Automated Allocations

The Strategy That Adjusts… Automatically.

Video Script
Video 5
All About the PAMMY

In the previous video, we had a quick tour of the Automated Allocations App. We used the Trade button on the Action Menu, and edited an entry on the Trade History. We have seen that AA deploys roughly fifty two percent of the total committed amount for the initial trade in a new portfolio. The balance is held as dry powder for additional purchases.

Maybe we were fortunate and entered the market at a low and our buy targets aren't getting hit. Maybe we entered the market at a high and had a buy or two, but still have dry powder. We may have entered the market in the middle of a trading range and haven't seen a buy or a sell. Whatever the case, AA wants to put a bit of cash to work rather than sit on it.

Enter The PAMMY. Under what is known as, "Rule Number Two", on the first trading day of May, September, and January, we will apply a PAMMY, if available, or, the optional AA Plus.

In this video, we'll look at the PAMMY, which is only done when there is cash available. Let's go back to our Test portfolio and see how The PAMMY works.

This is the example portfolio we have been working with. To refresh our memory, let's just peruse around here and catch up on what we did last time. We can scroll down and look at our history. We had our original buy, then a sell, and then a buy, and then another buy that was below our target.

Let's say we're in a trading range, and although the market is going up and down, it's just not doing anything for us. Let's also say this went on for several weeks. We find ourselves at the beginning of May, and we remember rule number two, the opportunity for a PAMMY.

Notice we're on the trade menu. No problem. Just hit apply PAMMY. The date and price fields carry over for us. Now, let's look around here and see what we've got. The date and price, just like the trade menu. We now have an amount field, then the shares field, just like the trade menu. We have the cash available as a convenience, and then of major importance, the PAMMY amount. This is actually the basis that will lead to the actual PAMMY. We'll get into that in a minute.

So, we're going to put the PAMMY amount into the amount field, and based on the current share price, AA tells us how many shares to buy. In this case, 3. We simply take the funding shares number and put that in the shares field, slam the enter, and done. Notice the action menu defaulted back to the trade menu when the PAMMY was completed.

Let's take a minute and look at that trade. Interesting. It's listed as PAMMY under action. The trade amount was 240.96, but the Pammy amount was 330. But, everything looks like we bought 3 shares. Cash on hand went down by the trade amount.

Let's figure the market went up a bit more, but we still haven't had any fills. It's now four months later, the beginning of September, and we know it's time for another PAMMY. Again, we put the date in and check the current price and enter it in, 94.32. Once again, we're on the trade menu. We've got to go to Apply PAMMY. Just a quick double check on the cash available. The PAMMY amount hasn't changed. We're going to put that same 3.30 in the amount field. The funding shares comes up 4 this time. We'll enter that in the shares field, just triple check our entries and done again.

We've got to look at these trades and see what's going on. That first PAMMY was 3 shares for $240.96. Now, this one was 4 shares for $377.28. We used the same $330 PAMMY for each one.

Remember, Automated Allocations adjusts automatically. When applying a PAMMY, AA will buy more than the PAMMY amount if the price is in sell territory. If the price is in buy territory, AA will buy less than the PAMMY amount.

Let's do one more. The market started going down again and another 4 months passed. Remember, it isn't that we have had no trades. Rule number 2 and the PAMMY is all about the first trading day of May, September, and January and having cash available in the account. As long as we have enough cash in our account at those times, we really need to apply the PAMMY.

So, let's get the date entered again and the price. The market was down again. UPRO is now at $75.59. Once again, let's get the apply PAMMY menu. We have cash. The PAMMY amount hasn't changed. Put the Pammy amount in the amount field. The funding shares is 3. Enter that, done.

Keep in mind, in the real world, we would almost certainly have to edit these entries. If we assume we have to get the current price, plug that into the app to find out how many shares to buy, fill out the trade ticket, probably using a market order, our fill price is certainly going to be different. We can either edit our entry or just get the number to buy from the app, do the buy, then enter the trade on the app. AA will adjust to small variations.

That concludes our video on all about the PAMMY. Remember, rule number 2 January, May, and September. Funds in the account, PAMMY.

Our next video All About AA+ is still rule number 2, the same time frames, but with AA+, we are adding new funds to the account. Maybe the account is out of cash, maybe we just got a chunk of cash, or maybe we are making contributions to the account on a regular or irregular basis. Whatever the case, new funds coming into the AA account will use A+ as the entry point.
Enjoy.