



# ↑ OPTIONS ↓ TRADING

THE INTERMEDIATE GUIDE FOR REAL-LIFE  
EVERYDAY HOME TRADERS

CHRIS DOUTHIT

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# Introduction

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Every stock option book discusses different methods of trading options. That's really the beauty of stock options: There are many ways to trade that will generate profits for its trader. Some people buy options when they want to bet on a stock moving in a specific direction. Others buy options for protection using them as insurance against any negative stock movement. Some people may prefer an arbitrage strategy and yet there are others who only prefer to sell out of the money options.

Whatever strategy you prefer, if you trade options smart you can use options to make a lot more money versus any other form of investment. Hopefully you have already read my beginners guide to option trading and understand the basics. In this book I am going to talk about real-life option trading, not just theory, but what I and many other traders actually do in order to make a lot of extra money month after month.

I will not be covering everything there is to know about options, as that's literally never-ending, in this book I only plan to cover the main elements that the majority of home option traders are using in the real world today to make money. Most experienced traders would agree, if you get too fancy with your investment you will usually always make less than if you just kept it simple.

I keep it simple and always understand the situation exactly, what my different choices are and what is going to give me the best chance to make money.

I plan to keep this book short and concise, leaving out the more confusing trading strategies and the terminology that is less important to an intermediate trader. I am not going to talk about pricing models, synthetic positions or anything else that is not relevant to the average home trader. If you get through this book and feel you want more, I will recommend some advanced books at the end.

Now before we begin, there is some terminology that I must cover. I did not cover the volatility or Greeks in my beginner's book as I have found this to

cause information overload in beginning traders. But if you have completed the beginner's book and understand everything, you are ready for the next level.

If you find the Greeks confusing the first time though do not worry about it, you can review them later, but I will be referring to them at times throughout the rest of this trading book. Sorry to say this first section might bore you before we reach the real trading fundamentals, but there is no way around it, so let's jump right in.



# Volatility

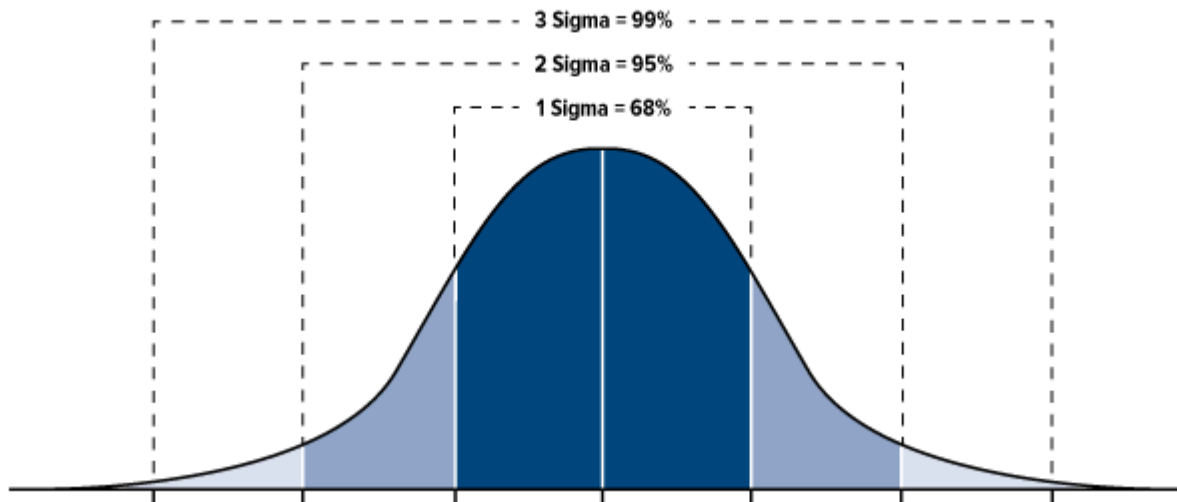
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Volatility is extremely important for most all option traders; in essence, it is the measure of the fluctuation and the speed of that fluctuation within the market. It should be clear that some markets are more volatile than others. For example, a tech stock is going to be far more volatile than a utility stock.

Historically speaking, when we refer to volatility we are referring to how the stock has moved in the past. Of all the factors involved in option pricing value, volatility tends to be the most confusing for beginning traders.

You probably are already familiar with interest, which you know will change the value of an asset by increasing it over time. Volatility works similarly, but volatility is not an exact number and can move in either direction.

Below we see a graph and the likelihood of stock movement based on statistics.



Here the standard deviation (sigma) measures the degree of volatility from the average. There is a 68% chance the stock will finish in quadrant 1, a 95% chance in quadrant 2 and a 99% chance in quadrant 3.

There is a graph like this for every stock and every month for that option.

If the middle of the graph is where the stock is currently trading, and if you are looking to make a sale you might want to consider the strike prices close to quadrant 2 as there is very little chance of the stock reaching this outer area. We will touch more on this later.

# The Greeks

## Delta

The delta is the main Greek you need to be concerned with, so if you are just going to learn one Greek right now, this is the one to pay the closest attention to. The delta will have a value anywhere from 0 to 1 for calls and 0 to -1 for puts. Your delta will reflect the increase or decrease in the pricing of the option as it relates to a 1 dollar movement in the stock, also known as the theoretical change in the option pricing as it is affected by stock movement.

For example, 1 share of stock always has a delta of 1, so 100 shares of stock in ABC will have a delta of 100. If we own 100 shares of ABC and the stock moves up \$1 then we make \$100.

Options that are out of the money will have a delta less than .5 while options in the money will have a delta than greater than .5. Options right at the money will have a delta of exactly .5 (Not including interest and dividends).

At this point, you may be starting to see the delta is also the probability the option will finish in the money. For example, if ABC is trading at a price of \$50 and you buy the 50 strike price call, the option theoretically has a 50/50 chance of finishing in the money. It could go up and finish in the money or it could go down and finish out of the money.

If we were to buy a 40 strike price call with the stock trading \$50, this has a much better chance of finishing in the money. The stock would have to drop \$10 to finish out of the money, so this would have a higher delta. Depending on time to expiration and volatility, this call could have a delta of .85.

If we were to buy a 60 strike price call, the stock would have to increase in value \$10 to finish in the money, the probability of that happening is much less depending on time to expiration and the volatility of the stock, this option might have a delta of only .15.

Delta is important as it gives us a real-life probability that our option will finish in the money or not, and from this we can make strategic plays.

Delta also tells us how much money we are going to make or lose in a \$1 swing in the stock. If we buy a one lot of the 50 strike call for \$2.50 and the stock trades up \$1 the next day we will make \$1 times the delta for a profit of \$.50. Being that a one lot settles into 100 shares, this is a \$50 profit.

$$100 \text{ shares} \times \$1 \text{ stock change} \times .5 \text{ delta} = \$50 \text{ profit}$$

In the real world, delta is referred to as in percentage format. So a delta of .15 we refer to as a delta of 15. An option with a delta of 1 we refer to as a delta of 100. Think of this as how batting average is kept in baseball. If someone is referred as batting 300 what they really mean is that they are batting .300, same thing with delta. So moving forward when I say a delta of 30 I really mean .30.

Let's look at our out of the money position. If I were to buy a 20 lot of the 60 strike price of ABC for \$.30 how much money would I make if the stock traded up \$3 the next day?

$$2000 \text{ shares} \times \$3 \text{ stock change} \times 15 \text{ delta} = \$900 \text{ profit}$$

Remember, a 15 delta is really a .15 delta, but written in percentage format by default.

As the stock trades up the delta will increase for call and decrease for puts. As the stock trades down the delta will increase for puts and decrease for calls.

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## Gamma

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Like the delta, the gamma is written in percent format and reflects the rate of change in the delta with a one dollar movement in the stock. As we just saw with delta, if the option is deep in the money it has a delta of close to 100, and far out of the money has a delta of close to 0, gamma is what measures this change as the stock moves.

As we know with delta, gamma is also always changing; it will have its highest value right at the money and decrease in value as you get farther away from

the money. For example an ABC 10 strike price put would have little gamma if the stock was trading \$50. The stock could move up or down \$10 and the put is still so far out of the money it would not change the delta of nearly 0.

Whether you are trading calls or puts, you always add gamma to the old delta as the stock rises and subtract the gamma from the previous delta as the stock drops.

If an option has a gamma of 5 for each \$1 increase or decrease in the stock price, my option will gain or lose deltas.

What you need to understand about gamma is that the more the stock trades in your favor the more money you make and as the stock trades against you the more money you lose.

If we buy a one ABC 45 strike price put with the stock 50 we would have a delta of about -30. If the stock trades down \$1 I make \$30.

$100 \text{ shares} \times -\$1 \text{ stock change} \times -30 \text{ deltas} = \$30$

But my delta is now 35 due to the gamma change, so if the stock trades down another dollar I now make \$35 and my delta is now -40. It will continue like this until the delta is so far in the money or out of the money that the gamma does not affect the delta anymore as 100 is the max delta.

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## Theta

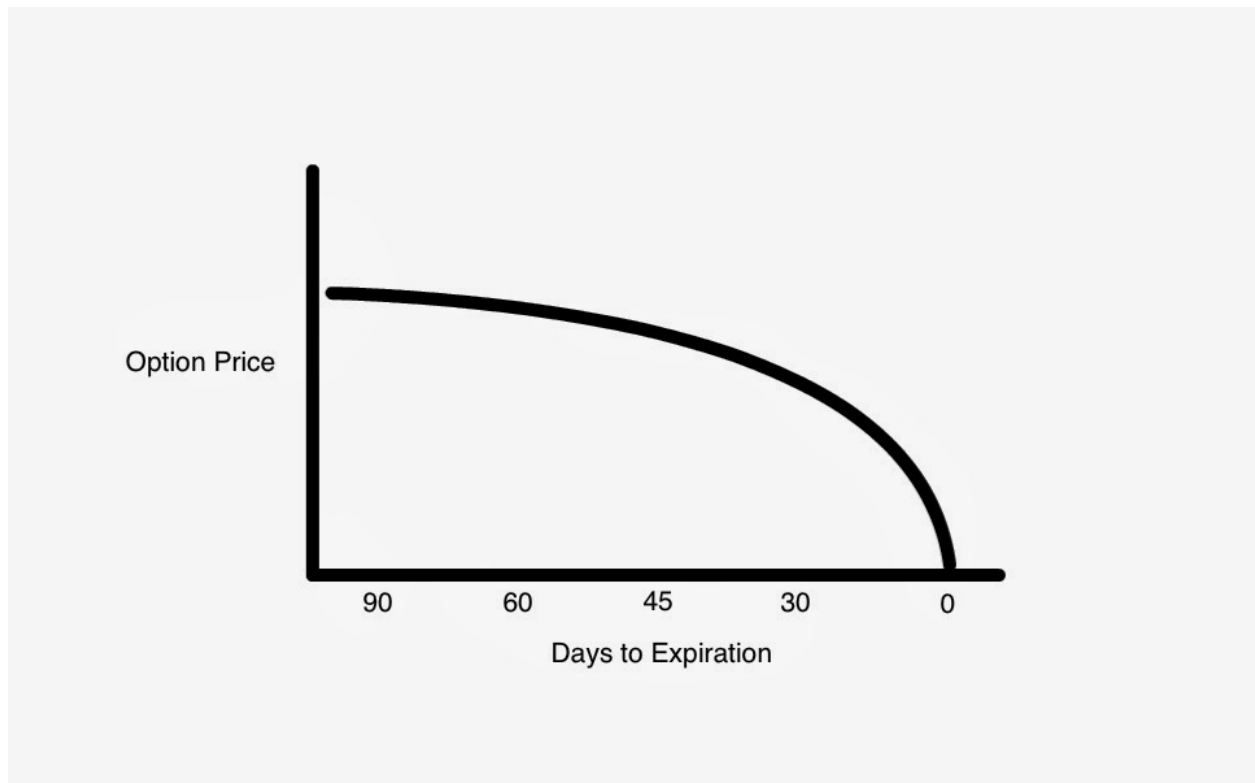
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Theta is measurement of the options' decay. Options are decaying assets, they all have expirations, and when that expiration day comes the option will either have value or have no value, it is one or the other. More time adds more value to the option. Theta is the rate at which an option loses its value as each day passes.

For example an option that is worth \$2.50 today with a theta of .05 will be worth \$2.45 tomorrow and \$2.40 the day after that.

Long term options have a theta of almost 0. Because they have so much time, they do not lose value day to day. Theta goes up substantially as options near

expiration losing more and more value with each passing day. As a general guideline, options begin to decay quickly at about 56 days out from expiration.



As you can see in the graph above, the closer we get to expiration the more decay in the option, with most of the decay coming in the last 30 days.

## Vega

Vega is the measure of change in the volatility of the option. The vega of an option is shown by a point change in theoretical value for each percentage point change in volatility. So what does that mean? Basically an increase in volatility means an increase in the option price. A decrease in volatility results in a decrease in an option price.

It does not matter if you are dealing with calls or puts, when you increase volatility the price goes up and when you decrease the price goes down.

Vega will decrease as expiration approaches; less time means a lesser chance of stock movement. A six-month option will have a greater vega versus a one-month option and will be more sensitive to a change in volatility.

Vega is the Greek you need be least concerned with. However, at some point in your trading career you will notice a swing in the stock, but the option price will not change as much as you had calculated. This is because the market makers out there adjusted volatility to counteract the change in the stock price.

# Intrinsic Value and Time Value

I am not going to get too much into how options are priced, but the thing you need to understand is there are two elements of pricing. The intrinsic value is easy to calculate, for in the money options it is the difference in the stock's price and the strike price.

So if the stock ABC is trading 50, the 40 strike price call would have an intrinsic value of 10; this is real value in the option right now. Out of the money options would have no intrinsic value.

If the 40 strike price call was selling for \$12 it would be said that there is \$2 worth of time value in this option.

$\$12 \text{ option premium} - \$10 \text{ intrinsic value} = \$2 \text{ time value}$

In general the more time you have to expiration the more time value premium you are going to pay. This time value premium corresponds to the amount of time the options has to become more profitable. It would make sense that you would have to pay more for additional time to add further profits to the position.

How far the stock has to travel to actually finish in the money is also a consideration in the time value and what that time is worth.

This time value is what is decaying with each passing day until all you have left is intrinsic value at expiration.



# Buying Versus Selling

What are the benefits of buying options versus selling options, and which strategy is the better one?

When we buy options we can only lose the money you spent on the option. Similar to buying stock, if we buy a stock and the stock goes to zero that's our max lose. So buying options comes with limited risk, what we invested is only what you can lose. Buying options also comes with unlimited earning potential. If our option moves into the money and keeps going, we could continue to earn as the stock trades in our favor.

Selling is the opposite; we can only make the premium we received for the option, but our risk is unlimited. To be more specific, sellers of calls have unlimited upside risk while the sellers of puts have unlimited downside risk, at least to zero.

So why would anyone ever want to sell options? After all, the buyer has limited risk and unlimited profit potential giving the seller unlimited risk and limited profit potential. This is typically the reaction of many new traders, which makes a lot of sense. We would have to be crazy to take unlimited risk and limited profits right?

But in reality inelegant traders take long and short positions in stocks all the time, why do they do it?

The reason...

The chance of taking a huge loss is small and the chance of them earning a limited profit is great.

Let's say you and your friend are going to bet \$100 on a roll of a six-sided die, if you win, you get his \$100. If he wins he gets your \$100. You get numbers 1-3 and your friend gets 4-6. If you did this 50 times things could have gone very right for you or very wrong; it is probably too much risk for the average person to want to take on.

But what if you could have numbers 1-4 and your friend got only 5 and 6, you might want to reconsider this. What if you got 1-5 and your friend only got 6? You would want to do this as many times as you could. The chances of the friend winning are small and the chances of you winning are great; this is key to selling options.

Selling options is also the only way we can make money when the market moves in every direction, up, down or sideways, selling the right strike price can result in a win.

Buying options, you can only win if the stock moves in your direction. For example, if you buy puts and the stock trades up you lose your money. Even if it does trade down but not enough or perhaps not fast enough to overcome the theta, you still lose.

With stock ABC trading 50, if we sell the 70 strike price call 56 days to expiration we will receive a premium. If the stock trades down to 40, we win! If the stock stays at 50, we win! If the stock trades to 60, we win! As long as the stock stays under 70, we win!

As an extra bonus for the seller, markets are closed on Saturday, Sunday and holidays. Even though these are non-trading days, options still lose value, so when I say 56 days to expiration I mean 56 calendar days, not 56 trading days.

So this is why people sell options, although in theory there is more risk, there is a much higher winning percentage.

This does not mean we should just go out and sell like crazy, there is a risk and reward associated with every trade and there are various outcomes to consider, but we can see how a smart trader can make a lot of money selling options.

I like to sell options that have a 90% chance of finishing outside the money. I should win about 9/10 of them if I am actually selling 10 delta options. The goal is not to wipe out all my profits on the one I lose, but that is the great thing about options: If you manage your positions correctly that is not hard to do.

Remember, when you sell options you can always trade out of them or alter them at any time before expiration. If I were to sell the ABC 70 call with 56

days to expiration and after 30 days the stock is tracking 65 I can make an adjustment. I can buy back my 70 call for a loss and now sell the 80 call.

I will surely be a loser on the trade, but I can now sell puts against it as well to try to recover some of that premium back. We will talk more about this later on, but the point is even if I do lose this trade I am going to keep my loss small enough that I am actually making big money because I am winning 18 out of 20 times. Of course 18 out of 20 is not realistic, as I am going to be moving myself out of trouble and not take any chances as soon as I start to get concerned. But if I can win 15 out of 20 and break even or take small losses on the other 5 I am going to be making profits... Big time!

We only need to be right more than we're wrong to make money, but if we can be right way more than we're wrong then we can make a lot of money. I shoot for being right 75% of the time and the other 25% I protect myself best I can.

Maybe you're thinking now... Why would I ever want to buy?

Well that is also the wrong attitude, buying can make us a lot of money fast if we are right. I just bought some AMZN puts last Friday about 10 minutes before market close and sold them within an hour after the market reopened for 100% profit.

I have been trading a lot of airline options lately; I just sold one after a few weeks for a 500% profit. The thing with buying options is you need to get out of your losers and let your winners run. If I buy options and win roughly half but only lose 25% of my investment on those losers versus winning a 50% return on my winners I am going to do quite well. Of course my goal is also never to win just half, but to win about 70% of my trades on the buying side.

As you can see, having a good strategy and mixing your buys and sells can result in very good outcomes.

# Factors Involved in Option Evaluation

Option traders who are going to carefully evaluate all factors involved with a trade should consider the following five factors at a very minimum.

1. The price of the underlying stock
2. The exercise price
3. The amount of time to expiration
4. The direction he/she thinks the stock is going to move
5. The speed at which he thinks the option is going to move.

Do these five things correctly and you will have many winning trades in your future.

# Let's Start Trading!

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## Stocks Vs. Indexes

When it comes to trading, I like to buy options in stock and sell options in indexes. Stocks have more risk as they are specific to a company. It does not mean I will not sell options in stocks, but if I do I am far more careful about it.

I make sure I know when the next earning is. Earnings can send a stock up or down quite a lot depending on if they make their number or not. We don't want to be on the wrong side of an earnings call when on the sell side.

Stocks also have other factors, like changing CEOs or even worse. Would you want to be short puts in Apple when Steve Jobs announced he was leaving the company? You never know when something like that is going to happen or what could possibly happen. I was an owner in Tesla when they announced one of their cars caught on fire. Even though it was not a serious problem with the car the stock dropped like a brick.

I prefer to sell indexes in most cases as they are just much easier to manage. There are no earnings, no CEO dying, no building burning down, none of that. It just makes it far easier to predict. It does not mean I do not sell options in stock; I still do if I think there is money to be made. I usually just do less size versus indexes and I am very cautious, especially on the down side.

## Trading Up

Of course an index can always move in any direction, but keep in mind they are often setting new records. They do this because they are always trading up. When was the last time you heard the S&P 500 was hitting a new low? When was the last time you heard it was hitting a new high?

Indexes and most real company stocks continue to trade up, which makes me a lot more comfortable buying calls and selling puts. It does not always work out, but I find I am way more likely to get burned on the up side versus the down side unless there is some kind of crash.

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## **Market Crashing**

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Always be aware that the market can always crash and when they do they crash down. Markets do not crash up, they always crash down. The market doesn't crash too often, but when it does if you are on the wrong side it can sting.

I will discuss later how to protect yourself from a crash.

# Selling Options

As previously discussed options are decaying assets and we want to capture that premium by selling options that are going to be decaying quickly that is 56 days or less to expiration. That does not mean we have to hold the position to expiration, we can certainly buy out of any position and look further out to put another position on any time we want.

If we make a sale and see we made 20% in just a week, we can look to trade out of it and put our money in something else. Sure we could still hold the position to expiration, but evaluating what is going to be the most profitable is always a consideration.

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## Iron Condor

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The iron condor is a favorite among many home option traders, and works by putting on a call spread and a put spread at the same time.

For example, let's look at the markets for the following ABC stock with 56 days to go to expiration.

**ABC Aug Calls**

<u>Strike Price</u>	<u>Bid</u>	<u>Offer</u>
<b>50</b>	4.40	5.00
<b>55</b>	2.60	3.10
<b>60</b>	1.50	1.90
<b>65</b>	.65	.90
<b>70</b>	.35	.60

### ABC Aug Puts

Strike	Price Bid	Offer
50	4.30	4.90
45	2.50	3.00
40	1.40	1.80
35	.60	.85
30	.30	.55

Figure 1

Looking at these options I see the Aug. 50 calls are right at the money and the rest of the strikes are out of the money, these only have time value.

So what we can do here is sell a call spread and a put spread at the same time.

Here we can sell the Aug. 60 call for \$1.50 and buy the Aug 65 call for \$.90. This would give us a premium of \$.60.

We could then do the same thing in the puts. Sell the Aug. 40 put for \$1.40 and buy the Aug. 35 put for \$.85 giving us a premium of \$.55. Add this to my call position and I have received a total premium of \$1.15.

As long as the stock trades within the range of \$40 to \$60 within the next two months I get to keep all of that \$1.15.

Now what are the break evens?

We would add my \$1.15 to the lower strike price of the call and the higher strike on the put (sell side of both), so our break evens would be \$61.15 on the call side and \$38.85 on the put side. If it goes outside of this range we are losing money.

However, we did not just sell these options naked; we put buys on the back sides of each, just in case things got out of hand, so we can only lose on the



call side from \$61.15 to \$65 and only lose on the put side from \$38.85 to \$35. So our max lose would be \$3.85 on either the call or put side.

In essence we are betting \$3.85 (max lose) to make \$1.15 (max profit).

Is this a good investment?

Well that all depends, what is the probability that ABC will stay within the range of 40 to 60? If the probability was 99% that it would stay in that range this would be a wonderful bet.

Let's say we did this trade 100 times and won 99 of them, only losing 1, what would our profit be

$$(99 \times \$1.15) - (1 \times \$3.85) = \$110 \text{ profit}$$

Clearly a 99% chance of this winning would be too good to be true. But we can certainly use tools to help us evaluate what the real chances of a winner are.

First let's evaluate what probability is needed to consider this trade. You calculate that by:

$$\text{Max Loss} / (\text{Max Profit} + \text{Max Loss}) = \text{Probability}$$

So here we have

$$\$3.85 \text{ max loss} / (\$1.15 \text{ max profit} + \$3.85 \text{ max loss}) = 77\%$$

So we need to be sure that ABC has a 77% chance of finishing inside the range of \$40 to \$60 in order for this to be a trade to consider. But if it were actually just 77% that would not be a trade we would want to jump at. Let's evaluate a 77% chance of being a winner, that means out of 100 trades I would win 77 times and lose 23 times.

$$(77 \times \$1.15) - (23 \times \$3.85) = 0 \text{ profit}$$

So we do not want to make zero profit, we actually want to make some money! Of course, we are not actually going to hit max loss on the 23 losers every time, but for the most part, if there was a 77% chance of the stock trading outside 40 to 60 we would make zero dollars in the long run.

We can use tools to calculate what our real percentage chances of winning are. First I can look at a graph on how the stock has traded in the past. Is it moving all over the place or is it relatively steady trading sideways?

We should already know, but we also want to check to make sure earnings are not coming out right before expiration.

Statistical tools also play a huge role, I like to use a program called ThinkOrSwim. It is the premium option trading platform for home traders; in most home traders opinion there is nothing better. The good news is ThinkOrSwim is free with any TD Ameritrade account.

All I have to do is look at the delta of the 40 puts and the 60 calls so see what the probability is of the stock finishing in the money. I see the put has a delta of 9 and the call has a delta of 10. I add these together and I see there is a 19% chance this iron condor position could finish within the money, that means I have an 81% chance to win and a 19% chance to lose.

Being that fair market value is 77% chance and I am getting an 81% chance to win, that is a great trade. I have a 3% edge, just think if you went to Vegas and did some gambling, you would likely be giving 3% edge to the house, smart option traders can get 3% edge all day long.

So I ask you again, is this a trade you want to make?

The answer... Maybe, maybe not.

It's not a good trade if you see another trade where you can get 5% edge or even 10% edge. It's our job to find the best trades possible. After careful evaluation if we decide this is a trade we want to make we can trade it as many times as we feel confirmable doing.

If we feel a 20 lot is in order I would receive  $\$1.15 \times 2000$  for a premium of \$2300. If the stock stays between the 40 and 60 ranges we just made \$2300 for just being smart. I can then do this month after month and in several underlyings.

## Getting the Best Price

Let's look again at our ABC markets we considered above.

ABC Aug Calls		
Strike Price	Bid	Offer
50	4.40	5.00
55	2.60	3.10
60	1.50	1.90
65	.65	.90
70	.35	.60

ABC Aug Puts		
Strike Price	Bid	Offer
50	4.30	4.90
45	2.50	3.00
40	1.40	1.80
35	.60	.85
30	.30	.55

Figure 1

If you remember, we received a premium of \$1.15 for putting this iron condor on before. But that is not necessarily what we would receive in real life. We can likely get this position on and receive a much better premium. To do that, look at the strike prices and figure out the fair market value for each strike.

For example, let's have a look at the 60 call; it is currently trading at \$1.50 bid, \$1.90 ask. I want to find the middle point or add the bid and the ask together and divide by two. If we do this, we come back with \$1.70, this is the fair market value of the Aug. 60 Call.

Using this same technique we want to calculate the fair market value for all of our desired strike prices.

- Aug. 60 Call = \$1.70
- Aug. 65 Call = \$0.775
- Aug. 40 Put = \$1.60
- Aug. 35 Put = \$0.725

So if we were able to put this position on for fair market value we would receive:

$$\text{Call spread } (\$1.70 - \$0.775) + \text{Put spread } (\$1.60 - \$0.725) = \$1.80$$

\$1.80 is quite a lot better than \$1.15 we received before, but unfortunately we cannot put this position on for \$1.80, in order to do this trade we have to trade with a market maker, and the market maker will never do a trade for fair market value.

But if \$1.80 is the fair market value, he would certainly do it for say \$1.40, perhaps you could even put it up there for \$1.50 and see if there are any takers, that is a lot better than \$1.15, and remember at \$1.15 we thought this was a good trade at \$1.15.

If we work the number again at a price of \$1.40, we get.

$$\$3.60 \text{ max loss} / (\$1.40 \text{ max profit} + \$3.60 \text{ max loss}) = 72\%$$

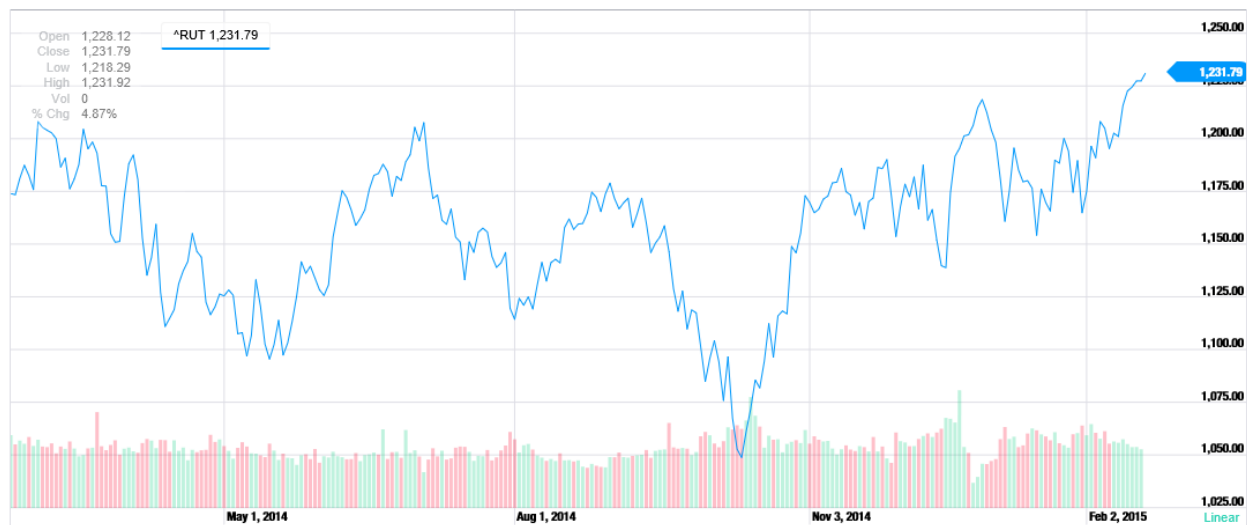
We need at least a 72% chance of winning, but being we already know our chances are 81% we know have 9% points in edge, that's better than Vegas gets!

So when doing multi-leg option trades, do not ever buy the ask or sell the offer; doing so would essentially be giving up edge multiple times. That is not something you need to do. Figure out fair market value and give up just enough edge to get the trade done.

## Iron Condor – One Leg at a Time

Another thing I like to do is sell iron condors one leg at a time. The fact is stocks, indexes and all underlying will trade up and down and will always continue to do so. How far up and how far down is really the question, but chances are if the underlying had a huge run up, it will soon trade down.

Here is a look at the RUT one year graph currently trading 1231 as it stands today February 20<sup>th</sup>, 2015.



The underlying is actually trading at an all-time high, could the RUT continue to trade higher? Absolutely, but as I see it, I think it will trade back down in the next couple of weeks. After doing our research, if we decide we want to do an iron condor in the RUT, it might be worthwhile to put the legs on separately for even more premium.

For this example I want to sell 1290/1300 call spread, then sell the 1140/1130 put spread to complete the iron condor. I want to sell into strength, and the strength right now has the RUT trading up. Here we will sell the call spread, only pocketing the premium and waiting for the stock to trade back down before we activate the puts.

We could sell the put spread simultaneously, but if we are right about the RUT trading down the puts will only pick up more value in the next two weeks, and

when they do I will add the extra premium into my pocket from that downward movement.

Our goal here is to wait for the RUT to trade down to 1220 or even 1210 and then put the put spread on to complete the iron condor. If we are right, we will then receive even more premium for our risk. If we are wrong we can either just stick with our call spread or reevaluate the put side to see if there is a better spot to sell a spread.

Looking at the graph, in every case any large movement in the underlying was countered with almost an equal movement in the opposite direction, the trend is up, but only slightly and being the RUT just had a solid up swing I expect a down swing is not too far away.

So here I am putting my legs on separately to capture that extra premium.

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## **Selling Naked**

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Selling naked is when you sell an option with nothing backing it. By selling a spread or an iron condor you are limiting the amount of your loss on the back end by buying a less valuable option. If something was to go seriously wrong, at least your losses would be capped by the buy position.

Selling naked is when you have no buy position, you are essentially selling naked. If things go seriously wrong you have an unlimited loss potential. So is this something you want to be doing?

As a beginning trader, I would recommend no, stick with your spreads and your iron condors. Once you have the education and the experience trading these with success then you can start thinking about selling naked.

But I still want to give you insight to selling options naked, so when and if you are ready you will know what to consider and what to do.

Let's look at our stock ABC again, which is currently trading for \$50.

### ABC Aug Calls

<u>Strike Price</u>	<u>Bid</u>	<u>Offer</u>
<b>50</b>	4.40	5.00
<b>55</b>	2.60	3.10
<b>60</b>	1.50	1.90
<b>65</b>	.65	.90
<b>70</b>	.35	.60

### ABC Aug Puts

<u>Strike Price</u>	<u>Bid</u>	<u>Offer</u>
<b>50</b>	4.30	4.90
<b>45</b>	2.50	3.00
<b>40</b>	1.40	1.80
<b>35</b>	.60	.85
<b>30</b>	.30	.55

Figure 1

For this example, let's assume the stock has had a solid run up and we are going to activate an iron condor, but we are looking to just do the calls now in hopes the stock will trade down later so we can then do the puts for a better price.

Fair market value for the 60 call is \$1.70, fair market value for the 65 call is \$0.775, so fair market value for this spread is \$0.925. I will try to offer it for \$0.70, which I think would get me a fill. As long as the stock does not trade over \$60 we will keep all \$0.70. Our break even is \$60.70 and our max loss would be \$4.30 if the stock trades to or over \$65. Hopefully at this point you understand all these figures.

If you recall from before the ABC Aug 60 call had a delta of 9, which means we had a 91% chance of winning this trade on the upside and for that we received a premium of \$.70 for putting this spread on. But let's look at the call options again.

Instead of selling the 60/65 call spread, what if we just sold the 65 call straight up? The fair market value of the 65 calls is \$0.775. Even though they are \$0.65 bid we could offer them at \$0.70 and someone would surely take the offer.

So if our goal was to get a premium of \$.70 we have two options, we can sell the 60/65 call spread or just sell the 65 call naked. The difference is with the call spread we have our max lose if the stock trades to 65 and with selling the 65 calls naked we will have our max win.

The 65 calls might have a 5 delta, meaning we have a 95% chance to win, which is a better chance to win than the 60/65 spread which was a 91% chance to win. Both will give you the same profit, it is just that selling the calls naked gives you more room to win. The downside is there is just unlimited loss potential.

If the stock trades to 100, your loss on the 60/65 call spread would still be \$4.30 and yes that is going to hurt, but your loss on naked 65 call is going to be \$35 and that might not just hurt, that could ruin you. So understand selling naked gives you a better chance to win, but opens you up to larger losses.

I for one rarely sell stocks naked, only indexes; stocks just have too much risk. Especially on the put side, with my luck the CEO will probably have a heart attack and die and the stock will fall like a pile of bricks and I will lose everything I worked so hard for.

Indexes on the other hand are a different story. I have no problem selling indexes naked if I have done the proper research and feel I have a winning trade on my hands. If I am selling positions with a 95% chance to win just from statistics and my research shows me it's even more likely than that, then selling naked can be a great move.



# Taking Positions Off

Whether I am selling an iron condor, a spread or just selling naked, I don't have to keep the trade until expiration. If I feel I got what I wanted out of the trade I can always take it off by buying back the position. If I sold a position and in just a few days I made 25% maybe buying it back is the right thing to do. If I can place my money in a different position which is going to make me more money, then that is something that I absolutely want to do.

However, what about trades that are starting to go bad? Don't feel like you have to stick with them until the end, in fact you should rarely do that. If a position is going bad you need to do something about it. In the case of ABC, stocks rarely go from 50 to 100 overnight. If you see the stock trading up and you get worried, it should be taken care of.

There are several avenues you should consider, let's say we sold the ABC 65 call naked with 56 days to go to expiration which had a 5 delta and over the next 14 days the stock has traded up to 60, what do you do?

I personally don't do anything until the option has at least a 30 delta; a 30 delta is where I start to get worried. Up until then maybe the stock will trade sideways, maybe it will go back down, but if it trades up and my sale of 5 deltas becomes a 30 deltas then I have to do something about it.

The first thing to do is research to determine the chances of the stock going higher. Maybe the right thing to do is do nothing. If there was some reason the stock ran against you and you feel the run is over doing nothing could be the right move, but make sure you evaluate to be sure.

Another alternative could be to buy back the Aug. 65 calls and sell the Aug. 75 calls. This will surely lose us money, but we can then sell a put position to try to recover some of that premium back to break even. I would have the premium from the original sale of the Aug. 65 calls, the premium from the Aug. 75 calls and the premium from a put position of the Aug. 50 puts. These three premiums can make up for having to buy back the Aug. 65 calls at a higher price after the stock ran up.

Another possible solution would be to go further out in time. I could buy back the Aug. 65 calls and then sell the Sep. 75 calls. The extra month would give me additional premium; I could then also add a put position on this.

The fact is if we do our homework and trade smart, we should win these 75% of the time, on the other 25% if we figure out how to break even or perhaps take a small loss we are going to be way, way ahead at the end of the year.

Do not panic if the underlying moves against you. Be smart and make adjustments once the risk gets too high and no matter what you are trading you will come out a winner.

# Moving an Iron Condor

Let's take another look at stock ABC, which is currently trading \$50 to sell an iron condor.

ABC Aug Calls		
<u>Strike Price</u>	<u>Bid</u>	<u>Offer</u>
<b>50</b>	4.40	5.00
<b>55</b>	2.60	3.10
<b>60</b>	1.50	1.90
<b>65</b>	.65	.90
<b>70</b>	.35	.60

ABC Aug Puts		
<u>Strike Price</u>	<u>Bid</u>	<u>Offer</u>
<b>50</b>	4.30	4.90
<b>45</b>	2.50	3.00
<b>40</b>	1.40	1.80
<b>35</b>	.60	.85
<b>30</b>	.30	.55

Figure 1

Here is our trade. We will stick with a one lot for easy understanding and we will surely get better fill prices than what the market maker shows as this is a four legged trade:

- Sell 1 ABC Aug. 60 Calls at \$1.60
- Buy 1 ABC Aug. 65 Calls at \$0.80
- Sell 1 ABC Aug. 40 Puts at \$1.50
- Buy 1 ABC Aug. 35 Puts at \$0.80

This trade will give us a total premium credit of \$1.50 per contract with a max loss of \$3.50. For the next two weeks we do not do anything, but ABC has now traded down and is closing in on \$40 so it's time to make an adjustment.

- Buy 1 ABC Aug. 40 Puts at \$3.80
- Sell 1 ABC Aug. 35 Puts at \$2.20

Debit of \$1.60 we now have to pay. We will also put on another put position, this time with a two lot to make back some of the premium we lost.

- Sell 2 ABC Aug. 30 Puts at \$1.40 (2 lot = \$2.80 credit)
- Buy 2 ABC Aug. 25 Puts at \$0.65 (2 lot = \$1.30 debit)

Total credit of \$1.50 we will receive.

So we started off with a \$1.50 credit, then we lost \$1.60 on the adjustment, then we opened up a new put position, this time doubling the contracts and we received another \$1.50 credit. Overall the adjustment cost us \$0.10, so our net profit was adjusted \$1.40. However, we have given ourselves protection down to 35 strike price. If the stock continues to trade down we can do this again, if the stock trades up at least we still made profit while giving ourselves some breathing room and removing a possible bad situation.

We could also sell an additional call spread on the top side as well to earn back that little bit of premium we lost.

- Sell 1 ABC Aug. 50 Calls at \$1.60
- Buy 1 ABC Aug. 55 Calls at \$0.80

Total credit of \$.80 we will receive.

Our total position after all of the adjustments

- Sell 1 ABC Aug. 60 Calls
- Buy 1 ABC Aug. 65 Calls

- Sell 1 ABC Aug. 50 Calls
- Buy 1 ABC Aug. 55 Calls
- Sell 2 ABC Aug. 30 Puts
- Buy 2 ABC Aug. 25 Puts

Now we have received a total credit of \$2.20. This is more than we would have received if the trade would have just gone well from the beginning. So you need to understand that staying active and protecting your positions is key to saying profitable.

You never want to risk it and having one big loss whip out several months worth of hard work. When trading on both sides of the market, adjustments are likely going to be necessary once in a while even if you are trading deep out of the money positions.

Winning eight out of 10 and then getting big losses on the other two is no way to trade. You don't have to spend all day at the computer, but you should spend at least a few minutes every day looking over your positions and what is happening. If you can't get to it every day then you should make time at least every couple of days and definitely more time when positions get into dangerous territory and expiration week.

# Selling - What to Consider

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## Monthly Income

This style of trading is not going to make you a millionaire, but it will make you steady income month after month. The potential is there to make 4% or even more each and every month. Think about it, that is 48% per year just by selling premium and letting it decay.

I have been telling people about my selling time strategy for some time now. Some just do not want to spend the time to learn something new, others question why super rich people like Warren Buffet do not use similar strategies.

Well, first, making money in options is not linear. By that I mean the more money you manage the harder it is to make those same returns. Liquidity and size play a big role in your overall return. It is easy for someone to take \$5000 and turn it into \$10,000 in option trading. I have doubled my money in a single position all the time, but when you are managing tens of millions or even hundreds of millions it's not quite that simple.

However, Warren Buffet actually uses options all the time. For the amount of money he has to trade he must use a different strategy. Warren will find a company he wants to buy stock in and decide the price he wants to buy the stock.

Let's say in this example Warren wants to buy Amazon (AMZN) at \$360 with the stock currently trading \$380. Clearly you cannot buy AMZN for \$360 when it is trading \$380, so what Warren will do is sell the \$360 strike price puts and collect the premium. That premium is Warren's to keep no matter what happens, and likely in the hundreds of thousands of dollars if not millions.

Now if the stock continues to stay where it is or trade up, Warren will just let the put expire worthless and keep all that premium. He will then do it again just in a new month, collecting all that premium.

However, if the stock trades down and below \$360, the stock will get put to him and he will have to buy it at the price of \$360. Well that is also perfect for Warren, as that is the price he wanted to buy it for in the first place, so now he is buying it for \$360 and he got that entire premium for selling the puts to begin with.

This is also a great trading strategy, but one designed for the already rich. My selling time strategy is designed for the average guy who just wants to put a few extra hundred to a few extra thousand in his pocket every month.

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## **Can You Put On The Trade?**

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One thing that frustrates many new traders is that they cannot make many of the trades that they want to make.

First, you cannot sell naked in a retirement account. These are thought to be low-risk accounts and do not support selling naked at all. Retirement accounts, however, do allow you to sell spreads or iron condors, so if you have a retirement account and you want to collect premium from selling spreads and iron condors.

My individual account is what I use for my more aggressive selling strategies. I have several types of accounts; one does not even have option trading capabilities. For this one I trade stock, for my retirement accounts I do mostly single buy orders and sell spreads and for my individual accounts I do my more aggressive selling. It is important to know what each account can do and organize trades accordingly. When setting up a new account, make sure you understand what the capabilities are.

## Buying Power

Buying power is another thing that will stand in your way. Right now you might be thinking selling naked and keeping a close eye on everything is the way to go, but you are going to run into a problem called not having enough buying power.

Selling naked comes with huge risk, and if you make a mistake and lose a lot of money that is a big problem. As we discussed earlier, selling naked has unlimited risk. Even if we are selling a position naked that has a 95% chance of success it's still naked and technically still unlimited risk.

In the event that there is a huge loss and you don't have the money to cover your investment, the bank is going to have to eat it and there may be some legal issues to follow. To make sure this does not happen, your investment bank will limit your capabilities with something called buying power.

On the buy side you can only lose what you buy, so your buying power is exactly what you spend on the option. However, the sell side works much differently.

How about we take a look at a real trade to get an idea of how buying power works on the sell side.

Looking at QQQ, which is currently trading 108, I want to sell a 30-day call option as follows:

- Sell 1 QQQ Aug 113 Calls at \$0.08

There is a 5 delta on this option, so a 95% chance this sale will be a winner for us. But we are only getting \$0.08 and being a one lot selling into a 100 shares that would be \$8 for each contract. That is not a lot of money, so to make this worthwhile we would have to do this many times, probably a 100 lot for a net credit premium of \$800, now that is worth doing.

However, just looking at the buying power I need to do a one lot, I see I need \$1,727 in cash account. If I put this trade on one time my investment bank will hold \$1,727 just in case. They will hold this until the position expires worth less or I trade out of the position.



If I wanted to do this trade 100 times I would need \$172,700 worth of buying power. All of that to make \$800 is not really worth it, and if we don't have \$172,700 in our account we cannot make the trade anyway.

Let's compare that to the following:

- Sell 1 QQQ Aug. 109 Calls at \$1.10

There is a 45 delta on this trade, a much higher chance of this trade finishing within the money. My buying power required for this trade is \$2,224 not that much more required versus our 5 delta trade.

Even though one trade has 95% chance of being a winner and the other only a 55% chance of being a winner the buying power is only slightly different. In order to get the most of our buying power we would have to sell the Aug. 109 call, but that of course would expose us to far greater risk, not what we want to do especially when selling naked.

So you can see selling naked can be difficult to do unless you are playing with big dollars.

This is another way spreads can be a great tool, being that when you are selling a spread you are capping your max lose. You are also capping your risk and with it your buying power.

If I were to do the following:

- Sell 1 QQQ Aug. 113 Calls at \$0.08
- Buy 1 QQQ Aug. 120 Calls at \$0.01

For a net credit of \$0.07.

Here I would be losing a penny, but I would only be using up \$500 worth of buying power. As you can see, putting a buy on the back end of your sell has the huge benefit of limiting our buying power requirement and we can put the buy part of the spread way out of the money so the cost is minimized. This will still do the job of changing our unlimited risk position to a limited risk position and with it a much lower buying power requirement.

# Buying Options

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So far we have mostly been discussing selling options and the types of sales that give us the best chance to see profits. Although it's true selling has a much higher winning percentage, it doesn't mean we also cannot take advantage of some good buy situation in order to make even more money.

Most new options traders are scared to sell, even though it's far easier. Just sell far out of the money spreads or iron condors and then keeping a close eye on them while they decay away. The stock can move in any direction. As long as it does not threaten your position you're in good shape.

Buying options means you have to be right about the direction of the option. If you buy calls the stock has to go up, if you buy puts the stock has to go down (not including synthetic positions or other advanced trading strategies). As a home trader you have to be right about the direction of the stock if you are on the buy side.

Again, as long as you are right more than you're wrong you will make money. Personally, I am right about 75% of the time on the buy side and my wins are anywhere from 25% to 500% profit. It is very common for me to make 25% profit in just a few hours or make 100% or more in just a few days or a couple of weeks. When I lose, I stop myself out at a 25% loss, so you can see buying can also make you a lot of money in option trading if you trade smart.

Just last month, I sold my Southwest Airlines (LUV) position for 500% return for an 8-week hold. Believe it or not, I actually could have made a lot more money if I would have picked my entry point better, but still was not complaining.

Oil prices were down significantly in the previous few months, who is going to benefit from that? The transportation industry, of course. There's low gas prices for them yet ticket prices are still the same, this means more profit. So I loaded up on LUV one strike out of the money call options and watched the stock trade up for several weeks, then when earnings came out and LUV beat estimates and I unloaded my position for a huge gain.

Finding these diamonds in the rough is a lot easier than you might think.

## Long Expirations Verse Short Expirations

When buying options, one of the main things to consider is how far you do want to go out in time. Remember, in option trading time is money. Let's take a look at the following months:

ABC Aug Calls		
Strike Price	Bid	Offer
50	4.40	5.00
55	2.60	3.10
60	1.50	1.90
65	.65	.90
70	.35	.60

ABC Jan Calls		
Strike Price	Bid	Offer
50	7.80	8.50
55	5.80	6.50
60	3.90	4.40
65	2.80	3.30
70	1.75	2.20

Figure 3

The top prices are for August, which is two months out. The bottom is for January, which is seven months out. Options that don't expire for several

months are called LEAPS (Long Term Equity AnticiPation Security) and they settle in January of the next year or the year after that.

Here we see the extra five months has a substantial price to it. There is time value there, so you have to pay for that extra time.

Which month is the better month to buy?

Well, there are advantages and disadvantages to both, so let's discuss.

The Aug. 50 Calls have only two months to go to expiration, which means they have a higher theta and are going to decay more quickly with a Theta of 6.55. That means for a one lot I will lose \$6.55 every day I keep this position on. If I buy a 10 lot, that would mean I am losing \$65.50 every day just from my decay.

Looking at the Jan. 50 Calls, which has seven months to expiration; my theta is only .66, so my decay is minimal. If I buy a 10 lot my total daily decay would be \$6.60. As the option gets closer to expiration the theta will increase, at 60 days to expiration it starts to get big at 30 days theta starts to get really big.

If ABC stock were to suddenly trade up \$5 both the Aug. 50 calls and the Jan. calls would move into the money and intrinsic value would increase on both of them roughly the same. Just looking at the 50 strike we see:

ABC Aug Calls		
Strike Price	Bid	Offer
50	7.40	8.00

ABC Jan Calls		
Strike Price	Bid	Offer
50	10.80	11.50

Figure 3

Both months have the 50 strike price increase by \$3, so the profit was the same for both months, however on a percentage basis they would be different. That would be a 68% return for the Aug. 50 calls and a 38% return for Jan 50 calls.

Now you might be thinking the short-time option is the superior one, and there is some truth to that in this example. However, the shorter option had to be right sooner, it was decaying away at an accelerated rate. If our timing was wrong we have a serious problem.

The further out option gives us the luxury of waiting. The longer option does require more premium to purchase due to all its time value. However, being the option is decaying away at a lower rate, we will receive that time value premium back when we go to sell it, so it is not like we are using it up even if our goal is only to hold the option for a month.

So which is better really depends on your goals. Just know the profit will be the same on both, but the percentage return will be superior on the shorter timed option.

## **Day Trading**

I typically buy options planning on selling them later in the day or at the start of the next day. For these I buy options one or two weeks to expiration, time value is not much of a consideration so I want minimal time value in play so I can make larger percentages on my money.

Remember, there are two parts of an option pricing: time value and intrinsic value. When we buy an option the goal is to have the underlying increase in value faster than the time value decays.

Short-term options expiring in a week or two are mainly made up of intrinsic value, giving us the most profit with a change in the price. However, be careful, if these buys go against us we stand to lose at a rapid pace as well.

With short-term options, I typically invest less as the risk is higher, but it is easy to make 25%, 50% or even 100% in just a few hours.

## **Medium Term Trading**

If I think a stock is going to move in a specific direction but not sure if that is going to be in the next day or two, options that go out 3 to 4 months make a

great buy. I am not going to make as much with a positive swing as I have more time value in the pricing, but that also works the same on the negative side. Plus, if I am wrong and need to give the stock a couple of weeks to move in the right direction, I have that freedom.

You will have more winners with medium-term options, but lower returns. I usually try to sell out of these positions 56 days prior to expiration, but will hold them longer if the situation calls for it.

Amazon (AMZN) just had a big run up, so I purchased some puts going 3 months out. I am quite confident it will trade back down in the next couple of weeks once profits are taken, when it does I can sell out of the put position capturing a huge percentage on that intrinsic value, and being I only kept the option for a week or two I can also get back the cost of the time value I paid to add the position.

## **Long-Term Trading**

Buying long-term options that go out a many months or even a year or two come with a huge price tag because we have to pay for all that time value, but if we pick the right underlying to go into it's not as bad as it might seem.

Like with the medium-term options that go 3 or 4 months out, options that go a year out can still be sold and have all that time value recovered once we sell. This is as long as we didn't buy something that went so far out of the money that we got totally destroyed.

I buy long-term options usually only on the call side and for companies that I am very confident are going to do well in the upcoming year. For example Apple (AAPL), Microsoft (MSFT), Southwest Airlines (LUV), Kinder Morgan (KMI) and many others are all companies I feel good about and not too worried about losing my investment.

Most people might just go out and buy 100 shares AAPL stock and be happy when it trades up. I would rather go out and buy 10 AAPL LEAP option contracts that go out a year. I will end up spending about 20% of what the stock buyer had to pay, and I will make more money than the stock buyer

when it trades up. I will then have more buying power left in my account to buy other things, or sell options or anything else I want to trade.

Of course remember, the same accelerated money-making power options give you also works in the opposite direction if you're wrong. This is why I stick mainly to real companies when I trade long term. I may not always be right, but I know I am confident I am not going to get torched on the downside; so if the stock does not move or trades down small I can always get out and limit my losses.

However, companies like AAPL tend to trade up over time and I usually come out a winner.

## **Afraid To Sell?**

I have consulted with people who purchased options that were winners and failed to sell and then lost all their profits. I have even been guilty of this myself. Some people, especially beginning traders, will have a huge win and not sell because they are too concerned with selling the top.

The fact is, if you win you have to sell. Often the position will then trade lower and if you really love it you can buy it back for cheaper locking in those profits.

This has happened to me a few times on a small level, but one time on a large scale. So stupid of me I don't even want to write about it, but I will, so you can learn from my mistake.

I have been trading options in Magellan Midstream Partners (MMP) for years. I knew how the stock traded and was confident I spotted something in the market that made me think MMP was going to trade up, so I purchased call options two weeks to expiration for \$3500.

As it turns out, I was right and I doubled my money in just a week. The options were now worth \$7000. At this point I thought I should sell, but I felt like the stock was going to go up again the following day and I could put another \$1000 on top of the \$3500 I had already made.

Unfortunately I was wrong! The next day the market crashed, which had nothing to do with MMP itself, and the stock fell out of the money and my

position that was worth \$7000 a day earlier was now worth nothing and there was no time left for the stock to make a rebound as my options were expiring in a few days. As it turns out, the stock did rebound and I did make a few bucks by putting on a new position, but my original calls expired worthless.

The lesson here, even if you think you're going to be right, you won't be right all the time, look carefully at your risk reward and make smart decisions.

The fact is you likely will almost never be able to sell the top. Don't be worried about selling the options and seeing them then trade higher, if you have made money take the profits.

I can tell you first-hand that when I sell my winning positions, in most cases I would have made more money if I would have held on and sold later. In cases where I decide I should hold on and try to get more money, the position always falls and I end up making less.

As a trader, you realize that selling a winning position and having the position gain value after you sell is better than keeping a winning position and having that position lose value while you hold it.

Bottom line, take those profits when you have the opportunity and be smart about your trades. The trader's dilemma: You won but you should have bought more, or you should have sold higher, or some other reason why you could have made even more money than what you made. Get over it, it's always going to be like that, what really matters is that you won and now it's time to evaluate the next trade.

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## **Low Quality Stocks**

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I recommend not trading low-quality stocks when starting out or even when you are experienced as just too much is unknown. People like to trade penny stocks to make big money when they explode. I understand that completely and maybe you have even bought into a penny stock thinking or hoping big things were going to happen.



Chances are they didn't. If you get it right, the payout can be great, but you have to be really lucky to get it right. Almost every penny stock I ever tried to buy in hoping to make quick profit turned out to be a big loser for me.

Just last year I got a hot tip that a company called mCig (MCIG) which makes a vapor marijuana cigarette was going to do great things in the future. With marijuana getting legalized in a couple of states it seemed like a good bet that a company getting started early had an advantage. I checked it out and with the stock only trading \$.50, it seemed like a safe bet.

I got the tip from a source I trusted, which does not necessarily mean anything, but I liked the logic behind it so thought I would buy 3000 shares to see what could happen. I should have known better, as the chance of picking a penny stock that pans out is small and sure enough once again I lost. I ended up selling all my shares after watching the stock fall all the way to \$.10.

The point is options can be risky, but if you are ready to take a risk at least pick a game in which you have a large chance of hitting a winner and not just straight gambling and hoping to hit a penny stock that goes big.

This goes for options in cheap stocks, too. Cheap stocks don't give you much room to buy puts and make any money, and throwing money at the calls is a gamble as well. There is a very small chance of picking a company that suddenly blows up, so be smart and invest and follow real companies.

If you want to gamble your money, that is up to you. I prefer to hit winners, and winner after winner by being smart and investing in real companies and I recommend you do the same.

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## **Sticking with the Same Stocks**

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One thing about trading is you start to understand the stocks you follow and how they move. I follow a specific group of stocks. Sometimes I add new stocks to the group and sometimes I delete stocks once I lose interest. However, I know when my stocks are high or low and what type of ranges I can expect. Of course anything can happen, but having a history with a stock and understanding its levels is just a helpful asset to have.

Keep things simple, do not trade in 20 different stocks as this is going to be confusing and hard to follow on a daily basis. Perhaps some people can do it, but the people who make the most are the people who keep trading simple.

I would recommend following three or four indexes and eight to 10 stocks at the very most and probably less than that.

The more stocks you trade, the more news stories you are going to have to read, the more you are going to remember and the more everything. Chances are for all that extra work you will make less money. Keep it simple, organize your time effectively, understand what you are doing and you should have no problem making money with options.

# Wrap Up

I really hope you found my option trading strategies useful. Most books either only touch on the basics or get so technical that no real person can understand them. My goal with this book is to give you the real trading strategies that home traders should be concentrating on without overloading you with the advanced market maker stuff.

From here you should have a good foundation for making money with options each and every month. Start off slow and master your skill, then expand as you learn and become more profitable.

# Finding Winning Trades

Everyone is capable of finding winning trades on their own. But if you are busy or just do not want to do the research yourself you can invest in the exact same trades I invest in. My site [OptionStrategyInsider.com](https://OptionStrategiesInsider.com) gives my members my exact trades right when I put them on.

Right when I see an opening in the market, I will have the opportunity texted or emailed to you so you can put the same trade on as well. I currently pick winners about 90% of the time.

For more details go to:

**Website**

<https://OptionStrategiesInsider.com>