General Principles

Sell high volatility from the 52 week range implied volatility high and low

OR

When at the 52 week mid-range still sell time decay to have higher probability of success than debit spread.

Trade when price is at the DTZ ZONES extremes, keeping an eye on the 68 / 84 / 95 deltas (which are the 1 / 1.5 / 2 standard deviations).

For Monthly Credit Spreads

Plan that the time decay starts at about 40 days before expiration. You want to make 33% of the width of the strike e.g.

- If SPY credit 176/175 = 1point wide = get min 0.33 cents
- If weekly AAPL 510/512.5-2.5 = get min 0.83 cents
- If you trade PCLN 1140/1145 = 1.65

Credit Spreads Matrix for Monthly 40 Days To Expiration

<table>
<thead>
<tr>
<th>WIDE</th>
<th>1point</th>
<th>2.5points</th>
<th>5points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium that we want to collect 33% of Width</td>
<td>33cents</td>
<td>0.83</td>
<td>1.65</td>
</tr>
<tr>
<td>Exit Point (50%-75%)</td>
<td>16cents-8cents</td>
<td>41cents-21cents</td>
<td>83cents-0.41cents</td>
</tr>
<tr>
<td>Stop loss to consider exit or tweaking (get out or adjust at the profit point so if want to 33cents get out at 66cents)</td>
<td>21cents max loss above 33cents</td>
<td>50cents loss</td>
<td>1.04 loss</td>
</tr>
<tr>
<td>PROPER SIZES if I want to risk max $1,000 per trade</td>
<td>10</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>PROPER SIZES if I want to risk max $500 per trade</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>PROPER SIZES if I want to risk max $250 per trade</td>
<td>2.5 (2 or 3)</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
Timing Weekly Credit Spreads

OPEN THEM Tuesdays at 3-4pm EST or Wednesdays 9:30-11.30am EST.

CLOSE THEM Thursday or Friday soon as the 50-75% premium is reached. YOU TRY TO COLLECT MINIMUM 50-55% of the monthly premium up to 100% of the monthly premium. During EARNINGS VOLATILITY PUMP GET EVEN MORE THAN MONTHLY PREMIUM.

Credit Spreads Matrix For Weekly Options

<table>
<thead>
<tr>
<th>WIDE</th>
<th>1 wide</th>
<th>2.5points</th>
<th>5points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium that we want to collect 33% of Width</td>
<td>usually</td>
<td>42cents-83cents+</td>
<td>83cents-1.65+</td>
</tr>
<tr>
<td>Exit Point (50%) or let small sizes run to max profit</td>
<td>not enough premium</td>
<td>41cents-21cents</td>
<td>42cents-83cents</td>
</tr>
<tr>
<td>Stop loss to consider exit or tweaking</td>
<td>average exit point</td>
<td>average exit point</td>
<td></td>
</tr>
<tr>
<td>Adjusting</td>
<td>30cents</td>
<td>0.63cents</td>
<td></td>
</tr>
<tr>
<td>PROPER SIZES if I want to risk max $1,000 per trade</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>PROPER SIZES if I want to risk max $500 per trade</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>PROPER SIZES if I want to risk max $250 per trade</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Day Trading Weekly Options

1. Get in and out on the same day.
2. Use wide spreads 10-20 points.
3. Always adjust sizes for this strategy and understand the risk is on the short strike at all times because your long strike will be dirt cheap so the effect to lose all on the long strike is minimum so your stop loss is always LASER FOCUS On the short strike.
4. If you are comfortable with the size and max loss then you can keep intra-night worst case you lose the max loss.

For this strategy, it’s all about size and managing the short strike.
Credit Spreads Anatomy of Risk

1. If you want a HIGH PROBABILITY OF PROFIT then...

- GO FURTHER OF OUT OF THE MONEY (OTM) 80-84-90-95%
- INCREASE THE DURATION because then you give time for your DayTradingZones to prove you right
- ALWAYS GO FOR A CALL SPREAD when the market goes up, call premiums are richer. Best time to sell them at DayTradingZones extremes or DayTradingZones W-M-D +Clusters DayTradingZones and vice and versa for puts credit spreads.
- For Put credit spreads always wait for the market to come down to support where put premiums get higher
- At OTM YOU COLLECT SMALLER PREMIUMS for higher probability of success.

2. If you want to be MORE AGGRESSIVE, with LOWER PROBABILITY OF PROFIT then...

- GO FURTHER IN ATM
- DECREASE DURATION - ONE DAY BET e.g. day trade
- USE WIDE STRIKES (e.g. replacing spreads, mimic naked)
DEBIT SPREADS MASTERY

Use your DayTradingZones Analysis / FullPro Tools to find opportunities.

Now the key question is DO YOU BUY OR SELL THE OPTIONS ON THAT INSTRUMENT?

IF HIGH VOLATILITY --- THEN SELL
Use one of these strategies: credit spread, Naked options, double diagonals, calendars, iron condors.

IF LOW VOLATILITY --- THEN BUY
Use one of these strategies: buy pure directional calls and puts and debit spreads.

IF MID RANGE AND NO EARNINGS COMING
I trade sell options because the time works in my favor

EARNINGS TIME VERY DANGEROUS FOR VOLATILITY THEY PUMP ABOVE THE 52 week range

Why Debit Spreads Are Safer Than Straight Buy & Sell Calls

It is because you open a long & a short option at the same time to limit your risk-reward & your cost basis is being lowered vs straight buy.

Example 1: If DayTradingZones shows a range 508-520 then maybe look at the cost of the 520 put @ 5.5 - sell 510 the 510 @ 1.35. Total cost basis 5.5-1.35=3.15 net debit.
MAX LOSS = net debit -3.15
MAX PROFIT = strikes width – net debit = 520-510-3.15= 6.85
BREAKEVEN = 520 strike the high one – debit=520-3.15=516.85

Example 2: PCLN 1150-1140 debit for $1=3.15.
MAX LOSS = 3.15
MAX PROFIT = 1150-1140-3.15 = 5.85
BREAKEVEN 1150-3.15 = 1146.85
**How To Manage Your Debits**

**WEEKLY DEBIT SPREADS:** I rarely take them but at times they are better and less total risk than credit spreads. With the Weekly Options I look for 1 point, 2 point, 5 points spreads and your risk to reward ratio must be one for one minimum.

**MONTHLY DEBIT SPREADS or LEAPS DEBITS:** I want an over 1 to 1 want 2 to 1 or 3 to 1 reward to risk ratio ....time is against you and you want time...now some people I know do GOOG / PCLN and the crazy ones with debit only as a day trade to compensate the high bid ask spread..
MASTER SPY WEEKLY OPTIONS

With This Strategy...

1. Close the position by 4.15pm EST on the same day you opened it.
2. Use only 5-10% of your account to create 50% or more returns with small amounts of money at risk.
3. Do max 3 trades per day.
4. Use a Stop loss of 20 cents at 50 delta - it is the equivalent of a 4 points ES stop.
5. We start by buying only one contract to BAIT the price action (see Price Action video).
6. Then when confirmed enter the rest of the position by a third (eg 3% of your account), then another third of your total expected final size, then the final third.
7. If you will trade 10 contracts or less you can bait each bids or mid-price to complete the order.
8. When you reach 10cent to 20cents takeoff 50% to 66% of your position and then let 50-33% run to next DayTradingZones determined target.
9. When price moves up at least 8cents-15cents move stoploss to Break Even +2 ticks
10. **MONDAYS & TUESDAYS** trade 50 delta
11. **WEDNESDAYS & THURSDAYS** trade 40-50 delta 1 strike out from the money
12. **FRIDAYS** 30 delta is very risky gambling trade that can provide quickly a 50-100% ROI + (if you do not the gamble day trade the 50 delta on the weekly option for the following week)
13. On Fridays **BUY THE** options BETWEEN 55cents and 75cents maximum
15. If the market is volatile and crazy TRADE next week’s options on Thursday and Friday.

Paper trade this strategy with 2 contracts for 4-6 weeks using the Entry/Exit sheet provided to you before going live money (assuming you know your trading and chart platform with the DayTradingZones well)

**ALWAYS MASTER A RUNNING SIZE**
Why trade SPY Weekly Options instead of trading the ES

ES Safe Capital Requirement to not blow out your account is $10k/contract
So 1 Contract ES = 5 Contracts SPY ATM
Capital Required $10k vs $500
Risk is the same: $100 2 points stop ES vs 20cents * 5 contracts = $100
Reward: assume you make 1k ES, then ROI is 10%-20% vs $1k on the SPY, the ROI is 120%
IRON CONDORS

MASTER DIRECTIONALS & CREDIT SPREADS before attempting Iron Condors.

1. NEVER EVER ENTER an Iron Condor at once because you have strong support and resistance with the DTZ ANALYSIS or your own trusted support and resistance to hit to get the best premium on each credit spread and LEG INTO THE IRON CONDOR.

2. Ease into the Iron Condor buy sell the call spreads on up days at DTZ resistance and wait to sell the put spreads OTM close to a down day DTZ support.

3. You always first adjust the UNTESTED LEG THAT WORKS, roll it down for more premium. (make sure to watch the Iron Condor video)

4. ON THE TESTED LEG, follow the monthly weekly or daytradingzones exit or tweaking metrics and most of the time do nothing.

5. Look at the 52 week high and low implied volatility and sell these spreads to form the Iron Condor at 50 or plus % implied vol range (eg AAPL 37%high and 18% low the average 27.5 so at 27.5 or MORE LOOK FOR SPREADS) 50% average or more SELL---

6. 45-40 days before expiration and be out within 12-25days before expiration with a 40 to 75% premium in profit

7. WHAT YOU ARE SUPPOSED TO COLLECT:
   Entry Premium desired – 35-50% of the width of the strike total
   Exit at 40-50% premium profit

EG from the video:
PCLN 1275-1280 call credit spread 1.55. PCLN 1205-1200 put spread  2.25 (5 wide we need to collect minimum 33% 1.65-2.5) total here 3.80

8. I always enter using the DTZ for max premium 2 separate credit spreads and manage separately my credit spreads when formed an Iron Condor, just being systematic getting out at 50-75% of premium profit.

9. Personally, BECAUSE 33% total collected is the same risk as a normal spread on an Iron Condor open with 2 spreads, I want the total collected to be better than 40% to 50% to make it worthwhile the extra commissions and management.

10. You do directional Iron Condors with one credit spread wider than the other. Its best to keep the ratio at 2 to 1 if call credit spread is 5 wide and if assumption is DTZ bullish then do a 10 wide on the bottom. Try always to collect 33% to 50% of the width of the wider spread.