Weekly Option Spreads

Laser-Focused System to Unlock Profits from the SPX

MASTERCLASS

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Bull Put Spread

A type of options strategy that is used when the investor expects a rise in the price of the underlying asset. This strategy is constructed by selling one put option while simultaneously buying another put option further out-of-the-money.

Example: With RUT @ 1238

$RUT Bull Put July

Sell 1210 put $20.00
Buy 1200 put $17.20

Net Credit $2.80
Bear Call Spread

A type of options strategy used when a decline in the price of the underlying asset is expected. It is achieved by selling call options at a specific strike price while also buying the same number of calls, but at a higher strike price.

Example: GOOGL @ 565

RUT Bear Call June

Sell 580 call $8.00
Buy 590 call $5.80

Net Credit $2.20
Optimal SPX Weekly Spread

Choose an Option chain with approx. 10 days left till expiration

BEAR Call
Add the Implied Move from the current price

2902.42 + 38.42 = 2940.84

OPTIMAL BC SPREAD
Sell 2940
Buy 2945

BULL PUT
Subtract the Implied Move from the current price

2902.42 - 38.42 = 2864

OPTIMAL BP SPREAD
Sell 2865
Buy 2860
SPX Weekly Option Spreads

Trading Rules
**Step One:** The 90 day - 1 hr. chart, on the left, shows the SPX price below the regression line. Look for a Bull Put opportunity on the 10 day - 30 min. chart. The short term SPX price is oversold at the -1/-2 STD of the Regression Channel. Watch for a Measured Move to the upside – to execute a Bull Put Spread.
**Step Two:** When a Measured Move occurs execute a Bear Call at a $5 spread. Example – 12 Oct 2960/2955 call – which means sell the Bear Call that expires the 12th of Oct by selling to open (STO) the 2955 call and simultaneously buying to open (BTO) the 2960 call for protection.
Step Three: Prepare to exit with a loss if a Measured Move goes against you. Prepare to exit with a profit at an overextended Fibonacci Extension of 127%, 161%, or 261% or/ if the SPX price reaches a +1/+2 STD of the regression channel.
Step Four: Create alerts for exit events. Example: Loss – alert if SPX price is below 2025. Profit – alert if SPX price is above 2070. In the above case exit @ SPX price above 2070 by buying back the Bull Put.
Proper Trade Size

1. Risk only 1% per Trade >> $50,000 * 0.01 = $500

2. Average loss of trade 25% >> $500 / 25% = $2000

3. With 20 Equities in the portfolio >> Max 20 Trades

4. 20 trades * $2000 = $40,000 (cap. Allocation)
Continue to MASTERCLASS Part 3