's long-term average; that is about a $\sim$10% CAGR, on the condition, you stay in the market for those 20 years and more. If you are in the market only half the time, you should expect the outcome to be half it could have been. There is no mystery there. Your participation is required. The sequence would be: no play, no gain, no profit, no income stream to follow.

But then, that $\sim$10% CAGR does not get you that far.

For instance, the future value formula gives: $F(t) = F_0 \cdot (1 + 0.10)^{20} = 6.727 \cdot F_0$. Based on that equation, all you could expect is 6.7 times your initial stake. With a starting capital of $100,000, in 20 years, with a 5% withdrawal rate, you could get an average $2,803 per month for your first year in retirement.

An average 3% inflation rate over those same 20 years would make everything more expensive by 80% or more. If you reduce the future value formula above by this 3% inflation, you would get: $F(t) = F_0 \cdot (1 + 0.10 - 0.03)^{20} = 3.869 \cdot F_0$.

You have to view your future in 20 years as costing at least 80% more than today. If the average inflation rate were higher, it would only get worse. At a 5% inflation rate, your initial capital will shrink to 2.653x. It represent a $-$64.2% drop in value: $(1 - 0.05)^{20} = 0.358$.

You will need to compensate for this inflation, not just to break even but also to generate more, should you want your buying power to increase sufficiently before you retire.

You have two variables in the future value equation that you can set from the start: your initial capital F_0 and the time you have to build your stock portfolio t. The quest effectively becomes one of aiming for long-term and higher average returns than the expected $\sim$10%.

By investing your $\$$100,000 at 10%, you thought 20 years later you would have about $\$$672,700. But all it would be worth would be around: $\$$240,826 or about. That would reduce the buying power of your expected monthly income to $\$$1,003 in your first year of retirement. How far will you go with that? Can you get along with that right now?

It is not a choice; you have to do better. No matter which methods you might use.

Do you have any confidence that the long-term expected return on YOUR stock portfolio will be around a $\sim$10% CAGR in 20 years?

The stock market, as a whole, has had, over the past 200+ years, a CAGR of about 6.9%. But that is based on all the stocks in the stock market universe. The 10% CAGR is mainly associated with holding the S&P500 average. A tracking proxy for the S&P500 index is SPY, which will mimic the index's every move. Therefore, over 20 years, simply buying and holding SPY could give you your 10% CAGR or, at least, get you close to it. No work to do, and no monitoring is needed either. However, you already know where that leads.

To make things worse, the 10% CAGR is also the expected market average for professional money managers. The long-term return average for mutual funds is about $\sim$10%. It is all that stuff that is also trying to convince you that a 10% CAGR is, at best, what you could hope for should you wish to do it on your own. There is some validity to this. Look at all the money invested in index funds, which try very hard to mimic market averages and actually get close to those average returns.

However, some data do not support the 10% long-term average expectation for the individual investor trying on his/her own to outperform the markets. A recent study showed that individual investors/traders got more in the order of a long-term 5% CAGR. Almost urging them to let professionals do the job for them or buy an index fund that would, at least, aim for that long-term 10%.

If you want more, you will have to either find someone that could do it for you or do it yourself.

I would go for the do-it-yourself route even if doing so could be a bad omen based on the above-cited study. Regardless, you most certainly can do better than average.

SO, LET'S DO MORE. MUCH MORE

Let's go directly to the ***One Percent Per Week*** trading strategy as described in my book and recent articles. For one thing, it is easy to execute, so much so that you can do it all by hand on your cellphone from anywhere.

The performed simulation demonstrated that the trading procedures used, at least, performed well over the last 14.9 years. The simulations had, on average, a CAGR over 50%.

On a 20-year basis, this would make a $\$100,000$ stake grow to: $F(t) = \$100,000 \cdot (1 + 0.50)^{20} = \$332,525,673$ which would give you after those 20 years, an average starting income stream of about $\$1,385,523$ per month based on a 5% withdrawal rate. More than enough to cover your monthly living expenses. Furthermore, while in retirement, your income stream would increase every year by an expected 45%.

The ***One Percent Per Week*** strategy has for objective to generate, on average, 1% per week as its name implies: $F_0 \cdot (1 + 0.01)^{52} = 1.6777 \cdot F_0$, that is a 67.7% CAGR.

Executing this strategy for 20 years would generate: $F_0 \cdot (1 + 0.01)^{52 \cdot 20} = 31,205 \cdot F_0$. That would raise the expected 20-year outcome to $\$3,120,532,671$, on the condition that the portfolio could maintain that average 1% per week over those 20 years. That is not a small undertaking.

There is a problem with the above.

What is there to assure you that that future could unfold?

The market is a temperamental creature that is not tamed so easily. Not many have achieved such levels in the past. Nonetheless, Medallion Fund comes to mind with their 63% CAGR over the past 30+ years, which came out more like 39% net after fees. But still, more than commendable. And if they could achieve a 63% long-term CAGR, so can you.

The question remains: What kind of assurance can you provide to reach that long-term ***One Percent Per Week*** objective?

To provide some reassurance, we could use the Monte Carlo method without replacements to test feasibility. But in this case, using the ***One Percent Per Week*** trading strategy over past market data would be useless since all the simulations would end with the same answer. What would you have gained in running all those simulations?

I used the WL8 portfolio metrics from the 14.9-year simulation and rebuilt the trading procedures according to the equations in my book: **Gain Your Financial Freedom**.

$$\mathsf{E}\left[F(t)\right] = \bar{e} \cdot (1+\bar{\gamma})^N \cdot b_0 \cdot \prod_1^N \cdot (1 \pm r_i) \tag{1}$$

where the toss of a fair coin determines the $\pm$ of $\pm r_i$. Thereby rendering the whole sequence of returns a process with no predictive abilities. Since we will not use leveraging in these examples, we can remove that factor

$$\mathsf{E}\left[F(t)\right] = \bar{e} \cdot \cancel{(1+\bar{\gamma})^N} \cdot b_0 \cdot \prod_1^N \cdot (1 \pm r_i)$$

We could break down the product function of the above equation into:

$$\prod_1^N \cdot (1 \pm r_i) = (1+\bar{r})^N = (1+0.0454)^{393} \cdot (1-0.0271)^{370} \tag{2}$$

where $\bar{r} = \frac{\sum r_i}{N}$, is the average return per trade. In this case, it turns out to be our 1% per week objective.

Equation (2) breaks down $\bar{r}$ into the winning and losing trades given by the WL8 simulation metrics.

The portfolio metrics used are the 0.0454 for the average percent win per winning trade on 393 trades and -0.0271 for the average percent loss per losing trade for the other 370 trades. Those numbers are easy to extract; every WL8 simulation has them in its portfolio metrics section.

The exponents in equation (2) relate to the number of winning and losing trades. As you add trades, those numbers will increase monotonically based on the coin flip outcome. However, after some 763 trades, the average percent win or loss per trade will not move by much. They are the result of long-term averages. Each new trade will have less and less impact on these averages.

We can even break down equation (2) still further. I divided it by trade types, as illustrated in Table #1 below. I had the following results on one of the simulations (at 771 trades):[1] The same as Table #4 in: **Make Your First $50M Before You Retire**.

Table #1: TQQQ Strategy Trade Statistics

Trade Type	Trade Outcome	Trading Rule	# Trades	≈ Percent Of Total	Reason Position Sold	Average # Trades/Year
A	Positive	$>= 7\%$	132	≈ 17.12%	Above Profit Target	8.9
B	Positive	$> 0 < 7\%$	267	≈ 34.63%	On Friday's Close	18.0
C	Zero	$= 0$	219	≈ 28.40%	Break Even†	14.7
D	Negative	< 0	153	≈ 19.84%	Losing Positions††	10.3
		Total →	771			

† Closing any day below the entry price, the strategy tries to break even.
†† These positions did not bounce back to break even within the one-week time limit.

The simulation would initiate a buy limit order at the open every week.

It is the same as always betting in the same direction on a randomly occurring process.

The expected outcome should be close to 50% wins and 50% losses, the same expectation as for a long sequence of coin tosses.

This outcome would be on the premise that we were facing close to a normal distribution with a mean of zero. If your data series passes all the randomness tests, we should expect the series to be randomly distributed.

If the portfolio results got close to a 50/50 win/loss distribution, we could be assured that we were facing randomness head-on.

This 50/50 proposition would be more severe than using the strategy's historical data since you would be below the expected value of 51.75% wins reached in the Wealth-Lab 8 simulation over those 14.9 years. The difference might appear as

[1] The program (v5) was last modified in May 2024.

not so much, but we are dealing with an exponential series, and this difference in outcome will increase exponentially with the number of trades.

Also, going completely random might be the death of your trading procedures since they would always face the unknown with, at most, a 50/50 chance of being correct. That is a big word, saying being ”correct” when the best you can do is guess what will happen next.

For example, having an average 8% percent win or loss per trade could give:

$$(1 + 0.08)^{\frac{770}{2}} \cdot (1 - 0.08)^{\frac{770}{2}} = 0.084$$

Now, that is not a way to win this game.

It would only get worse if you added more weeks. Case in point:

$$(1 + 0.08)^{\frac{1000}{2}} \cdot (1 - 0.08)^{\frac{1000}{2}} = 0.040$$

How could you achieve this?

An easy scenario with 50/50 odds using a profit target of 8% with a stop-loss of 8% would get that job done over either of those 770 or 1000 trades.

Did you predict the outcome when all you did was flip a coin?

What science could you conjure up to validate your prediction?

No one can beat a long series of coin flips except by luck.

There is no talent you could bring to the table, not even artificial intelligence, that would change the nature of those coin flips unless you introduce a bias. Only with a biased coin could you get some assurance that you could win over a long series of tosses.

To win, you would need to know that bias beforehand and that it was on your side. Otherwise, no luck.

We get this bias with the ***One Percent Per Week*** strategy. We introduced a bias of our own with our trading procedures.

We can replace the product section in the above equation by the breakdown of trades, such as $\prod_1^N \cdot (1 \pm r_i) = (1 + 0.0454)^{393} \cdot (1 - 0.0271)^{370}$ where there were 393 winning trades out of 763 trades with an average percent profit per trade of 4.54%. We had 370 losing trades with an average percent loss per trade of -2.71%.

We gained valuable information about the strategy and its average trading behavior, all from the portfolio simulation metrics.

We know more than just the random distribution of $\pm r_i$; we know $\bar{r}_+$, the average percent win per winning trade, and $\bar{r}_-$ the average percent loss per losing trade. And from there, we can recompose portfolio equation (1).

The number of trades indicates that these average return rates tend to their respective long-term averages. If you added 100 more trades, those averages would remain at about the same levels and obtain the same proportion of winning and losing trades. We could even state that the Law of large numbers might be at play.

Simulating The Future

We can easily simulate using past market data,
no problem. ***But, there is no money to be made there.***

Your simulations can give valuable information about how it would have behaved in the past. Often, that trading behavior can be carried forward.

> *It is as if the trading strategy tries to tell you how it will behave according to its acquired trading habits.*
>
> *The point is that a trading strategy could behave in the future like it did in the past.*

The strategy's future could resemble its past behavior. The price series will have different paths but behave similarly despite its almost unpredictable ups and downs.

I used the WL8 14.9-year simulation metrics to design a projection machine where equation (1) would explain the strategy's past and, possibly, its future.

I could freeze the first 15 years of those simulations by using a seed to replicate the random outcomes. Then, increase the trading interval by 5 years to see what could have happened. The first 15 years, just as the added 5 years, would have the same trade types as in Table #1 and selected at random from the same state they achieved after 14.9 years of simulated trading.[2]

With the randomness, you have nothing to tell you what the next week will generate, a profit or a loss. The hit rate should tend toward 51.75%. Nonetheless, the program should behave as instructed, follow its code, and try to execute in the same proportions as the WL8 simulation or close to it. These averages are not some numbers we took out of the blue but the actual 14.9-year portfolio metrics resulting from the applied trading rules.

The portfolio equation for Figure #1 is:

$$F(t) = \text{InitCap} \cdot 0.51 \cdot 1.0820^{Ta} \cdot 1.0301^{Tb} \cdot 1.000^{Tc} \cdot (1.00 - 0.0596)^{Td} \tag{3}$$

[2] See list of previous articles on the **One Percent Per Week** trading strategy.

In Figure #1, the WL8 winning rate was 51.75% compared to the losing rate at 48.25%. It is not that far from the program's randomly generated estimates, coming in at 54.10% and 45.90%, respectively. The 0.51 factor in equation (3) is the exposure rate for the strategy, again taken from the portfolio simulation metrics.

As for the four trade types, the differences from the simulation were not that big either. For instance, STa was 134 while Ta was 128, with a -0.71% spread. The same applied to the other 3 trade types. What is gained by one trade type is taken from another since the total number of trades remained at 780 (15 years).

What is remarkable in Figure #1 is its CAGR at 71.09% for the period. After only 15 years, the portfolio could have grown to $\$315,115,044$. This scenario would give a starting average income stream of $\$1,312,979$ per month based on a withdrawal rate of 5%. Anyone could make do with that.

Figure #1: Capital $\$$100k, 15 Years. Based on WL8 Simulation Metrics

```
Initial Capital:     $ 100,000
Trading Interval:  15.00 years
Total Return:       315,115%
Total Profit:  $ 315,115,044
Portfolio CAGR:          71.09%

Total Trades = 780
Simulation WL8 - From 'One Percent Per Week' Metrics
STa: 134, STb: 270, STc: 222, STd: 155
Winning Rate:  51.75%
Losing Rate:   48.25%

Program Estimates - Random Distribution Based On WL8 Metrics
 Ta= 128   Tb= 294   Tc= 194   Td= 164
Winning Rate:  54.10%
Losing Rate:   45.90%

Trade Type Percent Contributions:
Ta: 16.410%, Expected: 17.120%, Spread: -0.71%
Tb: 37.692%, Expected: 34.630%, Spread: 3.06%
Tc: 24.872%, Expected: 28.400%, Spread: -3.53%
Td: 21.026%, Expected: 19.840%, Spread: 1.19%

Total Profit Using Portfolio Equation: $ 315,115,044.
```

(**Click here to enlarge**)

You had almost nothing to do except take a position every Monday, set your sell limit order at the profit target, and then wait for the targets to be hit or have the position closed at Friday's closing price. Read my other articles on the subject for the set of trading rules.

We started this section with: **Simulating the Future**. So, let's get there.

We have equation (3) that defines the simulation's outcome for Figure #1. Since we did use a seed, we can replicate the random series at will. We could extend equation (3) to cover 5 more years. The program would generate 260 more coin flips after the first 780.

The simple solution to extend the trading interval is to increase the total trades to 1,040 (20 years) and rerun the program.

All that would change would be the number of trading weeks, while the program would do the same as instructed for Figure #1. What you would get is Figure #2 below.

Figure #2: Capital $100k, 20 Years. Based on WL8 Simulation Metrics

```
Initial Capital:     $ 100,000
Trading Interval:  20.00 years
Total Return:       5,981,198%
Total Profit:  $ 5,981,197,943
Portfolio CAGR:         73.32%

Total Trades = 1040
Simulation WL8 - From 'One Percent Per Week' Metrics
STa: 178, STb: 360, STc: 295, STd: 206
Winning Rate:  51.75%
Losing Rate:   48.25%

Program Estimates - Random Distribution Based On WL8 Metrics
 Ta= 177   Tb= 377   Tc= 267   Td= 219
Winning Rate:  53.27%
Losing Rate:   46.73%

Trade Type Percent Contributions:
Ta: 17.019%, Expected: 17.120%, Spread: -0.10%
Tb: 36.250%, Expected: 34.630%, Spread: 1.62%
Tc: 25.673%, Expected: 28.400%, Spread: -2.73%
Td: 21.058%, Expected: 19.840%, Spread: 1.22%

Total Profit Using Portfolio Equation: $ 5,981,197,943.
```

(**Click here to enlarge**)

I used the same procedures as given in the provided Excel file in my article: **You Can Make It Big, Real Big. If You Want**. The current simulations were done in a

Jupyter Notebook using Python.

In Figure #2, all we did was add 5 years to Figure #1. This added 5 years comes after the first 15 years. So your starting capital at year 15 is $\$315,115,044$, and not $\$100$k. You are on an exponential curve operating close to an average 1% return per week, and you just added 260 weeks. It should have an impact.

What we can observe in Figure #2 is that the WL8 metrics stayed the same, while the program estimates differed slightly from Figure #1. We had a winning rate in Figure #1 of 54.10%, while in Figure #2, the winning rate decreased to 53.27%.

It was expected that the long-term averages reached in the WL8 simulation would not vary by much if we added more time to the strategy. It would continue to behave as it did in its first 15 years. *And that is about what we got.*

Equation (3), as used in Figure #1, also applies to Figure #2 with the change in the exponential factors.

Figure #3: Capital $\$$100k, 15 Years. Based on WL8 Sim Metrics – Different Seed

```
Initial Capital:     $ 100,000
Trading Interval:  15.00 years
Total Return:        196,489%
Total Profit:  $ 196,488,754
Portfolio CAGR:         65.79%

Total Trades = 780
Simulation WL8 - From 'One Percent Per Week' Metrics
STa: 134, STb: 270, STc: 222, STd: 155
Winning Rate:  51.75%
Losing Rate:   48.25%

Program Estimates - Random Distribution Based On WL8 Metrics
 Ta= 123   Tb= 281   Tc= 217   Td= 159
Winning Rate:  51.79%
Losing Rate:   48.21%

Trade Type Percent Contributions:
Ta: 15.769%, Expected: 17.120%, Spread: -1.35%
Tb: 36.026%, Expected: 34.630%, Spread: 1.40%
Tc: 27.821%, Expected: 28.400%, Spread: -0.58%
Td: 20.385%, Expected: 19.840%, Spread: 0.54%

Total Profit Using Portfolio Equation: $ 196,488,754.
```

(**Click here to enlarge**)

The trading decisions were based on the outcome of a randomly generated number for each trade, whether over 15, 20, or more years.

To escape generating the same outcome as in Figure #1 and #2, changing or removing the starting seed number would be sufficient.

In Figure #3, the program estimate was 51.79% compared to the 51.75% in the WL8 simulation. Still, the strategy generated a 65.75% CAGR over those 15 years. If you recall, we had a 67.7% CAGR objective from our average 1% per week. So, not so far off.

Adding 5 years on the same basis as in Figure #2 would generate Figure #4.

Figures #1 to #4 represent only two tests (over 15 and 20 years). How about another run? Would the answer be different? Yes, and totally. Change the starting seed and rerun the program.

Figure #4: Capital $100k, 20 Years. Based on WL8 Sim Metrics – Different Seed

```
Initial Capital:     $ 100,000
Trading Interval:  20.00 years
Total Return:        984,613%
Total Profit:  $ 984,612,734
Portfolio CAGR:          58.37%

Total Trades = 1040
Simulation WL8 - From 'One Percent Per Week' Metrics
STa: 178, STb: 360, STc: 295, STd: 206
Winning Rate:  51.75%
Losing Rate:   48.25%

Program Estimates - Random Distribution Based On WL8 Metrics
 Ta= 159   Tb= 364   Tc= 298   Td= 219
Winning Rate:  50.29%
Losing Rate:   49.71%

Trade Type Percent Contributions:
Ta: 15.288%, Expected: 17.120%, Spread: -1.83%
Tb: 35.000%, Expected: 34.630%, Spread: 0.37%
Tc: 28.654%, Expected: 28.400%, Spread: 0.25%
Td: 21.058%, Expected: 19.840%, Spread: 1.22%

Total Profit Using Portfolio Equation: $ 984,612,734.
```

(**Click here to enlarge**)

Based on Figure #4, we have a CAGR slowdown: 58.37%. The winning rate went down to 50.29% compared to the WL8 simulation, which stayed at its 51.75% rate, as should be expected.

Still, the strategy generated nearly a billion dollars over those 20 years. We had a reduction of Type-A trades with an increase in Type-D trades, which could explain part of the difference. We are dealing with random elements and do not know which future course of action will prevail. Each trade is independent of all others.

We could do hundreds if not thousands of those simulations, each time generating different numbers. Overall, the numbers would resemble most other tests. By doing a large number of them, we could arrive at some average figure and study the average outcome distributions.

Here is a third test for the 15 and 20-year scenarios, again using a different seed.

This time, the program's winning rate went back up to 51.92% and managed a 75.78% CAGR. Again, equation (3) explains the outcome using the WL8 program estimate metrics.

Figure #5: Capital $100k, 15 Years. Based on WL8 Sim Metrics – Different Seed

```
Initial Capital:     $ 100,000
Trading Interval:  15.00 years
Total Return:        472,586%
Total Profit:  $ 472,585,718
Portfolio CAGR:          75.78%

Total Trades = 780
Simulation WL8 - From 'One Percent Per Week' Metrics
STa: 134, STb: 270, STc: 222, STd: 155
Winning Rate:  51.75%
Losing Rate:   48.25%

Program Estimates - Random Distribution Based On WL8 Metrics
 Ta= 134   Tb= 271   Tc= 221   Td= 154
Winning Rate:  51.92%
Losing Rate:   48.08%

Trade Type Percent Contributions:
Ta: 17.179%, Expected: 17.120%, Spread: 0.06%
Tb: 34.744%, Expected: 34.630%, Spread: 0.11%
Tc: 28.333%, Expected: 28.400%, Spread: -0.07%
Td: 19.744%, Expected: 19.840%, Spread: -0.10%

Total Profit Using Portfolio Equation: $ 472,585,718.
```

(**Click here to enlarge**)

Figure #6 below completes the set with the added 5 years.

In Figure #6, we have a rise in the program estimates winning rate to 52.02%, still relatively close to the WL8 simulation of 51.75%. Nonetheless, the program managed a 79.67% CAGR over those 20 years. Even rising higher than the 75.78% in Figure #5.

Figure #6: Capital $100k, 20 Years. Based on WL8 Sim Metrics – Different Seed

```
Initial Capital:     $ 100,000
Trading Interval:  20.00 years
Total Return:       12,294,438%
Total Profit:  $ 12,294,437,782
Portfolio CAGR:          79.67%

Total Trades = 1040
Simulation WL8 - From 'One Percent Per Week' Metrics
STa: 178, STb: 360, STc: 295, STd: 206
Winning Rate:  51.75%
Losing Rate:   48.25%

Program Estimates - Random Distribution Based On WL8 Metrics
 Ta= 187   Tb= 354   Tc= 290   Td= 209
Winning Rate:  52.02%
Losing Rate:   47.98%

Trade Type Percent Contributions:
Ta: 17.981%, Expected: 17.120%, Spread: 0.86%
Tb: 34.038%, Expected: 34.630%, Spread: -0.59%
Tc: 27.885%, Expected: 28.400%, Spread: -0.52%
Td: 20.096%, Expected: 19.840%, Spread: 0.26%

Total Profit Using Portfolio Equation: $ 12,294,437,782.
```

(**Click here to enlarge**)

I did all six of these simulations, one after the other. What you have in Figures #1 to #6 are what came out from a random trade selection process answering to equation (1), all of them.

From the product equation as stated above:

$$\prod_{1}^{N} \cdot (1 \pm r_i) = (1 + 0.0454)^{393} \cdot (1 - 0.0271)^{370}$$

we could also state that rearranging the $\pm r_i$ terms in any order would not change the outcome of that equation. It is not by shuffling the $\pm r_i$ terms as in a Monte Carlo method that it would change the outcome.

Since we can separate the trades by winning and losing factors, such as in the above expression: $\prod_1^N \cdot (1 \pm r_i) = (1 + \bar{r}_+)^W \cdot (1 - \bar{r}_-)^L$, reshuffling those average returns would not change a thing.

You might not be able to change the future, but your trading procedures, on the other hand, can make you win the game, even if it was all randomly generated.

Regardless, your portfolio will have ups and downs. That is part of the game.

Using TQQQ should continue to swing about 3x more than the market average. This is by design. TQQQ is made to generate 3x more in daily returns than the QQQ ETF on which it is based.

It also highlights that the trading procedures for the **One Percent Per Week** strategy were to exploit TQQQ's higher daily price variations. Requesting a 7% profit target on a stock with lower volatility might not generate as many trades. As always, common sense applies.

WHAT SHOULD WE CONCLUDE FROM THESE SIMULATIONS?

We could do thousands of these simulations and get a different answer each time.

We could not guess which scenario would prevail in the future since every one of those representations of the future would be different.

Most probably, none of those future simulations would result in a total portfolio loss due to the nature of the simulation product equation stated above. Due to the large number of trades and their average distributions, we should expect that the future will resemble the past over long time intervals.

BUT, THERE IS MORE TO THE STORY

We should have expected from the start that the most profitable trades would drive the outcome. In this case, it would have been the Type-A trades with its 1.0820^{Ta} as in equation (3). True, those trades would be highly positive. And you would have this type of trade in the future just as you had in the past.

However, the total of equation (3) is applicable. All the trade types are significant, whether over past or future market data. We have in equation (3) the making of a trading strategy, not expressed as a wish like using the future value formula, but from the actual long-term trading habits of a singular trading strategy.

The counterpart to Type-A trades 1.0820^{Ta} is the Type-D trades which are the losing trades: $(1.00 - 0.0596)^{Td}$. If we multiply those two extremes, we get from the data in Figure #1: $1.0820^{134} \cdot (1.00 - 0.0596)^{155} = 1.62$. Over 15 years, your portfolio would only have grown by 62%. The part generating the most profit is almost obliterated by the part generating the most losses.

After 15 years, you would end up with an average return of about 3.3% per year. It could be considered a part of the "fat tails" for this strategy, which mostly cancel each other out.

This phenomenon is further explained in my free book: **Gain Your Financial Freedom**. The strategy is saved by its trading procedures, which created an imbalance between profitable and non-profitable trades.

Equation (3) could be the outcome of many trading strategies, on the condition we can identify the different trade types, their frequency, their respective returns, and have a high enough number of trades to justify its use. A simulation over past data can give you those numbers.

You need a sufficient number of trades to make the different types of trades statistically significant. If your trading strategy makes 10 trades in 10 years, it might not be enough to determine long-term averages.

You have in equation (3) the means to determine the outcome of a trading strategy in a mathematical equation.

Not only will the equation work over your past simulation data, but it could also help make future projections simply because the strategy's trading future might highly resemble its past behavior. It's the same as saying your trading strategy will keep doing about the same as it did in the past.

Refer to my Excel fine provided in the article: **You Can Make It Big, Real Big. If You Want**. With this file, you can easily recreate any of these scenarios and even create your own. The file might not be pretty or decorated, but I wanted it to work and do the requested job. The file was made to trade TQQQ with its higher volatility and lower exposure rate (0.51). If you intend to trade something else, you will need to make some adaptations of your own.

So, where did the profits come from?

From the above explanations, we cannot say that the higher-end and lower-end of the returns produced that much. Then, it has to be from the other two remaining trade types: the middle of the distribution factors (Type-B and Type-C). The trades that did not reach their profit targets and the non-consequential trades of Type-C.

We would have $1.0301^{270} \cdot 1.000^{222} = 3,002.16$, again from the numbers in Figure #1. That is where the profits come from: the ordinary trades on either side of the distribution center. The trades (Type-B) that did not reach the 7% profit target and

Type-C trades that produced nothing.

You get the bulk of your profits from the Type-B trades. These trades did not reach their profit targets but finished the week with a profit. As for the other part of the above expression, it generates a factor of one: $1.000^{Tc} = 1$ and has no impact on equation (3). Yet, it is necessary.

The section 1.000^{Tc} comes from the Type-C trades that showed some weakness during the week. Any day there was a close below the entry price, the strategy would look to break even the next day and issue a sell limit order at the entry price for the rest of the week. Over the first 15 years, we had, based on the program estimates in Figure #1, 194 such trades. In Figure #3, we had 217 zero-profit trades; in Figure #5, we had 221 trades with no profits. Based on Table #1, some 28.4% of all trades were expected to be of Type-C (almost 3 in 10).

The non-profitable trades (Type-C) are making the strategy win by not losing any money. Surprising outcome.

We won the game because we opted to play chicken at the slightest sign of weakness.

We should also consider we won simply because we played the game. We maintained our trading rules and navigated the randomly evolving maze of ups and downs, taking a little profit here and a little loss there but nonetheless riding upward on an exponentially rising curve. Even randomness could not get us.

Notwithstanding, you can greatly improve this trading strategy. Follow the guide provided in equation (3).

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