

# ITM Update 18 August 2025

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## Glossary of Key Terms

- **10/200 SMA:** A trading strategy or signal based on the cross of the 10-day Simple Moving Average over the 200-day Simple Moving Average, often associated with longer-term trends.
- **5/50 SMA:** A trading strategy or signal based on the cross of the 5-day Simple Moving Average over the 50-day Simple Moving Average, typically considered a more sensitive indicator for shorter-term trends.
- **Backtesting:** The process of testing a trading strategy using historical data to determine its effectiveness and profitability before applying it to live markets.
- **Bull Market:** A market condition in which prices are rising or are expected to rise, typically characterized by optimism and investor confidence.
- **Cash Management:** The strategic handling of liquid assets within a trading account, including decisions about allocation, withdrawals, and re-investment.
- **Death Cross:** A technical analysis pattern indicating a potential bearish market trend, occurring when a short-term moving average crosses below a long-term moving average.
- **Drawdown:** The peak-to-trough decline in an investment, trading account, or fund's value over a specific period. It represents a drop from a high point, even if the overall investment is still in profit.
- **Golden Cross:** A technical analysis pattern indicating a potential bullish market trend, occurring when a short-term moving average crosses above a long-term moving average.

- **ITM (In The Money):** Refers to the name of the blog and trading service providing updates and strategies. In options trading, "in the money" describes an option that has intrinsic value.
- **Loss Aversion:** A psychological bias, part of Prospect Theory, where the pain of losing a certain amount is psychologically more powerful than the pleasure of gaining the same amount.
- **Loss:** When a trade is closed for an amount less than the initial investment.
- **Prospect Theory:** A cognitive theory that describes how individuals make decisions under risk and uncertainty, highlighting that people evaluate potential outcomes in terms of gains and losses from a reference point, rather than absolute values.
- **Rolling Up and Out:** An options trading strategy involving closing an existing options position and opening a new one with a different strike price (rolling up) and/or a later expiration date (rolling out).
- **SMA (Simple Moving Average):** A technical indicator that calculates the average price of a security over a specified number of periods, used to smooth out price data and identify trends.
- **SPY:** An exchange-traded fund (ETF) that tracks the S&P 500 index, often used as a benchmark for the broader market.
- **Strike (Strike Price):** In options trading, the predetermined price at which an option contract can be exercised. In the context of the ITM blog, it refers to the percentage of profit or capital in relation to the market movement.
- **Trading the Tide, Not the Waves:** An analogy used by ITM to describe their strategy of focusing on longer-term, significant market trends ("the tide") rather than reacting to every short-term fluctuation ("the waves").
- **Whitespace:** In ITM terms this means checking that the moving averages have crossed and not just touched and bounced off.



Trade the tide not the waves