OPTIONTIGER

Trade with knowledge. Trade with confidence.

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TOP 7 OPTIONS TRADING MISTAKES

...

AND HOW TO AVOID THEM!

Publication by: Option Tiger

Option Tiger is designed for the everyday person - the working professional. From global macroeconomic developments to laser focused investment strategies, we help you take advantage of bull and bear markets, and anything in between. Our cutting-edge Options training curriculum starts at the beginner level suitable for people from any background and goes all the way to the most advanced levels - covering Stocks, ETFs, Options, Futures, Bonds, Currencies, Gold, Silver, Oil and much more.

The curriculum focuses on some key principles:

- Crafting the right strategy for any market environment
- Protection of principal through prudent risk management
- Always seeking an "edge" in every trade
- Combines technical and fundamental analysis
- Is explained in simple language anyone can understand

ABOUT THE AUTHOR

My name is Hari Swaminathan and I founded Option Tiger to help everyday people understand financial markets, and profit from it through cutting-edge Options education and trading strategies. Over the last 5 years, I have acquired this knowledge, mostly through trial and error and making trading mistakes. This is the single biggest issue facing newcomers to Options including myself – they don't realize mastering Options has a learning curve. And most newcomers lose money while they learn the game. Consequently, I have singled out this factor as the single biggest mistake in Options trading. I have MBAs from Columbia Business school in New York and London Business School, UK and this education has given me the ability to analyze the markets from a fundamental perspective, and I try to apply this knowledge to every trade. You can read more about me on my Linkedin profile.

Hari Swaminathan

NOT CLEAR ABOUT YOUR OBJECTIVES FROM OPTIONS TRADING

MISTAKE 1

This might seem silly at first – everyone wants to profit from their trading and investment activities. But it's important to understand that Options have a wide range of applications. Options can be used for -

- Capital growth – Options trading as a business
- Risk mitigation – Provides protection to stocks you own
- Passive monthly income – ideal for working professionals
- Speculative activity – with money you can afford to lose

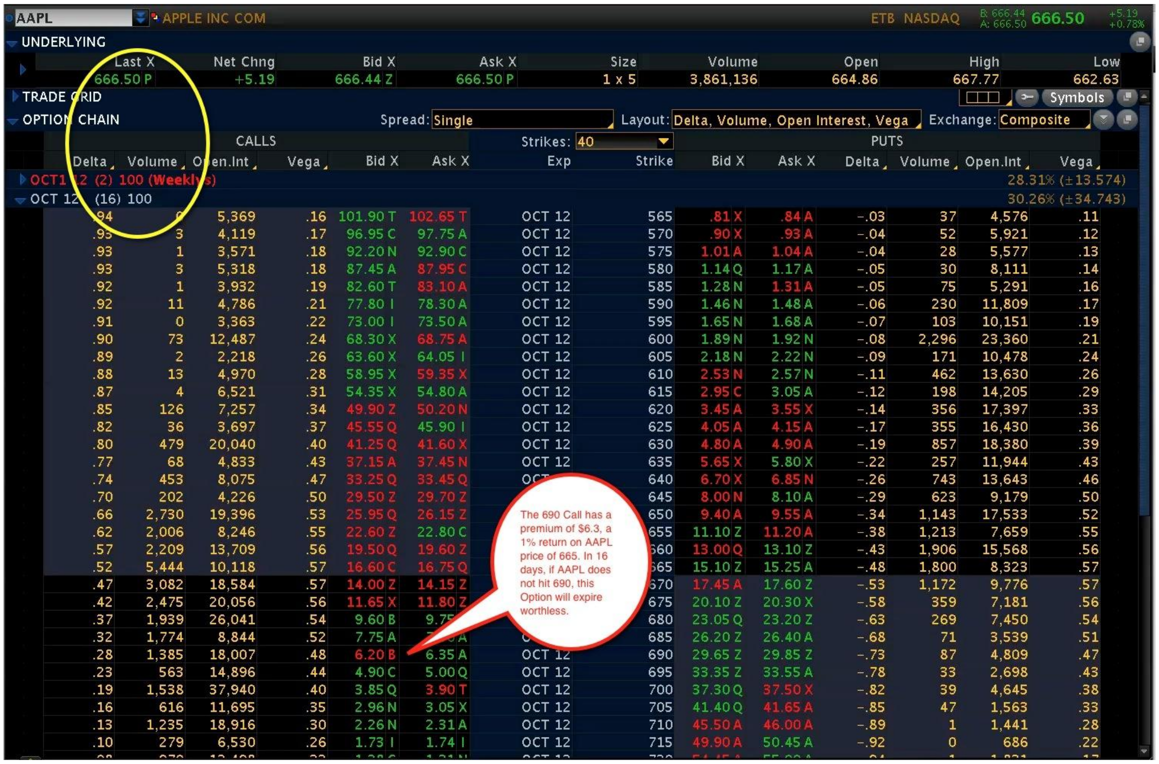
Each of these objectives will impact your approach to Options trading differently - the training required, time commitment, depth of analysis skills, capital requirements and the ideal strategies for each endeavor.

If ***you intend to trade Options for a living***, this obviously requires the most skills, training, as well as capital. In general, attaining this level of skill is a 1 to 2 year effort, and it's important to not lose your money while you learn. You need to understand how every aspect of Options trading works – the basic Options, the Greeks, Option spreads, Time decay and Implied Volatility concepts, Technical analysis, Volume analysis, advanced strategies like Iron Condors and Backspreads. You also have to deploy enough capital to produce a satisfactory return to sustain it as a full-time activity. A very good Options trader could make 3 to 5% return on capital per month and sometimes more, but this number may not be consistent every month.

The single biggest mistake traders wanting to trade Options as a full-time business commit is to lose their capital while they learn. Every Options trader feels empowered when they learn how Call Options and Put Options work, but they fail to recognize that this is just the beginning. And unfortunately, most learn through trial and error and by making mistakes, and find themselves depleted of their capital by the time they have learnt the game. This is the single biggest mistake Options traders make while they learn the craft of Options trading.

If ***your objective is risk mitigation and portfolio protection***, your scope of learning is reduced dramatically. You can simply ignore all the advanced strategies like Iron Condors or Calendars. You'll need to understand the basics of Options, the Greeks and learn a few strategies that combine Stocks and Options to give protection as well as generate a small income. You'll still need to master the basics, but the learning curve, time commitment as well as capital requirements is reduced considerably. Focus on the Option basics as well as strategies like Covered Calls, Protective Puts, Married Puts and Collar trades. These strategies are safe, offer iron-clad protection to stocks you own and in most cases, will produce income as well. Modules I, II, III, and V of our courseware covers these concepts and strategies in detail.

In Figure below, Apple (AAPL) is trading at $666 as shown in the yellow circle. If you owned 100 AAPL shares, you could sell a Covered Call at a strike price of 690 and capture a 1% return in 1 month if AAPL does not cross 690. If AAPL does cross 690, then you're obliged to sell your 100 shares at 690, but since you received a premium of $6.3, you're really selling it for $696. Not a bad deal considering AAPL is at 666 today. If it did not cross 690, you get to keep the $6.3/share and you can rinse and repeat the next month, perhaps at a different strike price. This example of Covered Calls can be a safe income strategy for stocks you own already.



AAPL APPLE INC COM ETB NASDAQ B: 666.44 A: 666.50 666.50 +5.19 +0.78%

UNDERLYING

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
666.50 P	+5.19	666.44 Z	666.50 P	1 x 5	3,861,136	664.86	667.77	662.63

TRADE GRID

OPTION CHAIN Spread: Single Layout: Delta, Volume, Open Interest, Vega Exchange: Composite

Strikes: 40

OCT1 12 (2) 100 (Weeklys) 28.31% (±13.574)

OCT 12 (16) 100 30.26% (±34.743)

CALLS Delta	Volume	Open.Int	Vega	Bid X	Ask X	Exp	Strike	PUTS Bid X	Ask X	Delta	Volume	Open.Int	Vega
.94	0	5,369	.16	101.90 T	102.65 T	OCT 12	565	.81 X	.84 A	-.03	37	4,576	.11
.93	3	4,119	.17	96.95 C	97.75 A	OCT 12	570	.90 X	.93 A	-.04	52	5,921	.12
.93	1	3,571	.18	92.20 N	92.90 C	OCT 12	575	1.01 A	1.04 A	-.04	28	5,577	.13
.93	3	5,318	.18	87.45 A	87.95 C	OCT 12	580	1.14 Q	1.17 A	-.05	30	8,111	.14
.92	1	3,932	.19	82.60 T	83.10 A	OCT 12	585	1.28 N	1.31 A	-.05	75	5,291	.16
.92	11	4,786	.21	77.80 I	78.30 A	OCT 12	590	1.46 N	1.48 A	-.06	230	11,809	.17
.91	0	3,363	.22	73.00 I	73.50 A	OCT 12	595	1.65 N	1.68 A	-.07	103	10,151	.19
.90	73	12,487	.24	68.30 X	68.75 A	OCT 12	600	1.89 N	1.92 N	-.08	2,296	23,360	.21
.89	2	2,218	.26	63.60 X	64.05 I	OCT 12	605	2.18 N	2.22 N	-.09	171	10,478	.24
.88	13	4,970	.28	58.95 X	59.35 X	OCT 12	610	2.53 N	2.57 N	-.11	462	13,630	.26
.87	4	6,521	.31	54.35 X	54.80 A	OCT 12	615	2.95 C	3.05 A	-.12	198	14,205	.29
.85	126	7,257	.34	49.90 Z	50.20 N	OCT 12	620	3.45 A	3.55 X	-.14	356	17,397	.33
.82	36	3,697	.37	45.55 Q	45.90 I	OCT 12	625	4.05 A	4.15 A	-.17	355	16,430	.36
.80	479	20,040	.40	41.25 Q	41.60 X	OCT 12	630	4.80 A	4.90 A	-.19	857	18,380	.39
.77	68	4,833	.43	37.15 A	37.45 N	OCT 12	635	5.65 X	5.80 X	-.22	257	11,944	.43
.74	453	8,075	.47	33.25 Q	33.45 Q	OCT	640	6.70 X	6.85 N	-.26	743	13,643	.46
.70	202	4,226	.50	29.50 Z	29.70 Z	[illegible]	645	8.00 N	8.10 A	-.29	623	9,179	.50
.66	2,730	19,396	.53	25.95 Q	26.15 Z	[illegible]	650	9.40 A	9.55 A	-.34	1,143	17,533	.52
.62	2,006	8,246	.55	22.60 Z	22.80 C	[illegible]	655	11.10 Z	11.20 A	-.38	1,213	7,659	.55
.57	2,209	13,709	.56	19.50 Q	19.60 Z	[illegible]	660	13.00 Q	13.10 Z	-.43	1,906	15,568	.56
.52	5,444	10,118	.57	16.60 C	16.75 Q	[illegible]	665	15.10 Z	15.25 A	-.48	1,800	8,323	.57
.47	3,082	18,584	.57	14.00 Z	14.15 Z	[illegible]	670	17.45 A	17.60 Z	-.53	1,172	9,776	.57
.42	2,475	20,056	.56	11.65 X	11.80 Z	[illegible]	675	20.10 Z	20.30 X	-.58	359	7,181	.56
.37	1,939	26,041	.54	9.60 B	9.75	[illegible]	680	23.05 Q	23.20 Z	-.63	269	7,450	.54
.32	1,774	8,844	.52	7.75 A	[illegible]	[illegible]	685	26.20 Z	26.40 A	-.68	71	3,539	.51
.28	1,385	18,007	.48	6.20 B	6.35 A	OCT 12	690	29.65 Z	29.85 Z	-.73	87	4,809	.47
.23	563	14,896	.44	4.90 C	5.00 Q	OCT 12	695	33.35 Z	33.55 A	-.78	33	2,698	.43
.19	1,538	37,940	.40	3.85 Q	3.90 T	OCT 12	700	37.30 Q	37.50 X	-.82	39	4,645	.38
.16	616	11,695	.35	2.96 N	3.05 X	OCT 12	705	41.40 Q	41.65 A	-.85	47	1,563	.33
.13	1,235	18,916	.30	2.26 N	2.31 A	OCT 12	710	45.50 A	46.00 A	-.89	1	1,441	.28
.10	279	6,530	.26	1.73 I	1.74 I	OCT 12	715	49.90 A	50.45 A	-.92	0	686	.22

There are several such strategies available to an investor who is interested in combining stocks and Options to make safe but profitable trades. These courses highlights them in detail –

http://www.optiontiger.com/courses/why-options-are-powerful/
http://www.optiontiger.com/courses/single-options-adjustments/
http://www.optiontiger.com/courses/risk-and-trade-management/

Working professionals ***interested in creating consistent income month after month*** from Options should be proficient in using Option spreads, covered in Module IV (but you must master Modules II and III first). Option spreads, especially credit spreads like the Bear Call spread and the Bull Put spread allow you to create a steady income by placing trades that have a 80 to 90% chance of success. You adopt a probabilistic approach to the markets, and construct trades that are deep "Out of the Money". Capital requirements are moderate, and most importantly, these trades require very little monitoring on a daily basis. More information is available here –

http://www.optiontiger.com/courses/option-spreads-philosophy/

The two credit spreads are covered in detail with "live trades" here –

http://www.optiontiger.com/courses/bear-call-spread/
http://www.optiontiger.com/courses/bull-put-spread/

The next figure is an AAPL Bull Put spread for the Dec 2012 series with 20 days to expiry. AAPL is currently trading at 585, and if in the next 20 days, AAPL does not fall below 540, then you make a profit of $1070 on a margin of $8930, a 12% return in 1 month. This is a probability strategy and a time decay strategy. If you were a busy professional, you wouldn't worry about this position during the day unless AAPL starts crashing at which point you may have to adjust your position. But you've given yourself a 75 to 80% probability of success in this trade.

In summary, it would be very helpful to determine which category of Options traders you fall into. The best approach may be to learn the basics of Options in Modules II, III, and IV and then decide for yourself.

What traders tell about Trading AAPL Earnings Today? Click here!

BUYING OUT OF THE MONEY OPTIONS BECAUSE THEY ARE CHEAP

MISTAKE 2

Everybody likes to buy Options that are cheap. And Out of the Money (OTM) Options are cheap. If you go further Out of the Money, they become even cheaper. Traders are lured by the amazing profits that OTM Options can generate if the trade is successful. But what are the chances that the OTM Options will actually be profitable ? There are 3 hurdles to cross when buying OTM options –

1. The stock has to move towards the OTM strike price to make profits

2. On the day of expiry, the move has to exceed the strike price by what you paid in premium for the Option to be profitable.

3. OTM Options lose their value at a faster rate than At the money or In the Money options. ***This is a fact many Options traders don't realize***.

Consider this figure of AAPL Options.

- AAPL is at 585.
- The 590 Call is closer to the money than the 630 Call.
- The 590 Call has a Theta loss of 37 cents per day
- The 630 Call has a Theta loss of 22 cents per day

So normally, you'd conclude that the 590 Call has more time decay loss, and you're right – but only partially. To see which Option is "decaying faster", you have to compare the loss to the cost of the Options itself.

In the 590 Call, decay is 0.37 / 14.32 = 2.58% per day.
In the 630 Call, decay is 0.22 / 3.25 = 6.8% per day.

AAPL APPLE INC COM

UNDERLYING

Last X	Net Chng	Bid X	Ask X	Size
585.065 J	-4.295	585.02 Q	585.11 P	1 x 2

Yield	PE	EPS	Div	Div.Freq	Ex Div.Date
1.81%	13.25	44.15	2.65	Q	11/7/12

OPTION CHAIN Spread: Single

CALLS Strikes: 40

DEC 12 (21) 100

Delta	Gamma	Theta	Mark	Bid X	Ask X	Exp	Strike
.91	.00	-.17	66.725	66.55 C	66.90 Q	DEC 12	520
.90	.00	-.19	62.125	61.85 C	62.40 I	[illegible]	525
.88	.00	-.20	57.500	57.30 T	57.70	[illegible]	530
.87	.00	-.22	52.975	52.75 Q	[illegible]	[illegible]	535
.85	.00	-.24	48.500	48.30 X	[illegible]	[illegible]	540
.82	.01	-.26	44.275	44.05 X	[illegible]	[illegible]	545
.79	.01	-.28	40.125	39.95 X	[illegible]	[illegible]	550
.76	.01	-.30	36.100	36.00 X	36.20 W	[illegible]	555
.73	.01	-.32	32.300	32.20 X	32.40 W	[illegible]	560
.69	.01	-.33	28.750	28.65 X	28.85 X	DEC 12	565
.65	.01	-.35	25.400	25.30 X	25.50 X	DEC 12	570
.60	.01	-.36	22.275	22.20 A	22.35 X	DEC 12	575
.56	.01	-.37	19.375	19.30 A	19.45 A	DEC 12	580
.51	.01	-.37	[illegible]	[illegible]	[illegible]	DEC 12	585
.46	.01	-.37	14.325	14.25 A	14.40 A	DEC 12	590
.42	.01	-.36	[illegible]	[illegible]	[illegible]	DEC 12	595
.37	.01	-.35	10.275	10.20 A	10.35 A	DEC 12	600
.33	.01	-.33	8.600	8.55 A	8.65 X	DEC 12	605
.29	.01	-.31	7.150	7.10 A	7.20 A	DEC 12	610
.25	.01	-.29	5.900	5.85 C	5.95 X	DEC 12	615
.21	.01	-.27	4.850	4.80 A	4.90 X	DEC 12	620
.18	.01	-.24	[illegible]	[illegible]	[illegible]	DEC 12	625
.15	.01	-.22	3.250	3.20 A	3.30 A	DEC 12	630
.13	.01	-.20	[illegible]	[illegible]	[illegible]	DEC 12	635
.11	.00	-.18	2.155	2.13 W	2.18 A	DEC 12	640
.09	.00	-.16	1.760	1.73 A	1.79 Z	DEC 12	645
.08	.00	-.14	1.450	1.42 A	1.48 Z	DEC 12	650
.07	.00	-.12	1.195	1.17 A	1.22 Z	DEC 12	655
.06	.00	-.11	1.000	.98 A	1.02 A	DEC 12	660

PRICE SLICES

So the 630 Call is decaying 3 times faster than the 590 Call. ***What this means is that with every passing day, the probability of OTM options becoming profitable are reducing faster than the other Options.*** If you do buy OTM Options, you should give yourself ample time for the trade to play out. The further you go out in time, your Theta loss from time decay reduces. Also look for low Volatility environments to put such a trade (covered in the next point), and approach the trade from a probabilistic perspective.

In summary, OTM Options are cheap, but they may not always be the best. Its best to look at Options in the context of Probability, and you can substitute Delta as a rough for probability of that option being in the money by expiry. For more information on these concepts, visit these links.

http://www.optiontiger.com/courses/call-options/
http://www.optiontiger.com/courses/put-options/
http://www.optiontiger.com/courses/time-decay/
http://www.optiontiger.com/courses/probability-and-greeks/

FAILING TO STUDY IMPLIED VOLATILITY BEFORE DECIDING AN OPTIONS STRATEGY

MISTAKE 3

Before deciding on an Options strategy, do you look at the current Implied Volatility of the Options ? If not, you're making one of the biggest mistakes in Options trading. And the worst part is – when your trade does not work out, you'll be at a loss to understand what went wrong. For example, you bought a Call option when you were bullish. The stock rose in price but your Call option which was supposed to increase in value, did not do so. You're shocked – how could this happen ??

Implied Volatility is truly the "wildcard" in Options pricing. If you bought that Call Option on a stock whose Implied Volatility was 32% for example, and the stock went up by $10, you're expecting to see an increase in the value of the Call option. However, as it rose $10, if the Implied Volatility of that Option dropped 5% points to 27%, its likely you'll see no gain the value of your Call option or even a loss.

Implied Volatility of any Option series is provided by all the good Options trading platforms. These platforms also provide the Implied Volatility of individual Options besides the entire expiry series. ***If you see that a certain Options series has an Implied Volatility of 30%, how do you know if this is high, low or average ? This is the real question all Options traders should be asking.***

There is a site called www.IVolatility.com - this site shows you a historical record of Volatility and compares it to current levels of volatility for any stock. See Figure below for a 6-month comparison of AAPL Options. The Blue Line is a 30-day average of Historical Volatility, and the yellow line represents the current levels of Volatility. In the middle of October, AAPL's volatility spiked to about 42% and has since fallen to 30%. If you were a buyer of Options during this time, it's very possible that you would have seen the stock move in your direction, but because of the drop in Volatility, you may or may not have seen any profits. Similarly, in the beginning of August, AAPL Volatility was at its low of 20%. This would have been an ideal time to be a buyer of Options, because you can expect a "reversal to the mean" effect and Implied Volatility to rise back to its mean levels, which seems to be between 25 and 30 - at least on this 6-month chart.

A higher Implied Volatility means higher Option prices. Take a look at the next two graphics for a comparison of Caterpillar (CAT) and Netflix (NFLX) Options taken some time in March 2012.


CAT CATERPILLAR INC COM ±1.616 B: 108.56 A: 111.00 110.22

UNDERLYING

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
110.22 N	-.06	108.56 K	111.00 K	0 x 0	6,528,674	110.88	111.09	109.80

TRADE GRID

OPTIONS

Spread: Single Layout: Last X Exchange: Composite Symbols

Strikes: 30

CALLS Last X	CALLS Bid X	CALLS Ask X	Exp	Strike	PUTS Bid X	PUTS Ask X	PUTS Last X
MAR 12 (6) 100							32.07% (±3.75
APR 12 (41) 100							29.46% (±8.76
N/A	48.50 B	51.95 B	APR 12	60	0 B	.04 C	N/A
N/A	43.65 I	46.80 B	APR 12	65	0 B	.05 A	N/A
N/A	39.45 C	41.80 B	APR 12	70	0 B	.08 A	N/A
N/A	33.70 I	36.85 B	APR 12	75	.05 X	.10 I	.05 A
N/A	29.55 C	31.85 B	APR 12	80	.10 C	.13 X	.11 C
25.34 C	25.20 I	25.55 X	APR 12	85	.19 X	.22 C	.20 C
21.05 A	20.35 B	20.70 X	APR 12	90	.35 X	.38 X	.38 C
16.15 X	15.80 X	15.95 A	APR 12	95	.64 I	.66 I	.65 Q
11.20 I	11.30 X	11.40 X	APR 12	100	1.15 X	1.20 C	1.20 Q
7.20 Q	7.20 X	7.30 B	APR 12	105	2.10 X	2.16 X	2.18 N
3.85 I	3.85 C	3.95 X	APR 12	110	3.80 C	3.90 X	3.89 C
1.68 X	1.65 X	1.69 Q	APR 12	115	6.65 I	6.75 X	6.76 C
.57 C	.54 I	.57 I	APR 12	120	10.55 X	10.75 C	10.80 X
.18 I	.15 N	.17 X	APR 12	125	15.15 Q	15.40 I	15.40 B
.06 C	.03 X	.07 C	APR 12	130	20.05 B	20.50 B	23.19 C
.01 C	0 B	.05 A	APR 12	135	24.30 B	25.45 I	22.00 C
.01 C	0 B	.04 C	APR 12	140	28.35 B	31.80 I	24.00 I
N/A	0 B	.04 C	APR 12	145	33.50 B	36.80 I	N/A
MAY 12 (69) 100							33.06% (±12.77
AUG 12 (160) 100							34.24% (±20.31
JAN 13 (314) 100							37.29% (±31.68
JAN 14 (678) 100							33.68% (±43.34

NFLX NETFLIX.COM INC COM ±2.4 NASDAQ B: 108.50 A: 110.95 109.13

UNDERLYING

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
109.13 D	+1.06	108.50 K	110.95 K	1 x 1	5,309,571	107.00	110.26	105.6501

TRADE GRID

OPTIONS Spread: Single Layout: Last X Exchange: Composite

Strikes: 30

MAR 12 (6) 100 63.90% (±7.43)

APR 12 (41) 100 61.01% (±18.163)

CALLS Last X	CALLS Bid X	CALLS Ask X	Exp	Strike	PUTS Bid X	PUTS Ask X	PUTS Last X
N/A	53.10 C	55.15 C	APR 12	55	.01 C	.15 C	N/A
N/A	48.15 C	50.35 C	APR 12	60	.10 Z	.14 C	.13 A
N/A	42.75 C	45.30 C	APR 12	65	.17 C	.22 C	.21 C
39.80 C	38.50 I	40.60 C	APR 12	70	.32 W	.37 X	.37 A
34.98 A	33.65 C	35.80 C	APR 12	75	.54 C	.60 C	.54 A
25.74 I	29.75 Q	30.20 I	APR 12	80	.89 N	.94 A	.93 I
23.60 Q	25.40 X	25.70 X	APR 12	85	1.39 C	1.46 A	1.41 C
21.10 Q	21.15 X	21.40 X	APR 12	90	2.14 B	2.21 C	2.17 N
15.75 C	17.20 X	17.45 X	APR 12	95	3.15 C	3.30 X	3.20 C
14.25 Z	15.35 X	15.60 X	APR 12	97.5	3.80 X	3.95 X	3.81 I
13.65 Q	13.60 X	13.90 C	APR 12	100	4.60 B	4.70 C	4.65 Q
10.60 Z	10.55 C	10.70 X	APR 12	105	6.45 A	6.55 X	6.50 Z
7.84 I	7.90 C	8.00 C	APR 12	110	8.80 Q	8.90 X	8.90 I
5.85 C	5.75 C	5.85 X	APR 12	115	11.60 X	11.75 C	11.70 Q
4.00 C	4.10 W	4.20 X	APR 12	120	14.90 X	15.15 X	15.00 C
2.89 N	2.87 W	2.94 X	APR 12	125	18.65 X	18.90 X	18.35 Z
1.99 Q	1.95 N	2.02 C	APR 12	130	22.75 X	23.05 X	23.75 C
1.35 X	1.32 N	1.40 C	APR 12	135	27.10 X	27.40 X	30.38 C
.86 C	.92 N	.97 X	APR 12	140	31.70 X	32.00 X	33.67 I
.60 C	.60 N	.68 C	APR 12	145	36.25 I	36.95 I	36.70 C
.44 C	.41 C	.47 N	APR 12	150	40.20 X	42.75 C	40.31 C
.24 X	.29 I	.34 A	APR 12	155	45.80 I	46.50 X	48.36 C
.20 I	.20 N	.25 A	APR 12	160	50.60 B	51.80 C	53.11 C
.16 I	.14 N	.16 N	APR 12	165	54.90 C	57.55 C	54.77 C
.08 B	.11 N	.17 C	APR 12	170	59.90 C	62.25 C	59.82 C
.17 B	.05 X	.15 X	APR 12	175	64.75 C	67.25 C	N/A
.03 B	.02 C	.12 X	APR 12	180	70.00 C	72.10 C	N/A
.06 C	0 B	.11 X	APR 12	185	74.60 C	77.55 C	N/A

- Both stocks are trading at similar levels of 110
- The April series has 41 days to expiry
- For both stocks, the At the Money Options are at the 110 strike price

At this point in time, these two stocks are identical. But look at the 110 strike Options of both stocks for the same April expiry series.

- CAT 110 Calls are going for about $3.9 / share
- CAT 110 Puts are going for about $3.85 / share
- NFLX 110 Calls are going for about $7.95/share
- NFLX 110 Puts are going for about $8.85 / share

Why is this happening ? Two stocks are trading at the same price and have the same number of days to expiry for their Options, but NFLX Options are double the price of CAT. What is the reason ? The reason is Implied Volatility – the “wildcard”. Look at the top right (where the blue arrow is) – this number tells you the Implied Volatility for that Options series. CAT’s Implied Volatility is 29.5%, and now look at NFLX – it’s 61%. NFLX Implied Volatility is double that of CAT. Therefore its Options are going to be priced double that of CAT. NFLX is simply a much more volatile stock than CAT, and therefore its Options are going to be more expensive because of its ability to “jump around”.

Just because NFLX volatility is 61%, it does not mean you can’t buy NFLX Options. You have to compare current levels of Volatility with its own Historical number before you make that decision. If NFLX historical number is 75%, then 61% would be considered “low volatility”.

When you trade Options on any stock, its critical to study the current volatility of the Options and analyze if your strategy should be Vega positive or Vega negative, depending upon its current Volatility levels. When Volatility levels are high, it’s generally a good time to sell premium and be “short” volatility i.e. you’re expecting volatility levels to come down and benefit from a negative Vega strategy. When Volatility levels are low, it’s better to get into strategies that are “long” volatility i.e. you expect volatility to increase and benefit from a positive Vega position.

For more information on these concepts, visit these links.

http://www.optiontiger.com/courses/implied-volatility/
http://www.optiontiger.com/courses/strategy-and-optimization/
http://www.optiontiger.com/courses/option-spreads-philosophy/

Check here what traders tell about AAPL earnings!

DO YOU FULLY UNDERSTAND EXACTLY HOW ALL THE FOUR GREEKS WORK ?

MISTAKE 4

There are four Greeks that tell you how your Option's price is going to move relative to the underlying stock's price movements. They are Delta, Gamma, Vega and Theta. Delta and Gamma tell you how your option price will change relative to the stock price movements. Vega tells you how much your Option's price will move up or down with changes to Implied Volatility. And Theta tells you how much your Option will lose value every day. The tricky part is to understand how your position will do when all four Greeks are changing at the same time. If you do not intricately understand how all the four Greeks work, it's like a pilot flying a plane without using the instrument panel. You will be at a loss to understand why your profit or loss is behaving the way it is.

In addition to understanding how the Greeks work on any Option's price, it's important to watch your position Greeks. Many traders understand their Greek positions when they first put the trade on. What they fail to analyze or understand is your Greeks will change based on the movement of the stock, and sometimes they can change quite dramatically. And when you model for changes in Price, Time decay and Implied Volatility all at the same time, the Greeks can vary even more.

Consider the figure above.

- It's a risk graph of a simple Bull Call spread on the SPX Index.
- The SPX Index is currently trading at 1416 as shown by the red arrow (row marked Live).
- Just above and below are 2 simulations for the price of the SPX, +5% and -5%.
- The Greeks of the position are also shown.
- The position starts off with a position Delta of 283.

Now the first thing you have to make sure is that you're comfortable with this level of position Delta. For every $1 move in the SPX, your position is going to swing by $283. Is this kind of volatility acceptable to you ? If it is not, then you must reduce your Delta exposure. Bear in mind, Delta represents your exposure to price movement of the underlying stock, so always make sure your position Delta is something that you're comfortable with.

A few other points to note on this graph –

- The position starts with a minimal negative Theta (-$18).
- But look what happens if the SPX goes up by 5% or down by 5%.
- You become much more Theta positive or negative in these cases.
- Same is the case for Vega.
- You start with negative 114 Vegas, but with the price simulations of +/-5%, the Vegas become much larger, -776 in one case and +970 in the other.

Is this what you were expecting ? If the SPX index does make a +/- 5% move, the Greeks would look vastly different from when you first put the position on. Now, let's be clear – the Greeks will be what they will be, there is nothing anybody can do about it. But do you look at these things when you place trades ? And to make things a bit more complicated, did you try to simulate different values of time decay and changes in Implied Volatility ? In this example, all we did was model on price movement (+ or – 5%). But Option prices respond to three variables, not one. And when you model for all 3 variables, the position Greeks will look even more different.

Always check the position Greeks for all positions, and get a lay of the landscape of what your position Greeks will look like for different values of price movement, Implied volatility and passage of time. It takes only 5 minutes to do a quick simulation by changing these variables. By doing this simulation, you may notice that for a certain value of one of the variables, the position Greeks have become unacceptable to you. It is precisely at points like these (or preferably before it hits these points) that you must adjust your position. And any adjustments you do must neutralize the precise Greek you were concerned about. So for example, if the point of concern was very high positive Vega, then your adjustment must produce negative Vegas, and so on.

If there is any one single concept that lies at the heart of Options trading, it is the Greeks. Don't make one more trade until you've mastered how all the four Greeks work. Watch how they work on a paper trading account for at least a month. Put on different strategies like credit spreads or iron condors and see how the Greeks impact each one of these strategies. If you watch these positions for a month, you will clearly see how the Greeks are changing because all three Option pricing variables are going to change a lot in a month's time. It's worth repeating again - If you're a beginner to Options, you should not make a single real money trade until you have mastered how the Greeks work.

For more information, visit these links.

http://www.optiontiger.com/courses/option-greeks/
http://www.optiontiger.com/courses/probability-and-greeks/
http://www.optiontiger.com/courses/monthly-income-strategies/
http://www.optiontiger.com/courses/options-analysis-and-simulation/

TRADING OPTIONS THAT HAVE LOW LIQUIDITY AND/ OR WIDE BID-ASK SPREADS

MISTAKE 5

In the Options world, liquidity does not refer to how much stock changed hands. Options have their own daily Volume as well as something called “Open Interest”. The higher the volumes and Open interest, the more liquid the Options are. A Stock may be very liquid in the equity markets, but this may not be the case in the Options markets.

Low liquidity has two problems. The first is that it may be difficult to get out of a position you’re already in. If you bought an OTM Call or Put Option and it’s losing money, these Options are going further OTM at this point. If you try to sell those Options in the hope of recovering something, you may not be able to sell them. This happens because the market maker for that Option is not interested in them. Remember, in the Options world, you’re always dealing with a market maker and your transactions, for the most part, are made with the market maker. If the market maker is not interested in your Option, you won’t get a fill. Or they will give you a fill at a price that won’t make you happy.

In this figure, we can see the Volume and Open Interest columns on the SPY (S&P 500 ETF). The SPY is the best example of excellent liquidity. Open Interest runs in the hundreds of thousands of contracts and daily volume in the tens of thousands. These numbers are huge, but you don’t need to see such a high level of liquidity. As a general rule, an Open interest of 1000 contracts on any Option is an acceptable level of liquidity.

SPY SPDR TR S&P 500 ETF TRUST — 142.155

UNDERLYING

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
142.155 D	+.035	142.06 K	142.30 K	0 x 0	136,568,290	142.14	142.42	141.66

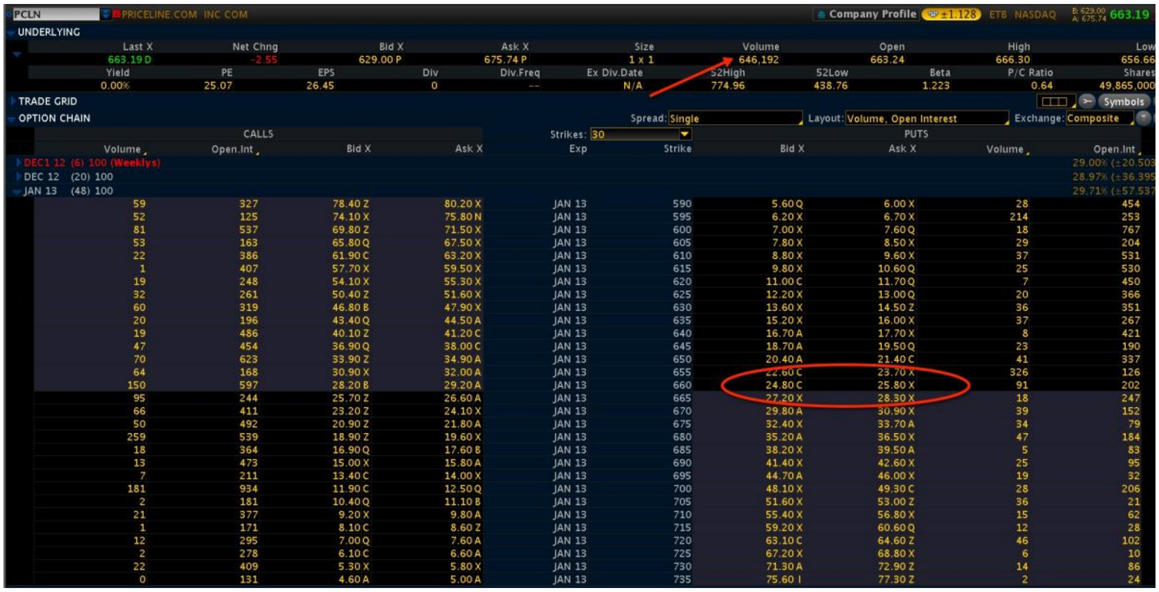
OPTION CHAIN — Spread: Single — Layout: Volume, Open Interest — Exchange: Composite — Strikes: 30

DEC2 12 (13) 100 (Weeklys) 16.33% (±3.568)
DEC 12 (20) 100 17.06% (±4.592)
DEC4 12 (27) 100 (Weeklys) 16.58% (±5.168)
DEC5 12 (30) 100 (Quarterlys) 16.19% (±5.315)
JAN 13 (48) 100 16.26% (±6.733)

CALLS Volume	CALLS Open.Int	CALLS Bid X	CALLS Ask X	Exp	Strike	PUTS Bid X	PUTS Ask X	PUTS Volume	PUTS Open.Int
0	3,667	14.19 X	14.46 W	JAN 13	128	.42 N	.49 X	2,084	24,980
16	3,915	13.23 C	13.49 W	JAN 13	129	.50 X	.55 Z	129	60,889
25	23,808	12.26 X	12.54 W	JAN 13	130	.58 X	.64 X	5,505	245,365
62	16,868	11.31 X	11.59 W	JAN 13	131	.67 T	.74 N	1,728	48,747
131	13,093	10.37 W	10.65 W	JAN 13	132	.78 Q	.84 C	4,095	77,010
91	10,186	9.45 X	9.73 W	JAN 13	133	.90 X	.97 N	9,632	104,142
117	12,938	8.55 X	8.82 W	JAN 13	134	1.06 W	1.11 B	8,578	113,865
285	41,219	7.67 X	7.94 Z	JAN 13	135	1.22 B	1.26 N	61,538	165,789
315	36,064	6.82 W	7.02 W	JAN 13	136	1.41 Z	1.48 N	17,100	78,150
597	21,218	6.00 X	6.19 W	JAN 13	137	1.64 W	1.71 N	29,562	99,037
2,221	26,034	5.20 X	5.41 W	JAN 13	138	1.88 Z	1.97 N	9,881	145,513
2,887	31,882	4.45 X	4.58 W	JAN 13	139	2.19 A	2.28 X	11,017	54,179
7,576	116,332	3.77 N	3.88 W	JAN 13	140	2.52 A	2.63 X	19,947	125,586
13,482	56,926	3.13 X	3.20 N	JAN 13	141	2.92 A	3.03 X	36,353	47,928
28,770	55,291	2.53 X	2.62 W	JAN 13	142	3.36 N	3.48 X	25,019	63,644
9,244	79,270	2.02 B	2.10 N	JAN 13	143	3.86 B	3.99 W	3,206	33,348
36,542	53,672	1.56 X	1.63 W	JAN 13	144	4.48 N	4.54 B	2,218	44,739
29,841	77,381	1.18 X	1.25 T	JAN 13	145	4.99 W	5.20 X	433	18,057
3,651	29,566	.88 B	.94 W	JAN 13	146	5.66 W	5.89 X	592	13,268
2,702	44,252	.63 T	.69 I	JAN 13	147	6.41 W	6.66 W	286	11,053
17,525	32,100	.44 X	.49 X	JAN 13	148	7.21 X	7.47 W	207	5,435
4,014	24,677	.29 I	.35 N	JAN 13	149	8.06 W	8.34 W	103	3,825
12,414	73,214	.20 Z	.24 I	JAN 13	150	8.96 W	9.24 W	258	12,318
4,002	16,477	.13 I	.18 X	JAN 13	151	9.88 W	10.17 W	466	2,068
725	23,774	.09 X	.13 W	JAN 13	152	10.83 W	11.12 W	100	1,969
141	19,980	.05 C	.10 W	JAN 13	153	11.80 W	12.09 W	56	619
57	9,958	.05 Z	.08 W	JAN 13	154	12.78 W	13.07 W	0	10,270
35	29,182	.02 X	.07 C	JAN 13	155	13.76 W	14.05 W	0	3,942
85	6,180	.01 X	.05 X	JAN 13	156	14.75 W	15.04 W	0	563
120	4,462	0 B	.05 I	JAN 13	157	15.74 C	16.04 W	0	1,327

The second problem with low liquidity is that market makers increase the Bid Ask spread and these can become wide for illiquid options. By paying more on the Bid ask spread, you're putting yourself at a disadvantage for the trade because your position must overcome this spread along with any other parameters of your Option strategy itself.

In the figure below, you can see Priceline (PCLN) Options. Although the stock itself had a daily volume of 650,000 shares (red arrow), the Volume and Open Interest do now show a lot of liquidity. Not surprisingly, you can see how wide the Bid Ask spread is for an At the Money Put option at the strike price of 660. The Bid price is $24.8 and the Ask price is $25.8 per share. For 10 contracts (1000 shares), that would make a difference of $1000 just on your entry.



The Bid Ask spread is not something you can get away from. This is one of the ways that Market Makers make their money. However, it is your responsibility to minimize the slippage on the Bid Ask spread. And bear in mind, whenever you have high Volume and high Open Interest, the Bid Ask spread will always become more favorable to the trader. More information on these topics is available here –

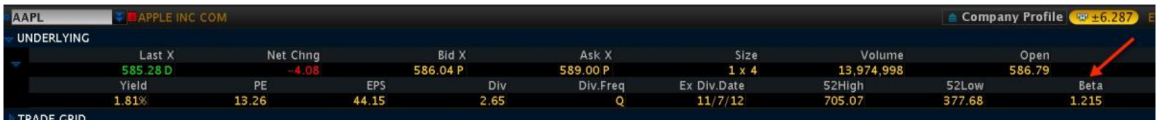
http://www.optiontiger.com/courses/options-market-structures/
http://www.optiontiger.com/courses/etf-and-index-trading/

TAKING ON TOO MANY POSITIONS OR ONES THAT ARE HIGHLY CORRELATED

MISTAKE 6

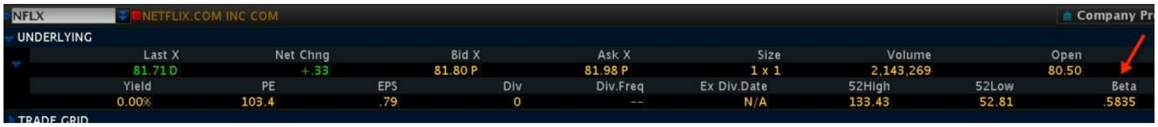
All stocks have a correlation to the broad market index - the S&P 500 Index. This correlation is called the BETA of the stock. Every stock has a Beta value. The Beta value of a stock simply denotes how much this particular stock will move for a 1-point move in the S&P index in any direction. A stock such as Apple (AAPL) has a Beta value of 1.21 (see figures below). This means that for every 1 point move in the S&P 500 Index (SPX), AAPL will move $ 1.21 in the same direction as the SPX – up or down. Beta values can be negative or positive. A stock with a Beta value of 1 is considered to be perfectly correlated with the SPX. All platforms calculate this for you automatically. You can see examples of Beta values of some of the more popular stocks below.

AAPL has a Beta value of 1.215

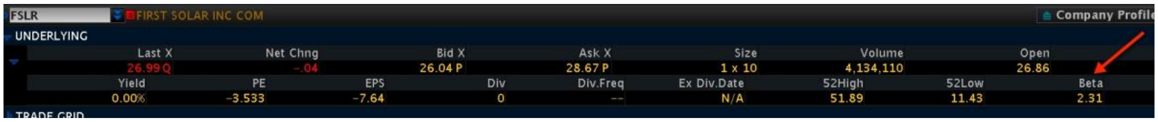


IBM has a Beta value of 0.67 (Medium to low correlation)

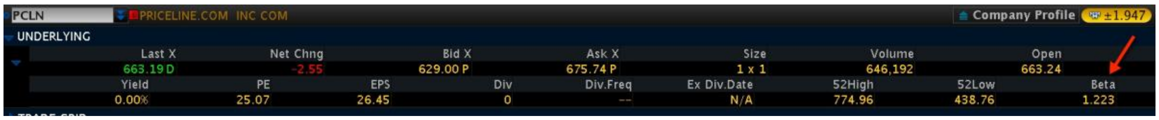
Netflix has a Beta value of 0.58 (Medium to low correlation)



First Solar has a Beta value of 2.31 (very high correlation)



Priceline correlation very similar to Apple



From these figures, we can see that AAPL and PCLN Beta values are almost identical. For every 1 point move in the SPX, both AAPL and PCLN will move about $1.21 and $1.22 respectively. Similarly, you can find many more stocks that have a Beta value between 1.2 and 1.25. All these stocks can be expected to behave very similarly barring any individual company specific events or news.

Does it then make sense to put the same or similar trade on both AAPL and PCLN at the same time ? What are the disadvantages of such a strategy ? The main disadvantage is that you now have 2 positions to adjust. Remember, one of the greatest features of Options is that you can adjust them if things go wrong. This is very different from owning stock where you can either watch the stock drop and accumulate losses or sell the stock and book your losses. Those are pretty much the only things you can do, but that's not the case when you're trading Options. In the Options world, you can always adjust your position to neutralize losses or even convert a losing position into a winning one. But when you have two or perhaps several highly correlated trades, you are faced with adjusting each one of them separately. Not only is this a cumbersome process and unnecessary overhead, you may be losing money especially if the market is moving fast and you don't have time to adjust all these positions.

The second mistake traders make is having too many open positions. Having too many open positions, even if they are not correlated presents a management problem. Options are not like stock. You're likely to have different Options strategies on different stocks because they all present different opportunities. AAPL may be experiencing high volatility, so you may have credit spreads like a Bear call spread, whereas Google may be in a trading range, so you may have a Calendar spread on Google. These two strategies are very different from one another, and the adjustments required for them are very different as well. Having too many open positions then clouds your ability to create appropriate adjustments for each of these positions in an efficient and timely manner.

However, if you do find yourself in this position, there is a solution that is somewhat advanced, and is covered in the course list mentioned below. This solution is called BETA WEIGHTING your portfolio. Because every stock has a Beta value that is calculated by its correlation to the SPX, we can Beta weight the entire portfolio to the SPX. So if you have 10 different positions on 10 different stocks, Beta weighting to the SPX or SPY will give you exactly what you need to buy or sell in the Index itself so that your entire portfolio is neutralized. This means your portfolio is now perfectly hedged once you make this adjustment with the SPX or SPY. This advanced strategy is covered in the Hedging course –

http://www.optiontiger.com/courses/advanced-hedging-with-futures/

Position management is a critical skill, and this varies from one trader to another. Some traders can manage several positions and other traders will manage no more than two or three positions at any given time. And making sure your positions are not too correlated will ensure that your adjustments are manageable as well as provide true diversification to your portfolio.

USING TECHNICAL ANALYSIS AS BLIND FAITH INSTEAD OF A PROBABILISTIC TOOL

MISTAKE 7

Technical analysis is widely used by traders and investors across the world. In fact, the reason technical analysis is important is because so many traders are watching the same charts, the same support and resistance points and various other indicators. Technical analysis really then becomes a study of market psychology and crowd behavior. Because traders expect many other traders to buy or sell at certain points, they themselves are motivated to do so at those points. And the more people that engage in buying or selling activity at certain points, these points seem to validate the crowd's theories and it becomes a self-fulfilling prophecy. Many traders apply technical analysis to make trade entries or exits in the Options world, so this mistake is often committed by Stock as well as Options traders.

But will technical analysis always tell you if buyers will come in at a support point or if sellers will sell at resistance points? Will a 5-day moving average crossing above the 20-day guarantee a bullish move ? If the RSI indicates an overbought situation, should you sell ? None of these indicators can tell you what will happen in the present or the future. Their usefulness lies in the fact that they tell you what happened in the past when the stock reached these levels. Now that you know what happened in the past, should you run with the crowd this time expecting the same thing ? No, don't follow the crowd. You should wait for the pattern to unfold itself, and if you're convinced that the technical pattern is playing out as expected, then take your trade. You may get in a bit late, but this is the more prudent approach. Many people swear by technical analysis, and will take a trade as a technical pattern is forming, and this is the wrong approach.

The second mistake stock and Options traders make with Technical analysis is to go into a mode of "analysis paralysis". There are hundreds of technical indicators in the market and a trader can easily get carried away by charts with complex drawings. It is best to keep things simple. You really need no more than 3 or 4 indicators. You need a price movement indicator (like a moving average crossover), an indicator for momentum (like the MACD), and a volatility indicator (like Bollinger bands). Using technical analysis ***as a guide*** for proper trade entry and exit is the best approach. And remember, technical analysis will work until it does not. Most traders also ignore Volume analysis. Volume is the only indicator that shows the "activity" levels of Smart Money, the big hedge fund players and proprietary trading groups at major investment banks. It is these big players that move the markets on a daily basis, and their activity can be tracked if you study Volume. The Figure below shows one possible set of indicators that traders can use without getting too bogged down with Technical analysis.

Price action – 5 day and 20 day Simple moving averages
Volatility – Bollinger Bands with a 2 standard deviation range from the mean
Volume – Volume Chart
Momentum – MACD indicator

If you find this minimal set of indicators too complex to understand, start with a smaller set. But you really don't need more than these basic set of indicators to guide you with proper entry and exit. For a more detailed understanding of how these indicators work, visit this link.

http://www.optiontiger.com/courses/technical-analysis/
http://www.optiontiger.com/courses/volume-and-chart-analysis/

And in Module I, the course on Smart Money is a fascinating look at how the big players – hedge funds and proprietary trading groups can be tracked and followed for our individual financial benefit. It always helps to align your trading strategies alongside the "Smart Money", and this course shows how you can do that.

http://www.optiontiger.com/courses/smart-money/

Technical analysis works 50 to 70% of the times at best. Previous support points break down, or previous resistance levels get taken out. Technical analysis also works best in the absence of "fundamental" events. Fundamental events are outside the control of individual stocks, and have more to do with the overall market sentiments or crisis in certain global financial segments. Technical analysis will not work during these times, neither will they work when a specific company is facing uncertainties of its own – like lawsuits, oil spills, mergers, scandals etc. In the absence of any of these factors, technical analysis can be used as a very good guide to your trading activity. But always remember it is only a probabilistic tool. No amount of indicators can tell you what the market will do.

Testimonial

Well Hari thanks for all the great advice. I realized I made a mistake in doing the trade the way I did. I went ahead and BTC the call at the open. And have a very tight stop. I have to say thanks one more time. You explained this very well.

- Denise Fox -

ADDITIONAL READING AND FREE MINI-COURSES

Enhance your learning of the Markets, Options, Stocks and ETFs, Technical Analysis, Trading strategies and Macroeconomic issues that impact financial markets from these free resources from www.Optiontiger.com. See the next section for free mini-courses.

Macroeconomics, Bond Markets and more

http://www.optiontiger.com/one-year-after-aaa-and-where-are-we-today/
http://www.optiontiger.com/are-you-still-a-long-term-buy-and-hold-investor/
http://www.optiontiger.com/the-u-s-china-divergence-which-market-is-right/
http://www.optiontiger.com/u-s-demographics-and-its-impact-on-the-economy/
http://www.optiontiger.com/ecb-bond-buying-program-is-a-co-ordinated-race-to-devalue-currencies/
http://www.optiontiger.com/bernanke-announces-unlimited-qe-will-it-work/
http://www.optiontiger.com/jim-rogers-interview/
http://www.optiontiger.com/u-s-debt-to-gdp-ratio-just-went-over-100/

Options Strategies

http://www.optiontiger.com/trading-aapl-earnings-today/
http://www.optiontiger.com/aapl-earnings-trade-strangle/
http://www.optiontiger.com/put-options-explained-aapl/
http://www.optiontiger.com/covered-calls-explained/
http://www.optiontiger.com/apple-volatility-looks-to-increase-before-earnings-nov-straddle-looks-good/
http://www.optiontiger.com/trade-simulator-and-analysis/
http://www.optiontiger.com/anatomy-of-aapl-bull-call-spread/
http://www.optiontiger.com/straddle-trade-setup-and-rationale/
http://www.optiontiger.com/options-trade-to-buy-msft-at-26-50/

Company specific Trading and Investment Ideas

http://www.optiontiger.com/apple-a-growth-or-value-stock/
http://www.optiontiger.com/facebook-mobile-advertising-and-search/
http://www.optiontiger.com/got-manu/
http://www.optiontiger.com/what-is-apple-valuation/
http://www.optiontiger.com/ancestry-com-acquired-for-1-6-billion-what/
http://www.optiontiger.com/apple-under-steve-jobs-and-tim-cook/
http://www.optiontiger.com/facebook-withheld-material-info/
http://www.optiontiger.com/chart-reading-a-tale-of-two-googles/

Broad Market Concepts

http://www.optiontiger.com/stop-losses-and-flash-crashes/
http://www.optiontiger.com/potential-sp-500-bullish-pattern-for-summer/
http://www.optiontiger.com/the-vix-index-post-greek-elections/
http://www.optiontiger.com/wow-vix-index-16-exactly-one-day/
http://www.optiontiger.com/is-the-stock-market-a-game-of-skill-or-chance/
http://www.optiontiger.com/understanding-vix-index/
http://www.optiontiger.com/putting-chart-reading-skills-to-the-sp-500/

VIDEO MINI-COURSES

The following video mini-courses takes a single concept and explains it in detail. The videos are conveniently categorized by level.

BEGINNER LEVEL

Risk Profile of Stocks versus Options click to watch

Most average investors don't realize that stocks have something we call in the Options world as an "unlimited loss profile". Its only when we look at a Stocks vs Options position on a P&L graph that we realize how scary a Stock profile can be. In the Options world, its all about controlling your risk. In this video, we compare a stock position in Google (GOOG) to an equivalent position using Options. Options have several advantages over stocks, and risk management is one of them. We look at this feature in detail.

Option Quotes and Screens click to watch

An introductory video describing Stock and Option quote screens on the ThinkorSwim platform. Most trading platforms should provide all of this information, albeit in different layouts. We introduce the concept of expiry series – Weekly options series, Month options series as well as long-term Options series. Also covers important data fields like the Put-Call Ratio, Beta, as well as fields on Options chain. We explain how to look at an Options chain and understand the key elements on an Options screen.

Support and Resistance click to watch

This video explains the psychology of Support and Resistance. We use the S&P 500 Spyder ETF (SPY) 1 year chart. We identify strong support levels at the 110 level and study the battles being waged at that level. Support points represent battle areas, and even though buyers are expected to come in and buy at those support levels, it does not mean that the stock will go up from that point. It depends on the intensity of the battle that is waged at that level. If you wanted to buy a stock at a support point, you'd wait to see who won the battle – buyers or sellers, because it could go either way. Once the result is decisive, that's when you move in.

Capital efficiency of Options click to watch

In this video, we compare the capital requirements of similar positions using Stock and using Options. One of the key advantages of using Options is capital efficiency of Options. We compare a stock position in Google (GOOG) and an equivalent position in Options. Options

involve deploying significantly less capital to achieve a similar reward profile, as compared with Stocks.

INTERMEDIATE LEVEL

Debit and Credit Spreads click to watch

Debit and Credit Spreads are an intermediate level Options strategies, but they form the centerpiece of the Options playbook of strategies. If you can master Options spreads, you can easily tackle the advanced strategies because most advanced strategies can be broken down into spreads. Spreads are perfect for busy professionals because they control risks and provide for better capital management even better than single Options, if we can believe that. Credit spreads can be used on a monthly basis to create a regular monthly income. We introduce the two types of spreads in this video, but we have an entire Module (IV) dedicated to Spreads.

Option Risk Graphs and Greeks click to watch

When analyzing an Options position, it is helpful to put yourself in the role of an airplane pilot using Option risk graphs. A pilot needs two tools – a "Map" to know where you want to go, and an "instrument panel" that can reliably get you there. In this video, we show you these two tools in the Options trader's arsenal. A "visual" understanding of your positions are key – we introduce these concepts in this video, but these concepts are applied in almost every video throughout the courseware. Option Greeks play a vital role in understanding how your position will behave under different market conditions.

Understanding Standard Deviation click to watch

The statistical concept of Standard Deviation is widely used in the stock markets, and follows the principle of the bell curve of a normal distribution. In fact, this concept is applied in various contexts – understanding Volatility, Probability, and estimating ranges for stock price movements. In this video, we cover how standard deviations are represented on a trading platform and what their importance is. Although standard deviation calculations reflect past prices and do not attempt to predict the future, it is always good to have an idea of how a particular stock moves. The concept of standard deviation is applied in our modules I thru V.

Bollinger Bands click to watch

Bollinger bands are a Technical analysis tool that provides helpful information about stock price movements. Specifically, the bands can be configured to show if a stock has moved past its 2-standard deviation points. The statistical definition of 2 standard deviation moves tells us that such a move outside the bands is likely to happen only 5% of the time. In this video, we show you what a Bollinger band is, how it can be configured, and how to glean insights from Bollinger bands. Specifically, Bollinger bands can provide good signals for trend reversals.

ADVANCED LEVEL

Margins for Debit and Credit Spreads click to watch

Debit spreads and credit spreads have vastly differing characteristics. Debit spreads assume the profile of an Option buyer, whereas Credit spreads assume the profile of an Options seller. When you're an Options seller, it is helpful to think of yourself as an "insurance company". When you insure your car, your risk is low – it's limited to the insurance premium you pay. This is the profile of an Option buyer. When you're an Options seller, you are the Insurance company. This is obviously more risky, but…hold on.. Insurance companies would not have become some of the largest companies in the world if their model was flawed

Probability Analysis click to watch

Probability analysis goes to the heart of understanding how the stock markets work. In the Options market, probability analysis plays a big role if you assume the position of an Options seller. Bear in mind, you are the Insurance company when you're an Options seller, and the business model of insurance companies is deeply rooted in statistical and probability analysis. We take you behind the scenes on the Thinkorswim platform and show you some cool tools on the platform.

Iron Condor Setup click to watch

The Iron Condor is one of the most popular advanced strategies amongst advanced traders. There are several reasons for this – the trade is non-directional so you can profit from movement in either direction. You get to keep double the credit for less risk than if you'd just put a normal credit spread. And most importantly, one leg is an automatic winner. It's hard not to like an Iron Condor – and it is got the coolest name in town . We show you how to setup the Iron condor, and the things to watch for. We also cover Iron Condors in detail in the Advanced Modules VI and VII. **CAUTION** - do not attempt an Iron Condor unless you're a master at putting on credit spreads and managing them successfully (Module IV).

Non-directional Strategies click to watch

In non-directional strategies, you don't care if the Stock goes up or down. Your strategy profits from a move in either direction. The strategy starts out as Delta Neutral – or at least you should try to construct it that way. But this does not mean your position will remain Delta neutral forever. In fact, your position will achieve a +ve Delta or a -ve Delta bias, depending on the stock's movement. But these strategies have one clear advantage over others. You don't have to be right in forecasting the direction of stock movement. And that fact alone places it in our Favorites.

Related Links –

1. YouTube Channel – Over 60 videos with course previews, trading ideas and Options strategies.

http://www.youtube.com/user/OptionTiger/

2. Linkedin Group – Over 500 Stock and Option investors have lively discussions on investment ideas, and learn from each other. It's an open group and anyone can join

http://linkd.in/V4aoDB

Thank you for going through this material, and I hope it was helpful to you. My goal is to help individuals understand financial markets and profit from it. Others will make it sound rosy, and that returns are easy. Nobody will tell you the honest truth - you're dealing with shark-infested waters. Whether your goal is to make a passive income from trading and investing, or to make it your main business, it's critical you learn the knowledge first.

It's definitely possible to make a very decent living from these activities – but be patient, be diligent, and as I've highlighted the first biggest Options trading mistake – **DO NOT ASSUME YOU KNOW WHAT OPTIONS ARE AND HOW THEY WORK. IT IS A LEARNING CURVE AND IT WILL TAKE SOME TIME. WHEN YOU REALLY KNOW ALL THE INTRICACIES OF OPTIONS, YOU WILL KNOW IT.**

At www.optiontiger.com, we've created a courseware that starts from scratch and tackles every little detail in the order it should be learnt. Every course has cutting-edge insights, and every pitfall in Options trading is highlighted with crystal clarity.

This kind of quality of material costs thousands of dollars in the market. I've tried to keep the pricing at a level that is affordable to as many people as possible. We hope you will try it and become a "option tiger trader".

If you have any questions, please send us an email at info@optiontiger.com .
Wish you the very best.

Hari Swaminathan

Courses Description

Intro to Financial Markets click to watch

This course provides an overview of various financial asset classes like the Stock and Bond markets, Mutual Funds, Precious metals like Gold and silver, Oil, Commodities, Currencies and Foreign exchange, as well as Derivatives like Index Futures, Options and Credit default swaps (and the role they played in the 2008 crisis). The "Intro to Financial Markets" course looks at various examples from 2000 to 2011 to understand how certain asset classes are correlated and how certain asset classes are inversely correlated. Also covers Private Equity, Venture Capital etc.

What you will master

- How are different financial markets correlated e.g. Stock and Bond markets
- Or the Gold markets and US Dollar
- Why does Gold move up or down
- How does the USD dollar perform in times of crisis or stability
- What are the RISK ON and RISK OFF modes
- What are safe haven asset classes
- Why is the Bond Market a safe haven
- Why is Oil such a volatile commodity
- What is the Carry Trade
- Which currencies are considered safe havens and why
- Why do some currencies become strong and others become weak
- What are exchange traded derivatives
- What are Over the counter derivatives and why they can be dangerous
- What is a Credit default swap and what role did it play in the 2008 crisis
- What warning signals should investors look for on a global macro-economic scale

Global Money Machine click to watch

Global money flow moves across the world every day in search of return, and this is the "Global Money Machine" in motion. We quantify in absolute dollars how large this pool of money is, where and how it is invested, what are its trends over the last two decades, and where money is getting its best return. We introduce the concepts of an Index fund and Alpha – the return investors seek over and above the return from a broad market index like the S&P 500. We look at risk-adjusted returns of various asset classes, as well as countries and regions. This is also an introductory course, with maximum benefit for a newcomer to financial markets. The course contains very interesting charts and data analysis.

What you will master

- How much wealth exists in the world in financial assets
- Which institutions have the most money and where do they invest
- Where is this wealth invested and what has been their performance in recent times
- Why are emerging markets an attractive investment destination
- Should you go all-in into emerging markets…and when do you exit them
- What are "safe" investments and what money flow is in safe investments
- Where is wealth being accumulated the fastest
- What are cross-border flows and what are the trends of the last two decades
- What do we mean by seeking "alpha"
- Why do institutional investors seek "Alpha" and where do they go to find it
- What is an Index fund and why are they popular
- Why are monkeys better investors than most money managers (this is not a joke!)
- What do we mean by risk-adjusted returns

US Stocks Indices and ETFs click to watch

The U.S. stock market is the largest and most dynamic in the world. It offers the most options for investors around the world. We study how stocks are valued, and the different kinds of analysis investors use to make their investment decisions. We introduce two very important stock concepts – Beta and Volatility. Both measures are quantified, and give investors a good idea of how a stock can move with the general market. We look at the major U.S. Indices like the S&P 500, Nasdaq, Dow Jones industrial average and the Russell 2000, its components and the advantages of trading an Index. Finally, we dive into the exciting world of ETFs. Regardless of which country, sector and asset class, there is always an ETF for that.

What you will master

- The two sides of the market – Long and Short
- What is fundamental and technical analysis
- What is a stock's "Volatility"
- Will Apple and IBM move around similarly or differently and why
- Why does an Index provide instant diversification
- Can we trade indices and how
- What are ETFs, and how can small investors trade macro ETFs
- How has ETFs simplified the investment world
- What are Index ETFs
- What are leveraged ETFs, Inverse ETFs, Sector and Country ETFs
- How is it possible to short the market or a stock without shorting anything
- How we can invest in any corner of the world using ETFs
- A complete run-down on investment into ETFs

US Bond Market

click to watch

The U.S. Bond market is the largest and most dynamic in the world. This course looks at what Treasury bonds are, and why they are one of the most important asset classes to follow. We study the correlations between the Stock and Bond markets. You'll learn why Bond prices move, how they are intertwined with interest rates and inflation, as well as its relationship with credit ratings. We study the impact of the AAA downgrade of the U.S. debt, the long bull run in the Bond markets, and what might present a chink in this armor in the future. We look at the role of the Federal Reserve, and how it intervenes in the markets. Finally, we look at all the simple ways to trade the Bond markets without actually trading any actual Bonds

What you will master

- What is the Bond market and why is it so important to follow
- How are Bonds correlated to Stocks, and what is RISK ON and RISK OFF
- If Bonds are fixed income instruments, why do their prices move
- What is the relationship of Bonds to Interest rates
- What is the relationship of Bonds to Inflation
- Why do credit ratings matter in the Bond market
- Why and how does the Federal Reserve intervene in the markets
- What is Quantitative Easing and what are its effects
- Is there any downside from money printing or QE
- What are the perils lurking in the Bond market
- How do I play the Bond market in a simple way
- What ETFs can we use to trade the Bond Market
- What can we learn from Japan's experiences with printing money

Smart Money click to watch

We all know or have heard of "smart money" or "big money". They are generally understood to have deep pockets, and move markets with their size. But do we really know who or what they are ? And how do we track them, and benefit from their moves. This course takes a deep-dive into how we can spot smart money operating in the markets. It is said that human nature does not change and this cliché is clearly evident in the markets. We explain how to spot the smart money, and why it makes sense to follow them, because it makes no sense trying to beat them. We study a 10 year chart of the S&P 500, and clearly identify all the smart money activity points. This is an exciting course ☺

What you will master

- What is smart money and are they active in the markets
- How do we spot them and track them
- Does it make sense to go with them or against them
- Why does the Richard Wyckoff methodology provide a storyline to the markets
- Why is it important to construct the market storyline
- Why Volume analysis is critical to spotting and tracking smart money
- How we could clearly spot Smart Money before the crash of 2008
- How smart money had started selling in March 2007 and the markets peaked in Oct 2007
- What is the accumulation phase and why is this needed to have a bull market
- What is the distribution phase and why is this needed to have a bear market
- Why does big money like stock price movements without friction
- What are the tactics used by smart money
- What is the Market cycle and how can we recognize tops and bottoms
- Can we spot smart money in intraday charts ? Yes, you can..

Call Options click to watch

The Call Option is the most basic and simplest Option to understand. We introduce what a Call Option is simple language that anyone can understand. We use real-world examples to explain how a Call Option would work in real life. This example should make it absolutely clear what a Call Option is. We also introduce the concept of Option buyers and sellers, and how different each one's risk and reward profile is. Several basic Options concepts are also introduced in this course, so this course is a prerequisite for all the other courses in this module. We extend the real world example of Call Options to real Options on Apple (AAPL) on a live trading platform

What you will master

- What are Options, and what are Call Options
- What are the fundamental differences between Stocks and Options
- What are the factors affecting Option prices
- An excellent real world example of a Call Option
- What are At-the-money (ATM), Out-of-the-money (OTM) and In-the-money (ITM) Options
- The risk profile of a buyer and seller seems to be skewed – why is this ?
- What are the rights and obligations of the buyer and seller of Options
- What are the things going for the seller of an Option
- Breakeven analysis and Profit and Loss graphs for buyers and sellers
- How real Options are represented in the financial markets
- Translate real world Options into AAPL Call Options

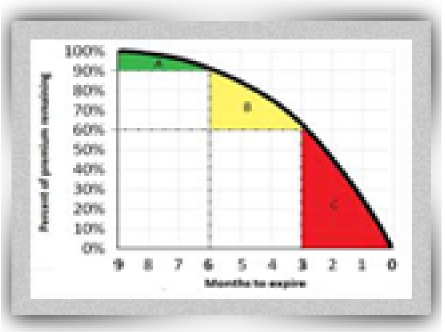
Put Options click to watch

The Put Option is the ultimate "protector" of your portfolio, and in this course you can learn how Put Options work. It is the exact opposite of a Call Option. Put Options increase in value when the value of a stock or index drops in price. We define what a Put Option, and just like we did in the Call Option, we consider a real-world example of a Put Option. Fortunately, we have excellent examples of Put Options in real life – when we buy Insurance for our car or home, we are actually buying a Put Option. This example should make it absolutely clear what a Put Option is. The course looks at buyer and seller perspectives in a Put Option transaction, and analyzes the breakeven, and profit and loss profiles, all using the real world example first.

What you will master

- Learn Put Options using simple real-world examples
- What is a Put Option and how is it the opposite of a Call Option
- Why is a Put Option the "ultimate protector" of your portfolio
- A real world example of a Put Option we are all familiar with
- How Put Options make money in bear markets
- Buyer and seller perspectives of Put Options
- Breakeven analysis and Profit and Loss graphs for buyers and sellers
- Compare the real world Options to Options in the financial market
- Study AAPL Put Options in detail

Time Decay click to watch



Time decay is a pivotal component of Options strategies. In fact, time decay alone is responsible for the majority of advanced option strategies. In this course, we are going to study the concept in detail. Options are “wasting” assets, and they lose value every day. The buyer gets hurt from time decay and the seller benefits from it. And time decay becomes more exponential as we approach expiry of an Option. It is also the great equalizer between the profiles of a buyer and seller of Options. The risk / reward equation is complete when you consider the position of buyers and sellers of Options. Several intermediate and advanced strategies are based on selling premium (option sellers) and these position make a profit due to decay in the value of these options over a period of time.

What you will master

- What is time decay and how does it benefit Option sellers
- A complete recap of buyer and seller risk and reward profiles
- Why does the seller of Options not want movement in the Stock
- Why is Time decay the great equalizer
- Apply this concept to our real world examples
- How can we observe it in Options in the financial markets
- Demonstration of time decay using AAPL Options

Implied Volatility

click to watch

Implied Volatility is the “wildcard” in Option prices. Ignore it, and you will pay a price. In fact, it’s so important we have at least four different varieties – Volatility, Implied Volatility, Historical Volatility, and Future or Expected Volatility. We use our real-world examples to explain the concept of Volatility in simple terms. Then we study how Volatility is quantified in Stocks and Options. And how Volatility finds a back-door to embed itself into Option prices. Implied Volatility considerations are critical when choosing between a buyer and seller profile. We break this complex topic down into simple terms and show you an example of NFLX and CAT options that should make it absolutely clear what this is all about.

What you will master

- How are Option prices determined and is there an unknown variable
- Why is it difficult to calculate or determine Implied Volatility of an Option
- Why is this called “implied”
- How does Implied Volatility manifest itself into Option prices
- Why is it the “wildcard” in Option prices
- Understand a real world example of Volatility
- What is the relationship between Option prices and Implied Volatility
- How should buyers and sellers look at Implied Volatility
- Does IV work differently for buyers and sellers
- Are some strategies better for high volatility situations
- How can we observe Implied Volatility in real Option prices

Option Greeks

click to watch

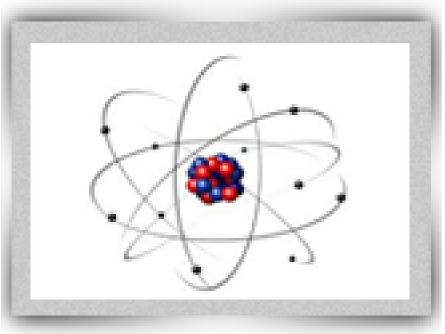
If you're the pilot of an aircraft, the Greeks are your instrument panel. If you don't manage your instrument panel properly, well...you get the picture. Understanding the Greeks are absolutely critical to every Option position. We break this course into easy to understand chapters for all the four Greeks – Delta, the king of all Greeks. Gamma – the silent operator. Theta – every Option seller's dream. And Vega – Watch out for this one.. Most beginners to Options tend to ignore the Greeks. Master the Greeks and you'll shave off months of learning curve. Not to mention, you can then fly your aircraft on "auto-pilot" (with help from the Greeks).

What you will master

- The four Greeks that govern all movements in Option prices
- How each Greek individually impacts option prices
- Why Delta is the king of all Greeks
- What do we mean by directional risk
- How does each Greek affect a buyer and a seller of Options
- Why the Greeks are critical to understand your Option position
- How the Greeks impact choice of "moneyness" and expiry series

Why Options are Powerful

click to watch



Options are one of the least understood instruments, yet they are some of the most powerful. In this course, we show four ways for everyday people to use Options. This is our first course in the BUSY PROFESSIONAL SERIES – this means these strategies can be applied without the need to monitor your positions on a day-to-day basis. And are ideal for working professionals. These positions require very few adjustments. This course also shows how we can combine the use of Stocks and Options to build a portfolio of long-term stocks at prices much lower than what the stocks are trading for. As well as generate monthly income from stocks you already own. And how we can hedge an entire stock portfolio from losses with just one Option trade.

What you will master

- Why Options are multi-dimensional and stocks are single dimensional
- Build a stock portfolio at unbeatable prices
- Generate monthly income from your own stocks
- Options are a powerful hedging instrument – see this in action
- Get a complete new perspective on Stocks
- Use stocks and Options in creative ways to build a portfolio

Options market Structure click to work

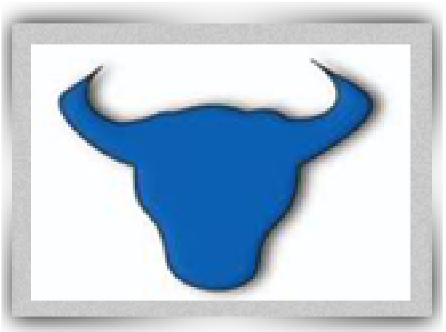
The Options market has a number of terms that we need to be aware of. Starting with Options history and the Black-Scholes model for Option pricing, we look at all the details that go into the Options market. We explain all the important processes like Exercise and Assignment, as well as things like Expiry series, Bid-Ask spreads, Brokerage and transaction costs and various other details. What is Open Interest and why is it important, or what is the role of a Market Maker. We study the different Order types and which ones are important for the average investor, and which ones make sense in different situations. We also discuss Regulation T Margin as it applies to Options as well as Portfolio margin.

What you will master

- When were Options first used in the world and how has it become popular
- What is the Black-Scholes Options pricing model
- What does Open Interest tell us about liquidity and what should we watch for
- What is Exercise and Assignment and how does it work
- What are the different Order types and which ones are the best
- What is the role of Market Makers on the Options exchange
- How is Regulation T margin calculated and what is Portfolio margin

Buying Call Options

click to watch



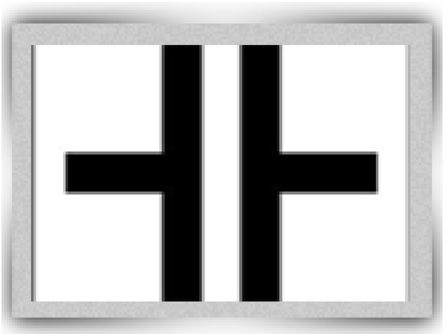
Buying a Call Option is the most basic of all the Option strategies and is the most efficient strategy to optimize a bullish outlook on a stock. In this course, we take the example of Chipotle Mexican Grill (CMG) and show how the trade played out in about 15 days time. We analyze the rationale behind entering the trade, the risk/reward profile, chart analysis and point of entry, choice of expiry and "moneyness" of the Option, time decay considerations, margin requirements, profit expectations, exit criteria, Greek analysis, its Profit and Loss profile and various other considerations. We provide a 360-degree analysis before trade entry. This is a real trade and over 15 days, and we navigate the trade to its exit point.

What you will master

- When should you consider a Stock for a Long Call position
- What are the criteria for good entry
- What are the Implied Volatility and time decay considerations
- What should we look for in terms of changes in Implied Volatility
- How do we analyze the Pilot's "map" – the Profit and Loss graph
- Which Option strike price should we choose to optimize our position
- Which Option series should we choose when buying call options
- When do we exit – what is a good profit point
- What external market considerations should we watch for
- Understand the ROI (Return on your investment) metrics of a trade

Selling Call Options

click to watch



Selling a Call Option is taking the opposite position of a Call buyer, and is a strategy that optimizes a flat to bearish view on the stock. In this course, we take the example of the Gold ETF (GLD) and show how the trade played out in about 3 weeks time. We analyze the rationale behind entering the trade, the risk/reward profile, chart analysis and point of entry, choice of expiry and “moneyness” of the Option, time decay considerations, margin requirements, profit expectations, exit criteria, Greek analysis, its Profit and Loss profile and various other considerations. We provide a 360-degree analysis before trade entry. This is a real trade and we navigate the trade to its exit point.

What you will master

- When should you consider a Stock for a Short Call position
- Why are selling Options considered a high risk strategy
- What are “naked sell” positions and what should we watch for
- What are the criteria for good entry
- What are the Implied Volatility and time decay considerations
- What we should for in terms of changes in Implied Volatility
- How do we analyze the Pilot’s “map” – the Profit and Loss graph
- Which Option should we choose to optimize our position
- When do we exit – what is a good profit point
- What external market considerations should we watch for
- Understand the ROI (Return on your investment) metrics of a trade

Buying Put Options

click to watch

Buying a Put Option serves two purposes – exploit a bearish move in the stock or be the ultimate protector of your stock. In this course, we take the example of the Euro ETF (FXE) and show how the trade played out in about 20 days time. We analyze the rationale behind entering the trade, the risk/reward profile, chart analysis and point of entry, choice of expiry and "moneyness" of the Option, time decay considerations, margin requirements, profit expectations, exit criteria, Greek analysis, its Profit and Loss profile and various other considerations. We provide a 360-degree analysis before trade entry. We show you how to "let your winners run" in a controlled manner.

What you will master

- When should you consider a Stock for a Long Put position
- What are the criteria for good entry
- What are the Implied Volatility and time decay considerations
- What we should for in terms of changes in Implied Volatility
- How do we analyze the Pilot's "map" – the Profit and Loss graph
- Which Option should we choose to optimize our position
- When do we exit – what is a good profit point
- What external market considerations should we watch for
- Understand the ROI (Return on your investment) metrics of a trade
- How should we scale out of a hugely profitable position

Selling Put Options click to watch

Selling a Put Option is taking the opposite position of a Put buyer, and is a strategy that optimizes a flat to bullish view on the stock. This course takes the example of Goldman Sachs (GS) and shows how the trade got into trouble. We analyze the rationale behind entering the trade, the risk/reward profile, chart analysis and point of entry, choice of expiry and "moneyness" of the Option, time decay considerations, margin requirements, profit expectations, exit criteria, Greek analysis, its Profit and Loss profile and various other considerations. A 360-degree analysis is provided before trade entry. This is a real trade and we navigate the trade to its exit point.

What you will master

- When should you consider a Stock for a Short Put position
- Why are selling Options considered a high risk strategy
- What are "naked sell" positions and what should we watch for
- What are the criteria for good entry
- What are the Implied Volatility and time decay considerations
- What we should for in terms of changes in Implied Volatility
- How do we analyze the Pilot's "map" – the Profit and Loss graph
- Which Option should we choose to optimize our position
- When do we exit – what is a good profit point
- What external market considerations should we watch for
- Understand the ROI (Return on your investment) metrics of a trade

Strategy and Optimization

click to watch

The Option strategy optimization course brings all the 4 Options strategies together. The 4 strategies are comprised of 2 bullish and 2 bearish strategies, but how and when should we choose a particular strategy over the other. We create a helpful "4 strategies box" to distinguish and connect one strategy to the other. Most importantly, what are all the considerations before we choose a strategy. Our choice of strategy depends not only on what the stock is currently doing, but also on various market externalities as well as a few key Option metrics like Implied Volatility. This course also provides a sneak peek into advanced Option topics like the VIX (Fear index"), trade simulation as well as trade adjustment parameters.

What you will master

- How to differentiate between the 2 bullish and 2 bearish strategies
- If you were bullish, would you choose a Bull call or Bull Put spread
- If you were bearish, would you choose a Bear Put or a Bear Call spread
- Why our outlook on the trade is the most important consideration
- What are the Implied Volatility and time decay considerations
- Which Option should we choose to optimize our outlook
- What external market considerations should we watch for

Single Option adjustments

click to watch

This course studies the need for Option adjustments, and why adjustments are as critical to the success of your position as good entry or analysis. We consider all the four basic strategies – the Long Call, Short Call, Long Put, and the Short Put and look at various adjustments to these positions if they get into trouble. Every investor has a "pain point" – this is the point at which they adjust their position. Applying a rigorous approach to this pain point enables investors to control risk while maximizing the opportunity to profit. The course also discusses various details like early adjustments, over-adjusting and adjusting profitable trades as well as the importance of the investor's outlook for the stock when considering adjustments.

What you will master

- What are adjustments and why do we need to adjust positions
- Why adjustments are a feature of Options that should be taken advantage of
- What are the considerations for making a good adjustment
- Are adjustments different for different strategies
- Sneak peek into "Option Spreads" – the focus of Module III
- How much of an adjustment should we make
- What is over-adjustment and why we should try to avoid it
- How should we adjust when our outlook for the stock changes

Probability and the Greeks click to watch

While Probability has been mentioned a few times in previous courses, we take a deep dive in this course. Having a finely tuned probabilistic mindset coupled with good analysis is an absolute must in financial markets. This course shows a few different ways of looking at Probability and how investors can create strategies to put Probability on their side. This course also takes a deep dive into the four Greeks – Delta, Gamma, Theta and Vega. We introduced these concepts in the previous module, but it is time to take their understanding to a new level. The Greeks are the path to putting your strategies on "Auto-pilot". We explain the subtleties of all the Greeks – very cool stuff, put your Math hat on ?

What you will master

- What is the importance of statistical price modeling in the stock markets
- Why is Standard Deviation an important metric
- What are the pluses and minuses of statistical modeling
- How can we choose strategies using Probability as a signpost
- Take your understanding of all the four Greeks to a new level
- Master the subtleties of each of the Greeks
- Look at option modeling from a mathematical standpoint

Philosophy of Spreads

click to watch

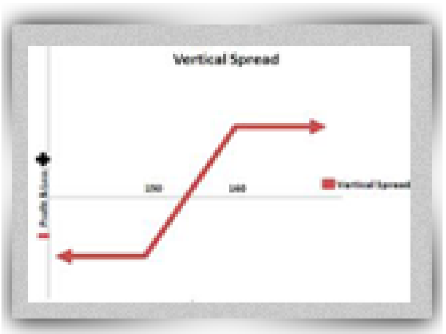
We introduce Options Spreads in this module. Options spreads sit right in between the 4 basic Option positions and the more Advanced level Option strategies coming up in future modules. The Spread is the bridge between the basic Option strategies and the advanced strategies. In fact, most advanced strategies are composed of the spreads we cover in this module, so this stuff is key. For the busy professional, Spreads offer the right mix of reward and risk. All 4 vertical spreads introduced in this module are extensions of the 4 basic Options. Spreads add an element of cost control and / or risk control to individual Options positions. Master the Spreads, and you'll be well on your way to mastering the advanced Options strategies.

What you will master

- Advantages and disadvantages of single Option strategies – Long and Short
- How Spreads tackle the negatives of individual Options
- With Spreads, you can now be a seller of Options – Yay !
- The meaning of "defined risk" Options investing
- Spreads help you control your costs and risk exposure
- What are the differences between credit and debit spreads
- How to make your adjustments smaller with Spreads
- Control risk and costs without compromising on Probability
- Sneak peek into Time Spreads – Calendars and Diagonals

Bull Call spread

click to watch



The Bull Call Spread is an extension of the Long Call Option. When you buy a Call Option, you are bullish. The Bull Call spread maintains the bullish element of the Long Call while controlling your costs and has a limited losses profile. Of course, everything is a compromise. But you would probably be willing to make this compromise. We explain why this spread is called a Bull Call spread, and how to address any confusion from these strange names. The risk-reward profile of a Bull Call spread is very favorable. We define why the Bull Call spread is a Debit spread, and study its Profit and Loss diagrams in detail. We put a real trade on IBM and we navigate the trade for a couple of weeks.

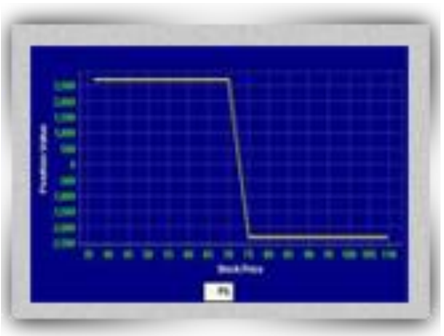
What you will master

- Differences between Debit spreads and Credit spreads
- How does the Bull Call reduce your costs
- What do we give up when we put on a Bull Call spread
- What are the criteria for a good Bull Call spread
- Put a real Bull Call spread on IBM and understand the position
- Analyze, simulate the trade through various stages of the trade
- Put the trade in context with the overall market condition
- Analyze exit points carefully and execute the exit

What traders tell about Bull Call Spread? Check here!

Bear Call spread

click to watch



The Bear Call Spread is a credit spread, and we explain why credit spreads are a viable way to assuming an Option seller's profile. The Bear Call spread limits your risk. We study the role of Probability in selecting credit spreads as well as Implied volatility considerations and time decay. Time decay is a key component of credit spreads and the Bear Call spread can be an excellent way to generate monthly income. All spreads can be part of the busy professional's playbook, but credit spreads can be especially attractive. We analyze the right criteria for credit spreads, including the selection of the expiry series as well as the individual Options itself. We put a real trade on Amazon (AMZN) and track, monitor and adjust this trade until its exit.

What you will master

- Differences between Debit spreads and Credit spreads
- How does the Bear Call spread control your risks
- What do we give up when we put on a Bear Call spread
- What are the criteria for a good Bear Call spread
- Analyze chart and resistance levels for a good Bear Call
- How do we put Probability on our side
- The balance between premium collected and time to expiry
- Put a real Bear Call spread on AMZN and understand the position
- Analyze, simulate the trade through various stages of the trade
- Put the trade in context with the overall market condition
- Analyze exit points carefully and execute the exit

Check out here what traders tell about Bear Call Spread!
See more here too!

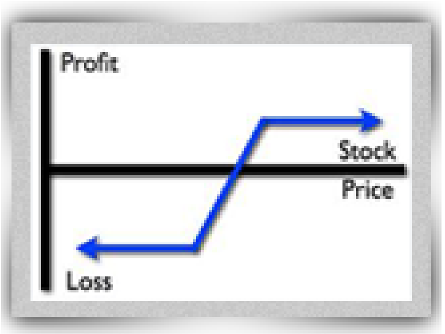
Bear Put spread click to watch

In this course, we explain why the Bear Put spread can be a powerful strategy for bear markets. The Bear Put is an extension of the Long Put Option. The Bear Put has some specific features, which make it a very attractive spread, and we dig deep into these characteristics. We put a real trade on Netflix (NFLX). The risk reward characteristics of Bear Put spreads are very attractive as its losses are limited. The Bear Put, just like the Long Put is a Vega positive trade, so this trade can optimize a bearish move as well as any upside from Implied volatility changes. The choice of expiry series, time decay effects and the choices of individual Options are also important.

What you can expect

- Why the Bear Put spread is a debit spread
- How the Bear Put spread optimizes a bearish move in a stock
- Get benefits from Delta and Vega – double deal
- Why this is a Limited Losses spread
- How time decay affects the Bear Put spread
- Study of Profit and Loss diagrams
- Plan the trade entry for a Bear Put spread
- Chart and Stock analysis
- Plan and execute the exit on the NFLX trade

Bull Put spread click to watch



The Bull Put spread is a flat to bullish that profits primarily from time decay, but can also profit quicker from a move to the upside. The Bull Put strategy can be creatively constructed to pick up stocks for prices that are much lower for what they are trading at. This strategy is covered in our Webinar series. Its important to pick the right strike prices for the Bull Put spread, as is a thorough analysis of the stock's chart and support levels. In this course, this is what we do – we pick Google as our candidate for the Bull Put, and analyze past price action, support levels and put on a successful Bull Put spread. This trade is a wild ride !

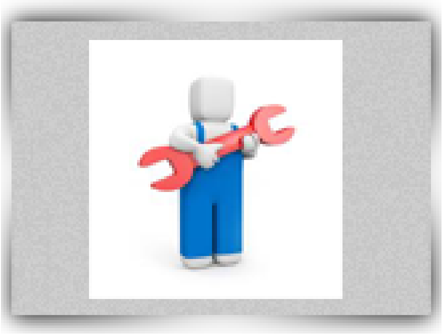
What you can expect

- The anatomy of a good Bull Put spread
- Analysis of stock chart and support levels
- What is special about the Bull Put spread
- Why the Bull Put spread may be superior to other spreads
- How does the Bull Put spread control your risks
- What are the criteria for a good Bear Call spread
- How do we put Probability on our side
- The balance between premium collected and time to expiry
- Put a real Bull Put spread on GOOG and understand the position
- Analyze, simulate the trade through various stages of the trade
- Put the trade in context with the overall market condition
- Analyze exit points carefully and execute the exit

Here what traders tell about the Anatomy of AAPL Bull Call Spread!
Check more testimonials here.

Adjustments for Spreads

click to watch



When you buy a car, you plan for its maintenance. Option positions are no different. While certain strategies can be run on autopilot, most require tweaking to adjust to market conditions. And since the Spread is probably going to be the mainstay of most Options strategies, its important to understand how the adjustment process works for spreads. When you trade Stocks, there is nothing called Adjustment, but this is the greatest advantage of Options – the ability to adjust them. We look at the different ways we can adjust all 4 spreads. There are literally hundreds of ways to adjust, but choosing the right one is critical to the success of the trade. We take a look at all the popular ones, and point out which type adjustment is right for the given situation. We also cover "rolling" a spread, one of the more popular strategies and the mathematics one should consider before rolling a spread.

What you can expect

- Why is there a need to adjust an Options position
- When should we adjust an Option strategy
- Plan to define your "pain points" for every position
- Determining your trade outlook
- Analyzing different choices for adjustments
- Picking an adjustment strategy that is aligned with your outlook for the stock
- What is Delta neutralization
- Risk and capital requirement considerations for adjustments
- Advanced strategy preview – Iron Condors
- Many adjustments possible – Keep It Simple S——

Monthly Income Strategies click to watch

This is a BUSY PROFESSIONALS SERIES. If you have a regular job, then you need strategies that allow you to focus on your job, but yet create a somewhat stable and reliable income stream from your investments. The Covered Call, which we covered in Module II, is an excellent example of such a strategy. In this course, we dig deep into credit spreads and understand why being an Option seller (risk defined of course – no naked selling) may not be that bad after all. We analyze Probability, Time decay and Volatility considerations and come up with some pretty good stuff.

What you will master

- With Spreads, you can now be a seller of Options – Yay !
- The meaning of “defined risk” Options investing
- Set your monthly target that can still let you sleep at night
- Optimize Time decay, Probability and Premium collection variables
- Set “pain points”, and plan the exact nature of adjustments
- Setup trades that require little monitoring
- Why you can be wrong on direction and still make a profit
- How do you handle your position when your short strike prices are in danger

Technical Analysis click to watch

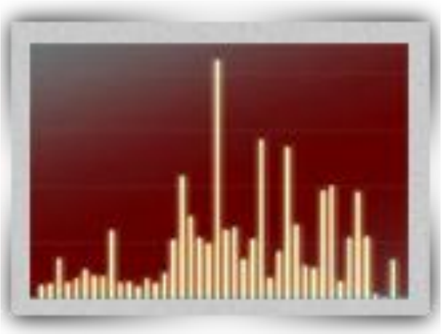
Technical analysis has become extensive in recent years. We study the psychology of technical analysis and why they work 60 to 70% of the time. There are several categories of technical analysis – Price indicators, Support and Resistance levels, Momentum indicators, Volume indicators, Oscillators and Statistical price movement indicators. This is again an area where the KISS rule applies – Keep It Simple S——. We cut through all the noise and show you why there are 4 or 5 indicators you should study and that's all you really need to make informed entry and exit decisions. Technical analysis is a self-fulfilling prophecy and gives deep insight into crowd behavior.

What you will master

- Why does technical analysis work only 60 to 70% of the time
- Why are Price indicators called "lagging" indicators
- What are potential "leading" indicators
- A study of Moving averages and which ones are helpful
- What are the best indicators for short, medium and long term trends
- Why the Bollinger Bands are a cool indicator
- Adjusting technical indicators to match your trading timeframe
- Why technical analysis "works until it doesn't"

Volume and Chart analysis

click to watch



Volume is perhaps the most under-rated indicator in the markets. Volume shows the activities of the big institutional players, what we call "smart money". Good volume analysis shows critical points at which markets turn around, when activity levels are low or high or when smart money is active or inactive. In this course, we analyze various stock charts, and combine volume analysis with price action. Volume also provides a storyline to the markets. Constructing this storyline correctly has a lot of benefits in terms of trade entry and exits. This course is a follow-up to our course on Smart Money in Module I. Please be sure to check that course first. Very cool stuff !!

What you will master

- Why is Volume the most under-rated indicator
- Identify the activities of smart money precisely
- "Swim with the tide" – increase your odds of success
- How to read long term and shorter term charts
- Identify points of major market reversals (before they happen)
- What is Distribution and Accumulation
- Put short term price action in context of longer term charts
- All of this explained in simple terms
- Study of various charts on various timeframes

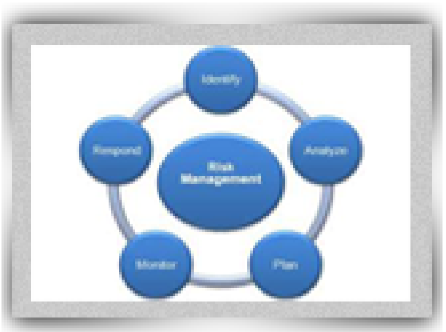
The VIX (or the Fear Index) click to watch

The VIX is one of the most watched indicators in the markets, even by professionals. We take a look at what this index is, understand its method of computation, and how this Index is interpreted on a day-to-day basis in practical terms. We look at overall market correlations with the VIX since the index was created in the 1990's. The VIX may be called a Volatility Index, but it acts more like a Fear index in the markets. The key lies in understanding the relationship of the VIX index to the S&P 500 Options. There are several other Volatility indexes that track Volatility in the markets, and we cover the important ones. It's hard to be a good investor if you don't follow the VIX. Get the complete skinny here, this course is all action !!

What you will master

- Why is the VIX called a Fear Index and why is it feared
- Why is it the most watched index in the market
- How is this calculated
- VIX values and the S&P (non)correlations in the early 1990's
- VIX values and strong correlations in the late 1990's and since
- What does a high value of VIX do to Option prices
- Flashback – lets got to 2008 and see what high VIX levels can do
- What is the relationship of the VIX to the VIX Futures
- Why is the Options on the VIX not a good trading vehicle

Risk management click to watch



This is what you may call a "soft" course focused on good discipline, self-control, yada yada yada. Make no mistake – the stuff we discuss in this course can make or break your investments. We cover some broad issues that every trader must overcome regardless of what markets they trade in, and then there are several specific challenges and pitfalls in the Options market itself. We cover all of them. Risk Management is the single most important factor between success and failure. In fact, we'd even go so far as to say – In the markets, don't even think of profits. If you learn to control your losses and your profits will automatically come to you. This is not meant to be funny – we seriously mean this.

What you can expect

- Find yourself, find your style and find your strategies – and stick to them
- Size can kill – Know your size and stick to it
- How do you assess risk in your positions
- How should you think of Portfolio allocation and Position allocation
- Do you have a plan of action if things go wrong
- You are in a battle with yourself – who's going to win
- What about the possibility of a Flash Crash and the impact on your positions
- Losing trades are part of the game – accept it and move on.
- Specific pitfalls and challenges – too numerous to list. This is important stuff

Index and ETF trading click to watch

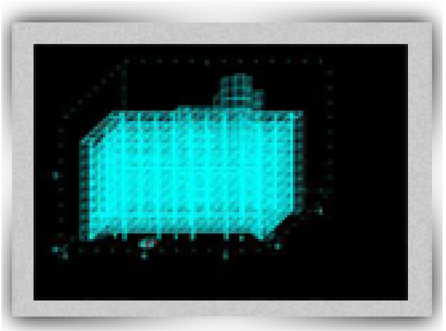
This course is part of the BUSY PROFESSIONAL SERIES. Index trading and ETF trading offer less volatility, instant diversification and involves taking a macro approach rather than a micro approach. This makes it ideal for working professionals. We study the impact of earnings reports, company specific bad news like oil spills etc. and how they can have severe impact on stocks. ETFs offer a world of choice for investors today, and there is an ETF for every possible investment interest. Broad market indices and their ETFs or even sector based ETFs offer tremendous liquidity and reduced volatility. Using a broad market index like the SPY ETF, we also show how you can hedge an entire portfolio of stocks from catastrophic losses with just 1 trade.

What you will master

- Why are stocks more volatile than an Index or ETF
- What are the specific advantages of ETFs and Index trading over stocks
- The advantage of diversification with Index and ETF products
- How do earnings reports impact stocks
- Why are Index and ETF products preferable for busy professionals
- Various ETFs for all the major sectors of the economy
- What is Beta Weighting a stock portfolio
- Portfolio hedging using a broad market Index ETF like the SPY

Options analysis and Simulation

click to watch



A good trade entry based upon Volume / Chart / Technical analysis sets you up for success from the get-go. But before you put a trade on, you need to perform Options analysis and simulation to understand how your position will behave under a diverse set of market conditions. Once you perform this Options analysis, you can immediately spot your weak points and you're prepared for them. Analysis and Simulation are as important as finding a good trade entry. In this course, we provide a complete roadmap to simulate every possible market condition BEFORE you put the trade on. This kind of analysis may take 30 minutes, but it is well worth the time spent.

What you will master

- How will your position behave for a + / – 5% move in your stock
- Options analysis before you put your trade on
- Options simulation to know where your profit zone is
- What is the impact of Time decay on your position
- What will Implied Volatility changes do to your position
- Simulating the effects of two variables on your position
- Simulating all three variables
- Stress testing your trade

Options expiration dynamics

click to watch

The impact of time decay on Option prices in the final week before expiry is an exciting phenomenon. We know time decay is exponential, but how do the Greeks actually behave during this time. This course takes a deep dive using Apple (AAPL) Options Weekly series. All Weekly Option series open for trading on Thursday morning and trade until the following Friday. We follow an AAPL Short Straddle trade from Thursday morning until deep into the following week. The Short Straddle is explained in detail in this course; however, the reader may also view the Straddles and Strangles course in the next module first, to get a more complete understanding of this type of trade. The Greeks are on steroids during the final week of an Option's life.

What you can expect

- What are Weekly Options and why are they special
- What characteristics do Options have when they are very close to expiry
- What kind of trades are suitable during this time
- What sort of attention do you need to give to these trades
- What challenges and pitfalls can you expect from Weekly Options
- What role does the Greek Gamma take on during this time
- And why does Vega whimper out during this time
- And what about Delta and Theta – it's a total Greek-fest

Calendars and Double Calendars

click to watch

Calendars Spreads are popular trades and come under the category of Time spreads. In a Calendar spread, we sell the front month Option series and buy the back month Option. The Calendar is generally constructed at the money, however, you can create bullish or bearish variations. It starts out as a delta neutral but can quickly move into a biased position. The Calendar is also one of the few strategies that is a Theta positive and a Vega positive trade. Because it is Vega positive, your Calendar will do better if Volatility increases after you put the trade on. The primary method of profit is to take advantage of a higher level of time decay in the front month. We put a Calendar trade on the GLD, and this quickly turns into a Double Calendar when price moves too much in one direction.

What you can expect

- Why is the Calendar trade a unique trade in the Options playbook
- How do we conceptualize Options from two different expiry series
- What does Vega positive and Theta positive mean
- What should we watch for in Calendars
- What are the popular adjustments for Calendars
- Why can a Calendar sometimes become a directional position
- Why are time spreads a little to adjust
- Why are exact profit and loss calculations difficult to calculate

Butterflies and Diagonals click to watch

This course looks at two trades – the Diagonals and Butterflies. These are somewhat esoteric trades. The Diagonal is a variation of the Calendar time spread, and it tends to reduce the Vega exposure of a Calendar spread. Due to this fact, it also has a Delta bias when the trade is put on. The Butterfly is a low risk, high reward, and low probability strategy. The Butterfly involves 3 different Options, so it can be a bit difficult to manage once its put on. But the Butterfly can produce great results if it works, and in many cases the cost of the Butterfly is minimal, and if you're lucky, you may even receive a credit for the Butterfly. Both these trades are generally put on by hardcore Options traders.

What you will master

- What are Diagonals and how do they differ from Calendars
- Why are they difficult to adjust
- What are the normal adjustments for a Diagonal
- Why is the Butterfly a low risk, high reward strategy
- What is the probability of the Butterfly producing fantastic results
- How do we adjust Butterflies

Iron Condor

click to watch

The Iron Condor is one of the most popular trades of all Options trades. It is special because you get to double the premium collected, reduce your risk levels as compared to normal credit spreads, double the amount of time decay, and maintain a delta neutral position, at least when the trade is first put on. The negative with the strategy is that it's a heavily Vega negative position. We dissect the Iron Condor in this trade, put on a real trade on AAPL, and take it through a couple of weeks. We analyze the risks, set adjustment points, and discuss suitable adjustment strategies for different market situations as the trade develops. We also have another advanced Iron Condor trade in the Options mastery Series.

What you will master

- How do we construct an Iron Condor
- What are its special characteristics
- How is the premium doubled
- Why is the Iron Condor a popular trade
- Why are margin requirements less on an Iron Condor
- What should we watch for in terms of Vega exposure
- What are good adjustments for an Iron Condor
- Why is there an automatic profit component in an Iron Condor

Back spread and Ratio Spread click to watch

Back Spread and Ratio Spreads involve putting on an unbalanced amount of Long and Short Options. If we have more Long Options than Short, the position is called a Back Spread and if we have more Short Options than Long, the position is called a Ratio Spread. In a Ratio spread, you have unlimited losses on one side because you have more Short Options. The Back Spread is part of the BUSY PROFESSIONAL SERIES can be constructed in many creative ways, and we show you how you can manage different strike prices as well as different ratios of Long and Short Options to construct an optimal Back spread. We don't recommend Ratio spreads as they have an unlimited loss potential.

What you will master

- What is the philosophy of Back spreads and Ratio spreads
- Different creative possibilities with the Back spread
- How should we look at the Greeks in a Back Spread
- Importance of understanding the "Valley of death"
- How should we avoid the valley of death
- Why is this a Volatility strategy
- Why do we not recommend a Ratio spread
- Why is the back Spread a great trade for the busy professional

Straddles and Strangles

click to watch

Straddles and Strangles are also Volatility strategies and are very popular strategies. Both these strategies are non-directional, so its possible to profit from a movement in either direction. But the move must come fairly quickly, because we have two Long Options (one on the Call side and one on the Put side), and so our time decay exposure is doubled. Additionally, Vega exposure can be quite large, so this is something to watch for. In general, its best to put on Straddles and Strangles in times of low volatility as measured by the individual Implied Volatility of the stock itself as well as observing the level of the VIX Index. We also look at the “Valley of Death” where the trade can fall into trouble.

What you will master

- Why are Straddles and Strangles very popular
- What is a good environment for these trades
- What is the difference between a Straddle and Strangle
- Is one better than the other
- What are the advantages and disadvantages of these trades
- Why is Vega exposure critical
- What is the “Valley of death” and how can we avoid it

Futures Markets and Trading

click to watch

Futures trading is a high-energy environment. Futures trade just like Stocks – they have unlimited profits as well as unlimited losses. And just like Stocks, they don't have any Greeks other than Deltas (Did you know Stocks had a Delta). Futures trading is generally a more leveraged environment than Stocks, and also trade by Tick sizes and Tick values. We discuss Futures Trading in detail, and also put on a couple of Futures trades on the S&P E-mini Futures, trading under the symbol /ES. We look at Futures Trading activity around the world, the volumes and the 24-hour trading window. Futures trading is also very simple to get in and out of trades, so it's popular with day traders. Unfortunately, you can't construct "strategy trades" using Futures, unlike Options.

What you will master

- What are Futures and how are they different from Stocks
- What is Tick sizes and Tick Values
- What is the Notional value of a Futures contract
- How is Margin calculated for a Futures position
- Understand real Futures trading on the /ES Futures contract
- Why is it easy to trade Futures
- What are the pitfalls of trading Futures
- Why is it not possible to incorporate strategy into Futures Trading

Advanced Hedging with Futures and Options on Future

click to watch

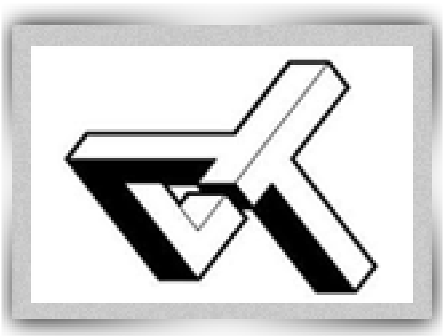
Futures can play an important role in an Options investment context, because they can be great hedging instruments to an existing portfolio. In this course, we also introduce a new type of instrument – Options on Futures. An Option on a Future means that the underlying asset is the Future itself. This is bound to sound complicated, but we explain all of this in detail. In general, unless you're a Futures trader, you would not trade these instruments. However, what both these products offer is a 24-hour trading window. Therefore, if you had a normal portfolio comprised of Stocks and Options, and were concerned of some crisis brewing in overnight markets, its possible to hedge your portfolio in the middle of the night. In this course we show you to do this using both these instruments.

What you will master

- How do we hedge a Stock portfolio against losses using Futures
- Why can't we use just the S&P Options to hedge our portfolio
- Can I still hedge if I have a 100 Stocks in my portfolio
- Are Options on Futures a complicated product
- Which is a better hedging product between the two
- What are the disadvantages of using Futures as a hedge
- How should we calculate how much of a hedge we need

Options Guerilla Tactics

click to watch



This course looks at how you can split a trade into smaller components, so that you can maximize your entry points, and give yourself more opportunity to create a higher profit. The mantra for this course – Defense is Offense (Think NFL). Not all strategies discussed in this course can be applied to every situation, but certainly 1 or 2 principles can be applied to any trade situation. The primary objective is to build a position taking advantage of opportune moments in the market, while maintaining risk management as our highest priority. The principles in this course can be applied to any level of strategy – Spreads and advanced strategies.

What you will master

- What is scaling a position
- How to maximize your profit potential using these Options strategies
- Will these Options strategies work all the time
- How can we defend our strategy if something goes wrong
- When do we apply these Options guerilla tactics
- What is legging into a position
- How should we deal with a partial position
- What do we mean by “Defense is Offense”

Back spread click to watch

In this course, we explain how to create a unique kind of backspread. This spread is part of the BUSY PROFESSIONAL SERIES, and is something that requires very little monitoring and adjusting. We depart from the traditional definition of a Backspread (a bit) and get creative with this spread. We capitalize on upward and downward movement of the stock. As with all Volatility strategies, the "Valley of Death" is the big concern, and we show you how we can push the Valley of Death as far away as we can. This strategy can be an effective monthly income strategy and we show that using the S&P 500 Index Options itself (SPX) with a real trade that we track and monitor over a period of 3 weeks.

What you will master

- Is this a time decay or a Volatility strategy
- Why is this Backspread different from traditional backspreads
- Why is this Backspread protected against a "Flash Crash"
- How we can put this Backspread month after month for consistent income
- How do we deal with the Valley of Death
- Should we use Puts or Calls for this trade
- How do we read the Greeks on this trade
- Why can the Greeks change dramatically from what we are expecting

Advanced Iron Condors click to watch

We looked at an Iron Condor in the previous module using AAPL Options. Now its time take the Iron Condor to a new level. This course (BUSY PROFESSIONALS SERIES) looks at how we can construct an Iron Condor and provide different layers using different OTM Options as well as Option series from 2 or 3 different months. This is designed to be a continuous trade, so its important to construct it in stages and layers, and then we peel the layers off as they become profitable or need adjustment. The trade can continue as a continuous trade as long as overall market volatility remains in the low-to-medium range, but will need to be closed out during periods of excessive Volatility. Its best to put this kind of trade on an Index or ETF to reduce the effects of Volatility and to stay clear of events like earnings reports.

What you will master

- Why is this trade called an Iron Condor in flight
- Is this trade complicated to put on and manage
- Structure different strike prices for maximum advantage
- What is a continuos trade
- What is the advantage of layering Iron Condors on one another
- How should we think of adjustments to such a trade
- When do we adjust to the next month
- Which spreads do we need roll into the next month
- How close to expiry should we hold these positions

Twisted Calendar

click to watch

Normal Calendar spreads involves selling the front month Options that are ATM, and buying the back month Options that are ATM as well. In this case, we "twist" this characteristic a little (okay, a lot). But we can't give out the secret sauce here. But this can be a fun trade. And Calidors are not real strategies you'll find anywhere – it's a combination of a Calendar and an Iron Condor, and takes advantage of both of these advanced strategies. As the concocted name suggests, Calidors take advantage of the plus points of an Iron Condor as well as the Calendar and bunches it up into 1 trade. We live in interesting times !

What you will master

- Understand how a traditional Calendar performs
- What are the pluses and minuses of regular Calendars
- How can turn regular Calendars to something else
- Take advantage of specific Greek performance in a Calendar
- Comparison of features between a Calendar and an Iron Condor
- How to combine the plus points of the two spreads
- What are the minuses of such a strategy

Advanced Straddles click to watch

The Straddle is a great Volatility strategy, so it works best when the Implied Volatility increases after the trade is put on. If this does not happen, then the trade can suffer. In particular, the strategy becomes vulnerable if the stock makes a bullish move because of the relationship between bullish moves and reduction in Volatility. What can we do to mitigate these risks. And how long should we be holding this trade because we are faced with "double time decay". How can we neutralize this double time decay effect. We put a real trade on Priceline (PCLN) and make the necessary adjustments. BUSY PROFESSIONAL SERIES

What you will master

- Which expiry series should we choose for a straddle
- What are the plus points with a Straddle
- What are the minus points of a Straddle
- What is the double time decay negative
- How will the Straddle work out for bullish and bearish moves
- What is the relationship between changes in volatility and stock movement
- How can we tackle the minus points of the straddle
- Can we optimize a straddle to mitigate the negatives
- How long should we hold the straddle
- Which move is better in a straddle – bearish or bullish
- How to neutralize a bullish move with Volatility

Priceline Earnings explosion click to watch

Should we call this trade Priceline Earnings Explosion or Volatility Implosion. Splice and dice it any way you want, there is no doubt this trade is on Steroids. We take advantage of a very specific situation we noticed in Priceline on the day it was reporting earnings on May 9, 2012. This was a case of mispricing Implied Volatility on the next Option series. We took full advantage and construct a fairly complex Straddle / Strangle strategy. It worked like a gem. We raked in massive profits.

What you will master

- How should we deal with Earnings plays
- What are the special considerations in this Priceline earnings trade
- How should we look at Volatility
- When do we put the trade on
- When should we exit
- What about adjustments – do we have the time or opportunity for adjustments
- Can we adjust on an earnings play effectively

The Great Bond Trade click to watch

Bonds have been on a 30-year bull run since the early 1980's when interest rates were in the 16 to 18% range. Today, interest rates on the 30-year Bond is close to 3%. These low levels of interest rates cannot last for long, and there's only way they can move – Up. But the question is – when will they move up. The Chairman of the Federal Reserve has signaled low interest rates at least until the end of 2014, but will it be able to control it precisely. How can we put on trade right now that can exploit interest rate moves to the upside, and be ready when it starts to happen. This is a longer term trade that will definitely happen, but in the meanwhile we can profit on a month to month as well. This is a BUSY PROFESSIONALS SERIES trade.

What you will master

- How can we play the low-interest rate environment
- Which instruments will increase in value if interest rates go up
- What kind of Options strategies will work well
- How long will this trade take to play out
- Can we create a strategy to profit in the meanwhile
- How much profit can we expect on this trade
- Will we own Bonds in this trade
- What are inverse ETFs and how they can work to our advantage

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