

ITM Update 18 August 2025

Protecting Profits Quiz

1. What is the core difference between a "loss" and a "drawdown" according to ITM?
2. Explain the concept of "Loss Aversion" as described in the blog update.
3. What is the "golden cross" and approximately when did ITM get in based on this signal?
4. How does ITM describe its approach to market movements, using an analogy?
5. Why is using a more sensitive indicator like the 5/50 SMA cross problematic for re-entry?
6. Compare the end capital percentages for the Market, 5/50 SMA, and 10/200 SMA from the backtesting results.
7. What is the main reason the 5/50 SMA barely beat the market despite being a more sensitive indicator?
8. What two choices does the author offer readers regarding the effectiveness of the 10/200 SMA?
9. Why does the author no longer send out copies of their working backtesting system?
10. What specific elements of ITM's strategy are difficult to replicate in other backtesting systems, according to the author?

Answer Key

1. A loss is closing a trade for less than invested. A drawdown is the peak-to-trough decline in an account value, which can occur even with overall profit.
2. Loss aversion is the psychological phenomenon where the pain of losing is about twice as strong as the pleasure of an equivalent gain, making profit protection a strong urge.
3. The golden cross is a bullish technical signal. ITM got in around \$590 in mid-May based on this signal.

4. ITM manages to avoid severe market downturns without excessive trading, described as "trading the tide, not the waves."
5. Using a sensitive 5/50 SMA for exit means re-entry might require waiting for the 10/200 golden cross, potentially keeping a trader out of the market for years.
6. The Market had a 1,995% increase, the 5/50 SMA had a 2,070% increase, and the 10/200 SMA had a 21,597% increase.
7. The 5/50 SMA generated more trades, a lower win percentage, and a significantly smaller average win (7% vs 17%), despite similar average losses.
8. The author offers the choice to trust their findings on the 10/200 SMA or build and test one's own backtesting system.
9. The author stopped sending their system due to the unforeseen obligation of providing ongoing support and training, which she no longer wished to do.
10. The author finds it difficult to replicate specific ITM rules like choosing strikes, cash management, rolling up and out, and whitespace as variables in other backtesting systems.



Trade the tide, not the waves