

# Target Spot

## Proprietary Trading Algorithm

This is an incomplete documentation of the Target Spot strategy intended for public use.

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# TargetSpot: Gamma Exposure-Based Trading Strategy

## Introduction

TargetSpot, developed by Eleven Eleven Capital, is an advanced trading strategy designed to leverage real-time gamma exposure and volatility indicators for informed decision-making in the options market. Through rigorous data-driven analysis, the strategy identifies actionable market insights and adapts dynamically to market volatility.

## Strategy Overview

TargetSpot operates by continuously analyzing real-time market conditions with particular emphasis on gamma exposure and volatility dynamics. Initially developed as an innovative approach to harness predictive market signals, TargetSpot continues to evolve through iterative enhancements driven by practical trading experiences and extensive backtesting.

## Unique Features and Benefits

- **Real-Time Analytics:**  
Utilizes frequent market updates to provide agile and timely responses to changing market conditions.
- **Gamma Exposure Insights:**  
Employs detailed gamma exposure metrics to anticipate potential market direction, enhancing trading precision.
- **Adaptive Volatility Integration:**  
Incorporates volatility measures, notably the Volatility Index (VIX), enabling optimized trade timing and enhanced risk management.

## Historical Challenges and Continuous Improvements

Early deployments of TargetSpot encountered specific challenges, which have since informed ongoing strategy improvements:

- **Over-allocation of Trades:**

Initial strategy iterations allocated excessive capital per trade, increasing vulnerability to significant market swings.

- **Risk Management in High-Volatility Environments:**

Risk parameters initially proved too loose during high volatility, leading to larger-than-desired drawdowns.

We have actively addressed these issues through refined risk management techniques, tighter control over position sizing, and more responsive volatility assessments.

## Strategy Foundations and Components

### Understanding Gamma Exposure

Gamma measures how sensitive an option's delta is to movements in the underlying asset price. High gamma exposure indicates increased sensitivity and potential rapid price movements, making gamma a critical metric in anticipating market dynamics.

### Volatility Index (VIX) Role

The VIX serves as a real-time gauge of market sentiment and volatility. Incorporating VIX into trading decisions allows for better alignment with market sentiment and more effective volatility-responsive trading.

## Strategy Foundations and Components (continued)

### Real-Time Market Data Analysis

Continuous, high-frequency market analysis empowers the strategy to quickly recognize and adapt to market trends and opportunities, positioning it to capitalize on immediate market movements.

### Enhanced Risk Management Approach

Learning from past experiences, we have implemented a robust risk framework:

- **Optimized Position Sizing:**  
Implementing stricter allocation limits per trade to effectively manage exposure and reduce risk.
- **Advanced Stop-Loss Protocols:**  
Clearly defined, volatility-sensitive stop-losses designed to systematically limit potential downside.
- **Controlled Trading Frequency:**  
Restricting the number of daily trades to maintain selective, disciplined entry criteria and reduce cumulative risk.
- **Dynamic Volatility Adjustments:**  
Risk parameters automatically tighten in response to increasing volatility, providing greater stability.

### Backtesting and Performance

Extensive historical backtesting highlighted TargetSpot's strengths and identified areas for improvement, demonstrating consistent performance potential alongside rigorous risk management enhancements. This continuous process fosters ongoing strategy evolution and refinement.

## **Backtesting and Performance (continued)**

These insights form the foundation of our robust risk-management framework, driving consistency across all our strategies.

## **Future Direction**

Eleven Eleven Capital remains committed to advancing the TargetSpot strategy by:

- Leveraging advanced analytics for increasingly precise trading signals.
- Continually refining risk management practices to better handle volatility fluctuations.
- Employing machine learning optimization for ongoing strategy enhancement and parameter refinement.
- Developing accessible trading solutions designed to serve a wide range of investors, including retail clients and institutional partners.

## **Limitations and Considerations**

- **Market Liquidity:** Dependent upon liquid market conditions for optimal execution.
- **Technological Dependence:** Strategy effectiveness relies on stable and robust technical infrastructure.
- **Execution Costs:** Real-world execution introduces transaction costs, potentially affecting net profitability.

## **Conclusion**

TargetSpot illustrates Eleven Eleven Capital's ongoing dedication to innovative, adaptive, and disciplined trading approaches. With continuous improvements informed by past experiences, TargetSpot represents a sophisticated solution designed to navigate and capitalize on the complexities of the options trading market.