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**Traddictiv**

# The Power of Probability: Statistical Approaches to Trading

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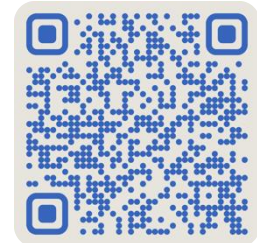
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# The Power of Probability: Statistical Approaches to Trading



LinkedIn

**Jose Blasco, MBA, CQF**  
Quantitative Strategist,  
Financial Trader,  
Professor, Author



# Agenda

1. Introductions
2. The Role of Probability in Trading
3. Statistical Measurements in Trading
4. Tools for High-Probability Trading
5. Live Demonstration
6. Building a Probability-Based Plan
7. Free Bonus Resources
8. Questions & Answers

# Introduction



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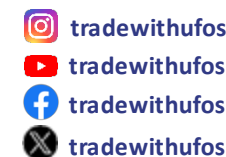


**Jose Blasco** is an expert at the intersection of AI, financial trading, and risk management, renowned for pioneering the use of advanced technologies to navigate the complexities of global markets. As the founder of Traddictiv PTE. LTD., he specializes in creating cutting-edge trading technologies that leverage machine learning and AI, significantly enhancing strategic market analysis and decision-making processes.

With a solid foundation in quantitative finance, evidenced by his Certificate in Quantitative Finance (CQF), and a broad spectrum of experience spanning financial trading and quantitative research, Jose's work embodies the fusion of technical expertise with practical financial acumen. An acclaimed educator and communicator, he has been recognized with prestigious awards for his ability to demystify complex financial and technological concepts for a global audience, fostering a deeper understanding and application of AI in finance.

Jose's multifaceted career is marked by a commitment to innovation, excellence in research and teaching, and a passion for bridging theoretical knowledge with real-world application.

**Traddictiv Pte. Ltd.** is a trading technology company that provides intelligent tools for traders, investors and hedgers. They also offer education for everyone from the hobbyist to the professional, always along with their patented and easy-to-use trading technology.



# IBKR Platforms

## Trading Platforms by Trading Experience

IBKR GlobalTrader Mobile

Client Portal Web

IBKR Desktop Desktop New

IBKR Mobile Mobile

Trader Workstation (TWS) Desktop

IBKR APIs Desktop

## Specialty Trading Platforms

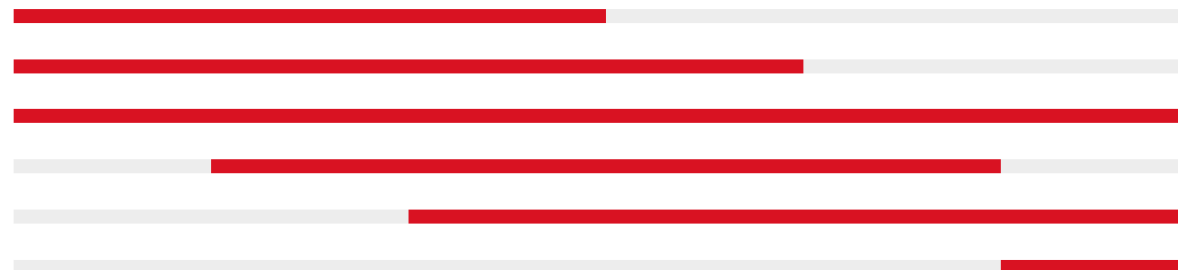
IBKR ForecastTrader Web

IMPACT Mobile

Beginner

Intermediate

Advanced



Beginner

Intermediate

Advanced



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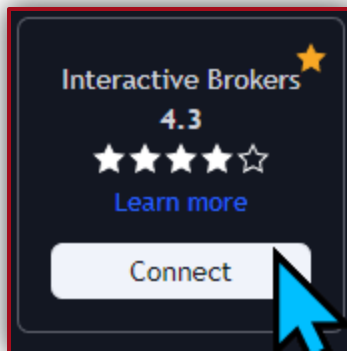
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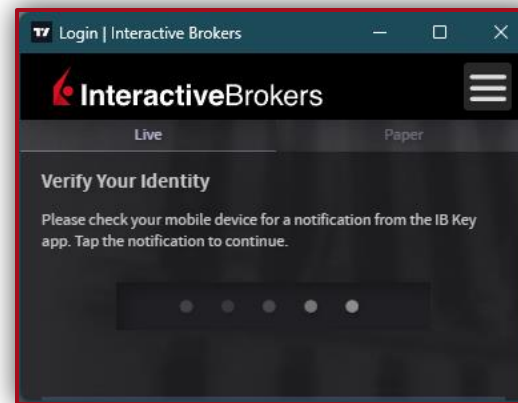
# IBKR + TradingView



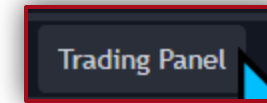
2. Select Interactive Brokers



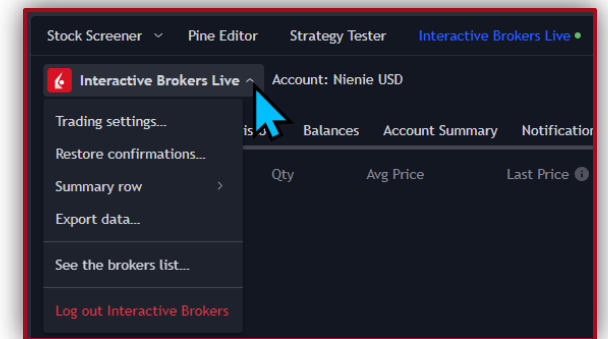
3. Enter your Credentials and Verify your Identity



1. Click on the TradingView Trading Panel



4. The Trading Panel has now changed to IBKR Live



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# Probability As a Trader Tool





Markets are probabilistic, not predictable.

- Trading is about managing uncertainty through probability
- A statistical edge means we expect to win over time, not every trade
- Emotional trading seeks certainty → leads to overtrading or paralysis
- Smart trading focuses on setups with repeatable probability advantages



# Thinking in Probabilities Terms

 Myth: There's a perfect trade setup that works every time  
 Truth: High-quality trades come from stacking probabilities in your favor

- Professional mindset:  
"This setup gives me a  
60% chance of success with 2:1 reward-to-risk"
- Amateur mindset:  
"This trade looks good, it has to work"

 Focus on consistency and edge, not perfection

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# Expected Value (EV)



Formula:

$$EV = (\text{Win Rate} \times \text{Avg Win}) - (\text{Loss Rate} \times \text{Avg Loss})$$



Example:

- Win rate: 40%
  - Avg Win: \$300
  - Loss rate: 60%
  - Avg Loss: \$100
- $$EV = (0.4 \times 300) - (0.6 \times 100) = 120 - 60 = +\$60$$



A positive EV means long-term profitability, even with a lower win rate.

# Random Variation

Why No Strategy Wins 100% of the Time



Every edge has random variation. Even the best setups lose.

Coin flip example: A 60/40 biased coin can still land tails 4x in a row.

Traders must accept short-term losses in pursuit of long-term gains.

Success is about:

- Trusting your edge
- Managing risk
- Staying consistent through drawdowns



A professional edge is statistical, not emotional.

## Win Rate vs. R:R Ratio

💡 The balance between how often you win and how much you win matters most

Strategy A	Strategy B
70% win rate	35% win rate
1:1 R/R ratio	3:1 R/R ratio
Consistent wins	Occasional big wins
Low variance	Higher variance

🔄 There's no “best” combo. Choose what fits your style, mindset, and capital.

# Probability Distributions



Price behavior tends to follow statistical patterns over time

- Bell curves / normal distribution  
→ Many market moves stay within 1 or 2 standard deviations
- Outliers exist, but they're rare
- Understanding these distributions helps:
  - Time entries
  - Set stops and targets
  - Manage expectations



Probability helps you trade what's likely, not what's possible.

# Standard Deviation & Volatility



Standard Deviation = how far price tends to stray from the mean



Volatility = how fast and how far price moves

- Bollinger Band® could be a valid tool to assess price extension
- AutoClimate™ shows if current moves are statistically normal or extreme
- Use 2 SDs as a benchmark for “stretch”
- Helps with:
  - Exit planning (don’t chase stretched markets)
  - Avoiding entries when price is far from the mean

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# Statistical Market Bias

 What AutoClimate™ does:

- Defines market “climate”: Up, down, or sideways
- Uses indicators like EMA, ATR, DMI to calculate statistical probabilities
- Thick dots = confirmed climate, Thin dots = unconfirmed
- Adds context to trades: "Are we in sync with the trend?"



Better decisions come from understanding the statistical environment

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# Live Demonstration

- Using TradingView to plan trades, assess risk and execute
- Executing orders with Interactive Brokers (TWS/IBKR Desktop)
- Showcasing trades with risk management in action



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# Probability-Driven Risk Rules



## Key Principles:

- Never risk more than your edge can support
- ATR and Max Distance stats help define volatility-based stops
- Allocate position size based on probabilistic win expectancy
- Accept randomness: even a perfect setup can lose



Risk isn't something to avoid—it's something to control.

# Probability-Based Trading Plan



## Plan Components:

- Define trade criteria  
(example: based on climate confirmation + UFO zones)
- Include filters: volatility thresholds, time of day, asset type
- Use EV (expected value) to evaluate trade types
- Include contingency rules for low-probability environments



A good plan is flexible, but grounded in math—not emotion.

# Success Through Expectancy



What matters most:

- A single trade does not define your skill
- Focus on series of trades and how they perform over time
- Win/loss variance is normal, expectancy should be positive
- Use journaling to track EV, win rate, and R:R over multiple trades



Long-term edge > short-term outcome

## Common Pitfalls



Avoid:

- Ignoring your statistical edge after a losing streak
- Overriding setups with “gut feelings”
- Trading outside of defined parameters
- Focusing on being right instead of being consistent




Let probability guide your choices—not fear or FOMO

# Additional Resources



**Step 1**: Watch video-lessons (all styles, all assets)

Go to  [www.youtube.com/@tradewithufos](https://www.youtube.com/@tradewithufos)  
and join our channel



**Step 2**: Activate AutoClimate™ for TradingView for free

Go to  [tradewithufos.com/basket/?apply\\_coupon=ibkr-climate](https://tradewithufos.com/basket/?apply_coupon=ibkr-climate)  
and follow the steps

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## Key Takeaways

- Markets are uncertain—trading is about probability, not prediction
- Tools like AutoUFOs®, AutoClimate™ and others may help you find high-probability setups
- Risk management and trade expectancy are statistical, not emotional
- Success = process + probability + patience

🧠 Become a probabilistic thinker,  
not a perfectionist trader.



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# Interactive Q&A



- Clarify concepts discussed in the webinar
- Address platform-related queries (TradingView or IBKR)

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