=======================7.0 Options Intro (WB)=======================

Hello everyone, I hope you enjoyed the last lesson on short options. In this lesson, we’re now going to discuss the most popular and powerful option trading strategies used by traders today. These strategies combine short options, long options, and sometimes stocks together to take advantage of disparities in the market.

You’re about to learn how you can greatly put the odds in your favor, taking advantage of time, volatility, and sometimes price movement while capping your risk at the same time.

I hope you’re ready to start having fun as we’re now going to get to the good stuff. The strategies that we’re going to cover include, the buy-write, the vertical spread, the straddle, the strangle, the iron condor, the butterfly spread, and the calendar spread.

With that said, there’s an endless number of option trading strategies, and as a former professional market maker, I have seen them all. But the ones we’re going to cover, are the ones that are used the most frequently, and for good reason, because they make the most sense.

Some new traders are also a little reluctant to jump right into the advanced trading strategies as they feel they should start trading single options to familiarize themselves with this whole process, and although that does seem to make sense, I encourage you not to do that.

The reason is, single option orders are not as good as combined option strategies. When we’re able to put option strategies together, we’re then able to take advantage of putting time decay on our side, putting the odds of winning in our favor, and capping our risk all at the same time, something that cannot be done with just a single option order.

It’s important to also understand that when combining option orders together, they should be entered as one trade. I have known new traders to enter legs of advanced option trades, one at a time; we never want to do this. For one, we’re going to have to pay a transaction fee for each execution, and I would rather pay just one transaction fee versus two, or possibly more.

There’s also always the risk of not getting filled on second part of the trade and then being forced to wait or pay a poor price to complete the strategy.

In addition, it should be understood that a combined option trade is one trade in terms of our profit and loss. In most cases, we’re going to win one of the trades and lose on the other. The idea is, the one we win will more than make up for the one we lose, resulting in a profit.

With that said, I want you to get comfortable, as this is where the fun begins. Alright, I look forward to seeing you in our first combined strategy lesson.