

The One Percent a Week Stock Trading Program - Part VIII

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Part VIII of the **One Percent Per Week** stock trading program will present more on the strategy's background, simulation results, and future potential. It is a prelude to directing program improvements and determining where and how they will apply within the program's structure.

In **Parts I to VII**¹ of the **One Percent Per Week** stock trading program, I provided some background, simulations, math, and explanations for why this trading strategy can reach its high-performance levels.

Anyone could redo all the simulations performed using this free [Wealth-Lab](#) trading program. I am not the author, but I can use and modify that program and appreciate the ideas on which it is built.

I hope you come to appreciate this program and its potential as much as I do. There is no hype, no secret sauce, no scam, just the application of simple logic anyone can replicate. For one thing, it could help you build your retirement fund much faster than you thought possible. But as I see it, it is always your choice whether to do such things or not.

The original version of the program (v3) had three trading rules. First, all trades had a one-week time limit. Second, the strategy waited for a 1% decline before taking a position. Third, the program would take a 1% profit target if it occurred before the week was over. That was it.

With those three simple trading rules, options were limited. If you had traded SPY with this program, you would not have outperformed the market average. You would get about half as much return as holding SPY for the duration. As such, the program was doomed since you could easily find better; simply buying and holding SPY would have done twice as much.

In the first article, I showed that switching to QQQ would raise performance and outperform SPY. The higher performance was because you took the top 100 of the top 500 on NASDAQ. By playing QQQ or SPY (both weighted by value), you were not using the current list of stocks but the one that was constantly changing and for the best. The stocks that could not stay on the list were discarded and replaced with newcomers who showed better long-term potential.

Before you even started, you knew that QQQ would perform better since you were dealing with the top 100 most valued stocks of the top 500. The other 400 stocks

¹ See related files at the end for links.

could only drag QQQ's overall average down; down to SPY's average.

The extraordinary thing about this trading strategy is that since you found one, you could find others nearby. You can verify everything being said by doing the same simulations I did and prove to yourself that the path taken will also lead you to the same numbers and the same conclusions and generate the same outstanding results.

This strategy might be free, but it is, nonetheless, extremely valuable. So, roll up your sleeves; you have work to do. You have to demonstrate to yourself what it can do for you.

What I did was change the strategy's trading engagement rules. My contribution was to make minor modifications to the program, changing its short-term trading outlook to give it a long-term vision.

I kept the QT ETF as the trading vehicle and maintained the one-week maximum trade duration but removed the 1% decline request before taking a position. It was replaced by requesting a slight increase to Monday's opening price. Also, the 1% profit target was replaced with a 7% request due to TQQQ's higher volatility.

You were secured in your choice of trading the TQQQ ETF for various reasons. One was instant and indirect diversification. Even if you were playing one ETF, you were playing and leveraging the weighted average of the top 100 stocks of the NDX index. It was the same type of operation as with SPY, where the diversification was more spread out (over 500 stocks).

Those 100 stocks also provided added security. One hundred of the most valued stocks in the world would not all go bankrupt all at once on you. Certainly not while they were on the top 100 list. You also knew the list, whatever its composition, would be there in 20 or 30+ years. Its composition would change, but it would still be "the" list of the top 100 stocks. It's almost assured that if you bought QQQ today and held it for decades, you would be rewarded. You would outperform SPY, which mimics the S&P 500, often considered a market average benchmark.

It is your first objective: to outperform market averages,
and you want to be sure you do.

You have $F(t) = F_0 \cdot (1 + \bar{g})^t$ where $\bar{g} = E[\bar{r}_m] + \alpha$, and where the expected market average tends to SPY's long-term return: $E[\bar{r}_m] \rightarrow \bar{r}_{SPY}$. It is where your trading skills come into play (α).

If you want some alpha, you can start by buying some in the open market: buy QQQ and hold, since $E[\bar{r}_{QQQ}] > E[\bar{r}_{SPY}]$.

The big question is: Will SPY and, consequently, QQQ go up over the next 20 to 30+ years?

It is the same bet as Mr. Buffett's optimistic bet on America. Will the top 100 most-valued companies in the US continue to prosper? The answer is simple: yes. Furthermore, if a company is on the top 100 list, it is prospering. There is no other way to stay on that list or to get on it.

The stocks part of QQQ used in the simulations included all delisted, merged, and acquired stocks that ever made the list, including those that appeared for a short period.

Over the last twenty years, about 300 stocks made the top 100 list at one time or another. Consequently, using QQQ bypassed all notions of survivorship biases by playing on only the survivors on the list as they battled to the finish line. Also, a stock dropping from the top 100 list has hit a kind of variable stop-loss since a stock dropping off the list is liquidated at whatever price it may be and replaced.

Improving The Strategy

Part VII showed that shortening the trading interval could be beneficial if we could find profitable trades within those durations. Your potential average return could reside anywhere within Table #1². On the top left corner, you have the **One Percent Per Week** strategy, while at the bottom right corner, you have the expected SPY long-term average return.

You can choose anywhere within that table. Your problem will be finding ways to maintain, on average, the level you choose.

Figure #1 below shows the same data from Table #1 up to the 7% return per period.

For example, you want to swing trade for periods of one to two months. Your interest would be the lines for 26 and 52 trading days³ of Table #1.

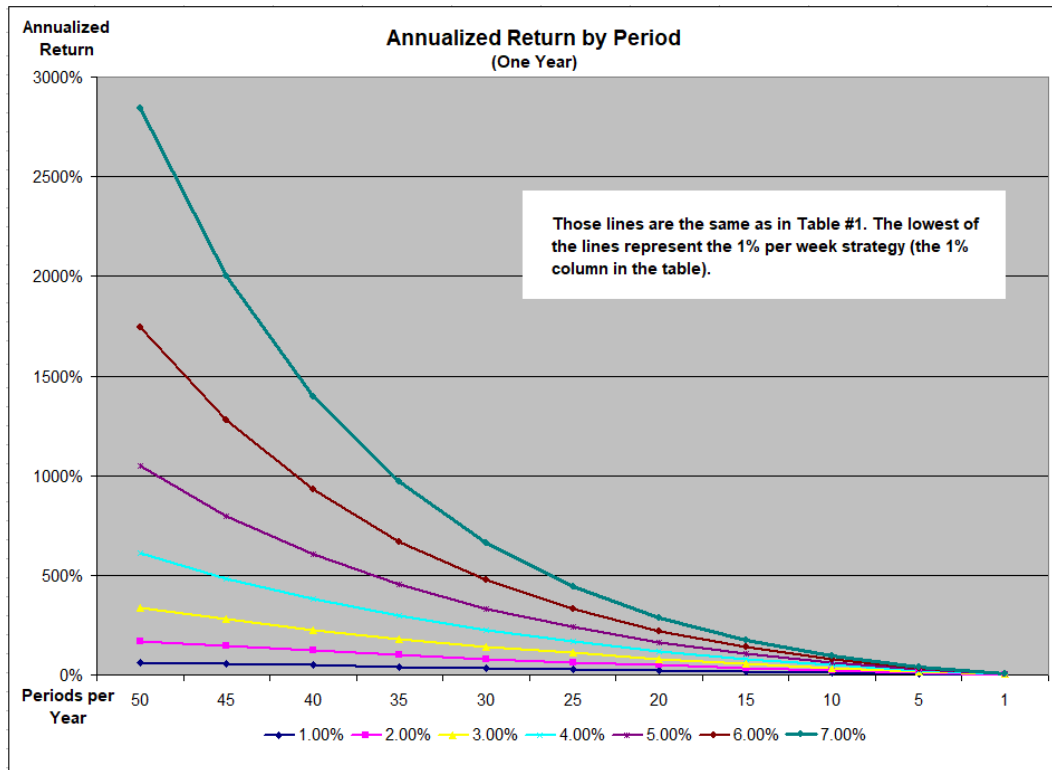
The lowest line in Figure #1 (the 1% line) represents the **One Percent Per Week** trading program. Maintaining a 5% per week would generate more than 1,000% per year. Could we say that would be pretty ambitious if not daydreaming? Nonetheless, we do know we could achieve the 1% per week scenario as demonstrated in **Part II**.

The way for you to increase your CAGR would be to increase your average return per period. You would be limited to what you can do within those two lines in Table #1. But, you could go further by increasing your average return per period beyond the 10% per period given in the table.

² See **Part VII**.

³ The 5 to 10 periods per year region in Figure #1.

Figure 1: Annualized Returns by Period



[\(Click here to enlarge\)](#)

For example, swing trading monthly at the 15% level could give $(1 + 0.15)^{12} = 5.35$. That is going for a 535% per year. Is it that exaggerated? Could it be done? It would be a CAGR of about 7.9 times better than what was achieved by the **One Percent Per Week** strategy. It opens the door to unexplored possibilities.

You could choose the intersection of any two lines in Table #1 and make it your objective; you could even add columns if there were not enough to meet your scenario, as in the example above. It is all up to you. But whatever you choose, you must find the methods that will average to the desired numbers. Finding those methods would become your new objective.

In **Part VII**, I showed that TQQQ answered the **one percent per week** call by generating a 1.02% average return per trade. We know it is per week since a trade lasted at most five trading days, often less (62.7% lasted 4 days or less). We needed price variations to often exceed 7% per week to achieve this.

We were well served with TQQQ's 9.94% average weekly volatility. This way, the profit target could often be hit. And if I raised the profit target to say something like 25%, as was demonstrated in a prior article, the outcome would be reduced by -80%. That procedure was putting the stop-profit barrier way outside TQQQ's average variance with results that no profit target could be hit. The highest profit on

a trade was 19.25%. The program would ignore even a 20% profit target.

The whole point is to be consistent in the trading methodology. And that translates to reaching for averages: average trading intervals, average return per period, and average return per trade. You want this over extended periods (read decades).

A Sense Of Proportions

Your objective should be simple. You want to build an investment fund that will later be your retirement fund to care for you and your family financially. You even want more than enough to leave your children and give them a significant head start. You want to build a generational fund for your children, a legacy of substance so they, in turn, can take care of their children. It becomes your heritage. Something your grandchildren will remember and be thankful for.

One equation can resume your objective: $F(t) = F_0 \cdot (1 + \bar{g})^t = F_0 + X$. It does not matter how you trade or invest; that equation will limit your efforts whether it be viewed as one, multiple, or overlapping segments:

$$F(t) = \sum_{i=1}^N (F_i \cdot (1 + \bar{g}_i)^{t_i}) = F_0 + X \quad (1)$$

where X is the total profit generated.

You are totally in control of how you segment trades. You decide when to enter a trade, how long to hold it, and when to sell.

You have no obligation to participate in this game. You can quit whenever you want. There is nothing to stop you from either participating or not participating in the game. However, when looking at the future of the above multiple-segment equation, there is no way you could predict its outcome except in general terms and expectations. Who knows which trade you will make five years from now and its outcome?

To play this game, you will have to participate. You do not have that many options if you want to reach financial freedom before you retire. You have to play this CAGR game or else go without. You are not limited to only using stocks to reach your goals; other assets could be used. That too, is a choice you have to make. Your search is for that higher CAGR.

I use the word "game" simply because of the unpredictability of short-term price movements. I also use investing when looking at trading intervals lasting decades.

The equation above says that no matter how you look at your investment fund, whether using multiple investment periods or multiple positions, you must take a long-term view of your objectives. It means you do not get in this game for a year or

two; it is a long-term endeavor, whether you like it or not. Otherwise, you better feel lucky.

You are playing a long-term and compounding game using short-term trades. The interpretation is simple: you are gambling trade by trade into a long-term investment portfolio.

Gambling short-term becomes your long-term investment plan.

The one thing you want to make sure is that you will succeed.
You are the game master in all this, not the other way around.

Playing short-term trades is not about winning all the trades but about winning more than you lose. You are more concerned about averages than any single trade.

Because you want to play short-term, you know you will need to make a lot of trades to reach your objective; some will be winners, and some will be losers.

All you want is for all the winning trades to pay for it all and more.

Your objective can again be resumed in one equation: $F(t) = F_0 \cdot (1 + \bar{g})^t = F_0 + X$. It does not matter how you trade or invest; you will be bound by that equation whether it be in one, multiple, or overlapping trades:

$$F(t) = \sum_{i=1}^N (F_i \cdot (1 + \bar{g}_i)^{t_i}) = F_0 + \sum_1^N (H \cdot \Delta P) = F_0 + X \quad (2)$$

where X is the total profit generated, and $\sum^N (H \cdot \Delta P)$, the portfolio's payoff matrix.

Nothing stops you from participating in this game except for the needed capital. It is a game of shuffling money around.

You will have to participate. You do not have that many options if you want to reach your financial freedom before you retire. You have to play this game for this higher CAGR, or else go without. That too, is a choice you have to make. Let it be said that a 10% long-term CAGR will not be enough. Especially when you know you could do a lot better.

You are playing a long-term and compounding game using short-term trades. That is simple: you are gambling your way into a long-term investment portfolio that will have to double as your retirement fund when the time comes.

Let's Get Into The Game

With the ***One Percent Per Week*** trading strategy, we have seen that you could reach

a 50 to 60% CAGR⁴. At least, the simulations showed you could have done it over the last 14.31 years using TQQQ's price series.

Those results were obtained because your profit target was within reach and below TQQQ's weekly variance of 9.94%. QQQ had a weekly average variance of 3.37%. You went for slightly less than double QQQ's variance for profit target, making sure the target would be hit often.

You did not predict TQQQ's price movements; you only put trade-triggering barrier events in its way. If the price hits a profit target, the program executes its limit order to sell. And if the trade ran out of time (5 trading days), it was closed with a smaller profit than the profit target or at a loss, whichever happened. If you had an open position at Friday's close, it was liquidated. You never knew beforehand which would occur, the smaller profit or the loss.

We cannot say that those trading rules were complicated. Anyone could follow and execute them even on their cellphone from almost anywhere.

TQQQ has the underlying foundation of QQQ, with its top 100 most-valued NASDAQ stocks. You know that some of the stocks in that list might not be there in 20+ years, but that list would survive no matter its composition. And that is what you are ready to play on: the cream of the crop. It takes a lot for a company to be on that list and even more to stay on it.

You cannot afford to take a level of risk as if a venture capital capitalist, at least not yet. You might be just starting. You have to be consequent with your initial portfolio size and objectives. You want to survive it all, no matter what.

What you should want is something that will help you reach your long-term investment goals: that is, creating your investment, retirement, and legacy fund. Depending on your age, this could span 50+ years. You want your retirement fund to last until you reach 100+ years old and supply you with all the money you might need to enjoy your retirement. Also, you want to leave a substantial legacy fund to your children. As equation (2) states, time is a constraint. You have only so many years before retirement.

The best way to start this venture is to plan for it, understand what you need to do, and find ways to accomplish the tasks needed to get there.

The first part is to acquire the knowledge.

In this article series, we have seen that you might not need that much knowledge to reach your goals. What you need more is the understanding of what you will be doing, the conviction and determination to carry it out.

⁴ See [Part II](#).

You could delegate the task to someone else who will do it for you, but you would have to pay a price for the service. When all that was presented in these articles, you could do yourself with no fees attached. Not only that, but you would also outperform the majority of money managers out there and by a wide margin.

As said before, you might be better served by doing it all yourself.

You should keep control of what you want to do or intend to do. Go at your own pace. At times, even stay out of the market if you want to for whatever reason. My point is that you should have confidence in yourself, knowing where you are going, and finding what you need to increase that confidence level.

You are afraid of doing this and going bankrupt. I can understand that. Then, do the research and simulate different scenarios of what might happen, enough to convince you that you would survive what will come your way.

The future will throw you curve ball after curve ball you have yet to experience, and therefore, hardly prepare for them. But, and that is a big but, you can alleviate most of them by your trading methods, if not all of them, even if you do not know what they will be.

Furthermore, for this trading strategy, the fear of going bankrupt could be an outcome with very low odds. You are asking that the top 100 stocks by value on NASDAQ all go bankrupt simultaneously. You would need a mass extinction event for that to happen. Even though humanity survived WWI and WWII, nobody knows the outcome of WWIII, which might go nuclear and be apocalyptic, if not an actual man-made mass extinction event.

Regardless of the future's uncertainty, you will have to make a bet on the existence of that future. If the world ends in 9 years based on climate alarmist predictions, none of this advice matters. So, enjoy yourself; you still have nine years to go. But note that they have been saying that since the 1970s, they are always on the edge of global disasters, and you are still waiting. Every few years, they push the goalpost further out, and we are supposed to believe them again and again and again.

A Trading Philosophy

In this strategy, we requested the price to show it was rising before entering a trade. It helped us participate in the market while it was rising and protected us from some of the times the price was falling. It did not say we would win the trade, only that we wanted a positive sign before taking a trade. It was more a gaming rule than anything else. In poker, you would wait for something better than a pair of deuces to go all in.

On the week's first trading day, we entered a limit order slightly above the session's opening price. Since that criterion was most often met, we took that trade about

every Monday. All we might have saved from a market order was the slippage since all shares would be bought at or below the limit price.

It also says we could have picked a lower price but might have had fewer trades. This is a game where your participation is required to make a profit or a loss.

Technically, we were betting heads at every flip of a fair coin.

You know we shouldn't win such a strategy unless there were more up weeks than down weeks and that your up weeks would be more profitable than the losing weeks.

Those two conditions were met by the ***One Percent Per Week*** strategy.

You are making this one big bet on America and its future prosperity. You could also do this in any country with a stock market, bet on their prosperity, and find ways to simulate an equivalent to QQQ to leverage it if there was no equivalent to TQQQ. At least, in the US market, this thing worked more than reasonably well.

The Case For The Short-Term Trade

Table #1 in **Part VII** showed the annualized return for trades with average durations shorter than a year. We could also view all the return numbers in Table #1 as expectations.

Should you have a strategy that can average 5% per month, you should get $(1 + 0.05)^{12} = 1.7958$, an annualized return of 79.6%. Can you consistently find monthly trades generating 5% on average? That becomes the question.

This series of articles was not presented as the case for the short-term trader but as the case of the short-term trade.

As stated earlier, we have equation (1): $F(t) = \sum_{i=1}^N (F_i \cdot (1 + \bar{g}_i)^{t_i}) = F_0 + X$. You could throw darts at Table #1, and as long as your trades lasted less than a month and had a positive return, you would outperform SPY's average return at the bottom right of Table #1 (yellow highlight).

You could break your trades into as many pieces as you like or were able to extract. What you are interested in are the averages of those trades.

$$\frac{\sum_{i=1}^N (F_i \cdot (1 + \bar{g}_i)^{t_i})}{N} = x_i$$

This gives the average profit per trade $F(t) = F_0 + \sum x_i = F_0 + X$ where X is the total profit. As such, any number in Table #1 within reasonable constraints should be attainable.

We have seen this with the **One Percent Per Week** strategy, which also has for objective an average of *one percent per trade per week* (highlighted in yellow at the top of Table #1).

The program did not reach one percent per week on every trade, but it did average out to 1.02% per trade, accounting for all winning and losing trades. Doing so required the help of the 7% and 8% profit targets or better. Some 40 trades exceeded the 8% profit target, with the highest having a 19.25% return for the week. The annualized return on that trade is off the charts: $(1 + 0.1925)^{52} - 1 = 9,457.80$ or 945,780%. Nonetheless, it was part of the **One Percent Per Week** scenario. And you could see such trades in the future as well.

Trades above the 7% profit target threshold numbered 125 out of 381 positive trades. The profit targets acted more like a keep-profit than a stop-profit since, if we removed the profit targets, the outcome would be reduced by over -80%. That is about the same percentage as when the -5% stop-loss was implemented, showing that the stop-loss was not such a great idea either.

Setting the profit target at 20% or higher would have seen none of those 125 trades qualifying for the exit before Friday's close. And as said, curtailing potential profits by -80%.

There are other compelling reasons to shorten the trading interval, as illustrated in Table #1. As you increase the duration of a trade, its expected annualized CAGR decreases for any average percent per period. The shorter the trading interval, the better if you can get that positive return (see Figure #2 in [Part VII](#)).

It is also stating, that a 1% per day would simply fly: $(1 + 0.01)^{252} - 1 = 11.27$ that is 1,127% if annualized. Is it worthwhile undergoing the research to find ways of achieving that average of 1% per day or getting close to it? It will depend on the skills you can muster. But, for the moment, you can always dream.

At least, you currently know you can reach the average 1% per week with relative ease.

Sure, you will be knocked around a lot; randomness is what it is. But you should have expected that those higher returns would come with pain, not distress, but just pain and anxiety.

However, you should not fear bankruptcy since that probability is excessively low. I would give it odds of about $0.5^{20} = 0.000000095$, a series of 20 straight declines of 10% each. Even with such a sequence, you would still have 12% of your stake left. It would take another 20 of those 10% declines in a row to have you drop to 1%.

The probability of that happening using an all-in strategy like this one is extremely low due to what you are trading in this strategy. The supporting ETF here is QQQ,

and the way it is composed would require a monumental disaster for it to drop to zero at whatever speed.

This does not save stocks in general. Any individual stock can go bankrupt; as you must have observed, many do.

You know that because you are indirectly trading the QQQs, it will not put you out of business, only give you a rough time at times. And then, not so much since most of your drawdowns will be temporary declines in potential profits rather than declines in capital.

We always have more tolerance for paper profits declines than for declines in capital.

You can choose any stock trading strategy you want or can find. All you will deal with is the long-term expected return: $E[\bar{g}]$.

That is the only game in town. You make it as high as you can, or you don't.

But you cannot expect that using SPY or QQQ will put you in the same league as TQQQ.

Verify on your own all that has been presented in this series of articles, and prove to yourself that everything stands as demonstrated.

Ultimately, it will be your choice to select a variation of whatever trading or investment strategy you find. That choice could be between SPY, QQQ, and even TQQQ, with their respective long-term expected returns. There is a considerable cost associated with your selection:

Selected ETF	CAGR	20-year Outcome
SPY	10%	$6.73 \cdot F_0$
QQQ	15%	$16.37 \cdot F_0$
TQQQ	50%	$3,325.26 \cdot F_0$

For instance, the difference between choosing TQQQ over SPY could be

$$\$100,000 \cdot ((1 + 0.50)^{20}) - ((1 + 0.10)^{20}) = \$331,852,923$$

You could add a zero to that number if you started with one million dollars. In case you found the calculations too hard to do, here is the outcome using \$1 million:

$$\$1,000,000 \cdot ((1 + 0.50)^{20}) - ((1 + 0.10)^{20}) = \$3,318,529,230$$

By a single trading decision, taken even before you started your venture, you would have agreed to aim for the long-term market average (SPY), push a little higher using QQQ, or push the vision of your future more in line with TQQQ and its consequences.

You will have more volatility by taking that TQQQ roller coaster ride. That is for sure. Simulations on past TQQQ data have already shown that you could have done 50% or better over the last 14.31 years.

The future is a new ball game. So plan and prepare for what might be and make any adjustments you like along the way.

It might be a future ball game, but it will be your ball game.

By increasing your expected CAGR, you are reducing the time it takes to reach the same goals. So, for a person lacking time before retirement, the higher CAGR would at least give them a chance to compensate for the lost years, as explained in previous articles.

I can hear the critics in the background: "That is curve-fitting to the extreme". To which I would reply: You are getting in a trade every Monday because it is Monday and for no other reason. At least, none is required. You even sent a limit order above the opening ask. How can that be curve-fitted?

You set a time limit of 5 trading days. After five days, if a position is still open, it will be liquidated. Again, how is that curve fitted?

You request a 7% profit target to exit a trade before that Friday's close. In a way, requesting a first stopping time of a price on its random walk to something higher or lower. Where is the curve-fitting in all this? Certainly not with those trading rules.

It might sound crazy, but I want this TQQQ strategy to do more.

Related Papers and Articles:

The One Percent a Week Stock Trading Program: [Part VII](#)

The One Percent a Week Stock Trading Program: [Part V](#), and [Part VI](#)

The One Percent a Week Stock Trading Program: [Part III](#), and [Part IV](#)

The One Percent a Week Stock Trading Program: [Part I](#), and [Part II](#)

The Long-Term Stock Trading Problem: [Part I](#), and [Part II](#)

[The MoonPhaser Stock Trading Program](#)

[Anticipating A Stock Portfolio's Long-Term Outcome](#)

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[Sitting On Your Bunnies Might Be Your Best Investment Yet](#)

[Self-Managed Retirement Funds](#)

[Make Yourself A Glorious Retirement Fund](#)

[The Age Of The Individual Investor](#)

[Use QQQ - Make the Money and Keep IT](#)

[Take the Money and Keep it – II](#)