INTRADAY ALLIANCE WORKBOOK

A COMPREHENSIVE GUIDE TO YOUR INTRADAY TRADING

RELIABLE TRADING CIRCLE

Contents

Understanding Options: In the Money, At the Money, Out of the Money, Delta, and Theta

Options trading involves understanding several key concepts to assess the value and risk of an option. Among these, the terms 'In the Money,' 'At the Money,' and 'Out of the Money' categorize options based on their relationship to the underlying asset's price. Additionally, delta and theta are important Greeks that measure sensitivity to price changes and time decay, respectively. This document provides a detailed explanation of these terms and concepts.

In the Money (ITM)

An option is considered 'In the Money' (ITM) when it has intrinsic value. For a call option, this means the underlying asset's price is higher than the strike price. For a put option, it means the underlying asset's price is lower than the strike price.

For example:
- Call Option: Strike Price = $50, Underlying Asset Price = $55 → ITM by $5.
- Put Option: Strike Price = $50, Underlying Asset Price = $45 → ITM by $5.

ITM options are generally more expensive because they already have value based on the underlying asset's price.

At the Money (ATM)

An option is 'At the Money' (ATM) when the underlying asset price is equal to or very close to the strike price. ATM options do not have intrinsic value but may still have extrinsic value due to time and implied volatility.

For example:
- Call or Put Option: Strike Price = $50, Underlying Asset Price = $50 → ATM.

ATM options are often used in strategies aiming to benefit from changes in implied volatility or significant price movements in the underlying asset.

Out of the Money (OTM)

An option is 'Out of the Money' (OTM) when it has no intrinsic value. For a call option, this means the underlying asset's price is below the strike price. For a put option, it means the underlying asset's price is above the strike price.

For example:
- Call Option: Strike Price = $50, Underlying Asset Price = $45 → OTM.
- Put Option: Strike Price = $50, Underlying Asset Price = $55 → OTM.

OTM options are generally cheaper but come with higher risk since they depend entirely on price movement or changes in volatility to become profitable.

Options Delta

Delta measures the sensitivity of an option's price to changes in the price of the underlying asset. It ranges from -1 to 1:
 - Call options have positive delta (0 to 1). For example, a delta of 0.5 means the option's price will increase by $0.50 for every $1 increase in the underlying asset's price.
 - Put options have negative delta (-1 to 0). For example, a delta of -0.5 means the option's price will decrease by $0.50 for every $1 increase in the underlying asset's price.

In intraday trading we use a delta 40 or better expiring in the week we are in.

Options Theta

Theta measures the rate of time decay in an option's price. It represents the amount by which an option's price decreases as time passes, all else being equal. Theta is usually negative for both calls and puts because options lose value as they approach expiration.

For example:
 - A theta of -0.05 means the option's price will decrease by $0.05 per day.
 - Options closer to expiration have higher theta, as time decay accelerates in the final weeks.

Theta decay is particularly significant for ATM options, as they have the most extrinsic value. ITM and OTM options experience less theta decay proportionally.

Intraday Trading Deltas and Expiry

In intraday trading we choose the expiration for the week we are in. The exception is Friday, if we cannot find the right deltas, we would than look at the following weeks expiration. In relation to deltas, we are looking at deltas of 40 to 50.

Conclusion

Understanding the concepts of 'In the Money,' 'At the Money,' and 'Out of the Money,' along with delta and theta, is essential for successful options trading. These metrics help traders evaluate the likelihood of profitability, the sensitivity to price changes, and the impact of time on an option's value. Mastery of these concepts enables informed decision-making and more effective risk management.

Call Option Basics

Understanding Call Options:

- Right to buy stock at a specific price (strike price).
- Profit when stock price moves above the strike price.
- Basic rules for trading call options and examples of successful trades.
- Guidance on selecting the right strike price and delta for buying call options.

Put Option Basics

Understanding Put Options:

- Right to sell stock at a specific price.
- Profit when stock price moves below the strike price.
- Basic rules for trading put options and examples of successful trades.
- Guidance on selecting the right strike price and delta for buying put options.

These summaries cover the primary concepts and strategies discussed in each presentation, providing an overview of options trading techniques, including both calls and puts, and the steps to identify and execute successful trades.

Dark Pools in Trading and Their Use in Options Trading: A Comprehensive Guide

Dark pools are private financial exchanges where institutional investors can trade securities anonymously. Unlike public exchanges, such as the NYSE or NASDAQ, trades in dark pools are not visible to the public until after they have been executed. This can help to minimize market impact, particularly for large trades, and allow institutions to execute their strategies without revealing their intentions to other market participants.

What are Dark Pools?

Dark pools are off-exchange venues where large quantities of securities are traded without immediate transparency. They were originally created to help institutional investors trade large blocks of stocks without causing drastic price fluctuations. When a trade is executed in a dark pool, its details (such as price and volume) are only reported after the transaction is completed.

How Dark Pools Work

Trade in dark pools are typically conducted by institutional investors such as hedge funds, pension funds, and mutual funds. Orders placed in a dark pool are matched with other orders at pre-determined prices based on market conditions. The main benefit is that it helps large traders avoid significant market impact that could arise if their orders were executed on public exchanges.

Dark Pools and Options Trading

While dark pools are primarily associated with equity trading, they can also play a role in options trading. Since options are derivatives of the underlying stocks, institutional investors who trade large amounts of stock via dark pools might simultaneously use options to hedge their positions or enhance returns.

Hedging with Options in Dark Pools

In some cases, institutional investors may use options in conjunction with trades executed in dark pools. For instance, an institution could use put options to protect a large stock position traded in a dark pool, hedging against potential downside risk. This helps them reduce exposure while maintaining the benefits of trading in dark pools.

Speculation and Leveraging Opportunities

Some investors use options to speculate on the potential movement of a stock, especially after seeing unusual volume in dark pool trades. A significant increase in dark pool activity might hint at a potential upcoming price movement, prompting some traders to buy options (calls or puts) to take advantage of that movement. Options allow for leveraging relatively small amounts of capital to benefit from significant price changes.

Risks and Challenges

While dark pools provide certain advantages, they also pose risks. The lack of transparency means that retail traders may not have access to the same information as institutional traders. This can create an uneven playing field, especially for those looking to use options to capitalize on dark pool activity. Additionally, the complexity of understanding dark pool volumes and their influence on the options market can be challenging.

Unusual Option Activity and Dark Pools

Unusual option activity (UOA) refers to higher-than-average volume in specific option contracts, often because of large orders being placed by institutional investors. When this activity occurs, it can signal that market participants are positioning themselves for a significant move in the underlying stock.

Identifying UOA in Dark Pools

Dark pools are not as transparent as public exchanges, which makes detecting unusual option activity linked to dark pool trades more difficult. However, traders can track large block trades or volume surges in specific stocks through various analytical tools that monitor both dark pool activity and open interest changes in the options market.

Using UOA in Dark Pools for Trading Strategies

When institutional investors make large trades in dark pools, this may prompt unusual option activity as they hedge their positions or take speculative positions. Traders who track UOA in relation to dark pool activity can potentially uncover significant opportunities. For example, a surge in call option buying, paired with large dark pool trades, could signal bullish sentiment, whereas a rise in put buying might indicate a bearish outlook.

Risks of Following UOA in Dark Pools

While unusual option activity can provide valuable insight, it carries risks, especially when combined with dark pool trades. Since dark pool activity is not immediately transparent, it is easy to misinterpret the intent behind large trades. Traders must also consider that large institutions may be using complex strategies that are not always directional. Careful analysis and risk management are essential when using UOA data for options trading.

Conclusion

Dark pools are an important tool for institutional investors to execute large trades with minimal market impact. Although primarily used in equity markets, dark pool activity can influence options trading strategies, particularly in the areas of hedging and speculation. While there are benefits to using dark pools, investors should be aware of the risks and lack of transparency that come with these private exchanges.

Insider Trading and Its Connection to Unusual Options Activity in Intraday Trading

Introduction

Insider trading refers to the buying or selling of a publicly traded company's stock or other securities by individuals who have access to non-public material information about the company. This practice can be legal or illegal, depending on whether the information used for trading is publicly available and whether the trader has disclosed it in accordance with regulatory requirements.

In this document, we will explore the forms of insider trading, its legal and illegal aspects, and how it can be used alongside unusual options activity (UOA) to gain insights for intraday trading.

Understanding Insider Trading

Legal vs. Illegal Insider Trading

Legal Insider Trading: Occurs when corporate insiders (such as executives, directors, and employees) trade their company's stock while adhering to disclosure regulations set by the Securities and Exchange Commission (SEC).

Illegal Insider Trading: Happens when someone with non-public material information about a company trades its securities for personal gain or tips off others to trade before the information is made public.

Forms of Insider Trading

Company Executives and Directors: Senior management and board members often trade shares, which must be disclosed via SEC filings (such as Form 4 and Form 144).

Tipper-Tippee Liability: If an insider shares non-public information with someone else, and that person trades on it, both parties can be held liable.

Front Running: When brokers or other financial professionals trade securities based on inside knowledge of pending market-moving transactions.

Misappropriation: When an outsider, such as an attorney or consultant, misuses privileged information to trade securities.

Regulatory Framework for Insider Trading

Key Laws and Regulations

Securities Exchange Act of 1934: This act governs securities trading and prohibits fraud, including illegal insider trading.

SEC Rule 10b-5: Prohibits fraud, misrepresentation, and insider trading.

Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA): Strengthens penalties for insider trading violations.

Unusual Options Activity (UOA) and Insider Trading

Unusual options activity refers to abnormal volume or open interest in options contracts, which may indicate informed trading by insiders or large institutional investors. Traders often monitor UOA to identify potential market-moving events before they occur.

How UOA Can Signal Insider Trading

Sudden Increase in Option Volume: If a stock's options see a sharp rise in activity with no apparent news, it could be due to insider knowledge.

Deep-in-the-Money Options Trades: Large purchases of deep-in-the-money call or put options might indicate someone betting on a significant price move based on non-public information.

Unusual Expiration Dates: Uncommon or large trades in near-term options may suggest insiders taking advantage of pending news.

Using Insider Trading and UOA for Intraday Trading

Monitoring Insider Buys vs. Sells: Insider buying is often a bullish signal, whereas heavy selling can indicate caution.

Pairing Insider Trades with Options Flow: If both insider purchases and unusual call option activity appear simultaneously, it may confirm a strong buying opportunity.

Following Smart Money Trades: Institutional insiders often have access to privileged information, and tracking their activity can provide valuable insights.

Conclusion

Insider trading, when used legally, can provide traders with insights into the confidence levels of company executives in their own firms. When combined with unusual options activity, traders can detect potential market-moving events in advance. However, it is crucial to stay within legal boundaries and use additional tools like fundamental and technical analysis to confirm trading decisions.

By understanding the relationship between insider trading and unusual options activity, traders can gain a strategic edge in the fast-paced world of intraday trading while ensuring compliance with financial regulations.

Research using free websites

Research using free websites

There are 100s of websites that you can refer to when researching the market for your intraday trade ideas. Some are free and some are paid subscriptions.
We will focus on free websites to get you started and how you can use this information as part of choosing the right ideas for your intraday trades.
Typically, you only want to have no more than 8 potential ideas, when you are participating live in the market. That said your initial list could have 20 potential ideas.

You will need to cull these to about 8 to ensure you can respond to what's happening in the market.

Announcements

Announcements

We need to look at what economic announcements can impact our trading:
Fed Chair Speaks
Unemployment
CPI
GDP
Non-Farm Payrolls
FOMC (Federal Open Market Committee)

Websites for this information
Marketwatch
Forex Factory
Tradingview
FINVIZ

Overall Market

Overall Market

What is the overall premarket market doing? Is the market moving up, going down or has no direction. What will the open look like?
Websites to use:
FINVIZ
Tradingview
Chartmill
Marketwatch

News

News

What are the headlines saying? Has a specific sector or industry been mentioned? Has a stock been mentioned? If so why and what does that look like.

Premarket Movers

Premarket Movers

What's moving before the market opens. Ensure stock prices above $10.00 and volume minimum 100k in premarket, and importantly optionable.
Find out why they are moving, give you more edges.

Earnings

Earnings

Earning Trades can potentially be great for intraday trading. Have the exceeded expectations, met expectations or was a bad quarter.
Websites:

- FINVIZ
- MarketWatch
- Chartmill
- Earnings Whispers

Upgrades & Downgrades

Upgrades & Downgrades

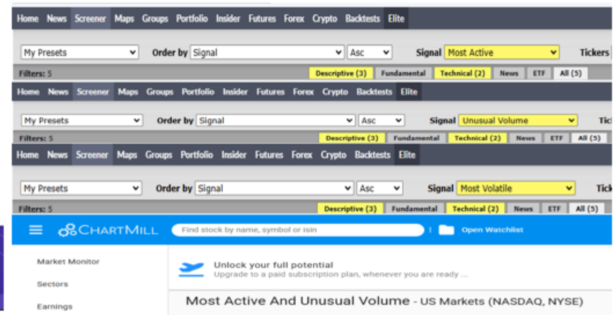
Upgrades or downgrades can help find ideas, especially if it coincides with earnings, it adds another edge.

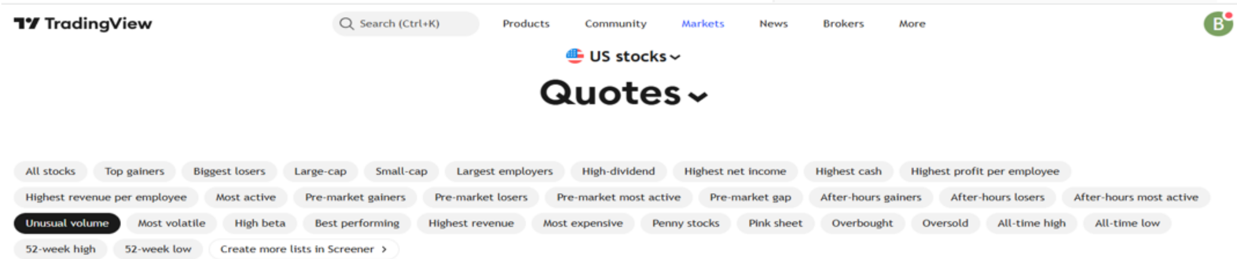
Insiders

Insider-trading can give an edge, but we need to understand what it means.
Websites:
FINVIZ
CHARTMILL
OPENISIDER

Unusual Activity

When you first start you will be tempted to look into this, however UOA websites are subscription based. There is another way where we can look at unusual volume to get similar ideas.





Premarket Routine

- Establishes a structured approach to the trading day.
- Helps traders identify key opportunities and risks before markets open.
- Ensures readiness by aligning with market trends, news, and volatility.
- Reduces impulsive decisions and increases trading confidence.

News Analysis:

- Review overnight news, earnings reports, and global markets.

Economic Calendar:

- Identify key events (e.g., CPI, job reports) that can affect volatility.

Premarket Movers:

- Analyze stocks with significant price or volume changes.

Chart Preparation:

- Mark support/resistance levels and trendlines.

How to Read Price Action: A Comprehensive Guide

Candlestick charts are one of the most popular tools for technical analysis. They provide insights into market sentiment, reversals, and price movements. This guide explains how to read common candlestick patterns and includes placeholders where you can add images to visualize each pattern.

Opening Range

Overview

- Objective: Use the SPY (S&P 500 ETF) to confirm market direction by analyzing the opening range.

What is the Opening Range?

- Definition: The opening range shows the SPY's high and low price of a given day.
- Importance: Indicates market sentiment and price trends, helping to determine if the market is neutral, bullish, or bearish.
- Accuracy: Over 90% accurate in determining market sentiment during the period.

Why Use SPY?

- Reason: Correlates to the top 500 market cap stocks, providing a good sample size.
- Coverage: Represents a broad market perspective with approximately 4500 companies listed on the exchange.

Adjusting the Opening Range

- Frequency: Adjust twice a month:
- First trading day of the month.
- Third Friday of the month.

Configuring the Opening Range

Steps:

- Mark High and Low Points: Use TradingView charts on SPY to mark the high and low points of the candle.
- First Trading Day Example: Demonstrated with May's first trading day, showing a neutral market.

Drawing the Opening Range Lines

1. Type the Ticker "SPY": Use the magnifying glass icon on TradingView.
2. Select "Horizontal Line": Choose from the symbol menu.
3. Place the Lines:
    - Top Line: Drop the line on the highest point of the first trading day's candle.
    - Bottom Line: Drop the line on the lowest point of the first trading day's candle.

Interpreting the Opening Range

Current Price Analysis:

- Above the upper line: Bullish market.
- Below the lower line: Bearish market.
- Between the lines: Neutral market.

This presentation outlines a method for using the SPY's opening range to gauge market sentiment, highlighting its effectiveness and the steps for implementing this strategy on a trading platform.

Price Action Truth

Price Action Basics:

- Concept: Price is the ultimate truth in trading, reflecting all available information.
- Importance: Most important aspect of trading, determining the market's current state.
- Market Conditions: Every market is either in a trend or a trading range.
- Automation: Most trading is automated, with orders placed by computers and algorithms.
- Key Players: Banks, hedge funds, high-frequency trading firms, pension and mutual funds, and large individual traders.

Understanding Market Dynamics:

- Institutions: Around 200 institutions dominate the US stock market.
- Institution Definition: Large entities with significant influence over market movements.

Price Action Who's in control.

Continuing Basics:

- Price Action: Essential for understanding market behavior.
- Market Structures: Identify trends and trading ranges.
- Charts and Analysis: Using charts to visualize price movements and market conditions.

Tools and Techniques:

- Software Programs: Utilize various tools and software for automated trading and analysis.
- Algorithms: Implement strategies based on algorithmic trading principles.

Price Action Volume

Volume and Its Significance:

- Volume as Conviction: Volume indicates the strength and conviction behind a price move.

Types of Volume:

- Resting Volume: Indicates a lack of activity or preparation for a move.
- Igniting Volume: Signals the start of a new trend or continuation of an existing one.
- Ending Volume: Marks the potential end of a trend or reversal point.

Volume Analysis:

- Analyzing Volume: Understand how volume confirms or refutes price action.
- Market Sentiment: Use volume to gauge market sentiment and potential future movements.

Price Action Volume Entry & Exit

Volume for Entry and Exit:

- Entry and Exit Strategies: Utilize volume patterns to determine optimal entry and exit points.

Practical Application:

- Real-life charts are examples to identify potential trades.
- Test your understanding by analyzing charts and identifying patterns.

Visualization and Target Setting:

- Target Analysis: Determine price targets based on volume and price action.
- Stop-Loss Placement: Strategically place stop-loss orders to manage risk.

Price Action Structure

Advanced Trading Concepts:

Breakouts:

- 90% of the time, prices are in a channel or trading range.
- Only 10% of candlesticks are in breakout mode.

Trade Structuring:

- Know your risk and exit points.
- Decide on call or put options, delta selection, and profit goals.

Trading Discipline:

- Trade Management: Successful traders manage their trades well and are always aware of their risk.
- Market Conditions: If price action is unclear, move on to another opportunity.

Key Takeaways:

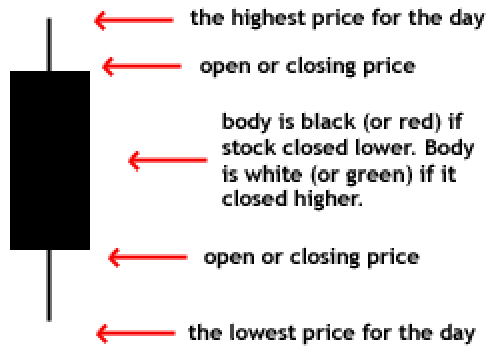
- Price Action Analysis: Essential for understanding market movements.
- Volume as a Tool: Integral for confirming price action and making informed trading decisions.
- Discipline and Strategy: Crucial for consistent trading success.

These summaries cover the essential concepts of price action, volume analysis, and practical application in trading strategies.

How to Read Candlestick Patterns for Trading: A Comprehensive Guide

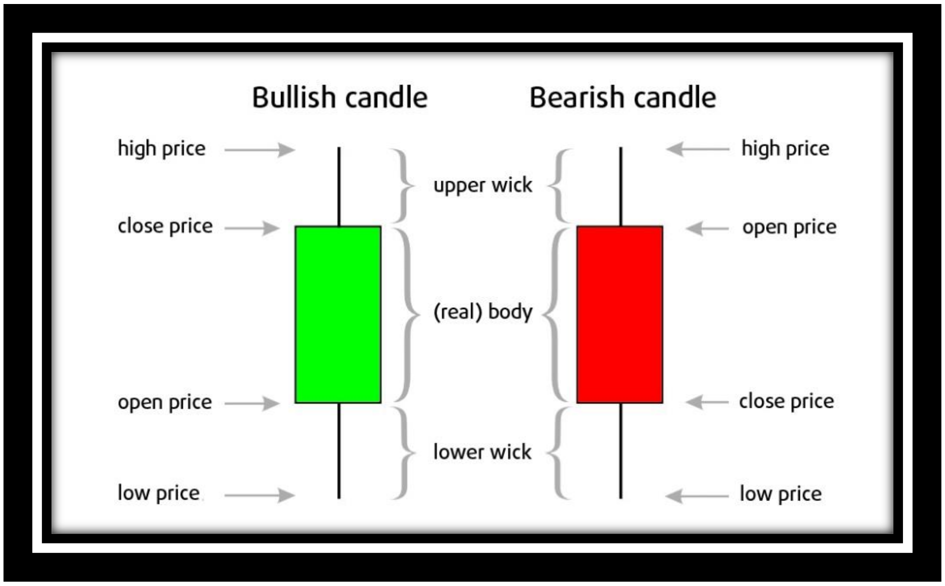
The Basics of Candlesticks

Each candlestick represents the price movement of an asset for a specific period. A candlestick is made up of a body and wicks (shadows). The body represents the open and close prices, while the wicks show the high and low prices during the period.



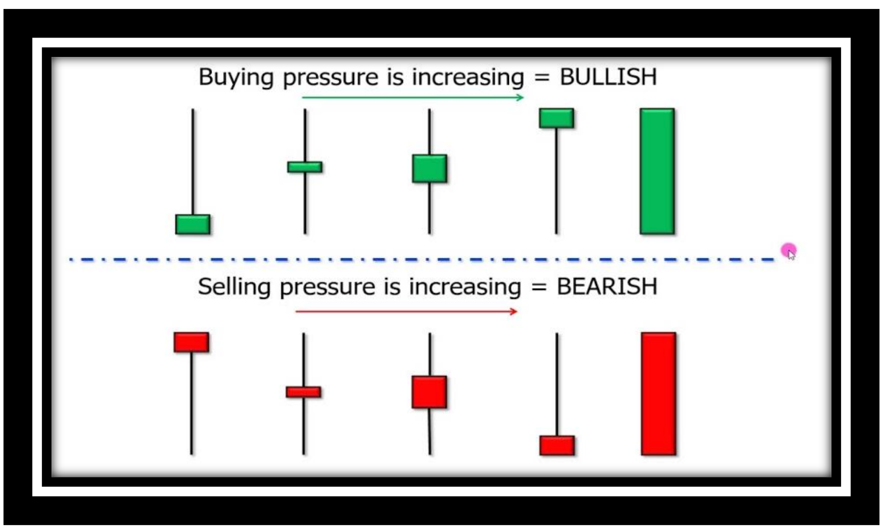
Understanding Candle sticks

- Candlestick charts are used by traders to determine possible price movement based on past patterns.
- Candlesticks are useful when trading as they show four price points (open, close, high, and low) throughout the period the trader specifies.
- Many algorithms are based on the same price information shown in candlestick charts.
- Trading is often dictated by emotion, which can be read in candlestick charts.
- Remember we are trading on daily charts so, when looking at placing a trade do it off the daily chart.
- Using smaller time frames to see the daily picture is something you can do regards learning price action.



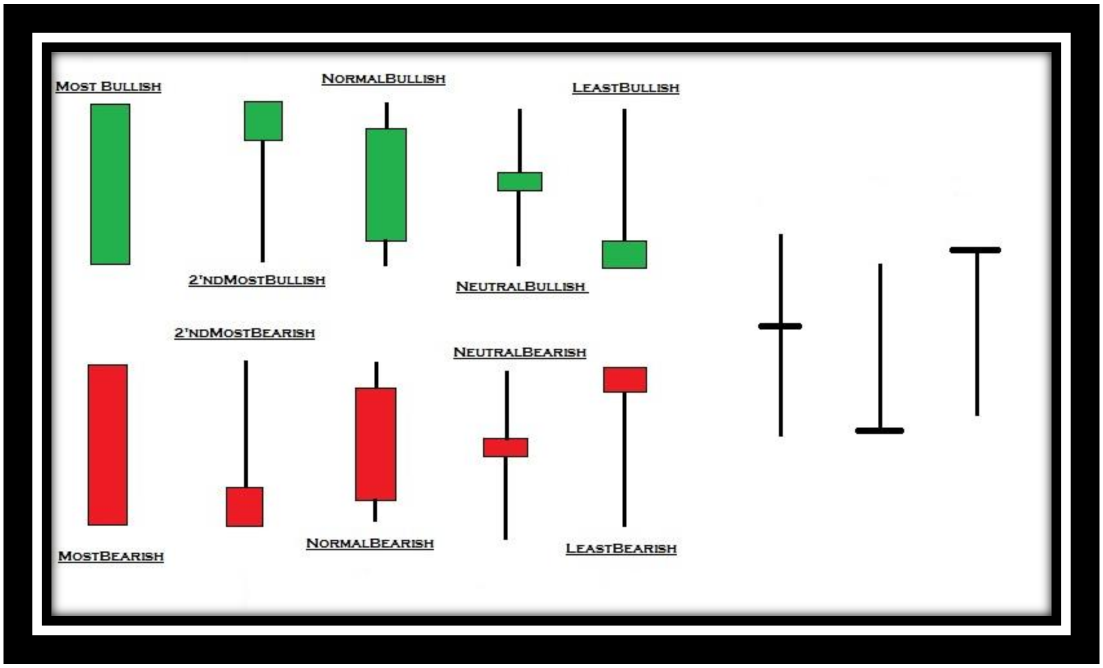
Every Candle is part of a bigger story

- Strong to weak bullish guide.
- Strong to weak bearish guide.

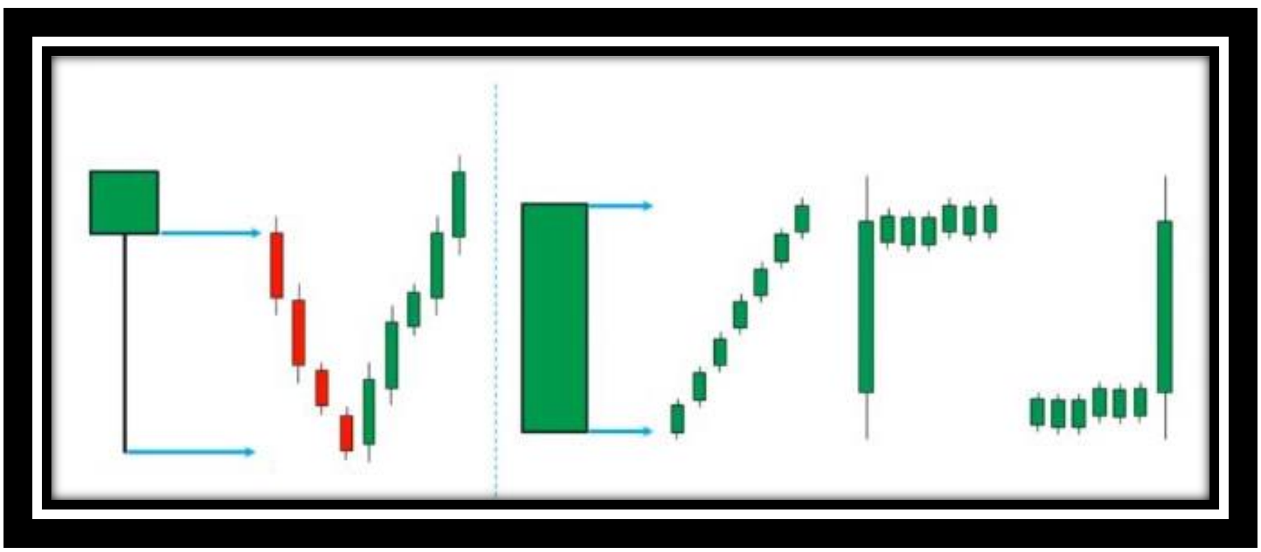


Description of the candles

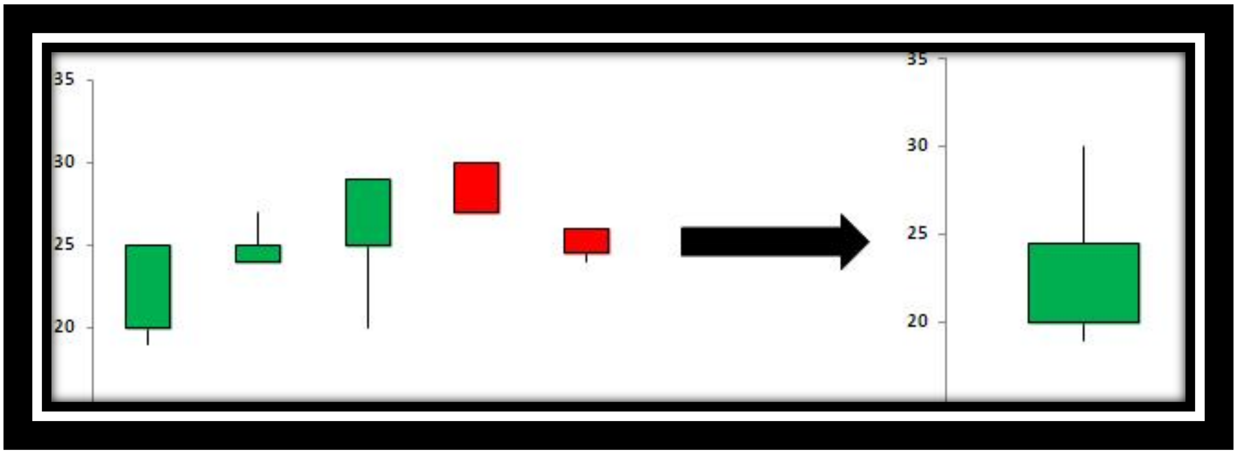
- As per diagram below you can identify price action of each candle based on how they close. Is it bullish or bearish?
- This will help in understanding price action better.



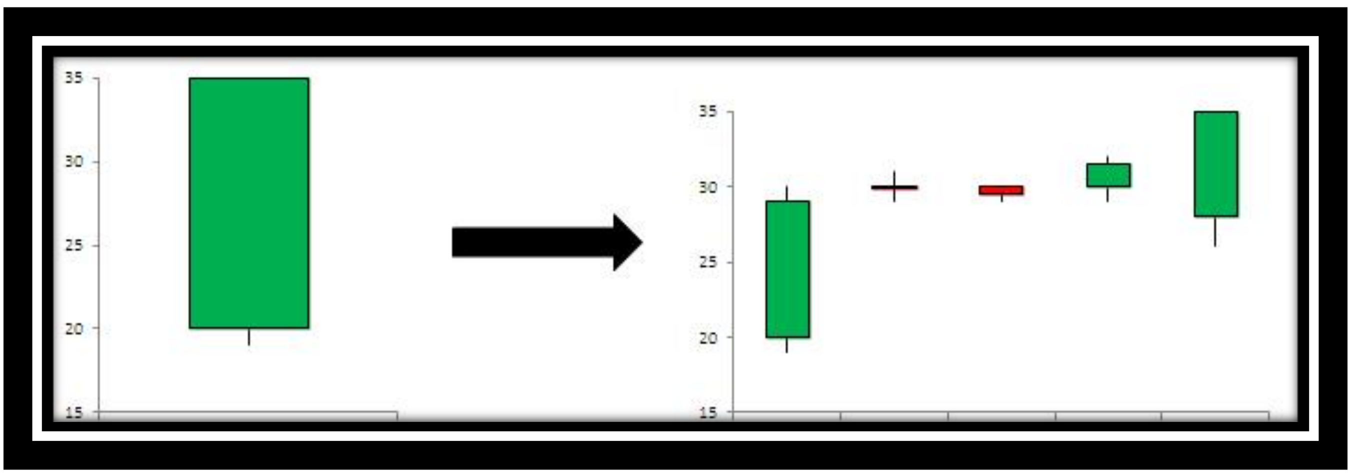
Looking at a smaller time frames to see how the big picture was made.



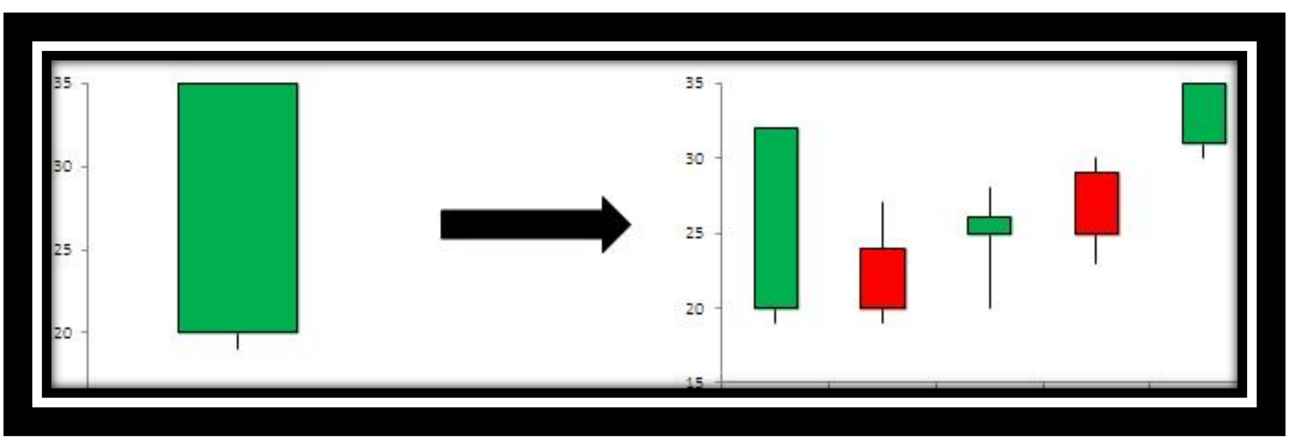
More example of let's say what a 5-minute candle would look like based on 1 minute time frame.



Another example of what smaller timeframes can look like whilst forming the larger timeframe.



Another example of what smaller timeframes can look like whilst forming the larger timeframe.



Notes:____

Trading intraday Options: Key Indicators and Strategies

Introduction

Intraday options trading involves buying and selling options contracts within the same trading day. This strategy aims to capitalize on short-term price movements and requires a solid understanding of key technical indicators. Traders use various tools to identify trends, entry and exit points, and manage risk effectively.

In this document, we will explore essential technical indicators used in intraday options trading, including Average True Range (ATR), Volume Weighted Average Price (VWAP), Pivot Points, Moving Averages, Volatility Stops, and the Moving Average Convergence Divergence (MACD). These tools help traders make informed decisions by analyzing price movement, volatility, and trend direction.

1. Average True Range (ATR)

ATR measures market volatility by calculating the average range between the high and low prices over a specified period. Unlike other indicators, ATR does not indicate trend direction but rather the degree of price movement.

How to Use ATR in Intraday Trading

- Volatility Assessment: A rising ATR suggests higher volatility, meaning larger price swings, while a falling ATR signals reduced volatility.
- Setting Stop Losses: Traders use ATR multiples (e.g., 1.5x ATR) to place stop-loss orders to protect against excessive losses.
- Trade Confirmation: ATR can help confirm breakouts or breakdowns, especially when coupled with volume analysis.

2. Volume Weighted Average Price (VWAP)

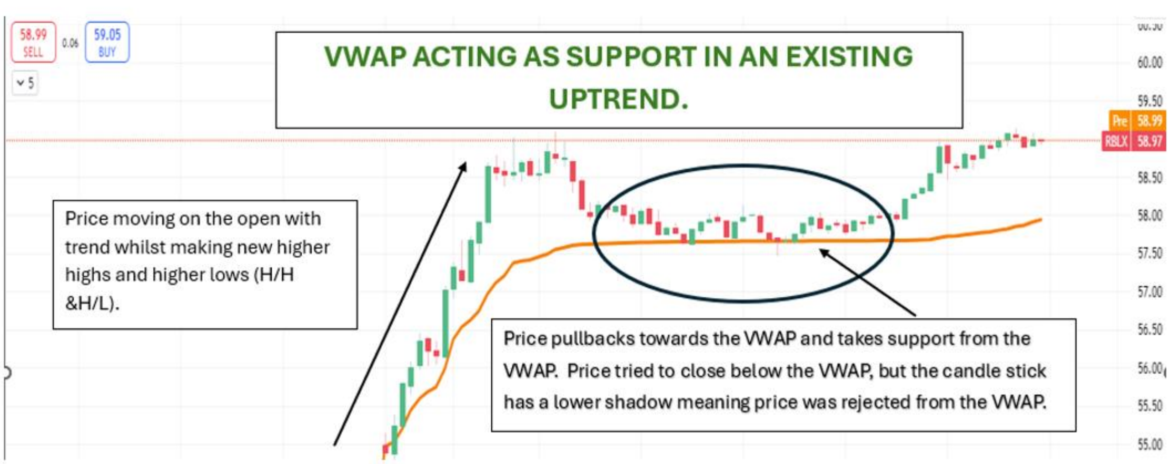
VWAP calculates the average price a security has traded at throughout the day, based on both volume and price. It is used as a benchmark to assess whether the stock is trading above or below its fair value.

How to Use VWAP in Intraday Trading

- Trend Confirmation: If the price is above VWAP, it indicates bullish momentum; if below, it suggests bearish sentiment.
- Entry & Exit Points: Traders buy when prices cross above VWAP and sell when they cross below.
- Institutional Benchmarking: Large institutions use VWAP to execute trades without causing major price fluctuations.

VWAP Resistance

VWAP SUPPORT



3.Pivot Points

Pivot Points are technical levels derived from the previous day’s high, low, and closing prices. These levels help traders identify potential support and resistance zones.

Pivot Points were originally used by floor traders to set key levels. Like modern-era day traders, floor traders dealt in a very fast-moving environment with a short-term focus.

At the beginning of the trading day, floor traders would look at the previous day's high, low and close to calculate a Pivot Point for the current trading day.

Pivots Points are significant levels chartists can use to determine directional movement and potential support/resistance levels.

On the subsequent day, trading above the pivot point is thought to indicate ongoing bullish sentiment, while trading below the pivot point indicates bearish sentiment.

The indicator typically includes SIX additional levels: S1, S2, S3, and R1, R2 & R3. These stand for support 1, 2 & 3, and resistance 1,2 & 3.

Support and resistance 1 and 2 & 3 may cause reversals, but they may also be used to confirm the trend.

For example, if the price is falling and moves below S1, it helps confirm the downtrend and indicate a possible continuation to S2.

Pivot Point Calculation

Pivot Point (PP) = (High + Low + Close) / 3
Resistance 1 (R1) = (2 × PP) - Low
Resistance 2 (R2) = PP + (High - Low)
Support 1 (S1) = (2 × PP) - High
Support 2 (S2) = PP - (High - Low)

4. Moving Averages (MA)

A Moving Average smooths price data over a specified period to identify trend direction and reduce noise.

How to Use Moving Averages in Intraday Trading

- Trend Confirmation: Prices trading above a rising MA indicate an uptrend, while prices below a declining MA suggest a downtrend.
- Crossovers: When a short-term MA (e.g., 9 EMA) crosses above a long-term MA (e.g., 50 SMA), it

signals a bullish trend reversal.
- Dynamic Support & Resistance: Prices often bounce off MAs, making them useful for setting stop-loss and entry levels.

5. Volatility Stops

Volatility Stops use ATR to set stop-loss levels based on recent price fluctuations. This helps traders stay in trades while avoiding premature exits due to market noise.

How to Use Volatility Stops in Intraday Trading

- ATR-Based Stops: Traders use 1.5x to 2x ATR to place stop losses, ensuring they account for normal price fluctuations.
- Trailing Stops: Volatility-based stops adjust dynamically as the trade moves in the trader's favor.
- Avoiding Market Whipsaws: Setting stops based on volatility prevents traders from getting stopped out due to minor price fluctuations.

6. Moving Average Convergence Divergence (MACD)

MACD is a momentum indicator that helps traders identify trend strength and potential reversals by comparing two moving averages.

MACD Components

- At RTC Intraday Program, the MACD indicator consists of two elements moving around the zero line:
- The MACD line (1): helps determine upward or downward momentum (market trend). It is calculated by subtracting two exponential moving averages (EMA).
- The signal line (2): an EMA of the MACD line (16-period EMA). The combined analysis of the signal line with the MACD line may be helpful in spotting potential reversals or entry and exit points.
- Histogram: Represents the difference between the MACD line and the Signal line.

How to Use MACD in Intraday Trading

- Crossover Strategy: When the MACD line crosses above the Signal line, it generates a bullish signal; when it crosses below, it indicates bearish momentum.
- Divergence Trading: If the price moves higher while MACD moves lower, it signals a potential reversal.
- Histogram Analysis: Expanding histogram bars indicate strengthening trends, while contracting bars suggest weakening momentum.

Understanding MACD –Bullish Signal

Call Option Signal are given when the MACD line crosses above the signal line.

Understanding MACD –Bearish Signal

Put Option signal are given when the MACD line crosses below the signal line.

Conclusion

Trading intraday options require precise decision-making based on real-time market movements. By utilizing indicators such as ATR, VWAP, Pivot Points, Moving Averages, Volatility Stops, and MACD, traders can improve their ability to assess trend direction, volatility, and trade execution. Each indicator plays a unique role in identifying entry and exit points, managing risk, and improving overall trade efficiency.

A combination of these tools, along with strong risk management strategies, can significantly enhance intraday trading success. Traders should continuously refine their strategies and adapt to evolving market conditions to stay ahead in the fast-paced world of options trading.

Average True Range (ATR)

Average true range (ATR) is a volatility indicator that shows how much an asset moves, on average, during a given time frame. The indicator can help day traders confirm when they might want to initiate a trade, and it can be used to determine the placement of a stop-loss order.

The ATR indicator moves up and down as price moves in an asset become larger or smaller. A new ATR reading is calculated as each time-period passes.

- On a 5-minute chart, a new ATR is calculated for 5-minutes. All these readings are plotted to form a continuous line, so traders can see how volatility has changed over time
- On a daily chart, a new ATR is calculated every day. All these readings are plotted to form a continuous line, so traders can see how volatility has changed over time.
- Help identify potential price movements and manage risk effectively.
- Provides traders with a benchmark for setting stop-loss and take-profit levels.
- Useful for filtering trades based on volatility levels.
- Adapts to changing market conditions, offering dynamic levels.

Benefits of ATR

- Determines optimal entry and exit points based on volatility.
- Enhances risk management by aligning position sizing with market conditions.
- Prevents overtrading in low-volatility markets.
- Guides to the selection of strike prices and expiration periods.
- **Note: Entries and exits should not be based on the ATR alone. The ATR is a tool that should be used in conjunction with an overarching strategy to help filter trades**

Penny Pilot

The Penny Pilot Program was initiated in January 2007 and currently includes more than 300 of the most active option classes.

- The Penny Pilot Program was introduced to improve options market efficiency.
- Allows options on select securities to be quoted in $0.01 increments (pennies) instead of $0.05 or $0.10.

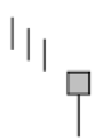
- And in minimum increments of $0.05 for all series in such option classes with a price of $3.00 or higher.
- Focuses on high-volume and liquid options, making them more accessible to retail and institutional traders.
- Tighter Bid-Ask Spreads:
    - Smaller increments lead to reduced trading costs.
    - It is easier for traders to enter/exit positions at favorable prices.
- Increased Liquidity:
    - High trading volumes ensure sufficient counterparties for trades.
    - Improved Execution:
    - Faster and more precise order files are critical for intraday trading.

Candle Stick Patterns

Bullish Candlestick Patterns

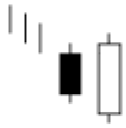
Hammer

A hammer is a bullish reversal pattern that forms after a downtrend. It has a small body with a long lower wick, indicating that sellers pushed the price lower, but buyers were able to drive it back up before the close.



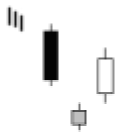
Bullish Engulfing

The bullish engulfing pattern consists of two candles: a small bearish candle followed by a larger bullish candle that completely engulfs the body of the previous candle. This pattern signals that buyers are taking control after a period of selling.



Morning Star

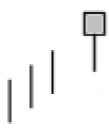
The morning star is a three-candle bullish reversal pattern. It starts with a long bearish candle, followed by a small-bodied candle (the star), and finishes with a long bullish candle, indicating a shift in sentiment from bearish to bullish.



Bearish Candlestick Patterns

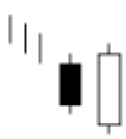
Hanging Man

The hanging man is a bearish reversal pattern that occurs after an uptrend. It looks similar to the hammer but forms at the top of an uptrend. The long lower wick shows that sellers are starting to gain control.



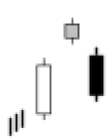
Bearish Engulfing

The bearish engulfing pattern consists of a small bullish candle followed by a larger bearish candle that engulfs the body of the previous candle. This pattern indicates that sellers have taken control, and the price may continue to fall.



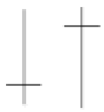
Evening Star

The evening star is a three-candle bearish reversal pattern. It starts with a long bullish candle, followed by a small-bodied candle (the star), and ends with a long bearish candle, signaling a shift in sentiment from bullish to bearish.



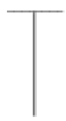
Doji Patterns

A Doji candlestick forms when the opening and closing prices are virtually the same, resulting in a small or nonexistent body. Doji patterns indicate indecision in the market and can signal a potential reversal depending on the surrounding price action.



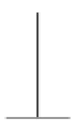
Dragonfly Doji

The dragonfly doji has a long lower wick and no upper wick, showing that the price was pushed down during the session but recovered by the close. This pattern can indicate a bullish reversal if it forms after a downtrend.



Gravestone Doji

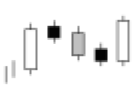
The gravestone doji has a long upper wick and no lower wick, indicating that the price was pushed up during the session but fell back to the opening level. This pattern can signal a bearish reversal if it forms after an uptrend.



Continuation Patterns

Rising Three Methods

The rising three methods is a continuation pattern that occurs during an uptrend. It consists of three small bearish candles followed by a larger bullish candle, indicating that the uptrend is likely to continue.

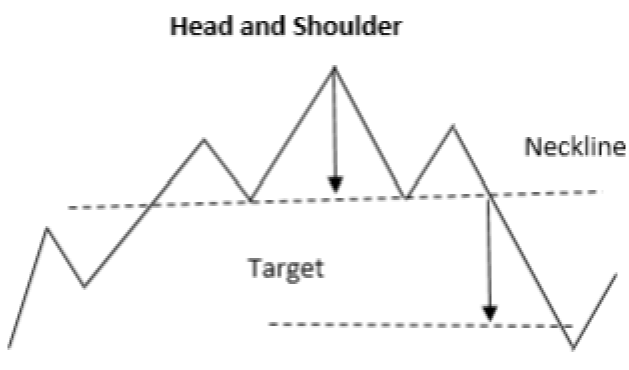


How to Read Trading Chart Patterns: A Comprehensive Guide

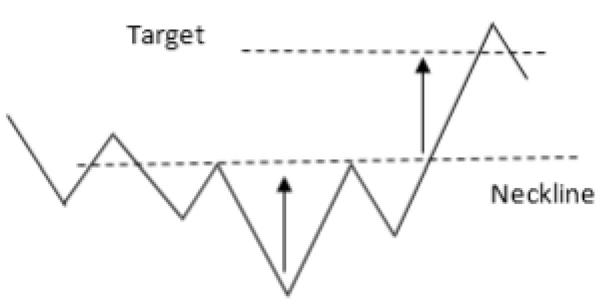
Understanding chart patterns is a key skill for any trader or investor. Chart patterns provide insights into market sentiment and can help predict potential price movements. In this guide, we will explain how to read common chart patterns, providing descriptions and placeholders for images. Be sure to add corresponding images to visualize the patterns.

Head and Shoulders Pattern

The head and shoulders pattern are a reversal pattern that signals a change in trend. It consists of three peaks, with the middle peak (the head) being higher than the two outer peaks (the shoulders). This pattern is typically used to predict a reversal from an uptrend to a downtrend.

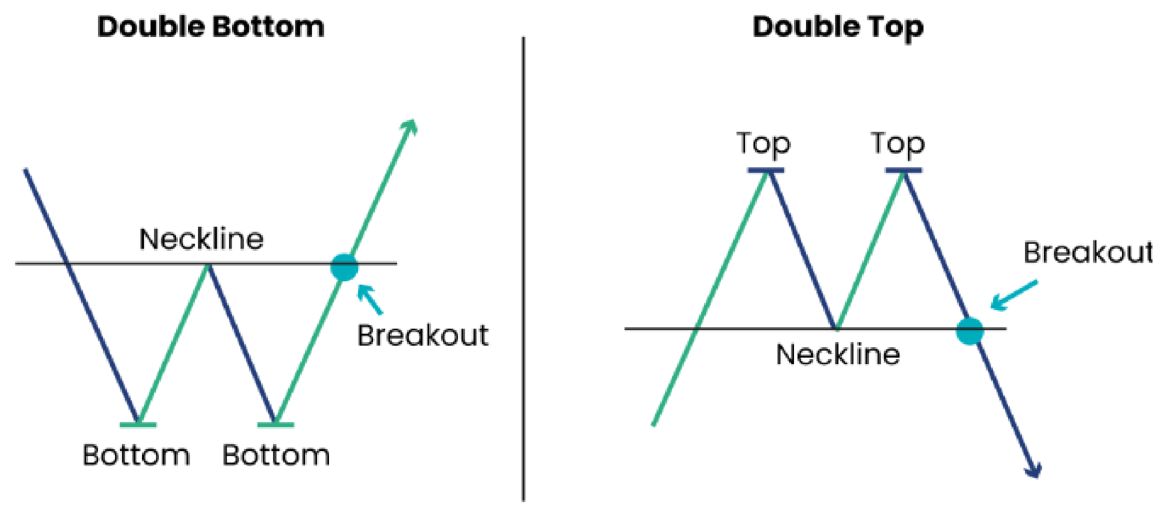


Inverse Head & Shoulders



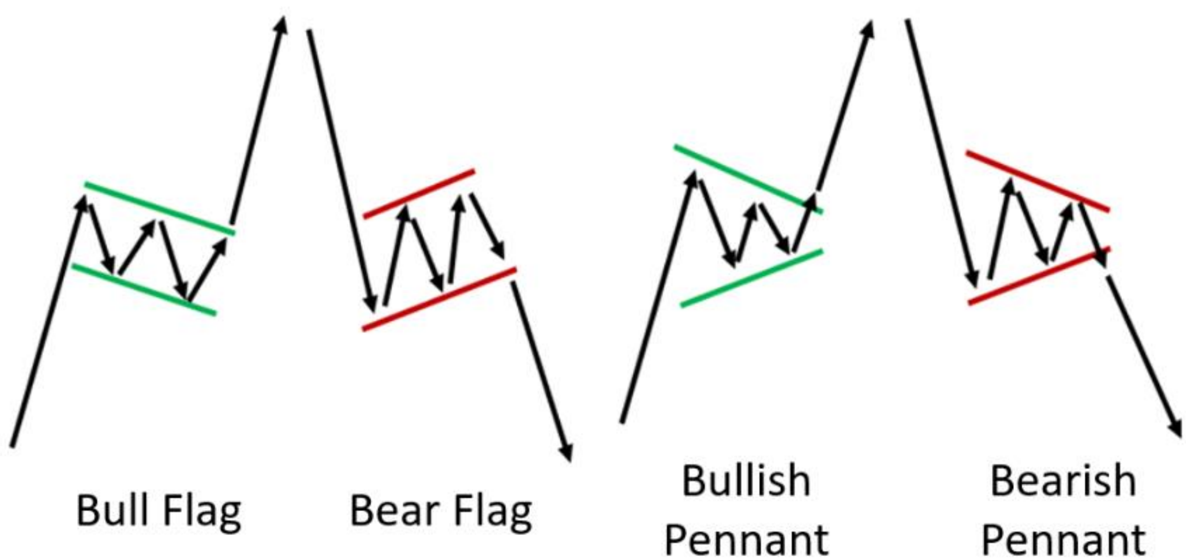
Double Top and Double Bottom

The double top and double bottom are reversal patterns that occur after a sustained uptrend (double top) or downtrend (double bottom). A double top indicates that the asset's price is unable to break above a certain level, while a double bottom suggests the price is unable to break below a certain level, signaling a potential reversal.



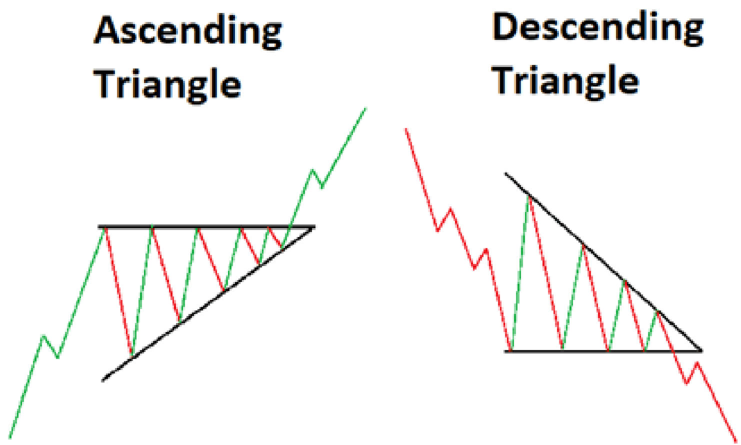
Flag and Pennant Patterns

Flag and pennant patterns are continuation patterns that suggest the price will continue in the direction of the prevailing trend. A flag pattern forms a rectangular shape, while a pennant pattern forms a small symmetrical triangle. Both patterns represent consolidation before a breakout.



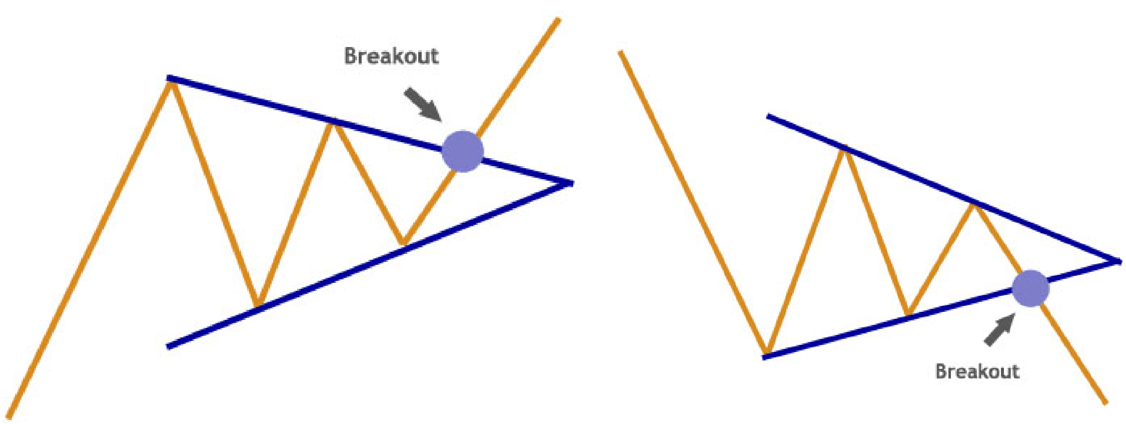
Ascending and Descending Triangle

The ascending triangle is a bullish continuation pattern formed by a horizontal resistance level and an upward sloping support line. The descending triangle is a bearish continuation pattern formed by a horizontal support level and a downward sloping resistance line. Both patterns suggest that a breakout is imminent.



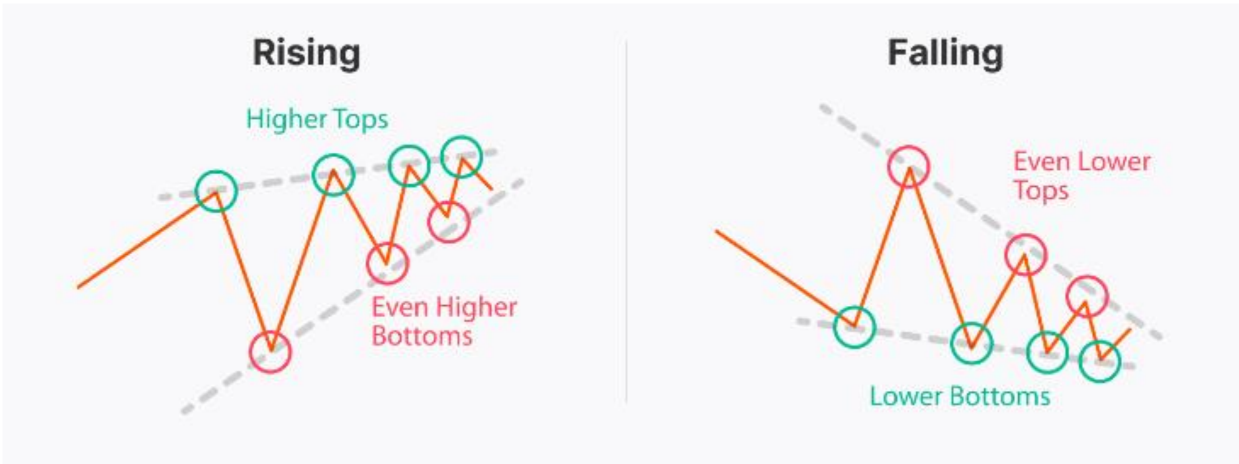
Symmetrical Triangle Pattern

The symmetrical triangle pattern is a continuation pattern where the price consolidates between converging trend lines. This pattern signals that a breakout is likely, but the direction is uncertain until the price breaks above or below the trend lines.



Rising and Falling Wedges

Wedges are reversal patterns that signal a change in trend. A rising wedge indicates a potential reversal to the downside, while a falling wedge indicates a potential reversal to the upside. Both patterns are formed by converging trend lines.



Conclusion

Chart patterns are an essential tool for technical analysis, helping traders predict future price movements based on historical price data. By mastering these patterns and understanding their implications, traders can make more informed decisions and improve their trading strategies. Remember to add the appropriate images for each pattern in the placeholders provided.

Strategies

Introduction 10 minute Strategy

The 10-minute strategy is a strategy specifically for 5-minute charts where we look for potential entries after the first 10 minutes have been completed. There are certain criteria's that need to be fulfilled to take the trade. Let's have a look at how we would set them up. Best to follow the market trend when doing these trades

Would make sense if the SPY or QQQ also have a 10 Min setup, this means there is a higher probability of finding more successful candidates.

Avoid trades against the market, unless you know of an edge(s) that supports that decision.

10 Minute Strategy Call

The 10-min trade has the following setup criteria for call options:

1. Ensure chart is on the five-minute time frame

2. The stock must go up as of the open of the market

3. Do not enter on the first candle. Wait for the first candle to complete.

4. The second candle should form with little or no overlap of the first candle.

5. Let the second candle form and wait for that candle to complete.

6. The second should have a strong close with a solid fill preferable. It can have a small wick, but the candle must show strength.

7. Ensure good igniting volume is on the first candle.

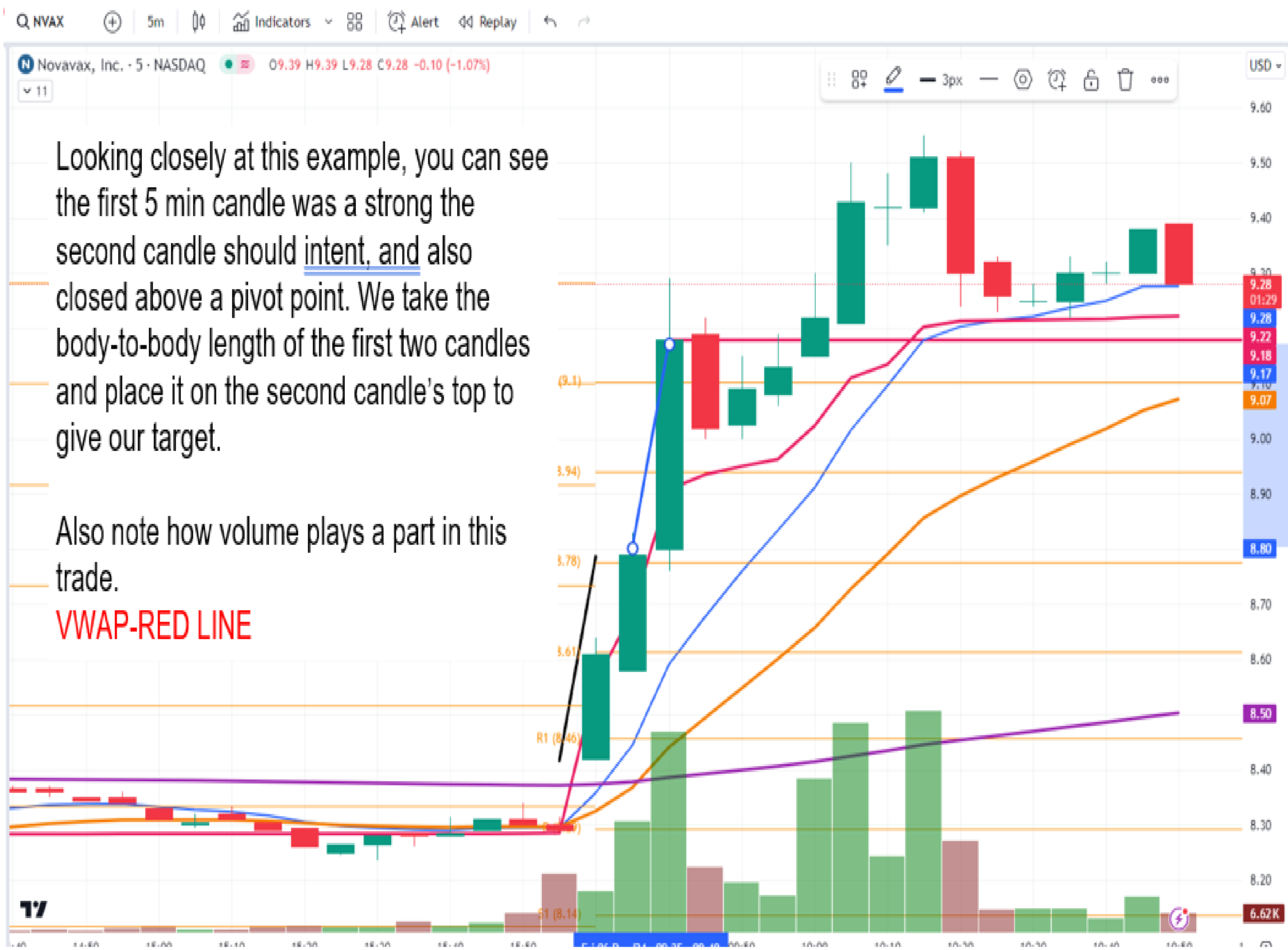
8. The second candle also should preferably show strong volume continuation.

9. Enter the third candle if there is little no overlap, the third candle should continue from where the previous candle closed.

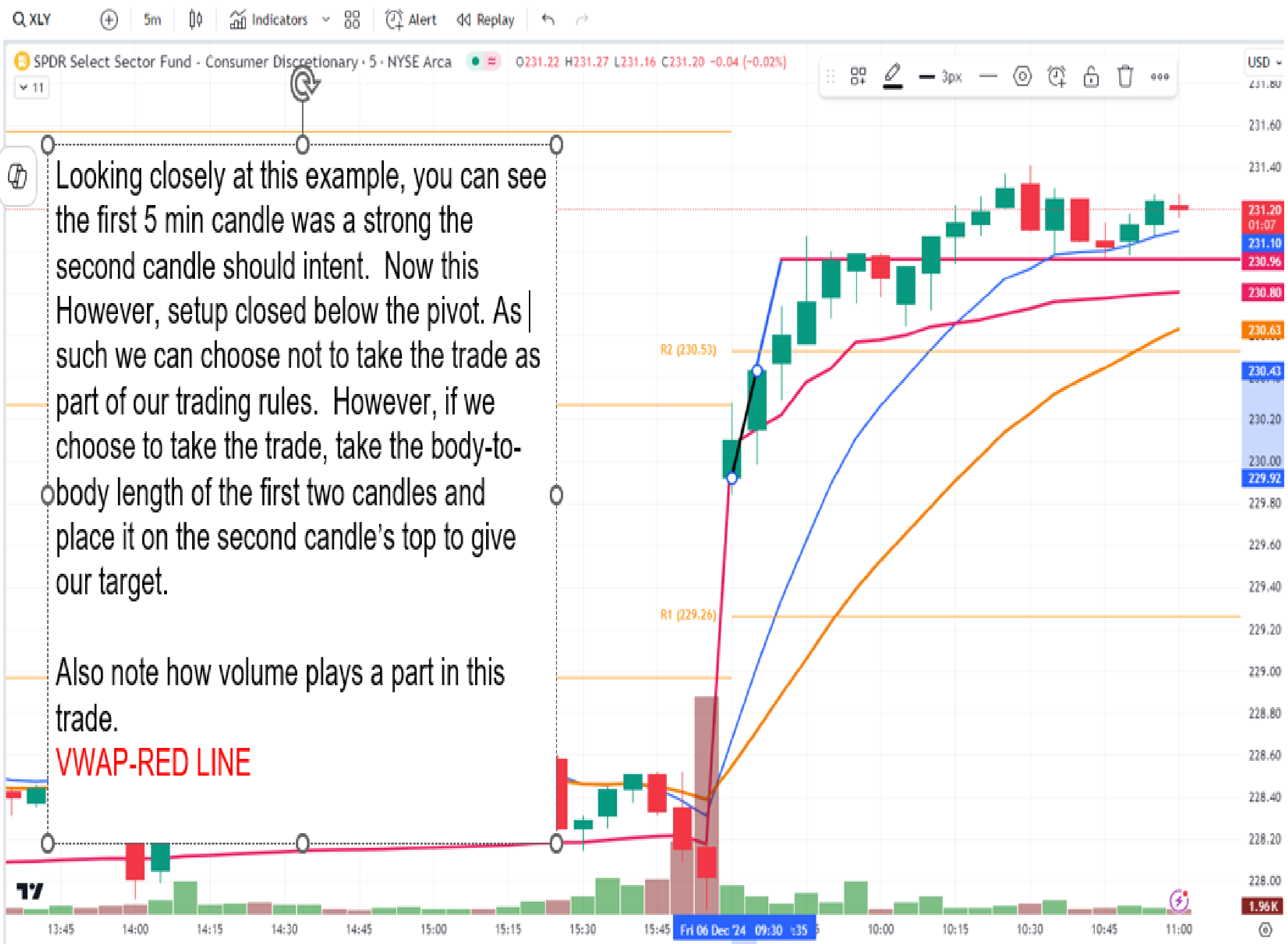
10. Your Target it the length of the first two candles, extend that length forward and that will give you the target.

11. Exit Trade if preceding candles close below the VWAP

10 Min Trade Example



10 Min Trade Example



10 Min Trade Example

10 Min Trade Example-Failed

10 Minute Strategy Put

The 10-minute trade has the following setup criteria:

1. Ensure chart is on the five-minute time frame

2. The stock must go down as of the open of the market

3. Do not enter on the first candle. Wait for the first candle to complete.

4. The second candle should form with little or no overlap of the first candle.

5. Let the second candle form and wait for that candle to complete.

6. The second should have a strong close with a solid fill preferable. It can have a small tail, but the candle must show strength.

7. Ensure good igniting volume is on the first candle.

8. The second volume bar also should preferably show strong continuation volume.

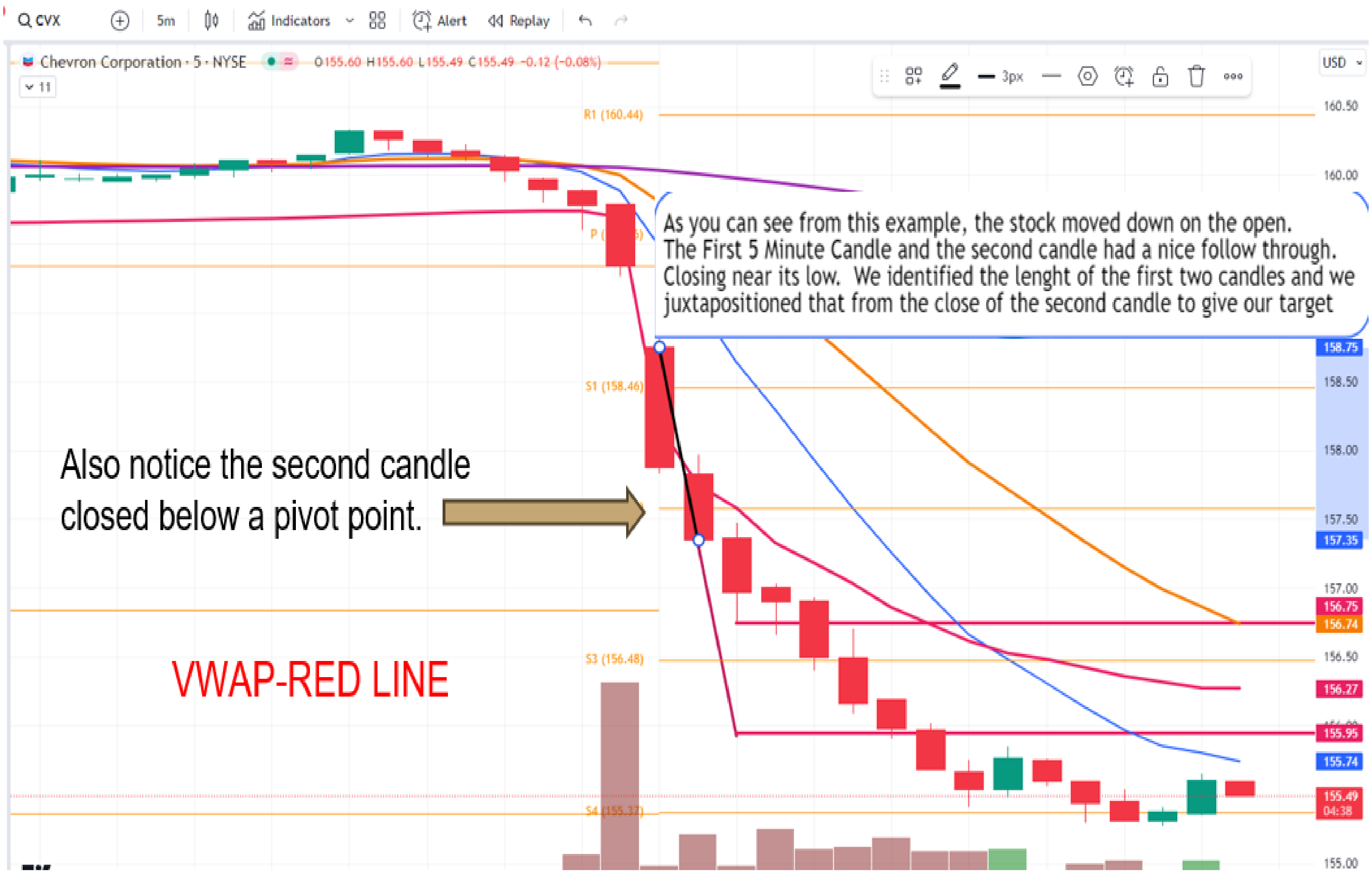
9. Enter the third candle if there is little no overlap, the third candle should continue from where the previous candle closed.

10. Your Target is the length of the first two candles, extend that length forward and that will give you the target.

11. Exit Trade if preceding candles close above the VWAP

10 Min Trade Example

10 Min Trade Example

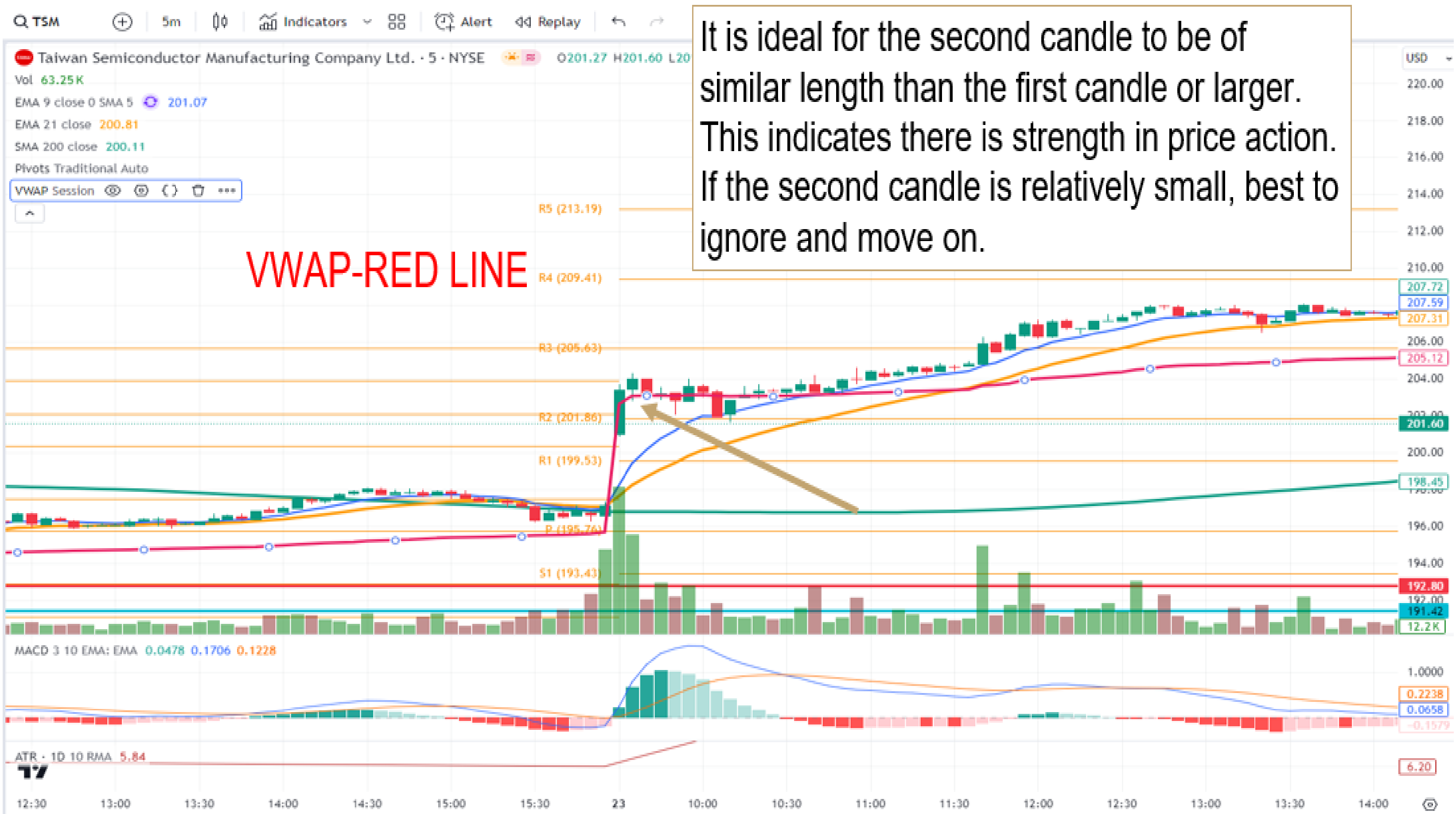


10 Min Trade Example

As you can see, though there was a 10 Minute strategy trade setup, notice that the second candle is very close to a Pivot Point. If this is the case, we may need to wait for additional confirmation. In this example though the stock Price Action got to target as per our rules we would have exited the trade once price closed above the VWAP.

A second point to understand also is that this second candle is very close to a pivot point and perhaps as such based on your trading plan you may not have entered the trade.

Observations Candle Sticks



General Observation-PIVOTS

Momentum Strategy

Introduction

Momentum trading is the practice of buying and selling assets according to the recent strength of price trends. It is based on the idea that if there is enough force behind a price move, it will continue to move in the same direction.

Intraday Momentum strategies can be triggered by many factors. Some factors are

- Earnings Announcements
- Analyst recommendation changes
- Macro-economic news
- Actions of large funds
- Some causes on the smallest time scale
- Lawsuits & Takeovers
- News Breaking events

Criteria

Float

Float of 1 million Shares. Strong Daily Charts (above the Moving Averages and with no nearby resistance).

High Relative Volume which would be above average. (This compares the current volume for today to the average volume for this time of day. These all refer to the standard volume numbers, which are reset every night at midnight.)

A fundamental catalyst such as PR, Earnings, FDA Announcement, Activist Investors or some other kind of breaking news. Stocks can also experience momentum without a fundamental catalyst. When this happens, it's called a technical breakout.

Volume

Volume is the amount of a particular asset that is traded within a given time frame. Volume is not the number of transactions, but the number of assets traded – so, if five buyers purchase one asset each, it looks the same as if one buyer purchases five of the assets.

Volume is vital to momentum traders, as they need to be able to enter and exit positions quickly, which relies on there being a steady stream of buyers and sellers in the markets. If a market has a high number of buyers and sellers, it is known as a liquid market as it is easier to exchange an asset for cash. Whereas if a market has a low number of buyers and sellers, it is regarded as illiquid.

Timeframe

- Momentum trading strategies are usually focused on short-term market movements, but the duration of a trade can depend on how long the trend maintains its strength.
- We would generally look at this on a 5-minute chart

Patterns

- Bull Flags are my absolute favorite charting pattern, in fact I like them so much I made an entire page dedicated to the Bull Flag Pattern. This pattern is something we see almost every single day in the market, and it offers low risk entries in strong stocks.
- The Resistance breakout pattern is like the bull flag pattern where there is a strong level of resistance. This usually happens over a period of a few candles and will be easy to recognize on a chart by the obvious flat top pattern.

Momentum Explained

- Momentum traders will seek to identify how strong the trend is in each direction, then open a position to take advantage of the expected price change and close the position when the trend starts to lose its strength.
- A momentum trader doesn't necessarily attempt to find the top and bottom of a trend but instead focuses on the main body of the price move. They aim to exploit market sentiment and herding – the tendency for traders to follow the majority.
- Momentum trading is used by active investors to take a position within a trending move.
- This strategy can be the starting point for major price moves. By playing momentum trader can stay in trade for short period of time and churn the capital multiple time for generating higher return.
- Day Trading in general is determined on the momentum of the market so using that model we can take advantage of positions that are moving with a particular index or sector.
- Now when looking at momentum and especially getting into momentum trade we need to ensure the stock is the right fit.
- As an example, the stock could be in an overall uptrend and may be in a pattern formation like a bull flag.

- This would be ideal, as there is a catalyst for a move, and with the market moving in the appropriate direction we can benefit from this opportunity.
- When entering such trades we are looking at all the same things as price action and volume.
- A momentum trade often could be a legacy of a 5 min Strategy Trade, patterns and the like, that have been missed.

Momentum trade example

Momentum trade example

Momentum trade example

Momentum trade example

Momentum trade example

Momentum trade example

Momentum trade example

Momentum trade example

I Minute Strategy (LEVEL 2)

Introduction

A fast-paced and advanced trading strategy designed for rapid execution and effective trade management.

Understand the concept, execution process, and trade management techniques for this strategy. Ensure you familiarize yourself with the 10 minute and momentum strategies first.

Advantages

- Quick trades minimize market exposure.
- High potential for significant profits in a short time.
- Adaptable to various time frames for flexible exits.

Challenges

- Requires focus and quick decision-making.
- Potential for false breakouts, especially in low- volume markets.
- High risk if not managed properly with strict chart exits

Tips for Success

Preparation:

- Review pre-market movers and news.
- Focus on stocks with high volatility and liquidity.

Discipline:

- Stick to your plan and predefined risk levels.

Practice:

- Simulate trades in a demo account before live trading.

The 1 Minute Strategy

This strategy is looking at an explosive move on the open using market volatility as our friend

We will use a one-minute timeframe to enter the trades

We do not jump in on the open we would wait a minimum of 3 minutes before we would even consider entering a position

This type of trading does not have a target as such, we use momentum to continue to remain in our position until we see an end of this momentum using Exponential Moving Average 9 to exit the trade.

Understanding Call Setup

The breakout has the following setup criteria (Call Option Trade):

1. Ensure chart is on the one minute

2. The stock must gap up

3. Do not enter on the first candle

4. Wait for the first candle to complete, this will give you a range of the high and low

5. The second one-minute candle's body needs to close within the opening candle range of the first candle

6. The third candle or candles there after need to close above the first candles high

7. Once the third one-minute candle has closed above the first candle high and the succeeding candle is moving up you can now enter the trade.

8. Ensure the industry and sector are moving in the similar direction

Understanding the Put Setup

The breakdown has the following setup criteria (put Option Trade):

1. Ensure chart is on the one minute

2. The stock must gap down

3. Do not enter on the first candle

4. Wait for the first candle to complete, this will give you a range of the high and low

5. The second one-minute candle's body needs to close within the opening candle range of the first candle

6. The third candle or candles there after need to close below the first candles low point

7. Once the third one-minute candle has closed below the first candle low and the succeeding candle is moving down you can now enter the trade.

8. Ensure the industry and sector are moving in the similar direction

Managing the Breakout Trade

Once you have entered the trade you could scale/manage the trade on either a 1 min, 2 min or 5 min time frame for an exit.

CALL Exit parameters on any of these timeframes when the stock price closes below the 9EMA.

PUT Exit parameters on any of these timeframes when the stock price closes above the 9EMA.

Trade Exits

Exiting the trade when the following happens:

1. You have just entered a breakout or breakdown, and the first entry candle closes within the first candles opening range.

2. You are in the breakout trade and continue to see a momentum move to the upside, eventually the candle closes below the 9 Exponential Moving Average (EMA). Close the trade.

3. You are in the breakdown trade and continue to see a momentum move to the downside, eventually the candle closes above the 9 Exponential Moving Average (EMA). Close the trade.

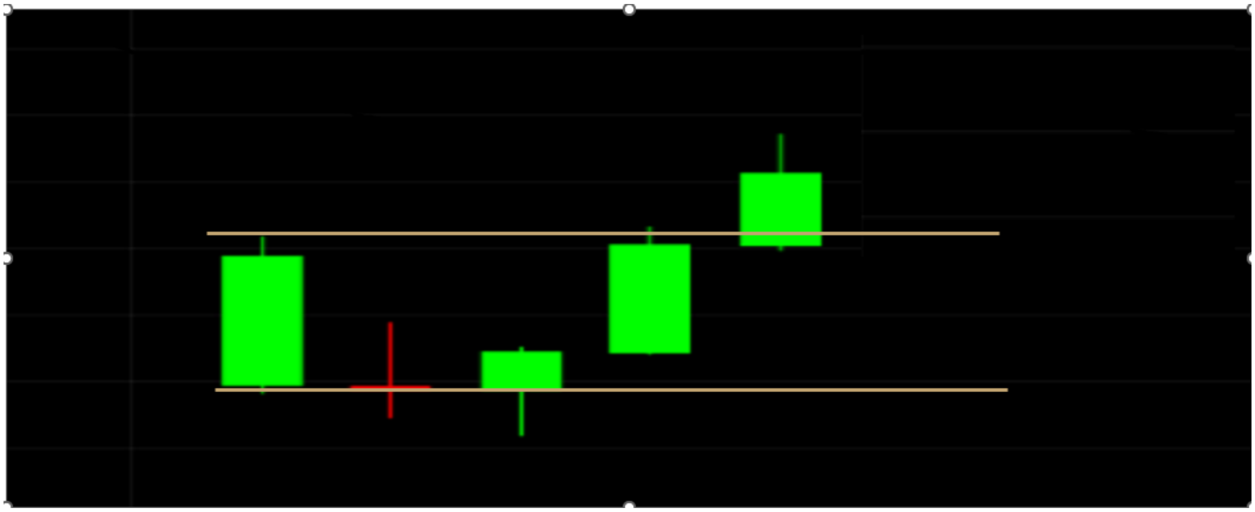
Additional Parameters

When doing the one-minute trades we need to ensure the stock we are looking at is moving with its industry, sector and index.

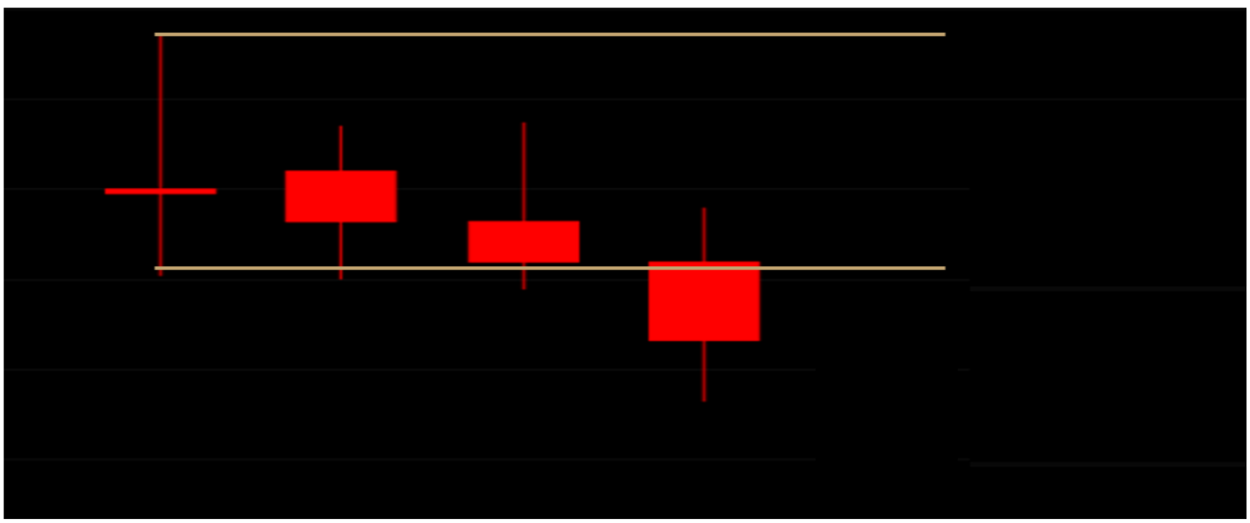
In the event stock is not moving with the overall market its best to avoid that stock.

As a trader always ensure when deciding to take a trade ensure the overall market is moving with your trade.

What a Valid 1 Minute Call Set can look like:



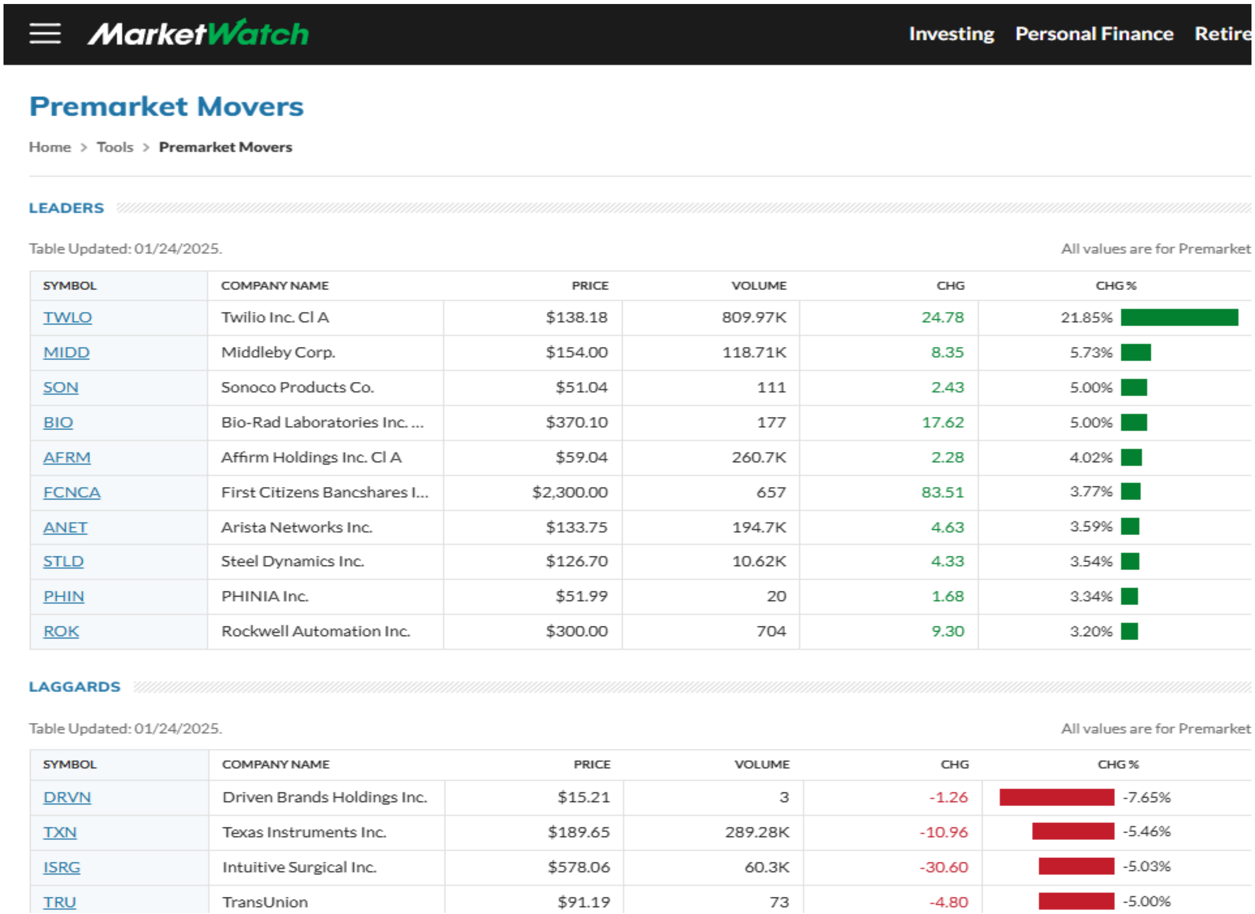
What a Valid 1 Minute Put Set can look like:



Where would you get out?

Trade Management: Where would you get out? A: First Circle…Failed Trade

Where can I find Trades Gapping Up or Down?



MarketWatch — Investing | Personal Finance | Retire

Premarket Movers

Home > Tools > Premarket Movers

LEADERS

Table Updated: 01/24/2025. — All values are for Premarket

SYMBOL	COMPANY NAME	PRICE	VOLUME	CHG	CHG %
TWLO	Twilio Inc. Cl A	$138.18	809.97K	24.78	21.85%
MIDD	Middleby Corp.	$154.00	118.71K	8.35	5.73%
SON	Sonoco Products Co.	$51.04	111	2.43	5.00%
BIO	Bio-Rad Laboratories Inc. ...	$370.10	177	17.62	5.00%
AFRM	Affirm Holdings Inc. Cl A	$59.04	260.7K	2.28	4.02%
FCNCA	First Citizens Bancshares I...	$2,300.00	657	83.51	3.77%
ANET	Arista Networks Inc.	$133.75	194.7K	4.63	3.59%
STLD	Steel Dynamics Inc.	$126.70	10.62K	4.33	3.54%
PHIN	PHINIA Inc.	$51.99	20	1.68	3.34%
ROK	Rockwell Automation Inc.	$300.00	704	9.30	3.20%

LAGGARDS

Table Updated: 01/24/2025. — All values are for Premarket

SYMBOL	COMPANY NAME	PRICE	VOLUME	CHG	CHG %
DRVN	Driven Brands Holdings Inc.	$15.21	3	-1.26	-7.65%
TXN	Texas Instruments Inc.	$189.65	289.28K	-10.96	-5.46%
ISRG	Intuitive Surgical Inc.	$578.06	60.3K	-30.60	-5.03%
TRU	TransUnion	$91.19	73	-4.80	-5.00%

Websites for Premarket Data

- https://www.marketwatch.com/tools/screener/premarket?mod=side_nav
- https://www.barchart.com/stocks/performance/gap/gap-up?viewName=main
- https://www.tradingview.com/markets/stocks-usa/market-movers-pre-market-gainers/
- https://www.tradingview.com/markets/stocks-usa/market-movers-pre-market-losers/

Examples of Trade $APPN Bearish


APPN
Appian Corporation Class A
Technology Sector(S)
Software - Infrastructure


APPN
Appian Corporation Class A
Technology Sector(S)
ENTRY
EXIT

Example of Trade $FB Bullish


ENTRY
AGRESSIVE ENTRY
Facebook Inc
Technology Sector(S)
Internet Content & Information


ENTRY
AGRESSIVE ENTRY
Facebook Inc
Technology Sector(S)
Internet Content & Information

Comprehensive Guide to Level 2 and Time & Sales for Intraday Trading

Introduction

In intraday trading, traders rely on multiple tools and market indicators to make informed decisions. Two of the most essential tools are Level 2 data and Time & Sales. These tools provide granular insights into market depth, liquidity, and real-time transactions, enabling traders to make strategic entries and exits. This document will explore Level 2 data and Time & Sales in detail and discuss how these tools can be used to trade options effectively.

Section 1: Understanding Level 2 Data

1.1 What is Level 2 Data?

Level 2 data, also known as the order book, provides a real-time view of market depth by displaying buy and sell orders at different price levels. Unlike Level 1 data, which only shows the best bid and ask prices, Level 2 reveals the full depth of orders behind the best bid and ask.

1.2 Key Components of Level 2 Data

- **Bid Prices:** Prices at which buyers are willing to purchase the asset.
- **Ask Prices:** Prices at which sellers are willing to sell the asset.
- **Order Size:** The quantity of shares/contracts available at each price level.
- **Market Makers & ECNs:** Entities facilitate trade by providing liquidity.

1.3 How to Interpret Level 2 Data for Intraday Trading

- **Liquidity & Market Depth:** The more levels available, the deeper the liquidity.
- **Imbalance Between Bids and Asks:** Indicates potential price direction.
- **Large Orders at Specific Price Levels:** Can act as support/resistance.
- **Order Flow Shifts:** Sudden changes in bid/ask sizes indicate possible price movements.

Section 2: Understanding Time & Sales Data

2.1 What is Time & Sales?

Time & Sales, also known as the tape, provides real-time data on completed trades, including price, volume, and trade type. It helps traders identify market momentum and institutional activity.

2.2 Key Components of Time & Sales Data

- **Time:** The exact moment a trade is executed.
- **Price:** The transaction price.
- **Volume:** Number of shares/contracts traded.
- **Trade Type:** Whether the trade was executed on the bid, ask, or in between.
- **Color Coding (Varies by Platform):**
  - Green: Trade executed at the ask (buyer-initiated).
  - Red: Trade executed at the bid (seller-initiated).
  - White: Trade executed between the bid and ask.

2.3 How to Interpret Time & Sales for Intraday Trading

- **Speed of Tape Movement:** Fast prints indicate high activity and momentum.
- **Large Block Trades:** Institutional activity impacting price trends.
- **Trade Direction:** Consecutive trades at bid/ask show market sentiment.
- **Size Discrepancies:** Small trades indicate retail action, while large trades indicate institutional moves.

Section 3: Trading Strategies Using Level 2 and Time & Sales

3.1 Scalping with Level 2 and Time & Sales

- Identify key liquidity levels where institutions place large buy/sell orders.
- Monitor rapid changes in order book depth for potential momentum shifts.
- Use Time & Sales to confirm aggressive buying/selling before entry.

3.2 Momentum Trading

- Identify stocks/options with increasing order flow and large transactions.
- Enter trades in the direction of aggressive orders shown in Time & Sales.
- Use Level 2 depth to anticipate short-term resistance/support levels.

3.3 Reversal Trading

- Look for exhaustion signals in Time & Sales (e.g., large orders absorbed with no follow-through).
- Identify fake breakouts using Level 2 (e.g., large spoof orders appear/disappearing).
- Wait for a confirmed price reversal before entering trades.

Section 4: Using Level 2 and Time & Sales for Options Trading

4.1 Why Use These Tools for Options Trading?

Options prices are derived from the underlying asset and tracking Level 2 and Time & Sales on stocks can provide insights into option price movement. Additionally, some platforms provide Level 2 data for options themselves, though liquidity is often lower than in equities.

4.2 Trading Options with Level 2

- **Identifying Liquidity:** Higher bid/ask volumes indicate actively traded contracts.
- **Spotting Large Orders:** Watch unusual size orders in deep OTM contracts.
- **Market Maker Moves:** Follow the behavior of market makers at key strikes.

4.3 Trading Options with Time & Sales

- **Tracking Unusual Options Activity (UOA):** Large prints in specific strikes hint at institutional bets.
- **Momentum Confirmation:** Aggressive buying in options indicates a strong move in the underlying assets.

- **Analyzing Trade Types:** Look at whether trades are executed at the bid/ask to determine directional intent.

Section 5: Advanced Techniques

5.1 Using Heatmaps to Supplement Level 2 Analysis

- Heatmaps visually display order flow dynamics.
- Helps in identifying hidden support/resistance levels.

5.2 Dark Pool Data and Its Influence

- Dark pool transactions do not appear in Level 2 but affect price action.
- Unusual dark pool prints can signal large institutional moves.

5.3 Algorithmic Trading and Spoofing Detection

- Some traders use algos to manipulate Level 2.
- Identifying spoofing can help avoid false breakouts.

Conclusion

Level 2 data and Time & Sales are powerful tools for intraday traders, offering real-time insights into market depth and executed trades. By mastering these tools, traders can enhance their market timing, identify key liquidity zones, and execute more informed trades, particularly in options trading where unusual order flow and volume can provide early signals of major price moves.

Options Trading Terminology and Explanations

Call Option

A financial contract gives the buyer the right, but not the obligation, to buy an underlying asset at a specified price (strike price) within a specified time.

Put Option

A financial contract gives the buyer the right, but not the obligation, to sell an underlying asset at a specified price (strike price) within a specified period

Strike Price

The set price at which an option contract can be exercised. It is a critical factor in determining an option's intrinsic value.

Premium

The price paid by the buyer of an option to the seller (writer). It represents the cost of acquiring the option contract.

In the Money (ITM)

An option with intrinsic value. For calls, this means the underlying asset's price is above the strike price. For puts, it means the underlying assets' price is below the strike price.

At the Money (ATM)

An option whose strike price is equal to or very close to the current price of the underlying asset.

Out of the Money (OTM)

An option without intrinsic value. For calls, this means the underlying asset's price is below the strike price. For puts, it means the underlying asset's price is above the strike price.

Expiration Date

The last day on which the option can be exercised. After this date, the option becomes worthless if not exercised.

Delta

A Greek metric measuring the sensitivity of an option's price to changes in the price of the underlying asset. Delta ranges from -1 to 1.

Theta

A Greek metric that measures the rate of time decay of an option. It indicates how much an option's price decreases as time passes.

Gamma

The rate of change of delta with respect to changes in the underlying asset price. It helps assess how stable the delta value is.

Vega

A Greek metric measuring the sensitivity of an option's price to changes in implied volatility. Higher Vega indicates greater sensitivity to volatility changes.

Intrinsic Value

The value of an option if it were exercised immediately. It is calculated as the difference between the underlying asset price and the strike price (for ITM options).

Extrinsic Value

The portion of an option's price that exceeds its intrinsic value. It accounts for time value and implied volatility.

Implied Volatility (IV)

The market's forecast of a likely movement in the underlying asset's price. It influences the premium of an option.

Bid-Ask Spread

The difference between the highest price a buyer is willing to pay (bid) and the lowest price a seller is willing to accept (ask) for an option.

Option Chain

A list of all available option contracts for a particular underlying asset, organized by expiration date and strike price.

Assignment

The process by which an option seller is required to fulfill the terms of the contract. For calls, this means selling the underlying asset; for puts, buying it.

Exercise

The action taken by the buyer of an option to utilize their right to buy or sell the underlying asset at the strike price.

Helpful Websites

News Websites

1. www.money.cnn.com
2. www.cnbc.com
3. finance.yahoo.com
4. www.marketwatch.com
5. www.wsj.com
6. www.zerohedge.com
7. www.bloomberg.com
8. https://www.reuters.com/
9. https://www.ft.com/

Economic Announcement Websites:

1. www.econoday.com
2. www.forexfactory.com

Earnings Announcement Websites:

1. www.earningswhispers.com

Websites for additional Trading Research:

1. www.tradingview.com
2. www.stockcharts.com
3. www.investing.com
4. https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html
5. https://www.aaii.com/sentimentsurvey
6. https://www.sectorspdrs.com/allsectors

Websites for 10 Point Checklist:

1. www.ycharts.com/indicators/cboe_spx_put_call_ratio
2. www.stockcharts.com

Screening Websites for Stocks (Please register to these sites):

1. www.finviz.com
2. www.chartmill.com
3. https://www.optionseducation.org/toolsoptionquotes/historical-and-implied-volatility

Comprehensive Options Trading Plan

This document outlines a detailed options trading plan designed to assist traders in navigating the complex world of options trading. It includes strategies, risk management, trade logging, and best practices to improve decision-making and profitability.

1. Trading Goals

1. Define specific financial objectives (e.g., monthly income target, percentage portfolio growth).
2. Focus on realistic and measurable outcomes.
3. Regularly review and adjust goals based on performance.

2. Risk Management

Risk management is critical in options trading. Implement the following practices:

1. Position Sizing:
  - Allocate no more than 2-5% of your total portfolio to a single trade.
  - Avoid over-leveraging or excessive exposure to one sector or strategy.

2. Stop Loss Levels:
  - Set stop-loss levels for each trade to minimize potential losses.
  - Exit trades when the loss exceeds your predefined threshold.

3. Maximum Portfolio Drawdown:
  - Establish a maximum drawdown limit (e.g., 10% of portfolio value).
  - Pause trading to reassess strategies if this limit is breached.

4. Hedging:
  - Use strategies like collars, protective puts, or spreads to limit downside risk.

3. Trade Selection Criteria

1. Market Conditions:
  - Identify bullish, bearish, or neutral trends to align trades with the market outlook.
  - Utilize technical and fundamental analysis to support decisions.

2. Options Strategies:
  - Bullish: Long calls, bull call spreads, cash-secured puts.
  - Bearish: Long puts, bear put spreads, covered calls.
  - Neutral: Iron condors, butterflies, calendar spreads.

3. Implied Volatility:
  - Favor selling options in high IV environments and buying in low IV conditions.

4. Risk-Reward Ratio:
  - Aim for trades with a minimum reward-to-risk ratio of 2:1.

4. Trade Execution

1. Pre-Trade Checklist:
  - Confirm alignment with your trading plan and risk parameters.
  - Double-check position sizing and potential profit/loss scenarios.

2. Entry Points:
  - Use limit orders to control execution price.
  - Avoid chasing trades; wait for optimal setups.

3. Exit Strategies:
  - Define exit points before entering a trade (e.g., target profit, stop loss).
  - Adjust based on evolving market conditions.

5. Trade Logging

Maintain a detailed log of all trades to track performance and identify areas for improvement.

1. Essential Trade Details:
   - Date, time, underlying asset, option type (call/put), strategy.
   - Entry and exit prices, position size, net profit/loss.

2. Market Context:
   - Record market conditions, volatility levels, and supporting analysis.

3. Review and Analyze:
   - Periodically review the log to evaluate success rates, profitability, and common errors.

6. Ongoing Education and Adjustment

1. Stay Informed:
   - Follow market news, economic reports, and trends.
   - Study advanced options strategies and trading psychology.

2. Adapt Strategies:
   - Modify your approach as market conditions and personal goals evolve.

7. Final Notes

Consistency and discipline are key to successful options trading. Stick to your trading plan, continually assess your performance, and remain patient as you develop your skills.

Understanding Failure

Failing on your trades? Well, this can be a good lesson, failure is part of a learning process. A perfect example of what failure looks like was when Mandela was put in prison, but even in failure he never gave up. Every year he spent in prison was bringing him closer to his goal of a free South Africa. And then it happened. I use this example to show the importance of having the right frame of mind. Mandela's goal was a free South Africa, but he had a plan. The same is so in trading, every new trader has a goal. I want to make $5000.00 or $50 000.00 and so on. However, they do not have a plan. Therefore, they fail.

So, what needs to happen? Well, a process for trading needs to be understood and followed. But before you do that identify your strengths and weakness, and what opportunities and threats that also come with trading. Be true to yourself, this is your plan. Transparency is the key. If you lie to yourself, you will continue to be the victim and blame everyone from the market to mentors. The market has no morals, it is amoral.

So, look inwards to understand who the real trader is, is it the ego, or even an alter ego. "Emotions have more connection with the senses than with the faculty of reason." We must seize this unstable mind and drag it from its wanderings and fix it on one idea. “Over and over again this must be done.” The above quotes are from a monk, but we are not preaching religion here, but the fixations of these words are something we can use for trading. Gravitate to your trading plan, work on it, develop it, make it stronger every day.

Some of the things that must happen when trading stay focused on the trades at hand, wandering off and looking for a trade is a distraction. Focus on your trades or what trades you were working on. If the trades did not trigger, do not get in. If the trade does not fit your risk don’t get in, if the trade doesn’t fit YOUR entry criteria don’t get in. Every trade will be a unique moment in the market, and the market will always do what it wants. So, a plan that is tight has the capacity to help you take the emotion out.

Success is not a right, it is a privilege earned, and trading is a privilege, and you must earn the right to trade. The first step is to believe in yourself that this can be done, the next step is how to get it done and the final step is getting it done. All is achievable. The question is, will you allow yourself to achieve this?

What this Short EASSAY will endeavor to do is to understand failure for success, in life there are many moments we recollect successes and failures with, trading is no different, as sure as the sun comes up, there will be trades that just don’t work out regardless of the effort, knowledge or who it was recommended by. However, if there is a plan in place, a process in place the overall outcome can be rewarding.

So, let’s dive in further and understand SWOT, a business tool used prolifically in the 20th century to understand what type of trader you are. Look inwards and be honest, there is so much commentary on this and if you went to the web, you would find 1000s of websites discussing this in detail. That is not the point here, is it? You the trader needs to know you, the person. Philosophical but true. Breach your comfort zone. Remember trading is a gift and a curse, which one you will become depends on your own ability to firstly identify yourself.

This exercise is not for someone else to see, it is for the trader to see. This honesty will help the trader, give focus to the trader and allow the trader to plan a trading plan that the trader is in control of.   The purpose of doing this is to make the trader the best version of themselves. The trader should not make this process complicated but rather make it honest and simple.

The Traders SWOT Matrix

Strengths Begin by identifying your strengths	Weaknesses Traits and Habits that bound you.
Opportunities Factors you can take advantage of	Threats External and Internal

Now that the trader has done this, the next step will come into play. What will the trader do with this information? What has the trader learned? Is the trader looking for answers from someone else? The problem with the last question is that another trader is not this trader. By this stage the trader must feel uncomfortable, for now the trader knows who they are working with. The trader has the facts. The trader can now proceed.

Is there a Plan

Before we start on the plan, the trader thinks about what they learned in the workshop, and what was said by the trader's mentor. Did the trader follow what was initially revealed to them? The mentor said, know your risk, do not over trade, do not get emotional, have a trading plan in place. But did the trader listen to the mentor?

So now the trader is back to square one especially if the trader did not actually follow through on what the mentor said. Why would the trader do that? The trader is now being asked, can you follow through? The trader will follow through, not because the trader wants to, but because the trader chooses to. The moderator wants the trader to understand this.

Does the trader really understand their R? Does the trader also understand the consequences of unsuccessful trades and when to stop trading? The mentor explained and mentioned this numerous times, but did the trader listen?

So, what must the trader's plan have? Well, I have a document on this shared on the members' websites, have a look at it to see what is required from you. Go get it done if you haven't done so already.

Desperation leads to failure; failure is the catalyst for gambling.

One of the things we must be certain of is that trading does not become gambling. Losing is habit, as is winning, when we are desperate for a miracle, we become irrational, we lose control and disregard logic. A successful night can become disastrous because the trader thought I had the Midas touch, and before you know it the trader has not only lost all the profits but is now in the red.

Another example could be the trader who is finding no success and therefore so desperate to change their fortunes starts trading without any processes. They are filled with emotions of regret, a sense of loss and hoping for a miracle that could change their fortunes to the point they convince themselves into a trade without any edges or logic. It's like playing lotto or going to the casino and hoping and praying for a win, which can change your life. Trading with this sort of mind set will only result in failure. Do not chase the white whale. It never ends well.

How to turn it around…

I do not profess to have all the answers, and I am not the greatest trader in the world either. I am someone that worked hard for several years to get to where I am. I can only share my experiences. The million-dollar question, and each trader will have their own way of doing this. Sometimes you need to walk away and reflect.

Develop an effective routine. Wake up earlier than usual. Working out or meditating early in the morning can help you to approach the market relaxed and calm.

1. Never stop learning. A financial market education forms the foundation of any successful trader.
2. Always have your losses under control. Develop effective risk management rules.
3. Keep a trading journal. Spot common mistakes and fine-tune your trading strategy.

4. Observe others. Replicate successful strategies and learn from the mistakes of other traders.
5. Control your emotions. Don’t get overly emotionally attached to a trade and practice your trading discipline.
6. Remember that the market is neither moral nor immoral – it’s amoral. Losses are nothing personal, and even professional traders take a hit on the market from time to time.

Motivational Trading Quotes

This document contains 100 motivational quotes related to trading, aimed at inspiring traders to stay disciplined, focused, and resilient in their trading journey.

1. "In trading, it's not about how much you make, but how much you don't lose." - Bernard Baruch

2. "The goal of a successful trader is to make the best trades. Money is secondary." - Alexander Elder

3. "Trade what you see, not what you think." - Unknown

4. "Plan your trade and trade your plan." - Unknown

5. "The four most dangerous words in trading are: 'This time it’s different.'" - Sir John Templeton

6. "Trading doesn’t just reveal your character, it also builds it if you stay in the game long enough." - Yvan Byeajee

7. "Cut your losses, let your profits run." - David Ricardo

8. "Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble." - Warren Buffett

9. "The market is a device for transferring money from the impatient to the patient." - Warren Buffett

10. "Do not be embarrassed by your failures, learn from them and start again." - Richard Branson

Stay motivated and disciplined in your trading journey!

1. "In trading, it's not about how much you make, but how much you don't lose." - Bernard Baruch

2. "The goal of a successful trader is to make the best trades. Money is secondary." - Alexander Elder

3. "Trade what you see, not what you think." - Unknown

4. "Plan your trade and trade your plan." - Unknown

5. "The four most dangerous words in trading are: 'This time it’s different.'" - Sir John Templeton

6. "Trading doesn’t just reveal your character, it also builds it if you stay in the game long enough." - Yvan Byeajee

7. "Cut your losses, let your profits run." - David Ricardo

8. "Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble." - Warren Buffett

9. "The market is a device for transferring money from the impatient to the patient." - Warren Buffett

10. "Do not be embarrassed by your failures, learn from them and start again." - Richard Branson

11. "Risk comes from not knowing what you’re doing." - Warren Buffett

12. "Markets are never wrong; opinions often are." - Jesse Livermore

13. "It is not the strongest of the species that survives, nor the most intelligent, but the one most adaptable to change." - Charles Darwin

14. "Every trader has strengths and weaknesses. Some are great analysts but terrible traders. Others are great traders but poor analysts." - Unknown

15. "If you personalize losses, you can't trade." - Bruce Kovner

16. "Discipline is the bridge between goals and accomplishment." - Jim Rohn

17. "What seems too high and risky to the majority generally goes higher, and what seems low and cheap generally goes lower." - William O'Neil

18. "Do more of what works and less of what doesn’t." - Steve Clark

19. "The trend is your friend until the end when it bends." - Ed Seykota

20. "Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas." - Paul Samuelson

21. "Fall seven times, stand up eight." - Japanese Proverb

22. "Good traders manage the downside; they don’t focus on the upside." - Mark Minervini

23. "It’s not whether you’re right or wrong that’s important, but how much money you make when you’re right and how much you lose when you’re wrong." - George Soros

24. "Do not be overly biased towards anyone particular trading strategy." - Unknown

25. "Trading is a waiting game. Wait for the right pitch." - Unknown

26. "Risk only what you can afford to lose." - Unknown

27. "The difference between a successful trader and everyone else is that they don’t trade every day." - Unknown

28. "Time in the market beats timing the market." - Unknown

29. "The markets are constantly changing, and the successful trader needs to adapt." - Unknown

30. "Pigs get fat, hogs get slaughtered." - Old Wall Street Saying

31. "Emotions are your enemy in trading." - Unknown

32. "Losses are part of the game. Accept them and move on." - Unknown

33. "A plan is what, a schedule is when. It takes both a plan and a schedule to get things done." - Peter Turla

34. "Trading is simple, but not easy." - Unknown

35. "Don’t put all your eggs in one basket." - Warren Buffett

36. "Learn to take small losses. It’s the key to becoming a great trader." - Paul Tudor Jones

37. "Always trade with a stop-loss." - Unknown

38. "Trading is like a marathon, not a sprint." - Unknown

39. "If you are not willing to own a stock for ten years, do not even think about owning it for ten minutes." - Warren Buffett

40. "The best investment you can make is in yourself." - Warren Buffett

41. "Do not fight the tape." - Jesse Livermore

42. "Don’t trade for the thrill; trade for the skill." - Unknown

43. "Your trading system must work in real life, not just on paper." - Unknown

44. "Volatility is not the same as risk." - Unknown

45. "Do not trade with money you can’t afford to lose." - Unknown

46. "A trading journal is your best teacher." - Unknown

47. "Be fearful when others are greedy and greedy when others are fearful." - Warren Buffett

48. "Focus on process over profits." - Unknown

49. "There is no guarantee of success in trading, but discipline stacks the odds in your favor." - Unknown

50. "Don’t confuse luck with skill." - Unknown

Let these quotes inspire you to trade with discipline and confidence!

END OF DOCUMENT

