MONEYWHEEL WORKBOOK

A COMPREHENSIVE GUIDE

Contents

Some basics tips for trading Options:

1. Trade affordable positions and avoid trading more than 5% of the value of your account on any position. Do not trade your entirety at once.
2. Select positions with good liquidity. Where price is above $10.00 and average daily volume is over 500 000.
3. Set profit and exit targets, this will help remove the emotion out of trading.
4. If you are trading with positions out into the future, ensure you know how to put on stop losses and profit takers
5. Ensure when entering the limit or premium price you add the BID and ASK and divide by 2. Saying this more pragmatic approach, especially if you are setting trades pre or post market (when the market is closed) would be the following:
    a. When buying a position goes a little closer to the ask
    b. When closing a position go a little closer to the bid
6. Avoid over trading, be clinical and pragmatic with trading; and remember only trade what fits your risk profile.
7. Don't ever look back and feel you have missed out; opportunities in trading are always recurring.
8. Keep trading journals; always record your trades and why you got in the position. Include as much information as you can including the strike price, entry point, delta etc. This will allow you to review and improve your trading.
9. Become responsible for your trade. You cannot blame anyone else for mistakes you make. Especially if the trade is a recommendation, learn to analyze the trade.
10. Use your virtual/paper account to practice, learn your platform.
11. Ensure you have a good charting platform to do your technical analysis.
12. Look at fundamentals of the company including earnings etc....
13. Never rush into a trade; proper prior planning prevents poor performance. Stick to the rules.
14. Ensure you have identified the entry point for every trade and its exit points for profit and loss. You need to have a plan and follow it.
15. You don't need to know everything about options, understand the fundamentals and continue to develop yourself. It's like driving, learn how to drive and then with experience become a better driver, same applies with trading.
16. Avoid over analyzing. This will clutter your mindset, always look at your rules for trading as a baseline. Remember, in the trading world in general, everyone interprets the data in their unique way and as a result they can have a different view of the market, the index, sector or stock.
17. Develop a trading plan, a rules-based system on what you trade and how you will trade and follow it.
18. Read books on trading mindsets, this is the key ingredient.

Options Basics

Originally designed by the ancient Greeks for hedging olive trades. As we know today, options trading as we know began in Chicago in 1973. Today, billions of contracts are traded every year. Initially options were mainly used by speculators and were very high-risk, today however, the options market has gone mainstream and is used to reducing risks and create income in a portfolio.

1. Options are the best way to leverage relatively small risk capital into large returns.
2. Options allow you to thrive in any market condition
3. Options traders can convert capital into regular pay checks such as weekly or monthly that can replace your job.
4. Options can provide consistent opportunities for high probability trading
5. Options are flexible and can even provide crash insurance for your mutual funds or other investments such as stock or gold or more

An option is a right bought or sold by a trader to control 100 shares, it expires on a specific date in the future. This right is intangible. It is a right to buy 100 shares, or to sell 100 shares. There are specific features to options

- Every option control 100 shares of stock.
- It relates to a specific stock.
- It is a right to buy (call) or sell (put).
    - Call option-In order to make money when you buy call option
        - The stock must go UP
        - It must go up high enough to cover the cost
        - It must go up fast enough (prior to expiration)
        - Pros
            - Requires very little capital
            - Well defined maximum risk
            - No limit to the upside gain
    - Put Option-The right (but not the obligation) to sell stock at a set price on or before a given date
        - The stock must go down
        - It must go low enough to cover the cost
        - It must drop fast enough (prior to expiration)
        - Pros
            - Requires very little capital
            - Well defined maximum risk
            - Big profit potential until the stock hits zero

        - Cons
            - Very directional trade
            - Options do not increase in value dollar for dollar
- A specific “strike” price is the fixed price at which the option can be exercised.
- Every option has a fixed expiration date. After that date, the option is worthless. Trades that we do in IGS is the third Friday of the month.
- For every option, there is both a buyer and a writer
- The buyer pays the writer for the ability to choose when to exercise, the writer must abide by buyer’s choice
- Buyer puts up no margin, naked writer must post margin

Options are very versatile trading devices. You can use calls or puts, or combinations of both. You can use long or short positions, or a combination of both. The problem with trading options is that a considerable learning curve is needed. This is mostly due to the special language of the options market.

You need to master the language and the trading rules; and to fully understand how to manage your risks of all positions you would enter. It is all about risk management. A common perception is that options are too complex for the typical trader. This is not true. The complexity is in that learning curve. Once you master that, it all becomes easier.

A smart method for learning options is to paper trade, whilst doing actual trades. Build your trading knowledge and make it rules based. Focus on managing your positions. You must learn how to use the charts.

Understanding why the 21 EMA or the SQUEEZE is used when entering or exiting positions as an example. Be in-tune with the markets. What’s happening in terms of economic and geopolitical news and what impact it will have on the markets. Paper trading is a good way to start. This is a system for trading shares without using actual money.

The Basic Feature for OPTIONS

In retrospect, there are four features that are intrinsic to options firstly there is the stock/security, the type of option (call or put), the strike price, and finally of course the expiration date. They cannot be changed. Every option is unique in its combination of these terms.
The underlying security/stock is what the option is based on. An example of the is illustrated below

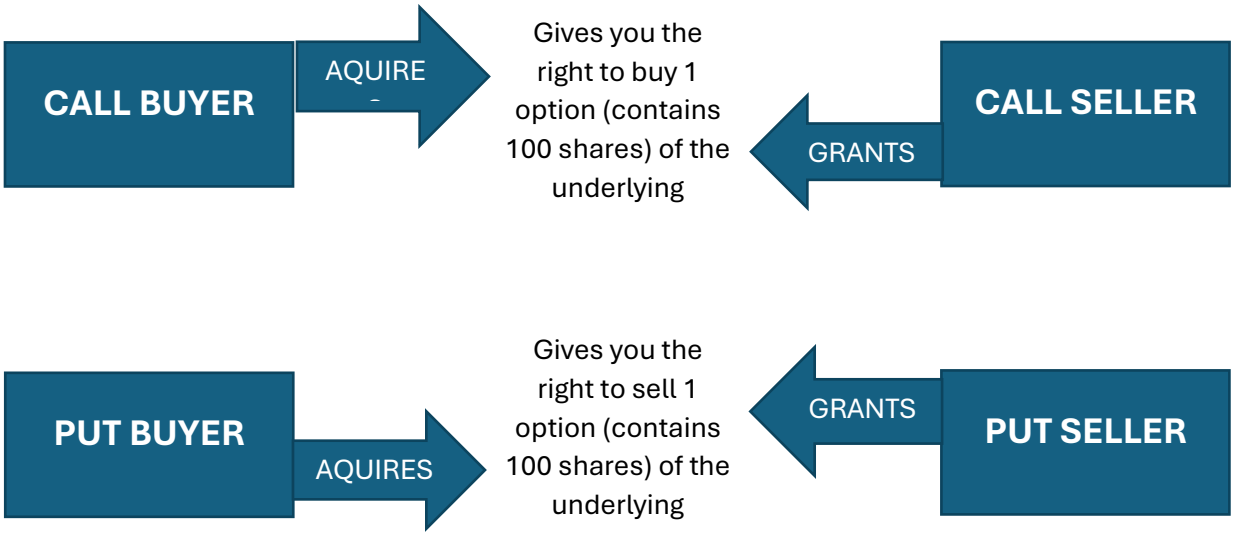
For example, an option on FACEBOOK (FB) controls 100 shares of stock. This option cannot be transferred to another underlying stock, such as GOOGLE (GOOGL). It exists only on that one underlying stock. So, if you buy (META) option you can only sell (META) option.

This brings to the two different types of options, which are calls and puts.

A call grants its buyer the right, but not the obligation, to buy 100 shares of stock. This right relates to a specific underlying security, at a fixed strike price, and expires on a specified date in the future.

A put grant its buyer the right, but not the obligation, to sell 100 shares of stock. This right relates to a specific underlying security, at a fixed strike price, and expires on a specified date in the future.

Options can be bought (at a long position) or sold (at a short position). When you sell an option, you grant the option right to the person on the other side of the trade.



The strike prices

The option's strike is the fixed amount per share at which the option can be exercised. "Exercise" means buying 100 shares (with a call) or selling 100 shares (with a put) at the fixed strike price.
A call owner may exercise a call when the current market price is higher than the fixed strike.
A put owner may exercise a put when the current market price is lower than the fixed strike.

Expiration

Every option expires on a specific date, called the "expiration date." This is the third Friday of the expiration month, because the last trading day is the third Friday of expiration month. After expiration, every option that was not closed or exercised becomes worthless.

How are options priced

If implied volatility is higher than historical volatility, then the option is expensive. If historical is higher than implied the option will be cheap.

- If something is expensive, would you buy or sell? YOU SELL.

- If something is cheap, would you buy or sell? YOU BUY

Summary
There are dozens of option strategies. Those starting out in options trading are likely to restrict their activity to buying calls or puts and trying to profit from them. Option value increases when the underlying moves in the desired direction. Call buyers hope the underlying price rises, and put buyers hope it falls.

The Greeks

The Greek letters used to represent key concepts in pricing derivatives such as Options. The Greeks generally used in option trading are Delta, Gamma, Theta & Rho.

Delta is generally the most important of the Greeks, and professional traders use the Greeks as part of their trading repertoire. Delta is a measure of the change in the option's price resulting from a change in the underlying stock price. It estimates how much the theoretical value of option price will change when the price of the underlying stock changes by $1, assuming all other variables are unchanged.

- A measure of how closely an individual option moves with the stock (-1 to 1):
- Delta = 1 means the options(s) moves dollar for dollar with the stock.
- Delta = 0.2 means the option(s) moves 20 cents for every dollar the stock moves.
- Delta = NEGATIVE means you are in a bearish position and your position will move opposite to the stock.

How do I use it?

- To evaluate bullishness/bearishness, to determine probabilities and picking strike prices.

Positive delta means that the option's value will increase when the underlying stock price increases, and will decrease when the stock price decreases (positive relationship).
Negative delta means that the option's value will increase when the underlying stock price drop, and will decrease when the stock price rises (negative relationship).

For Calls, the value of delta ranges from 0 to 1, whereas for Puts from -1 to 0.
Calls have a positive delta because Call premiums increases when the underlying stock price increases, and vice versa, assuming all other factors remain the same.
In contrast, Puts have a negative delta because the Put option price drops when the stock price goes up, and vice versa.

Gamma, measures the exposure of the option delta to the movement of the underlying stock price.

Theta, measures the exposure of the option price to the passage of time.

Vega, measures the exposure of the option price to changes in volatility of the underlying.

Rho, measures **the amount an option value will change in theory based on a one percentage-point change in interest rates. This is used by advance traders.**

How Options are Valued

In this section, the video explained how options are valued. Some of the basic concepts of option valuation, include time value and intrinsic value.

The minimum value of an option is zero. This is because an option is a right, not an obligation. The value of an option cannot be negative, because you do not have to do anything to get rid of it. The option will always have a zero, or a positive value.

The total value of an option is the sum of its intrinsic value and its time value. Total value of an option = Intrinsic value of the option + Time premium of the option

More About Expiration Dates

1. **Monthly Expiration** –expires on the Saturday after the 3rd Friday of the month (for U.S. equity options), but only trades through market close, on the 3rd Friday, there are most common.
2. **Weekly Expiration** – (or "WEEKLIES") expire EVERY Friday, IF available. (not all stocks have WEEKLY OPTIONS) Weeklies are growing fast in popularity, becoming more common.

FOR CALL OPTIONS…

- **OUT OF THE MONEY (OTM)** = OPTIONS STIKE PRICE HIGHER THAN STOCK PRICE.
- **AT THE MONEY (ATM)** = OPTIONS STIKE PRICE CLOSEST TO THE STOCK PRICE.
- **IN THE MONEY (ITM**) = OPTIONS STIKE PRICE LOWER THAN STOCK PRICE.

FOR PUT OPTIONS…

- **OUT OF THE MONEY (OTM)** = OPTIONS STIKE PRICE LOWER THAN STOCK PRICE.
- **AT THE MONEY (ATM)** = OPTIONS STIKE PRICE CLOSEST TO THE STOCK PRICE.

- **IN THE MONEY (ITM**) = OPTIONS STIKE PRICE HIGHER THAN STOCK PRICE.

Examples below give you how an option is ITM, ATM or OTM

TYPE	STOCK PRICE	STRIKE PRICE	OTM,ATM, or ITM?
CALL	10	12	OTM
CALL	30	30	ATM
CALL	48	45	ITM
PUT	25	25	ATM
PUT	83	90	ITM
PUT	67	65	OTM

Examples below give you how we work out Intrinsic value and time value.

TYPE	STOCK PRICE	STRIKE PRICE	OPTION PRICE	INTRINSIC VALUE (REAL)	TIME VALUE
CALL	10	12	0.75	0	0.75
CALL	30	30	1.50	0	1.50
CALL	48	45	5.00	3	2
PUT	25	25	1.25	0	1.25
PUT	83	90	9.00	7	2
PUT	67	65	0.50	0	0.50

INTRINSIC VALUE

The intrinsic value of an option is the amount of profit that can be obtained if the option is exercised at that moment and the stock either purchased (for calls) or sold (for puts) at the current market price. If an option has positive intrinsic value, it is said to be “in-the-money” (ITM) and if it has negative intrinsic value it is said to be “out-of-the-money” (OTM). For instance, an ABC May 35 Call would have $2.50 of intrinsic value if the stock were trading at $37.50, regardless of its market price at the time.

TIME VALUE

Time value is the amount by which an option’s market price exceeds its intrinsic value. In the case above with the ABC May 25 Call priced at $3.00 while XYZ stock is trading at $26.50,

the intrinsic value is $1.50 and the remaining $1.50 is time value. If an option is out-of-the-money (i.e. has no intrinsic value) then the entire market price is considered time value.

AT THE MONEY (ATM)

If an option contract has the same strike price as the price of the underlying asset, the option is At the Money. If you buy a call or put option with a $5 strike price and the stock is currently trading at $5, those options are ATM.

IN THE MONEY (ITM)

An option contract is in the money if it has intrinsic value. For example, a Call option is in the money if the price of the underlying asset is higher than the option contract strike price. Conversely, a Put option is in the money if the price of the underlying security is lower than the option contract strike price. As a brief reminder, call options are a bet that the underlying asset will rise in price, while a put option is a wager that the underlying asset price will fall.

It is called ITM because option traders are typically speculating on the price direction of the underlying asset. If the strike price of a call option is $5, and the underlying stock is currently trading at $4.70, that option is out of the money. The buyer of the call isn't going to make any significant money until the price starts rising above $5 (ITM). The higher above $5 the price goes, the more in the money the option is.

OUT OF THE MONEY (OTM)

An option contract is out of the money if it doesn't have intrinsic value. For example, a Call option is out of the money if the price of the underlying security is lower than the option contract strike price. Conversely, a Put contract is out of the money if the price of the underlying security is higher than the option contract strike price. It is called OTM because option traders are typically speculating on the price direction of the underlying asset.

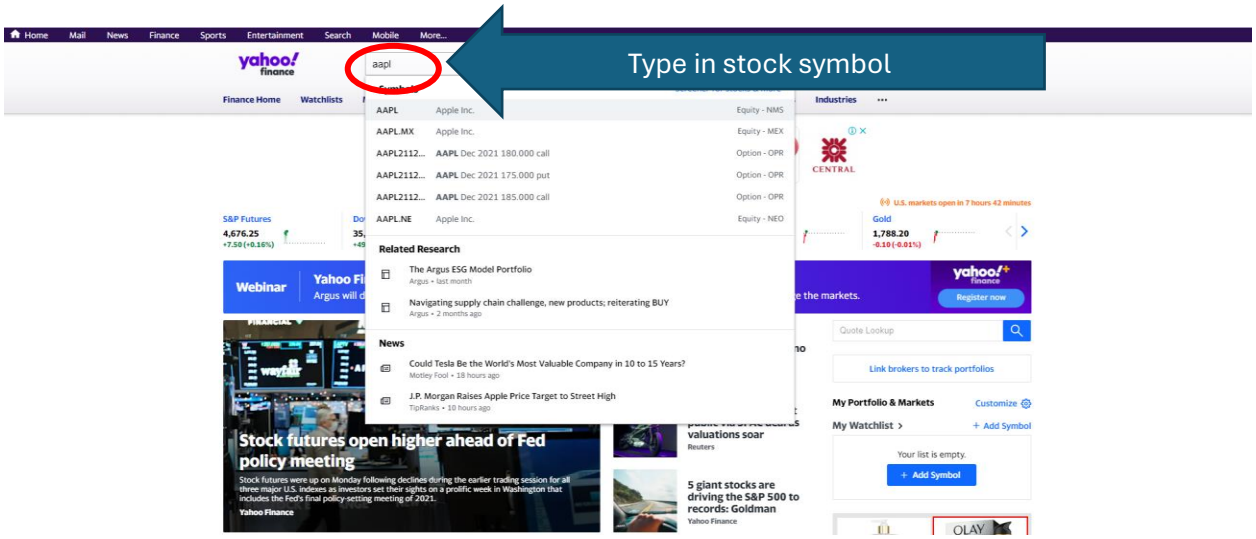
If the strike price of a put option is $5, and the underlying stock is currently trading at $5.30, that option is out of the money (OTM). The buyer of the put isn't going to make any significant money until the price drops below $5 (ITM). The lower the price is below $5, the more ITM the trader is. The higher the price above $5, the more OTM the trader is.

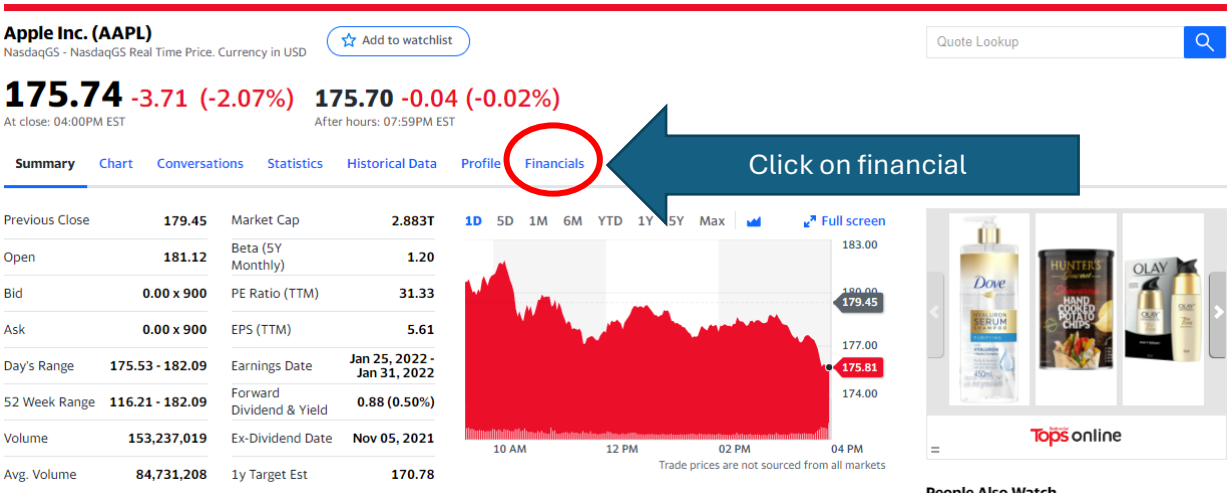
7 Key metrics for winning stocks

Free Cash Flow

Free cash flow is important to investors because it shows how much actual cash a company has at its disposal. This may sound like a simple point, but it is one which should rank extremely high on an investor's need to list.

- Free cash flow is the money left over after a company meets its operating and capital expenditure requirements and it can be the best way to determine the difference between a good investment and a bad one.
- You can find this on Yahoo finance. Type in the stock symbol and select financials. What we want to see is that the company's cash flow is increasing over time.





Show: **Income Statement** | Balance Sheet | Cash Flow

Click on Cashflow

Annual | Quarterly

Income Statement

All numbers in thousands

Expand All

Breakdown	TTM	9/29/2021	9/29/2020	9/29/2019	9/29/2018
> Total Revenue	365,817,000	365,817,000	274,515,000	260,174,000	265,595,000
Cost of Revenue	212,981,000	212,981,000	169,559,000	161,782,000	163,756,000
Gross Profit	152,836,000	152,836,000	104,956,000	98,392,000	101,839,000
> Operating Expense	43,887,000	43,887,000	38,668,000	34,462,000	30,941,000
Operating Income	108,949,000	108,949,000	66,288,000	63,930,000	70,898,000
> Net Non Operating Interest Inc...	198,000	198,000	890,000	1,385,000	2,446,000
> Other Income Expense	60,000	60,000	-87,000	422,000	-441,000
Pretax Income	109,207,000	109,207,000	67,091,000	65,737,000	72,903,000
Tax Provision	14,527,000	14,527,000	9,680,000	10,481,000	13,372,000
> Net Income Common Stockhold...	94,680,000	94,680,000	57,411,000	55,256,000	59,531,000
Diluted NI Available to Com Stock...	94,680,000	94,680,000	57,411,000	55,256,000	59,531,000
Basic EPS	-	-	3.31	2.99	3.00
Diluted EPS	-	-	3.28	2.97	2.98

Show: Income Statement | Balance Sheet | **Cash Flow**

Annual | Quarterly

Cash Flow

All numbers in thousands

Expand All

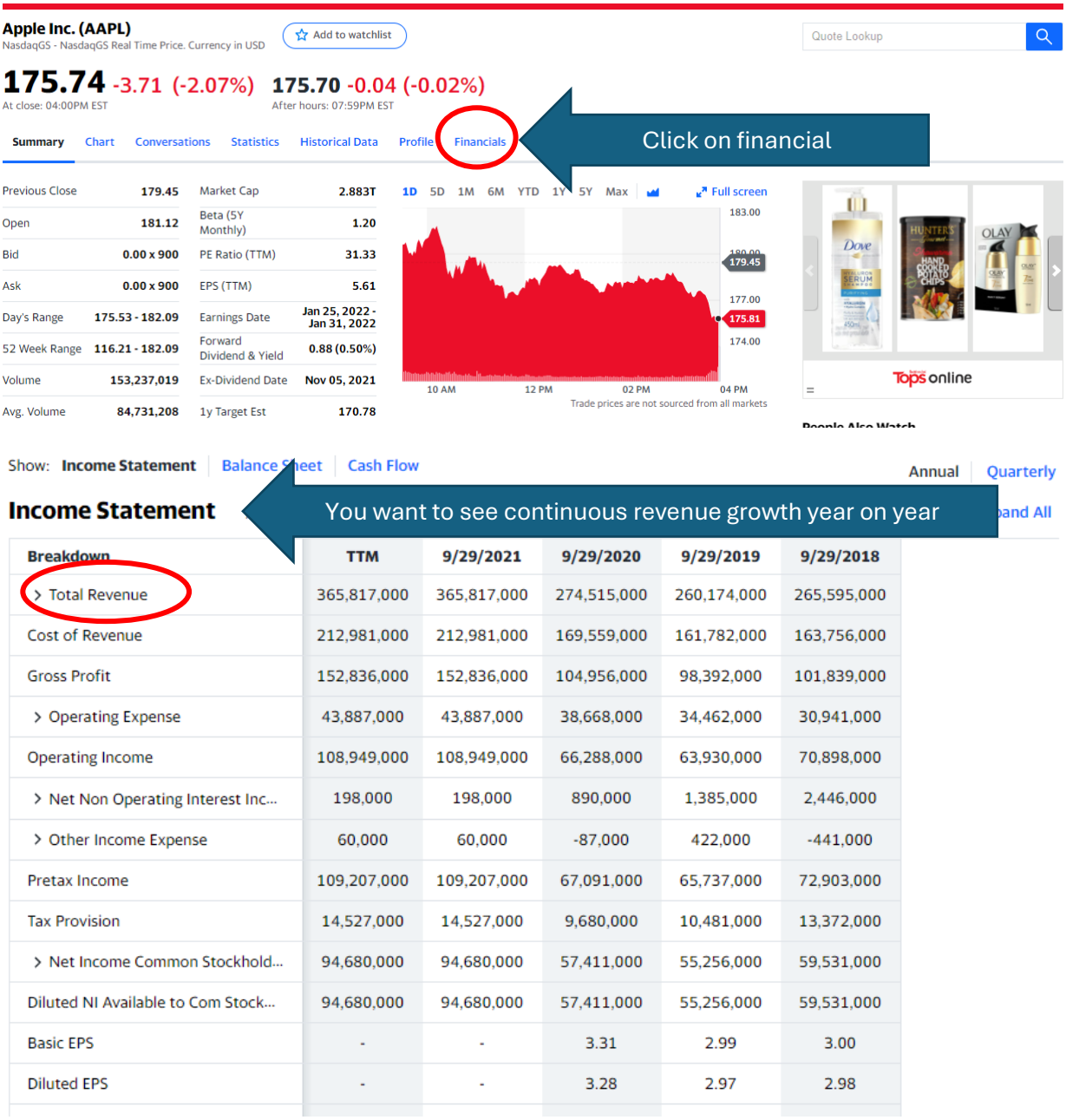
Breakdown	TTM	9/29/2021	9/29/2020	9/29/2019	9/29/2018
> Operating Cash Flow	104,038,000	104,038,000	80,674,000	69,391,000	77,434,000
> Investing Cash Flow	-14,545,000	-14,545,000	-4,289,000	45,896,000	16,066,000
> Financing Cash Flow	-93,353,000	-93,353,000	-86,820,000	-90,976,000	-87,876,000
> End Cash Position	35,929,000	35,929,000	39,789,000	50,224,000	25,913,000
Income Tax Paid Supplemental Data	25,385,000	25,385,000	9,501,000	15,263,000	10,417,000
Interest Paid Supplemental Data	2,687,000	2,687,000	3,002,000	3,423,000	3,022,000
Capital Expenditure	-11,085,000	-11,085,000	-7,309,000	-10,495,000	-13,313,000
Issuance of Capital Stock	1,105,000	1,105,000	880,000	781,000	669,000
Issuance of Debt	20,393,000	20,393,000	16,091,000	6,963,000	6,969,000
Repayment of Debt	-8,750,000	-8,750,000	-12,629,000	-8,805,000	-6,500,000
Repurchase of Capital Stock	-85,971,000	-85,971,000	-72,358,000	-66,897,000	-72,738,000
Free Cash Flow	92,953,000	92,953,000	73,365,000	58,896,000	64,121,000

You want to see continuous growth year on

Importance of Increasing Revenue

The faster the growth of revenue the sooner you can improve your services, offer improvements to your product and secure customer loyalty. You will also find it easier to acquire new customers who will generate more revenue for you, as they seek similar benefits and value as earlier customers.

- The revenue growth metric is important because it provides an indication of the health of the business's sales; as such; revenue growth remains a popular method of assessing how successful a business is at selling its own products and/or services.

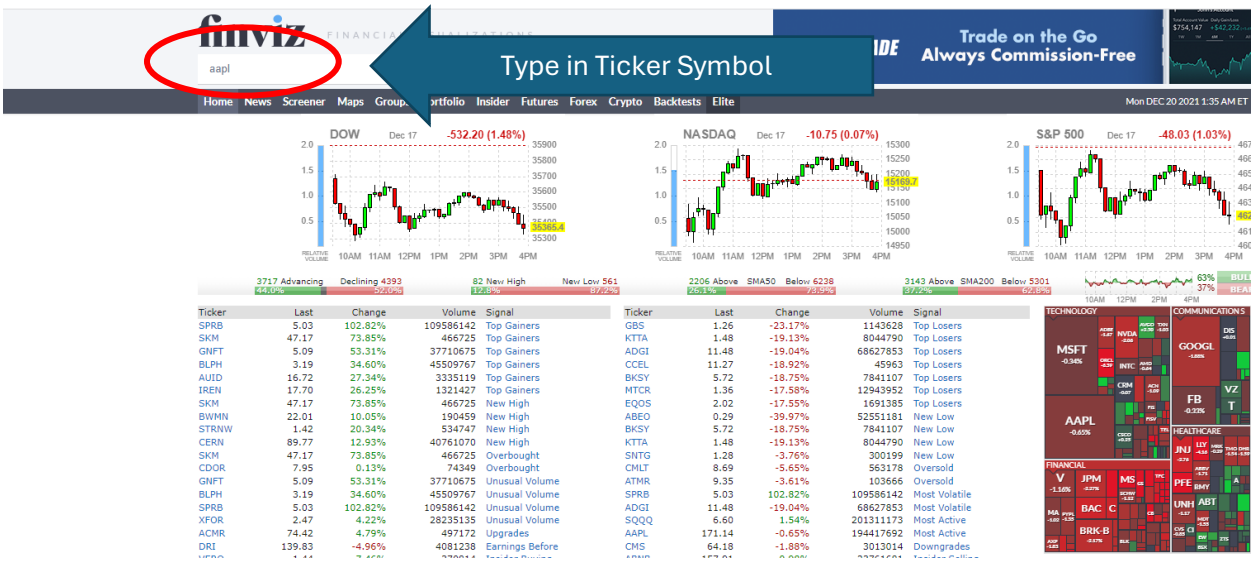


Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within a one-year period. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

- If your current ratio is high, it means you have enough cash. The higher the ratio is, the more capable you are of paying off the debt.
- Companies like $AMZN and $MSFT usually have a lot of cash, and as a result tend to have higher current ratios.
- A good current ratio is between 1.2 to 2, which means that the business has two times more current assets than liabilities to cover its debt.
- A current ratio below 1 means that the company does not have enough liquid assets to cover its short-term liabilities.

Go to FINVIZ and type in the ticker symbol. It will then load a new page. In the table below the chart you will find the current ratio. The Current ratio is found in the second column, fourth row from the bottom. Ideally the current ratio would be over 1.2.



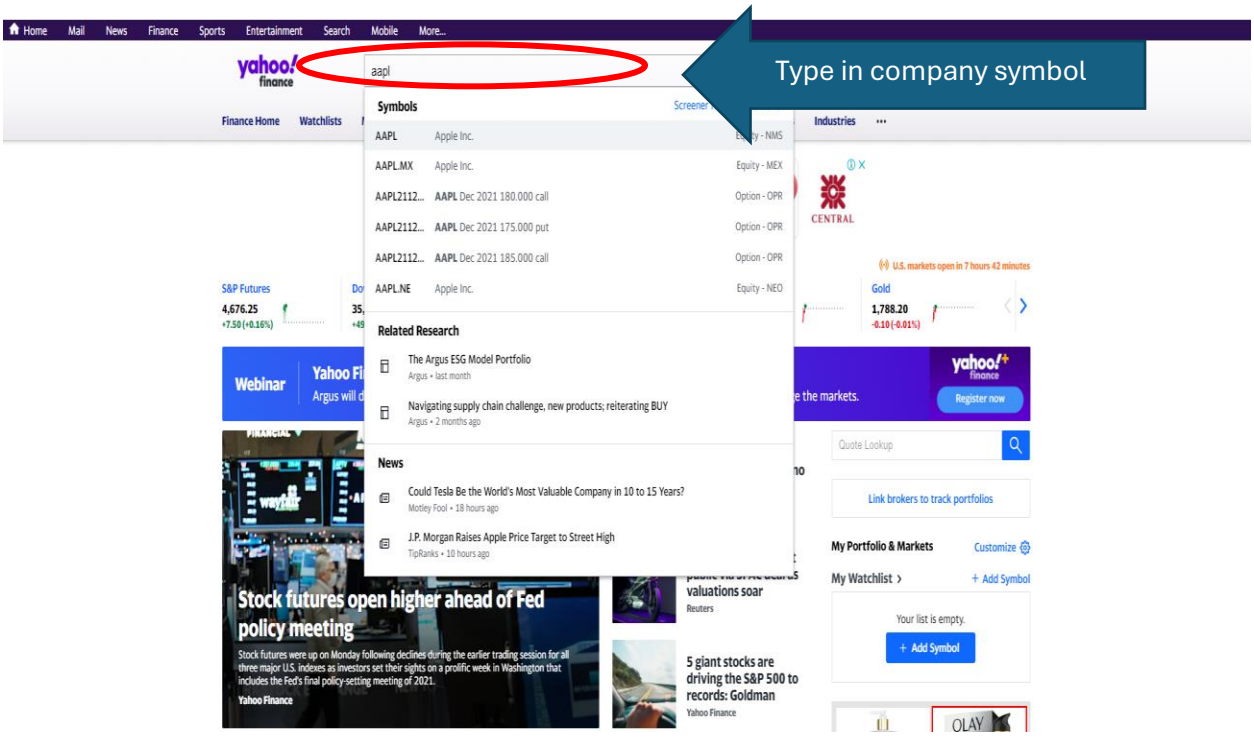
Index	DJIA S&P500	P/E	30.52	EPS (ttm)	5.61	Insider Own	0.07%
Market Cap	2826.17B	Forward P/E	27.69	EPS next Y	6.18	Insider Trans	-19.78%
Income	94.68B	PEG	1.95	EPS next Q	1.88	Inst Own	58.80%
Sales	365.82B	P/S	7.73	EPS this Y	71.40%	Inst Trans	-0.56%
Book/sh	3.83	P/B	44.68	EPS next Y	7.61%	ROA	27.60%
Cash/sh	3.79	P/C	45.12	EPS next 5Y	15.68%	ROE	144.10%
Dividend	0.88	P/FCF	36.01	EPS past 5Y	22.00%	ROI	50.00%
Dividend %	0.51%	Quick Ratio	1.00	Sales past 5Y	11.10%	Gross Margin	41.80%
Employees	154000	Current Ratio	1.10	Sales Q/Q	11.10%	Oper. Margin	29.80%
Optionable	Yes	Debt/Eq	1.98	EPS Q/Q	88.20%	Profit Margin	25.90%
Shortable	Yes	LT Debt/Eq	1.73	Earnings	Oct 28 AMC	Payout	15.00%
Recom	1.80	SMA20	2.40%	SMA50	9.86%	SMA200	21.17%

Current

Price Earnings Growth Ratio (PEG)

The PEG ratio is a useful shorthand for stock valuation. You get it by dividing a stock's current price to earnings by its earnings growth rate. As it turns out, PEG rations can be a great starting point for quick valuation estimates; but this ratio is far from perfect value yardsticks.

- The PEG ratio, which measures a stock's price to earnings-to-growth, can be a helpful tool when researching value stocks. The P/E ratio, which looks at a stock's price relative to trailing earnings, can be a helpful metric for assessing a company's health.
- The PEG ratio looks at both factors, comparing a stock past earnings, relative to price, to expectations of future earnings, therefore painting a fuller picture of the stock and the company's outlook.
- Key Metrics for PEG ratio, under 2, is good; under 1.5 is excellent and under 1 is the best.
- GARP: Growth At Reasonable Price, to achieve GARP is needed to have PEG under 2.
-



S&P Futures	Dow Futures	Nasdaq Futures	Russell 2000 Futures	Crude Oil
4,550.50	34,816.00	15,589.25	2,114.60	68.01
-59.50 (-1.29%)	-436.00 (-1.24%)	-198.75 (-1.26%)	-53.00 (-2.45%)	-2.85 (-4.02%)

Apple Inc. (AAPL)
NasdaqGS - NasdaqGS Real Time Price. Currency in USD

Add to watchlist

171.14 -1.12 (-0.65%)
At close: December 17 04:00PM EST

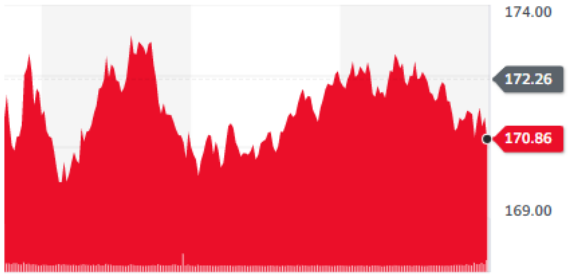
171.89 +0.75 (+0.44%)
After hours: Dec 17, 07:59PM EST

Summary | Chart | Conversations | Statistics | ...ptions | Holders | Sustainability

Click on Statistics

Previous Close	172.26	Market Cap	2.808T
Open	169.93	Beta (5Y Monthly)	1.20
Bid	0.00 x 1100	PE Ratio (TTM)	30.51
Ask	0.00 x 900	EPS (TTM)	5.61
Day's Range	169.69 - 173.47	Earnings Date	Jan 25, 2022 - Jan 31, 2022
52 Week Range	116.21 - 182.13	Forward Dividend & Yield	0.88 (0.51%)
Volume	195,923,241	Ex-Dividend Date	Nov 05, 2021
Avg. Volume	89,174,142	1y Target Est	174.22

1D 5D 1M 6M YTD 1Y 5Y Max | Full screen



Trade prices are not sourced from all markets

All | News | Press Releases

Summary | Chart | Conversations | **Statistics** | Historical Data | Profile | Financials | Analysis | Options | Holders | Sustainability

Currency in USD

Valuation Measures[4]

Market Cap (intraday)	2.94T
Enterprise Value	3.01T
Trailing P/E	31.99
Forward P/E	32.05
PEG Ratio (5 yr expected)	3.85
Price/Sales (ttm)	8.27
Price/Book (mrq)	46.67
Enterprise Value/Revenue	8.22
Enterprise Value/EBITDA	24.41

This is the PEG Ratio

Financial Highlights

Trading Information

Stock Price History

Beta (5Y Monthly)	1.20
52-Week Change [3]	33.46%
S&P500 52-Week Change [3]	25.05%
52 Week High [3]	182.13
52 Week Low [3]	116.21
50-Day Moving Average [3]	156.34
200-Day Moving Average [3]	141.48

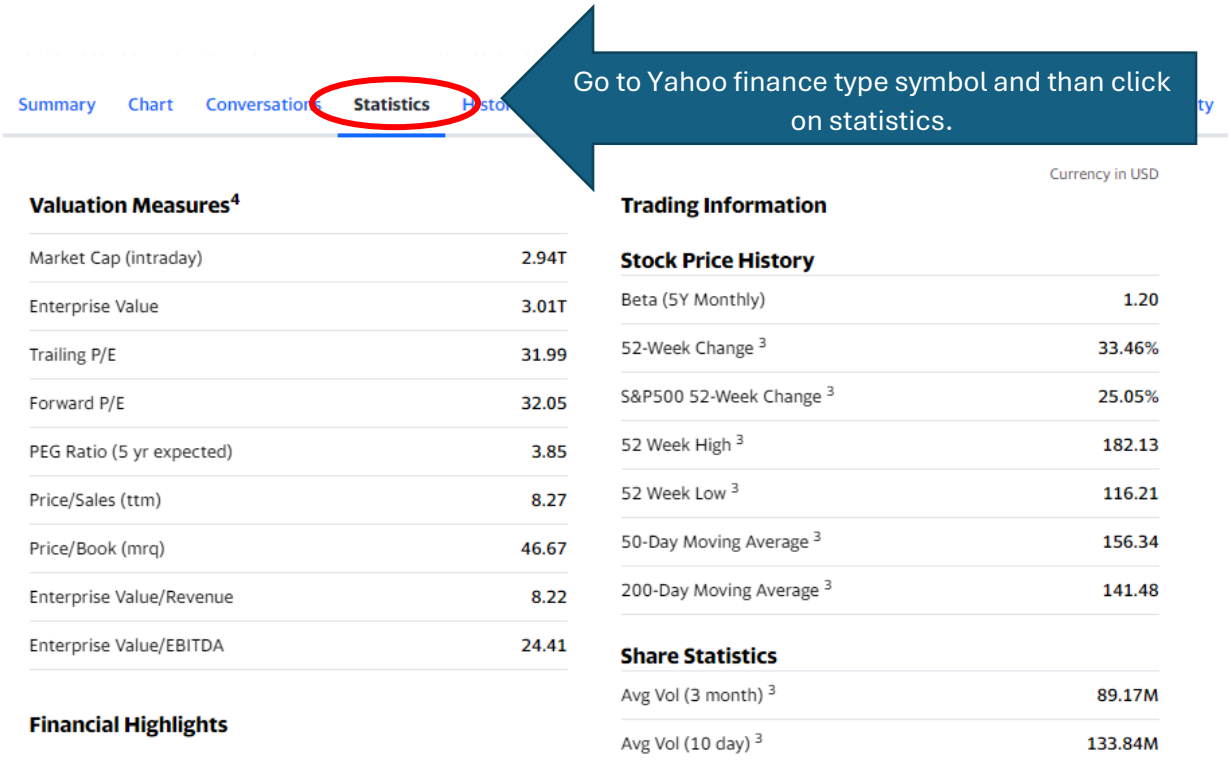
Share Statistics

Avg Vol (3 month) [3]	89.17M
Avg Vol (10 day) [3]	133.84M

Return On Equity (ROE)

Investing in companies that generate profits more efficiently than their rivals can be very profitable for portfolios. ROE can help investors distinguish between companies that are profit creators and those that are profit burners.

- ROE offers a useful signal of financial success since it might indicate whether the company is earning profits without pouring new equity capital into the business.
- A steady increase in ROE is a hint that management is giving shareholders more for their money, which is represented by shareholder's equity. Simply put, ROE indicates how well management is using investors' capital.
- It turns out, however, that a company cannot grow earnings faster than its current ROE without raising additional cash. That is, a firm that now has 15% ROE cannot increase its earnings faster than 15% annually without borrowing funds or selling more shares.
- Raising funds comes at a cost. Service additional or new debt cuts into net income, and selling more shares shrinks Earnings Per Share (EPS) by increasing the total number of shares outstanding.
- ROE is in effect a speed limit on a firm's growth rate. Which is why money managers rely on it to gauge growth potential.
- In fact, ROE of 15% is the minimum requirement for money managers.



Operating Margin (ttm)	29.78%

Management Effectiveness

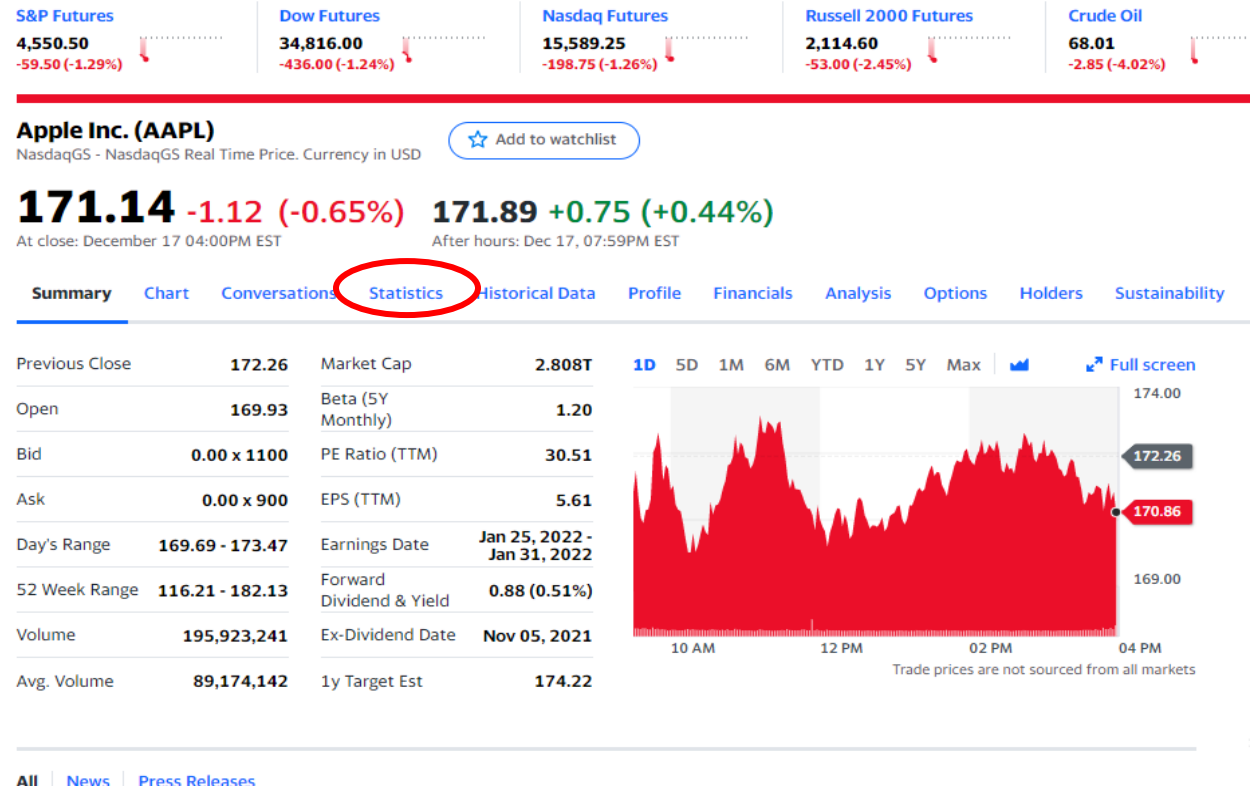
Return on Assets (ttm)	20.18%
Return on Equity (ttm)	147.44%

Income Statement

Institutional Ownership

Institutional ownership is the amount of a company's available stock owned by pension/mutual funds, investment agencies, private equities, or the like.

- Stocks with large institutional ownership are often looked upon as favorable.
- Large entities usually employ a team of analysts to perform detailed and expensive financial research before the group purchases a large block of the company's stock.
- This makes their decisions influential in the eyes of other potential investors.
- Ideally, we would like Institutional Ownership to be above 30% but below 95%.
- As a side note, if insiders of the company own around 5% of the shares also can add additional weight as insiders are aligned with company performance and growth.



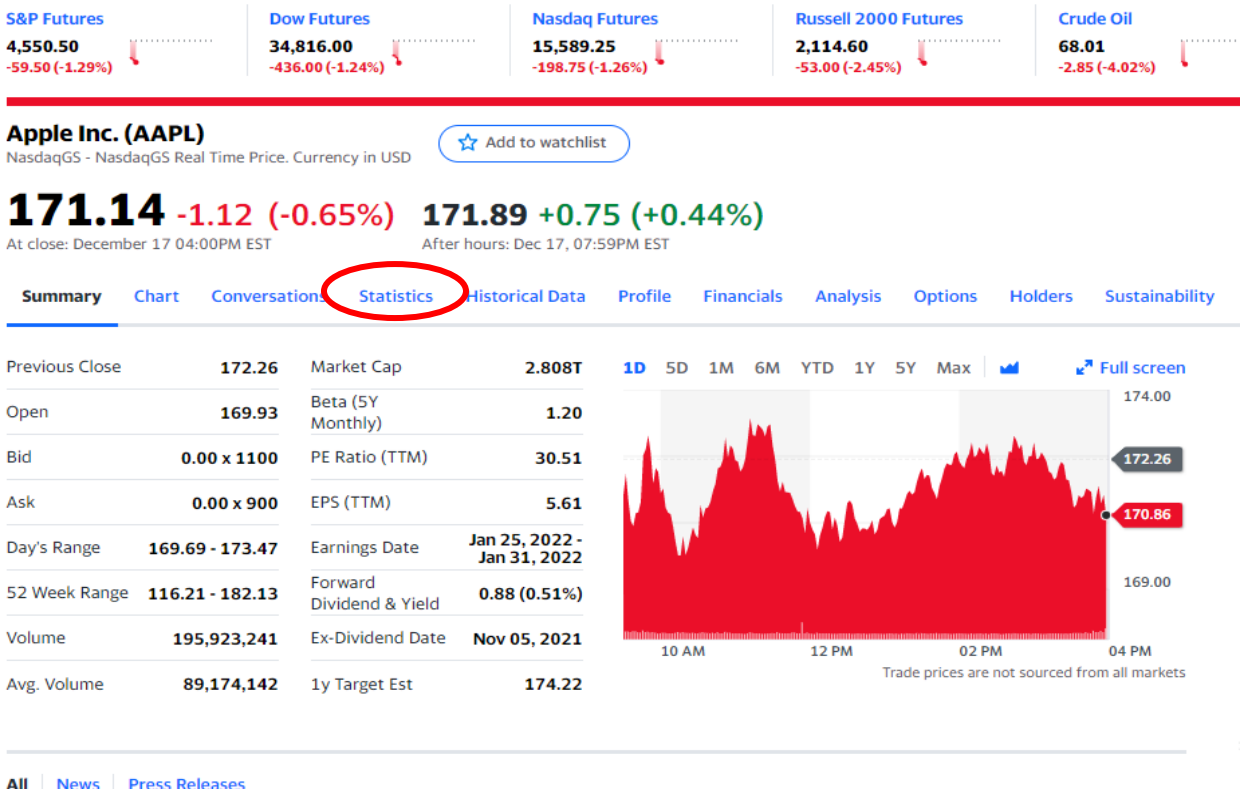
Share Statistics

Avg Vol (3 month) [3]	89.17M
Avg Vol (10 day) [3]	133.84M
Shares Outstanding [5]	16.41B
Implied Shares Outstanding [6]	N/A
Float [8]	16.39B
% Held by Insiders [1]	0.07%
% Held by Institutions [1]	58.79%
Shares Short (Nov 29, 2021) [4]	112.6M
Short Ratio (Nov 29, 2021) [4]	1.4
Short % of Float (Nov 29, 2021) [4]	0.69%
Short % of Shares Outstanding (Nov 29, 2021) [4]	0.69%
Shares Short (prior month Oct 28, 2021) [4]	100.5M

Quarterly Earnings & Revenue Growth

Investors, retail, and mutual funds will pay critical attention to quarterly results of the companies to determine their investing decisions. It is based on Earnings Per Share (EPS), and other financial ratio including revenue and profits that shows if the company has strength for growth.

- Quarterly Earnings & Revenue growth rate year on year (YOY) needs to be above 15%



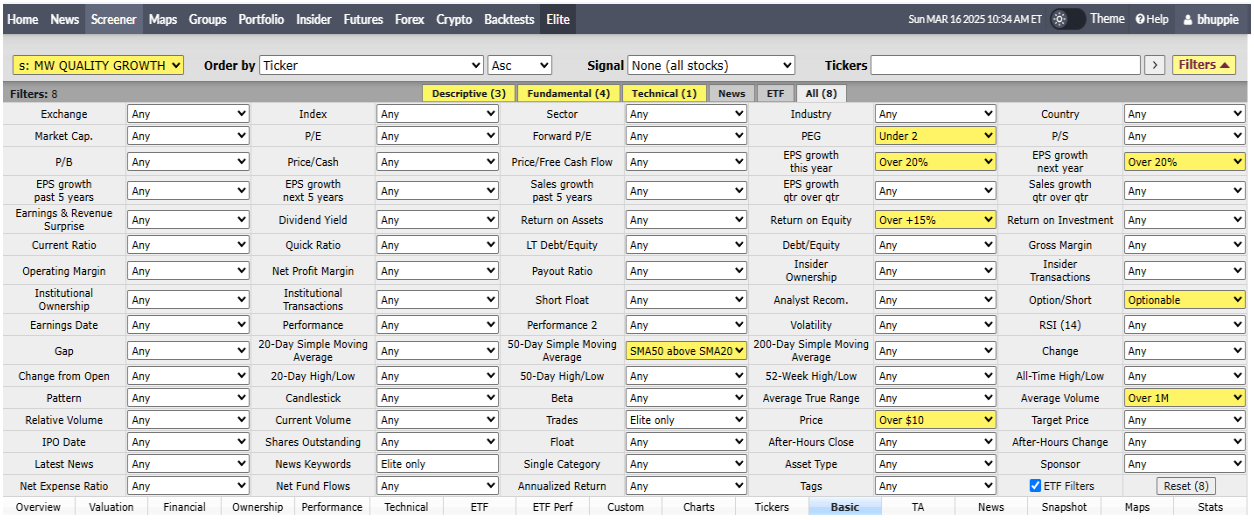
Return on Equity (ttm)	147.44%

Income Statement

Revenue (ttm)	365.82B
Revenue Per Share (ttm)	21.90
Quarterly Revenue Growth (yoy)	28.80%
Gross Profit (ttm)	152.84B
EBITDA	120.23B
Net Income Avi to Common (ttm)	94.68B
Diluted EPS (ttm)	5.61
Quarterly Earnings Growth (yoy)	62.20%

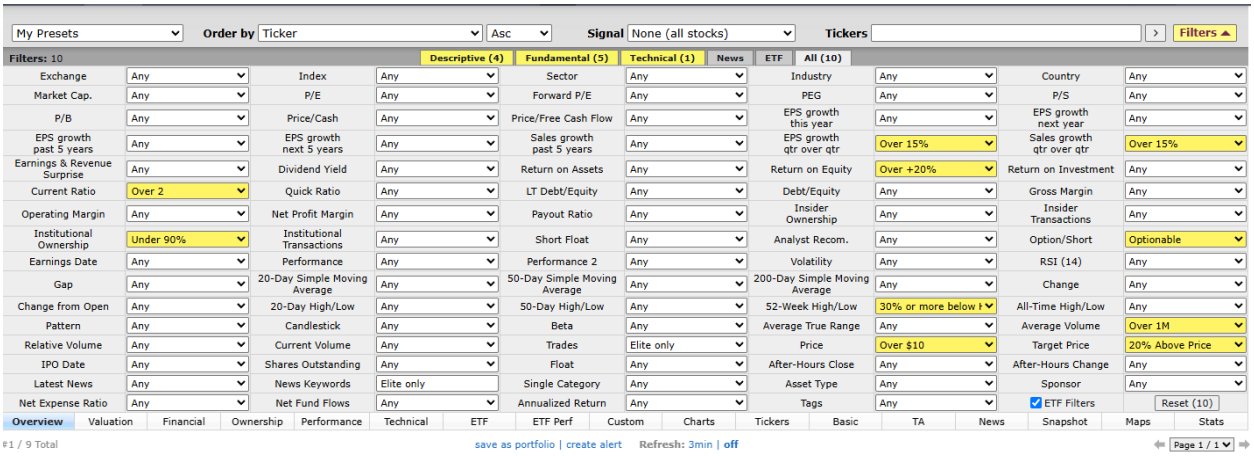
Screeners

Top Quality Growth Stock Screener



Link:
https://finviz.com/screener.ashx?v=311&f=fa_epsyoy_o20,fa_epsyoy1_o20,fa_peg_u2,fa_roe_o15,sh_avgvol_o1000,sh_opt_option,sh_price_o10,ta_sma50_sa200&ft=4

Screening for Undervalued Stocks



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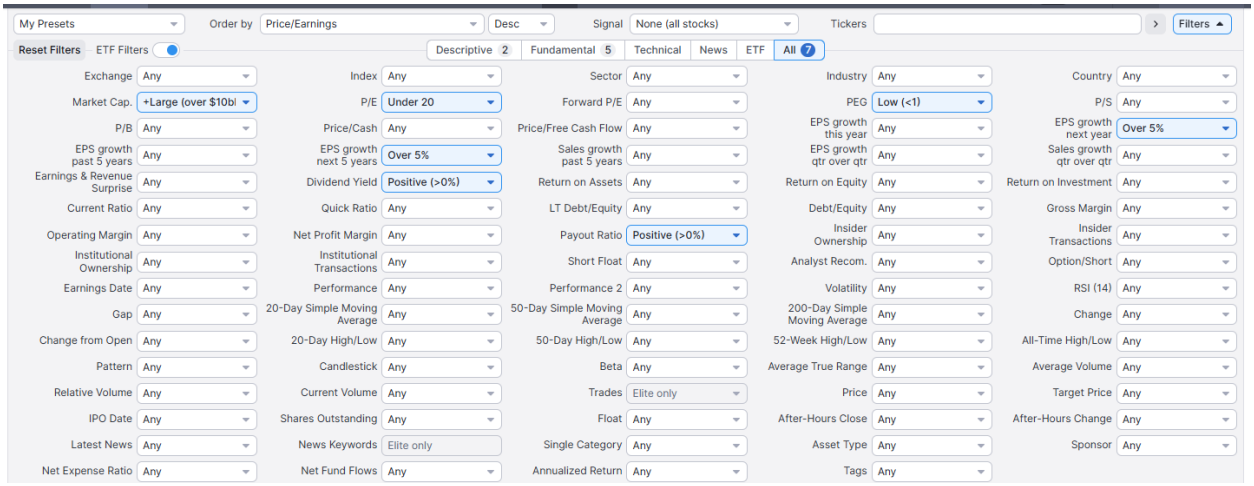
Dividend Stock Screener



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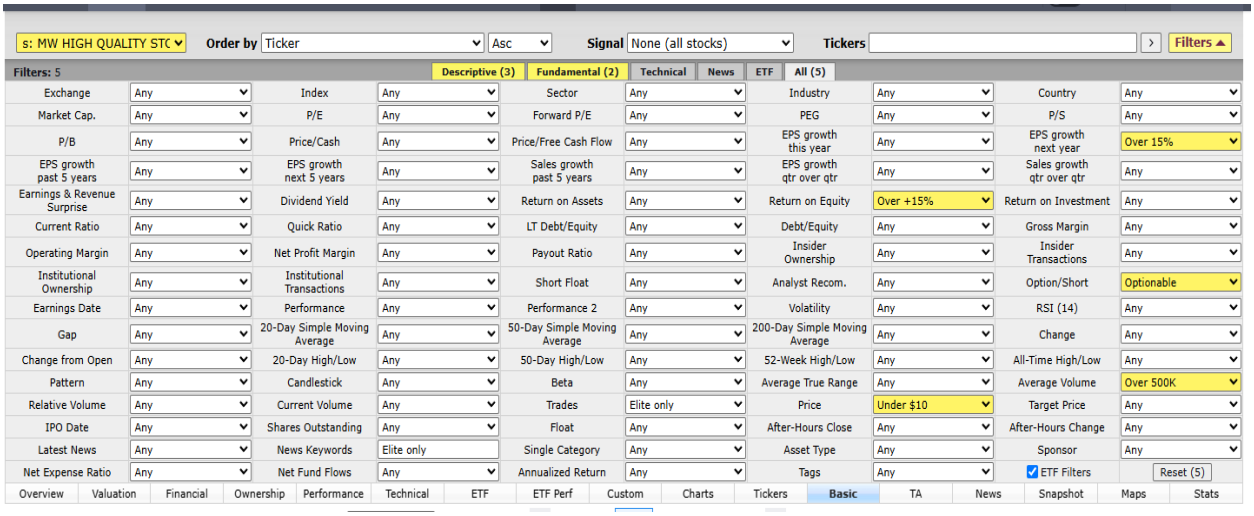
Quality Stocks Under $10



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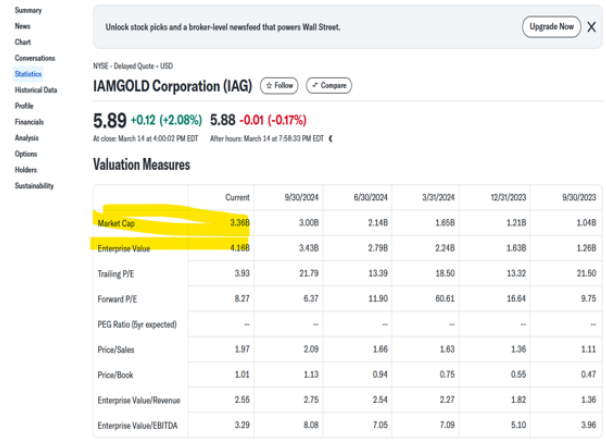
Another Area to Look at

Market Cap needs to be higher than enterprise value.

- "Market capitalization represents the total value of all outstanding shares of a company.
- On the other hand, enterprise value includes the company's debt, providing a more comprehensive view of its financial health.
- Therefore, enterprise value can reveal strengths or weaknesses that market capitalization alone might not show



The Money Wheel Strategy

Cash-Secured Puts, Buy-Writes, and Collars: A Comprehensive Guide

Options trading offers a variety of strategies that allow traders and investors to generate income, hedge positions, or manage risk. In this guide, we will explore three common strategies: cash-secured puts, buy-writes (covered calls), and collars. We'll outline how to set up each strategy, how they work, and how to use them effectively in a cohesive trading process.

What is a Cash-Secured Put?

A cash-secured put is an options strategy where the trader sells a put option and simultaneously holds enough cash to buy the underlying stock if assigned. The goal is to generate income from the option premium while being prepared to buy the stock at a lower price.

Setting Up a Cash-Secured Put

1. Identify a stock you are willing to own at a lower price.
2. Sell a put option with a strike price below the current market price.
3. Ensure you have enough cash in your account to cover the cost of buying the stock at the strike price if assigned.
4. If the stock price stays above the strike price, you keep the premium as profit. If the stock drops below the strike price, you are obliged to buy the stock at that price.

Example of a Cash-Secured Put

Suppose a stock is trading at $100. You sell a $95 put option for $3. If the stock remains above $95, you keep the $3 premium as profit. If the stock drops below $95, you are assigned the stock at $95 and effectively paid $92 ($95 - $3) for the stock.

What is a Buy-Write (Covered Call)?

A buy-write, also known as a covered call, involves owning shares of stock and selling a call option against those shares. This strategy generates income from the option premium while allowing you to participate in stock price appreciation up to the strike price.

Setting Up a Buy-Write

1. Own or purchase shares of a stock that you are willing to hold.
2. Sell a call option with a strike price above the current market price.
3. If the stock price stays below the strike price, you keep the premium and continue to hold the stock. If the stock price exceeds the strike price, your shares may be called away at the strike price.

Example of a Buy-Write

Suppose you own 100 shares of stock trading at $50. You sell a $55 strike call option for $2. If the stock remains below $55, you keep the $2 premium and continue holding the stock. If the stock rises above $55, your shares may be sold at $55, but you keep the $2 premium, effectively selling the stock for $57.

What is a Collar?

A collar is a strategy that combines a covered call with a protective put to limit both the upside and downside potential. This strategy is used to protect against significant losses while still allowing for some upside potential.

Setting Up a Collar

1. Own shares of a stock.
2. Sell a call option with a strike price above the current market price to generate income.
3. Buy a protective put option with a strike price below the current market price to limit downside risk.
4. The call option premium helps offset the cost of the put option, and your potential profit is capped by the call strike price, while your potential loss is limited by the put strike price.

Example of a Collar

Suppose you own 100 shares of stock trading at $60. You sell a $65 strike call for $1 and buy a $55 strike put for $2. If the stock drops below $55, your maximum loss is limited to $5 per share. If the stock rises above $65, your profit is capped at $5 per share, but you keep the $1 premium from the call.

Cohesive Process of Using These Strategies

These strategies, cash-secured puts, buy-writes, and collars—can be used together or separately depending on your market outlook and risk tolerance. Here is a step-by-step cohesive process for using them:

1. Start with Cash-Secured Puts: If you are interested in acquiring stock at a lower price, begin by selling cash-secured puts to generate income while potentially buying stock at a discount.
2. Transition to Buy-Writes: Once you have the stock, you can sell covered calls to continue generating income. If you are assigned, you exit the position profitably. If not, you keep the premium and hold the stock.
3. Use Collars for Protection: If you want to protect your position while maintaining the ability to generate income, add a protective put along with the covered call to form a collar. This helps limit risk while capping upside.

Pay Off Diagram Cash Secured Put, Covered Call, and Collar Strategy

Cash Secured Put

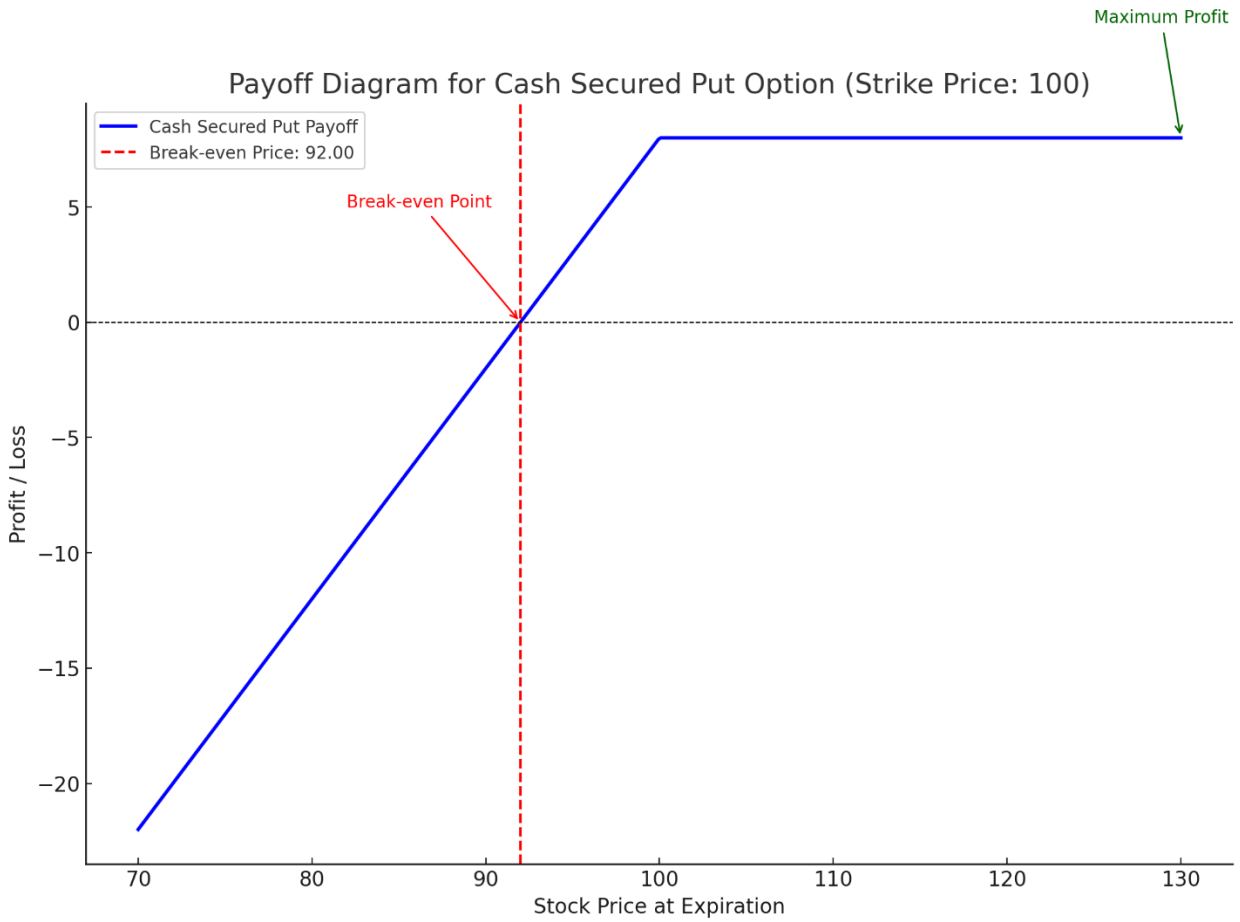
The Cash Secured Put strategy involves selling a put option while holding sufficient cash to purchase the stock if assigned. It is used to generate income from premiums or to buy stock at a discount.

Key Points:

- Profit Potential: Limited to the premium received for selling the put.
- Loss Potential: Significant if the stock price falls sharply, as you may be obligated to buy at the strike price.
- Ideal Scenario: This strategy is suited for moderately bullish markets where you are willing to own the stock at a lower price.

Payoff Diagrams Cash Secured Puts

The following diagrams illustrate the payoff structures for the Cash Secured Put, Covered Call, and Collar strategies:



Here is the payoff diagram for a **Cash Secured Put Option** with the following parameters:

- **Strike Price**: 100
- **Premium Received**: $8

Key Features:

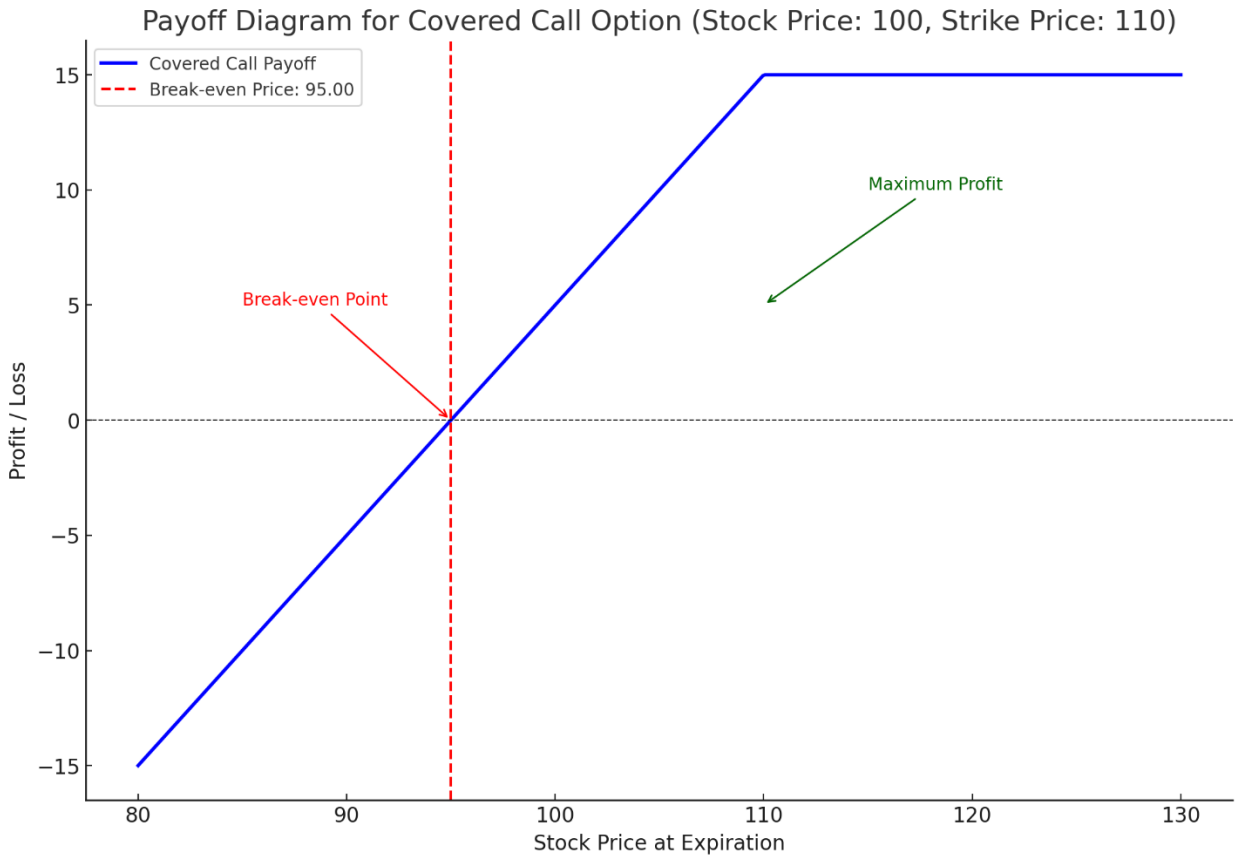
1. **Break-even Price**: Strike Price - Premium = $92.
2. **Maximum Profit**: Limited to the premium received ($8), occurring when the stock price is at or above the strike price.
3. **Profit Zone**: From the break-even price upwards, the profit is constant at the premium received.
4. **Loss Zone**: Loss begins when the stock price drops below the break-even price, increasing as the stock price decreases further.

Covered Call

The Covered Call strategy involves owning the underlying stock and selling a call option against it. It is used to generate income from premiums while limiting upside potential.

Key Points:

- Profit Potential: Limited to the premium received plus the difference between the stock price and strike price.
- Loss Potential: Significant if the stock price falls sharply, as you still hold the underlying stock.
- Ideal Scenario: This strategy is suited for moderately bullish markets where the stock price is expected to remain stable or increase slightly.



Here is the payoff diagram for a **Covered Call Option** with the following parameters:

- **Stock Purchase Price**: $100
- **Call Option Strike Price**: $110
- **Premium Received**: $5

Key Features:

1. **Break-even Price**: $95 (Stock purchase price - Premium received).

2. **Maximum Profit**: Occurs at or above the call option strike price ($110), limited to $15 (Premium received + Strike price gain).
3. **Maximum Loss**: Occurs if the stock price drops to zero, with a net loss of $95 (Stock purchase price - Premium received).

This strategy generates income from the call premium while reducing downside risk, although profit is capped

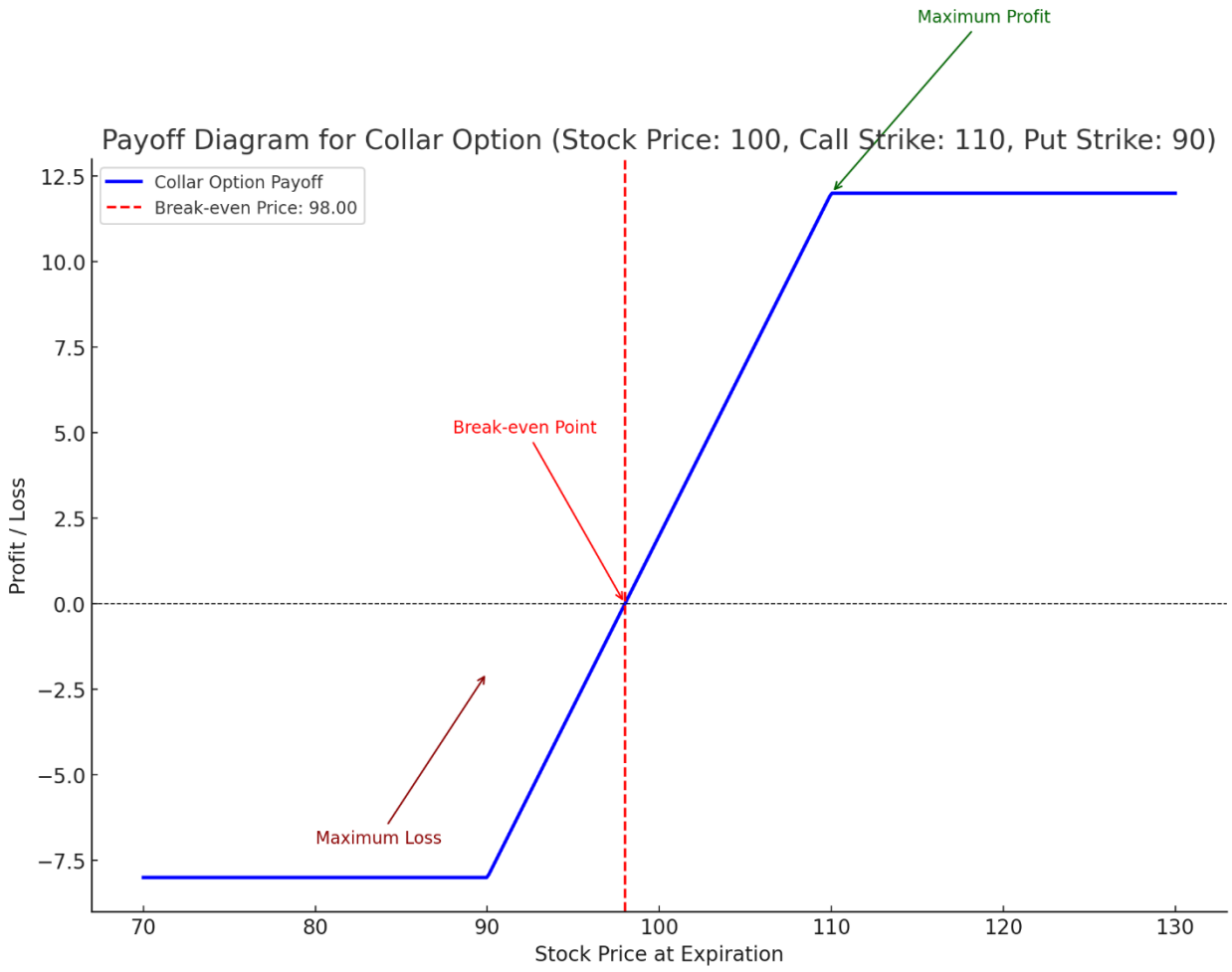
Collar Strategy

The Collar strategy involves owning the underlying stock, buying a protective put, and selling a call option. It is used to limit downside risk while capping upside potential.

Key Points:

- Profit Potential: Limited to the premium received from the sold call minus the cost of the protective put.
- Loss Potential: Limited by the strike price of the protective put, providing a safety net against significant losses.
- Ideal Scenario: This strategy is suited for neutral to slightly bullish markets where you want to protect against downside risk.

This strategy is commonly used to generate income while preparing to buy stock if it drops to the strike price.



Here is the payoff diagram for a **Collar Option** with the following parameters:

- **Stock Purchase Price**: $100

- **Call Option Strike Price**: $110 (sold, premium received: $5)
- **Put Option Strike Price**: $90 (bought, premium paid: $3)

Key Features:

1. **Break-even Price**: $98 (Stock purchase price - Net premium received).
2. **Maximum Profit**: Occurs at or above the call option strike price ($110), capped at $12 (Net premium received + Stock price gain).
3. **Maximum Loss**: Occurs at or below the put option strike price ($90), limited to $8 (Stock purchase price - Put strike price + Net premium received).

This strategy limits both potential losses and gains, providing protection while capping profits.

Conclusion

Cash-secured puts, buy-writes, and collars are versatile options strategies that can be used to generate income, acquire stocks at a discount, and protect against downside risk. By using these strategies in a cohesive process, traders and investors can manage risk effectively while participating in market opportunities.

Protective Puts

What is a Protective Put

A protective put is an options strategy where an investor holds a long position in an asset (such as a stock) and buys a put option for the same asset. The put option provides protection against downside risk, limiting losses if the stock price drops significantly.

Key Elements of Protective Puts

- Long position in an underlying stock or asset.
- Purchase of a put option at a strike price below the current market price.
- The strategy provides downside protection while maintaining upside potential.
- Often used by investors to hedge against short-term declines in stock prices.

Example of a Protective Put

Example:
You own 100 shares of XYZ stock, currently trading at $50. You are concerned about a potential decline in price.
You purchase a put option with a strike price of $45, paying a premium of $2 per share.

If the stock price falls to $40, the put option will protect your position, allowing you to sell at $45 and limiting your loss to $7 per share (including the premium).
If the stock price rises, you keep your shares and enjoy the upside.

Setting Up a Protective Put

1. Own the underlying stock (long position).
2. Choose a put option with a strike price below the current stock price.
3. Buy the put option to limit your downside risk.
4. Monitor the position, as the protective put may need adjustments if the stock price or expiration date approaches.

Technical Analysis for Protective Puts

- Use technical indicators such as support and resistance levels to select strike prices.
- Moving averages (21-Day, 50-day, 200-day) can help identify trends in stock prices.
- Relative Strength Index (RSI) can signal overbought or oversold conditions, indicating potential stock movements.
- Bollinger Bands can provide insight into price volatility and potential price reversals.

Fundamental Analysis for Protective Puts

- Evaluate the company's financial health, including revenue growth, profitability, and debt levels.
- Consider macroeconomic factors that could affect the stock price, such as interest rates, inflation, and market sentiment.
- Review earnings reports, analyst ratings, and news about the company to assess potential price movements.
- Use protective puts during periods of uncertainty, such as earnings reports or geopolitical events.

Advantages and Disadvantages of Protective Puts

Advantages:
- Provides downside protection with unlimited upside potential.
- Useful in volatile markets or during uncertain periods.

Disadvantages:
- The cost of the put option (premium) reduces overall returns.
- Requires active management, especially as expiration approaches.

Options Time Spreads: Calendar and Diagonal Spreads as Long-Term Strategies

Options time spreads are strategies that involve buying and selling options with different expiration dates. This guide will focus on two common time spreads: calendar spreads and diagonal spreads. We'll explore how these strategies work, how they can be used as long-term approaches while reducing the cost basis in the short term, and the relevant market conditions for their use.

What is a Calendar Spread?

A calendar spread, also known as a horizontal spread or time spread, involves buying a longer-term option and selling a shorter-term option, both with the same strike price. This strategy aims to take advantage of the differing rates of time decay between the options.

Setting Up a Calendar Spread

1. Buy a longer-term option (e.g., several months or even a year out) at a specific strike price.
2. Sell a shorter-term option with the same strike price and expiration closer to the current date.
3. As the shorter-term option decays faster, you can profit from time decay while maintaining a longer-term outlook on the stock.

Example of a Calendar Spread

Suppose stock is trading at $50. You buy a call option with a strike price of $50 expiring in six months for $5 and sell a call option with the same $50 strike, but expiring in one month, for $2. If the stock price remains around $50, the shorter-term option will decay faster, allowing you to potentially buy back the short option at a lower price and profit from the difference.

What is Diagonal Spread?

A diagonal spread is like a calendar spread but with different strike prices. It involves buying a longer-term option at one strike price and selling a shorter-term option at a different strike price. Diagonal spreads provide both time and directional exposure, making them versatile for various market conditions.

Setting Up a Diagonal Spread

1. Buy a longer-term option with a specific strike price (e.g., 6 months to 1 year out).
2. Sell a shorter-term option with a different strike price and closer expiration date.
3. The goal is to benefit from time decay on the short option while maintaining directional exposure through the long option.

Example of a Diagonal Spread

Suppose a stock is trading at $100. You buy a call option with a $95 strike expiring in six months for $7 and sell a call option with a $105 strike expiring in one month for $2. If the stock price stays

between $95 and $105 over the next month, you can benefit from the time decay of the short option and the potential appreciation of the long option.

Using Calendar and Diagonal Spreads as Long-Term Strategies

Both calendar and diagonal spreads are excellent for long-term strategies because they allow traders to manage time decay and reduce cost basis over time. By continuously selling shorter-term options against a longer-term option, you can collect premiums to offset the cost of the long position.

Reducing Cost Basis with Time Spreads

One of the primary advantages of time spreads is the ability to reduce the cost basis of a long position. By selling short-term options against a long option, you collect premiums, which can lower the overall cost of your long option over time. This process can be repeated each month or week, depending on the timeframes chosen.

Rolling Short Options in Time Spreads

As the shorter-term option approaches expiration, you can 'roll' the short option by buying it back and selling another short-term option with a further expiration date. This allows you to continue collecting premiums and managing your position while keeping the long-term option in place.

Market Conditions for Time Spreads

Calendar and diagonal spreads are the most effective in neutral or mildly trending markets. These strategies work well when the stock price is expected to stay near the strike price of the short option, allowing the trader to benefit from time decay. In highly volatile or strongly trending markets, these spreads can become more challenging to manage.

Calendar Spreads in Low Volatility

Calendar spreads tend to perform well in low volatility environments where the stock price is expected to stay within a narrow range. In these conditions, the time decay of the short option outpaces any significant price movement, allowing traders to capitalize on the difference in time decay.

Diagonal Spreads in Trending Markets

Diagonal spreads are more suited to trending markets because they combine time decay with directional exposure. By selecting different strike prices for the long and short options, traders can benefit from both time decay and the stock's price movement in the expected direction.

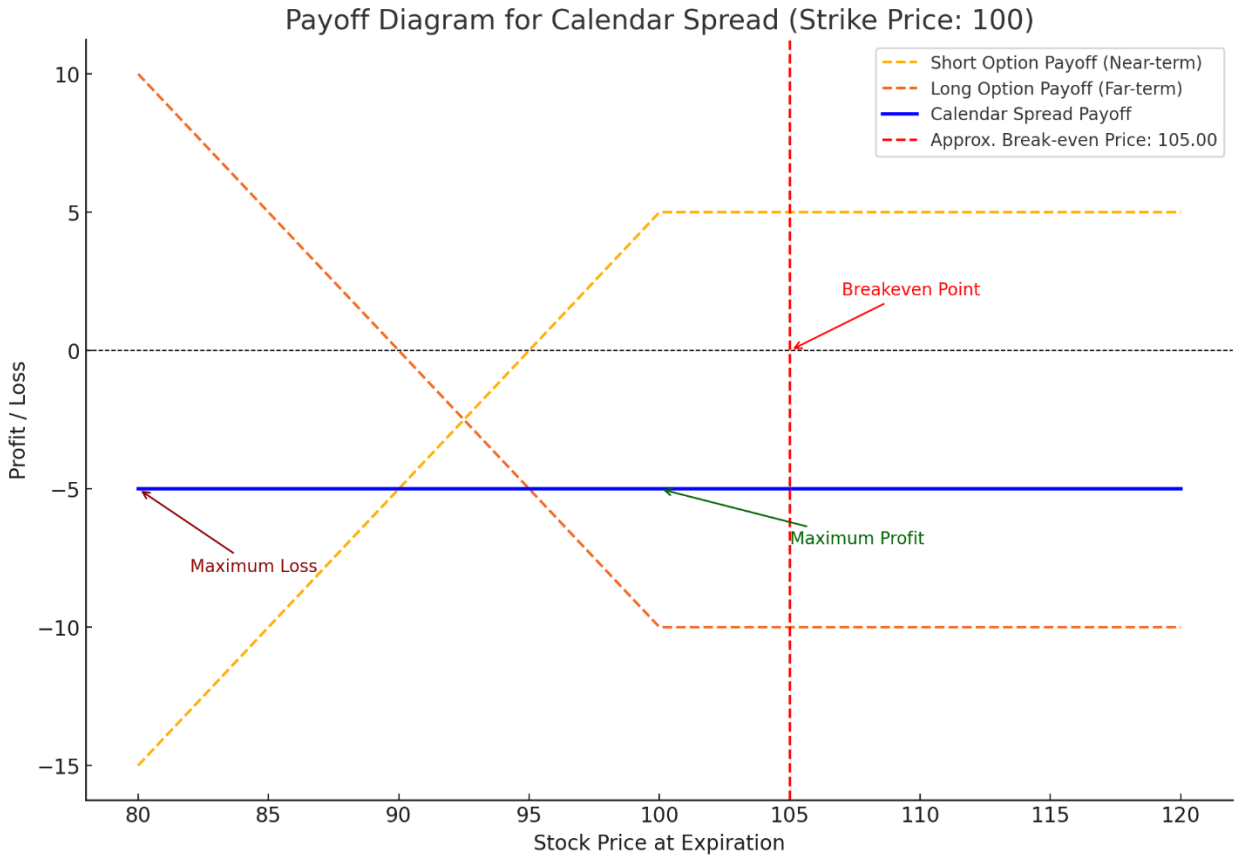
Pay Off Diagrams for Calendar Spread and Diagonal Spread Strategies

Calendar Spread

The Calendar Spread strategy involves selling a near-term option and buying a longer-term option with the same strike price. It is used to benefit from time decay and changes in volatility.

Key Points:

- Profit Potential: Limited to the difference in premiums as the shorter-term option decays faster.
- Loss Potential: Limited to the net premium paid for the longer-term option.
- Ideal Scenario: This strategy is suited for markets with low volatility and minimal price movement.



Here is the payoff diagram for a **Calendar Spread** with the following parameters:

- **Strike Price**: 100
- **Premium for Near-term (Short) Option**: $5
- **Premium for Far-term (Long) Option**: $10

Key Features:

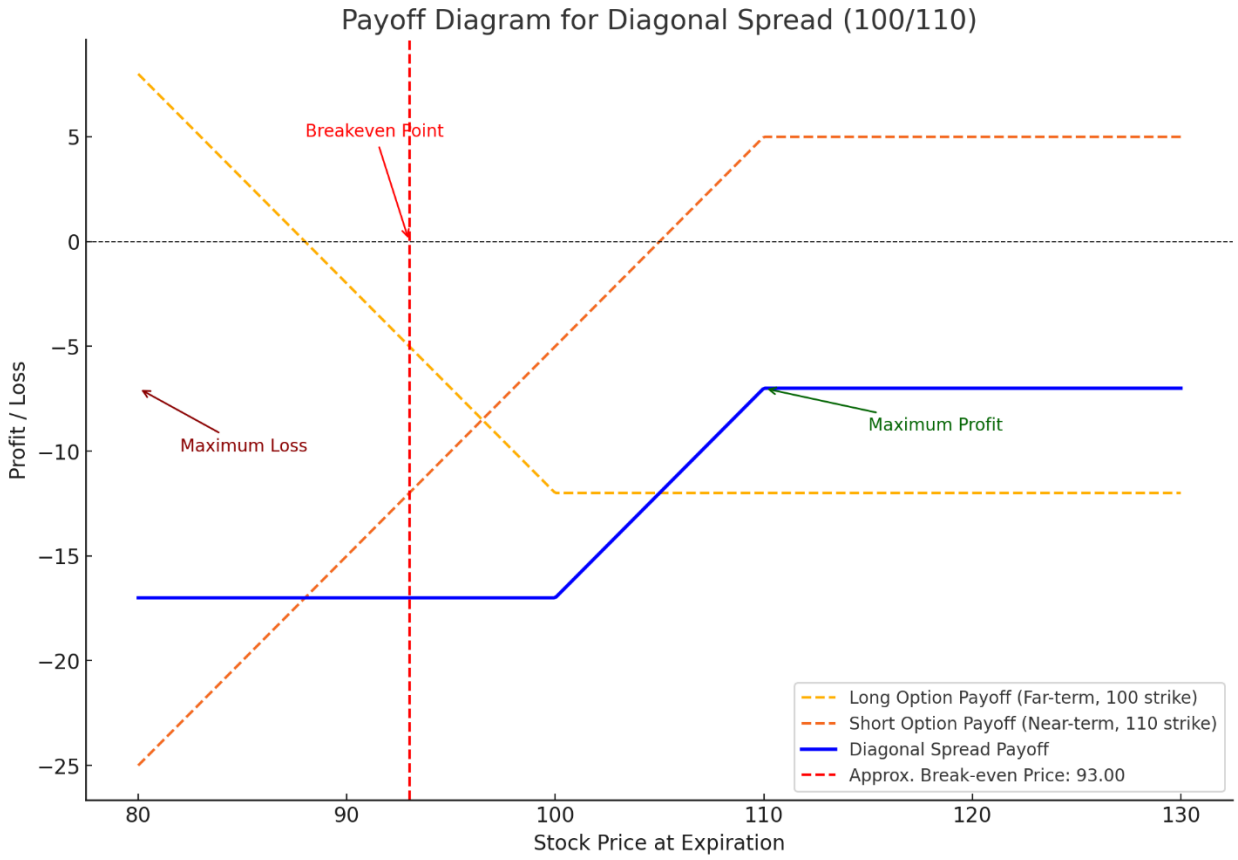
1. **Break-even Point**: Approximate price where the net profit is zero.
2. **Maximum Loss**: Limited to the net premium paid.
3. **Maximum Profit**: Typically occurs near the strike price, as the far-term option retains more value than the near-term option.

Diagonal Spread

The Diagonal Spread strategy involves selling a near-term option and buying a longer-term option with a different strike price. It combines elements of vertical and calendar spreads.

Key Points:

- Profit Potential: Limited to the price movement between the strike prices, adjusted for the premiums paid and received.
- Loss Potential: Limited to the net premium paid for the longer-term option.
- Ideal Scenario: This strategy is suited for markets where moderate price movement is expected.



Here is the payoff diagram for a **Diagonal Spread** with the following parameters:

- **Long Option (Far-term)**: Strike price = 100, Premium paid = $12.
- **Short Option (Near-term)**: Strike price = 110, Premium received = $5.

Key Features:

1. **Break-even Point**: Approximate price where the net profit is zero.
2. **Maximum Loss**: Limited to the net premium paid.

3. **Maximum Profit**: Achieved when the stock price is close to the strike price of the short option at expiration.

Diagonal spreads combine the benefits of both time and strike price differences, providing a versatile strategy for traders.

Conclusion

Calendar and diagonal spreads are versatile options strategies that can be used as long-term approaches while reducing short-term cost basis. By continuously selling short-term options against a long option, traders can manage time decay, reduce risk, and profit from different market conditions. Whether you are trading in a neutral or trending market, these spreads offer flexibility and potential for consistent income.

Options LEAPS, Synthetics, and Risk Reversals: A Comprehensive Guide

Options LEAPS, synthetics, and risk reversals are advanced strategies that offer flexibility in options trading for both long-term and short-term outlooks. In this guide, we will explain each of these strategies, provide examples, and discuss the appropriate market conditions for their use.

What are LEAPS (Long-term Equity Anticipation Securities)?

LEAPS are options contracts with expiration dates longer than one year, allowing traders to take long-term positions on a stock or index. These contracts offer the benefits of options, such as leverage and defined risk, but for a much longer time frame.

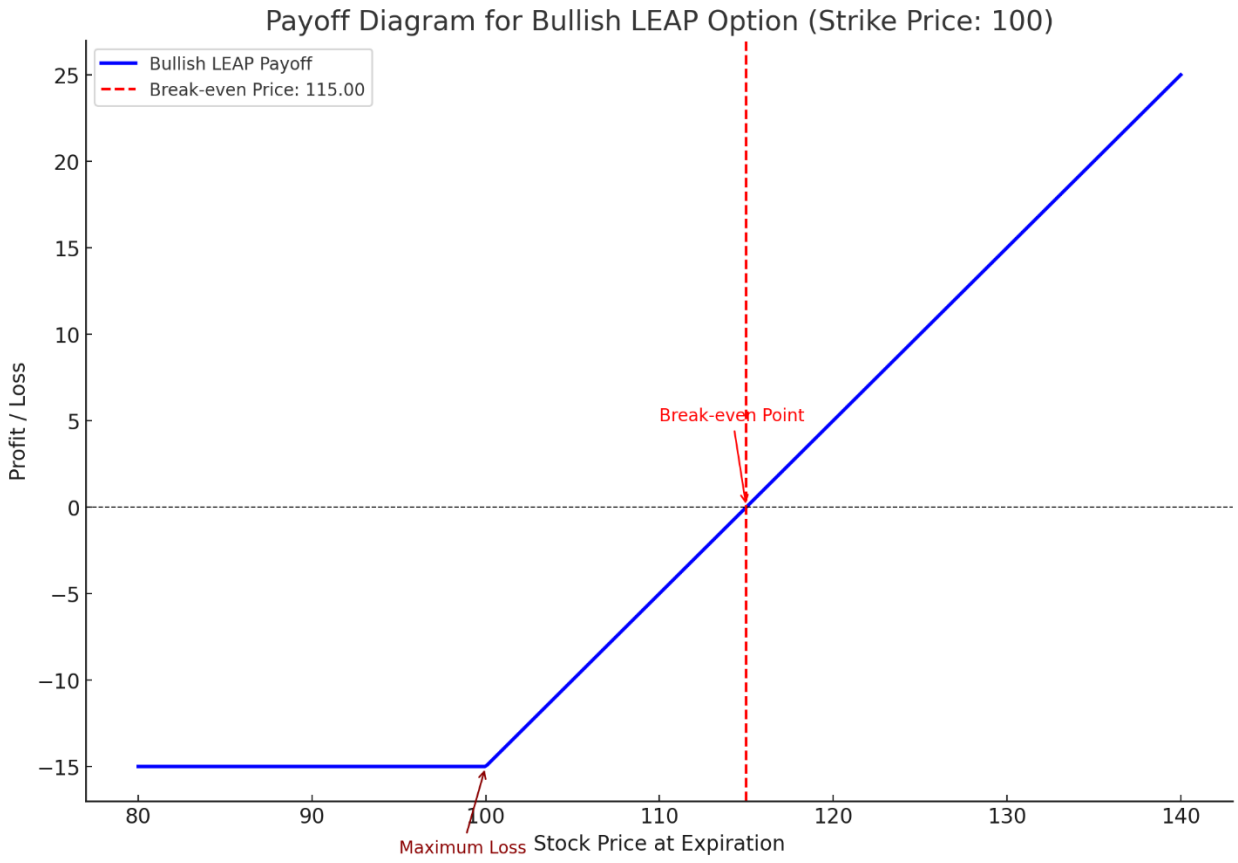
Setting Up a LEAPS Trade

1. Choose an underlying asset with a long-term bullish or bearish outlook.
2. Buy a LEAPS call option (for a bullish outlook) or LEAPS put option (for a bearish outlook) with an expiration date at least one year away.
3. Hold the position to benefit from long-term price appreciation or depreciation while limiting risk to the premium paid.

Example of a LEAPS Trade

Suppose a stock is trading at $50, and you are bullish over the next two years. You buy a LEAPS call option with a $55 strike price expiring in two years for $5. If the stock rises to $70 within that time, you can sell the LEAPS for a significant profit, while limiting your maximum loss to the $5 premium.

Bullish Leaps Payoff Diagram



Here is the payoff diagram for a **Bullish LEAP Option** with the following parameters:

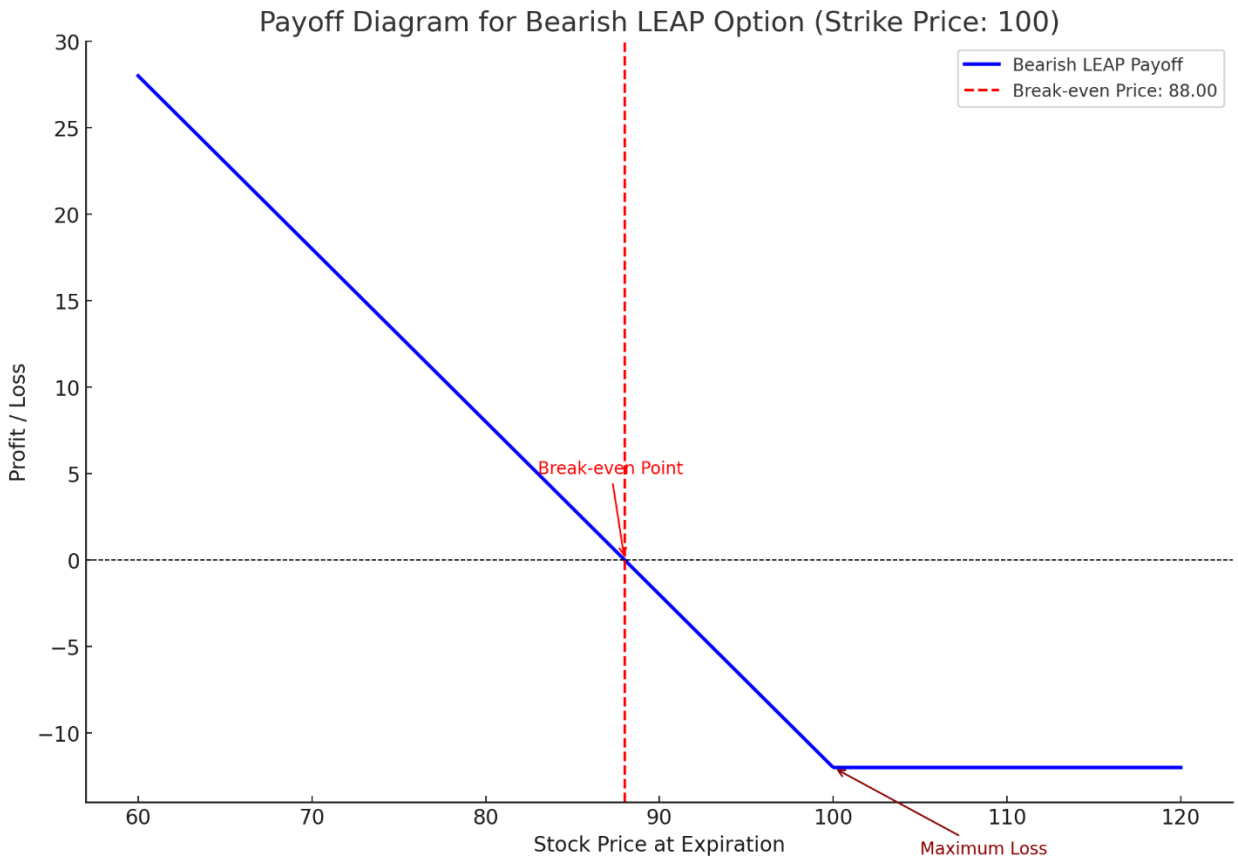
- **Strike Price**: $100
- **Premium Paid**: $15

Key Features:

1. **Break-even Price**: $115 (Strike Price + Premium Paid).
2. **Maximum Loss**: Limited to the premium paid ($15), occurring when the stock price is at or below the strike price ($100).
3. **Profit Zone**: Begins when the stock price exceeds the break-even price, with unlimited profit potential as the stock price rises.

LEAP options are long-term investments often used to speculate on significant price increases.

Bearish Leaps Payoff Diagram



Here is the payoff diagram for a **Bearish LEAP Option** with the following parameters:

- **Strike Price**: $100
- **Premium Paid**: $12

Key Features:

1. **Break-even Price**: $88 (Strike Price - Premium Paid).
2. **Maximum Loss**: Limited to the premium paid ($12), occurring when the stock price is at or above the strike price ($100).
3. **Profit Zone**: Begins when the stock price drops below the break-even price, with increasing profits as the stock price decreases.

This strategy is ideal for speculating on significant downward movements in the stock price over the long term

What are Synthetic Positions?

Synthetic positions replicate the payoff of an actual stock position by using options. A synthetic long or short position is created by combining call and put options. These strategies allow traders to achieve the same exposure as owning or shorting stock without holding the underlying shares.

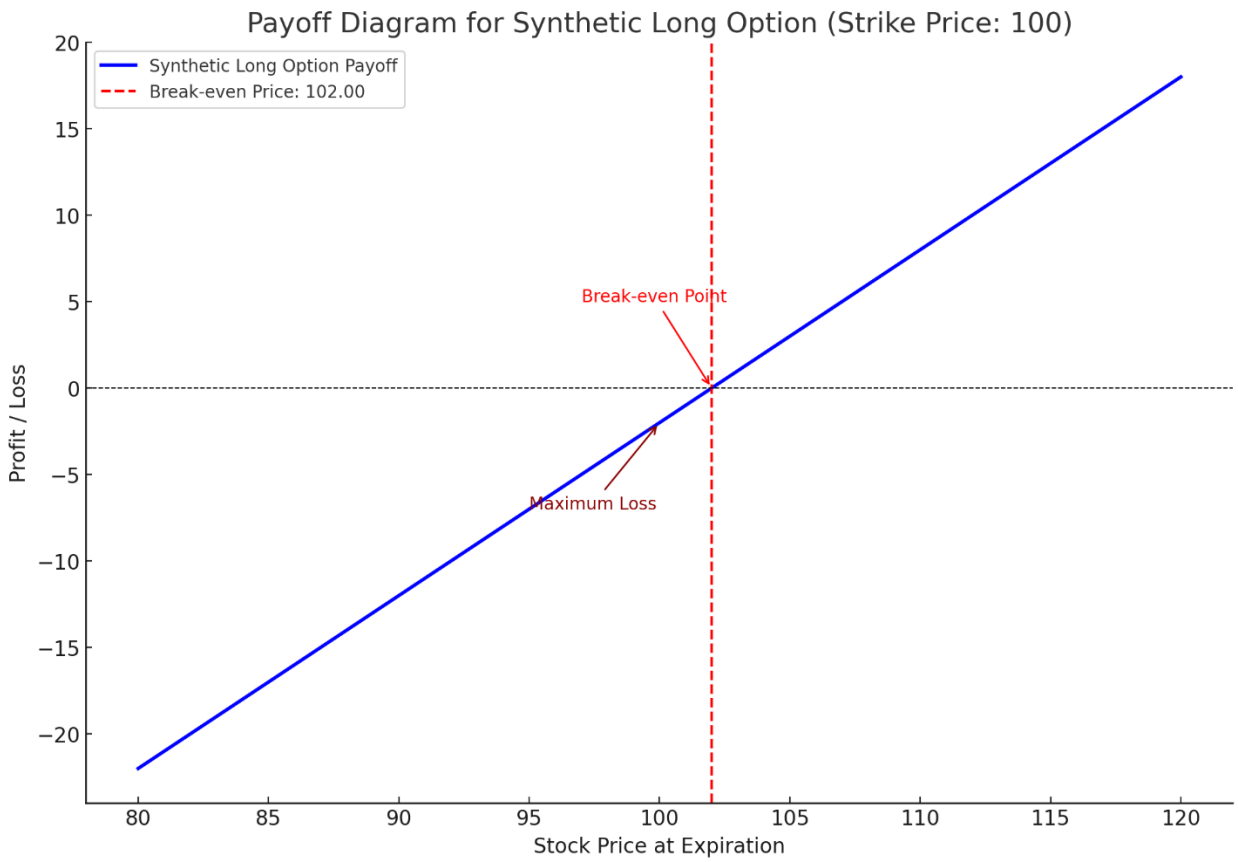
Synthetic Long and Short Positions

A synthetic long position is created by buying a call option and selling a put option at the same strike price. This strategy mimics the payoff of owning the stock. Conversely, a synthetic short position is created by selling a call option and buying a put option at the same strike price, mimicking the payoff of stock shorting.

Example of a Synthetic Long Position

Suppose a stock is trading at $100, and you want to gain bullish exposure. You buy a $100 strike call for $4 and sell a $100 strike put for $4. The net cost of the position is zero, and the payoff mimics owning 100 shares of stock. If the stock rises, the synthetic long position profits as if you held the stock.

Synthetic Long Payoff Diagram



Here is the payoff diagram for a **Synthetic Long Option** with the following parameters:

- **Call Option (Bought)**: Strike price = $100, Premium paid = $10.
- **Put Option (Sold)**: Strike price = $100, Premium received = $8.

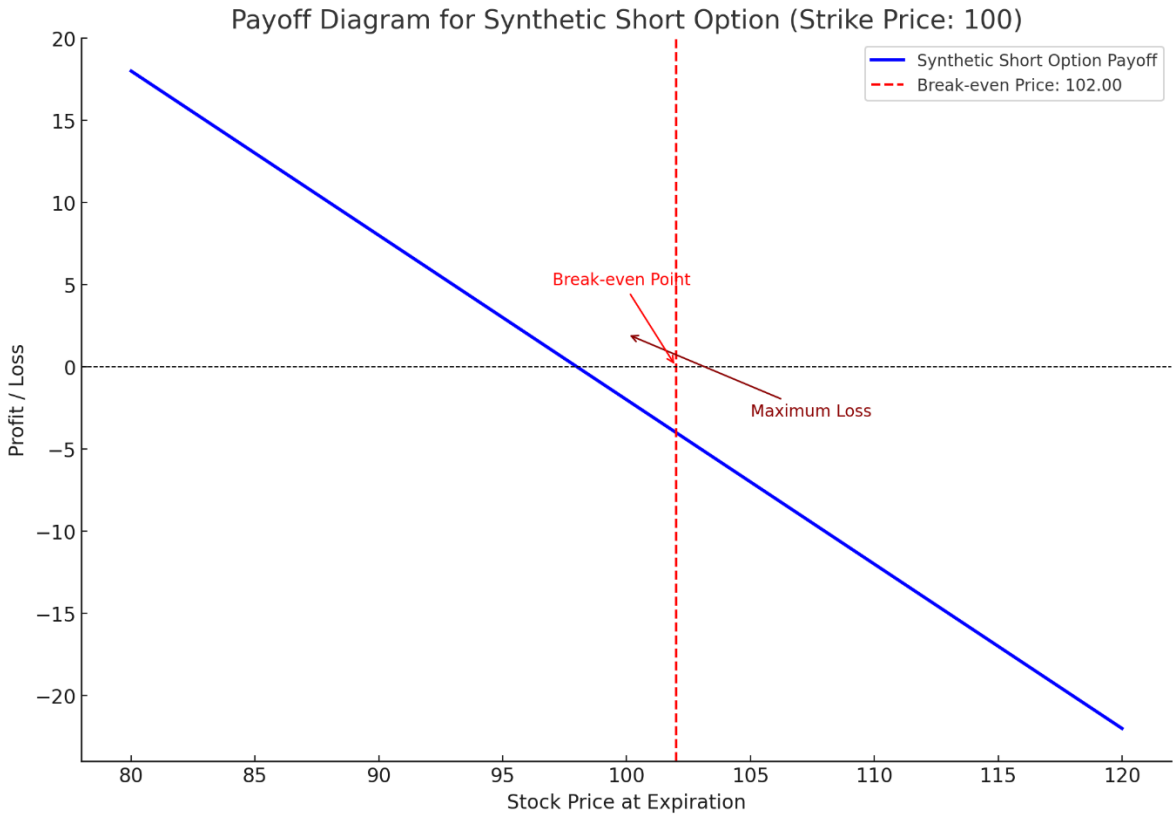
Key Features:

1. **Break-even Price**: $102 (Call Strike Price + Net Premium Paid).
2. **Maximum Loss**: Limited to the net premium paid ($2), occurring if the stock price is at or below the strike price ($100).
3. **Profit Zone**: Unlimited profit potential begins when the stock price exceeds the break-even price ($102).

This strategy replicates the payoff of holding the underlying asset but with limited upfront cost.

Example of a Synthetic Short Position

Suppose stocks are trading at $200, and you expect a decline. You sell a $200 strike call for $7 and buy a $200 strike put for $7. The net cost of the position is zero, and the payoff mimics shortening the stock. If the stock declines, the synthetic short position profits similarly to a short stock position.



Here is the payoff diagram for a **Synthetic Short Option** with the following parameters:

- **Put Option (Bought)**: Strike price = $100, Premium paid = $10.
- **Call Option (Sold)**: Strike price = $100, Premium received = $8.

Key Features:

1. **Break-even Price**: $98 (Put Strike Price - Net Premium Received).
2. **Maximum Loss**: Limited to the net premium received ($2), occurring if the stock price is at or above the strike price ($100).
3. **Profit Zone**: Begins when the stock price drops below the break-even price ($98), with increasing profit as the stock price decreases.

This strategy replicates the payoff of a short position in the underlying asset.

What is Risk Reversal?

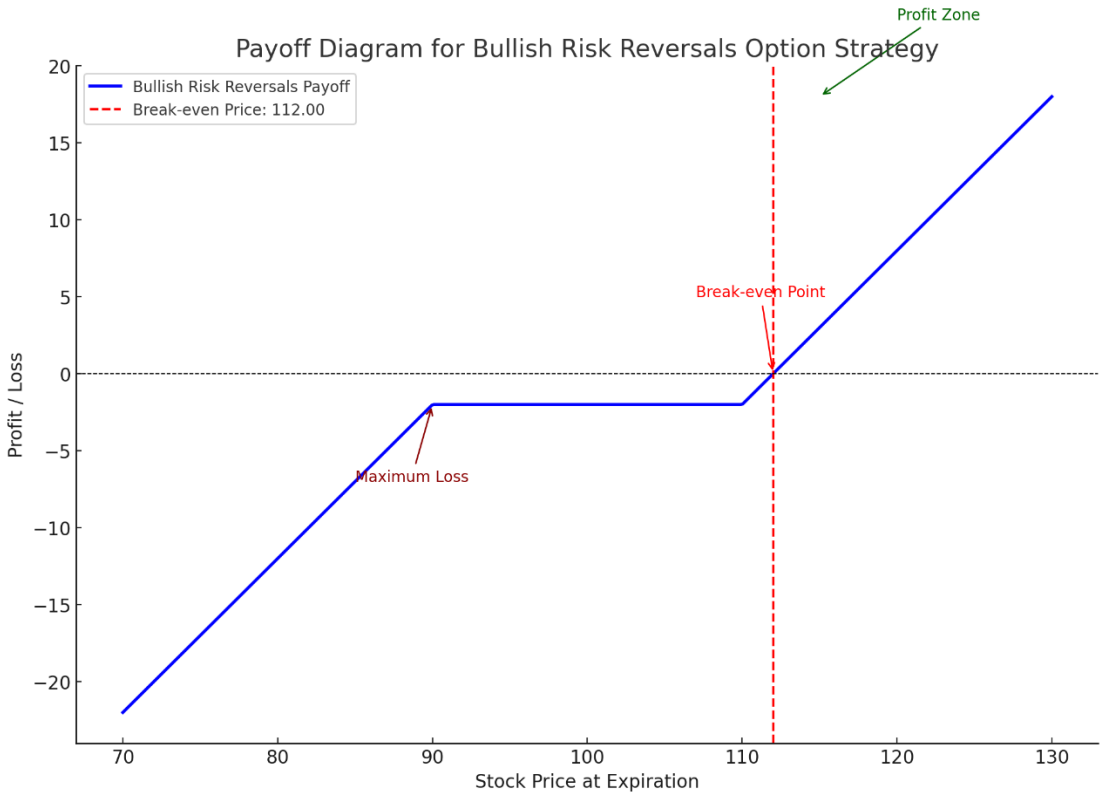
A risk reversal is an options strategy that involves buying a call option and selling a put option, or vice versa. This strategy is used to express a directional view on the underlying asset while minimizing the upfront cost. A bullish risk reversal involves selling a put and buying a call, while a bearish risk reversal involves selling a call and buying a put.

Bullish and Bearish Risk Reversals

A bullish risk reversal is often used when a trader expects the stock to rise but wants to reduce the cost of buying a call option. By selling a put, the trader generates a premium that helps offset the cost of the call option. A bearish risk reversal is used when a trader expects the stock to fall and involves selling a call and buying a put.

Example of a Bullish Risk Reversal

Suppose a stock is trading at $50, and you are bullish. You buy a $55 call for $2 and sell a $45 put for $2, creating a zero-cost position. If the stock rises above $55, you profit from the call option, while your maximum loss is limited to the downside of being assigned the stock at $45.



Here is the payoff diagram for a **Bullish Risk Reversals Option Strategy** with the following parameters:

- **Put Option (Sold)**: Strike price = $90, Premium received = $3.
- **Call Option (Bought)**: Strike price = $110, Premium paid = $5.

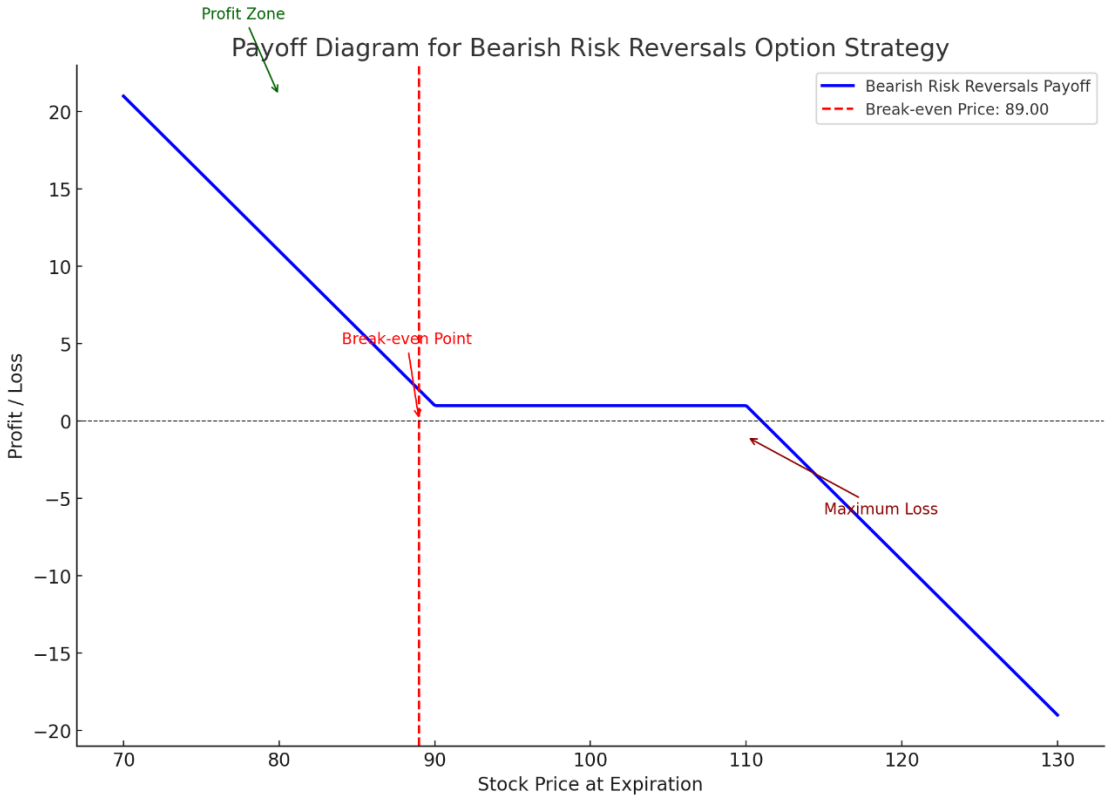
Key Features:

1. **Break-even Price**: $112 (Call Strike Price + Net Premium Paid).
2. **Maximum Loss**: Occurs if the stock price drops significantly below the put strike price ($90), with losses increasing as the price declines.
3. **Profit Zone**: Begins above the break-even price ($112), with unlimited profit potential as the stock price rises.

This strategy is ideal for bullish outlooks with expectations of significant upward price movement.

Example of a Bearish Risk Reversal

Suppose a stock is trading at $80, and you expect it to decline. You sell a $85 call for $3 and buy a $75 put for $3. The net cost is zero, and if the stock drops below $75, you profit from the put option.



Here is the payoff diagram for a **Bearish Risk Reversals Option Strategy** with the following parameters:

- **Call Option (Sold)**: Strike price = $110, Premium received = $5.
- **Put Option (Bought)**: Strike price = $90, Premium paid = $4.

Key Features:

1. **Break-even Price**: $89 (Put Strike Price - Net Premium Received).
2. **Maximum Loss**: Occurs if the stock price rises significantly above the call strike price ($110), with losses increasing as the price climbs.
3. **Profit Zone**: Begins below the break-even price ($89), with increasing profit as the stock price decreases.

This strategy is suitable for bearish market outlooks with expectations of significant downward price movement.

Market Conditions for LEAPS, Synthetics, and Risk Reversals

Each of these strategies is suitable for different market conditions:

1. LEAPS: Best used when you have a long-term bullish or bearish outlook on a stock and want to limit your risk while benefiting from potential price movement.
2. Synthetics: Useful when you want to replicate stock ownership or short exposure without holding shares. Synthetics are also effective in capital-efficient strategies.
3. Risk Reversals: Effective when you have a strong directional view and want to reduce the upfront cost of buying options. These strategies are commonly used in neutral or low volatility environments.

Conclusion

LEAPS, synthetics, and risk reversals are versatile options strategies that allow traders to express long-term and short-term views while managing risk and capital efficiently. By understanding how to use these strategies in different market conditions, traders can tailor their options approach to fit their outlook and risk tolerance.

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 is 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.

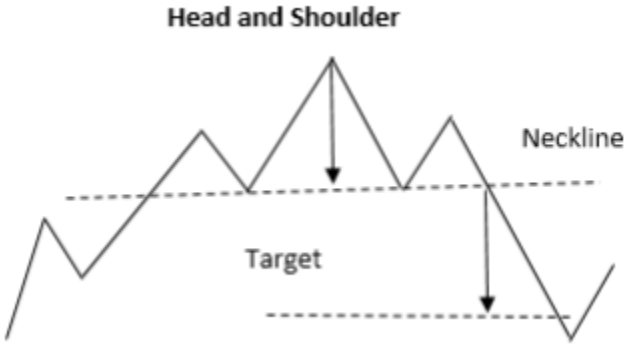
Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA): Strengthens penalties for insider trading violations.

How to Read Trading Chart Patterns: A Comprehensive Guide

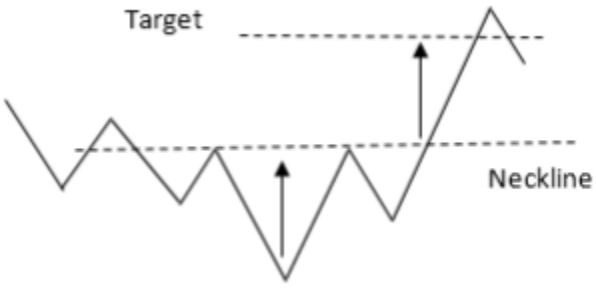
Understanding chart patterns is a key skill for any trader or investor. Chart patterns provide insights into market sentiment and can help predict potential price movements. In this guide, we will explain how to read common chart patterns, providing descriptions and placeholders for images. Be sure to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

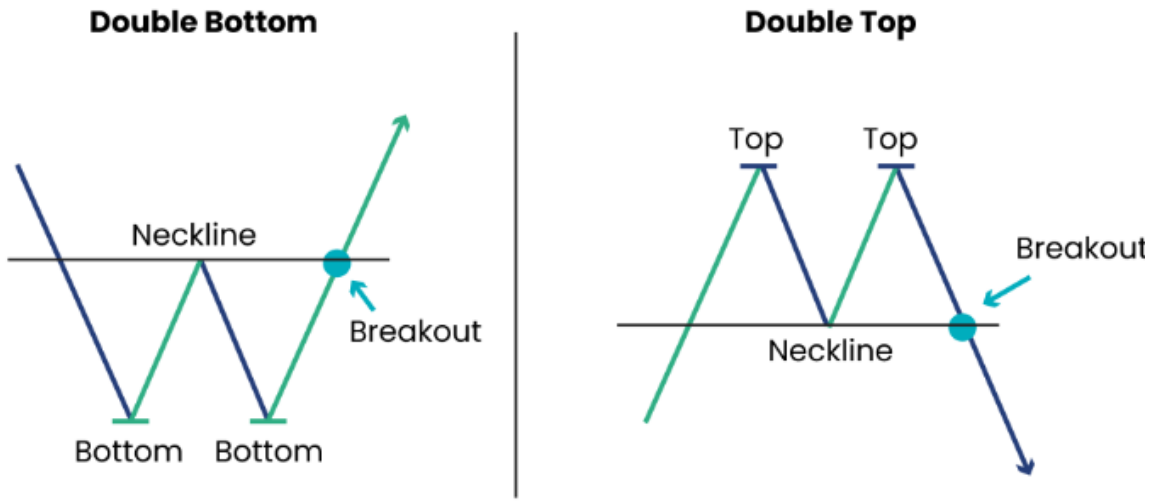


Inverse Head & Shoulders



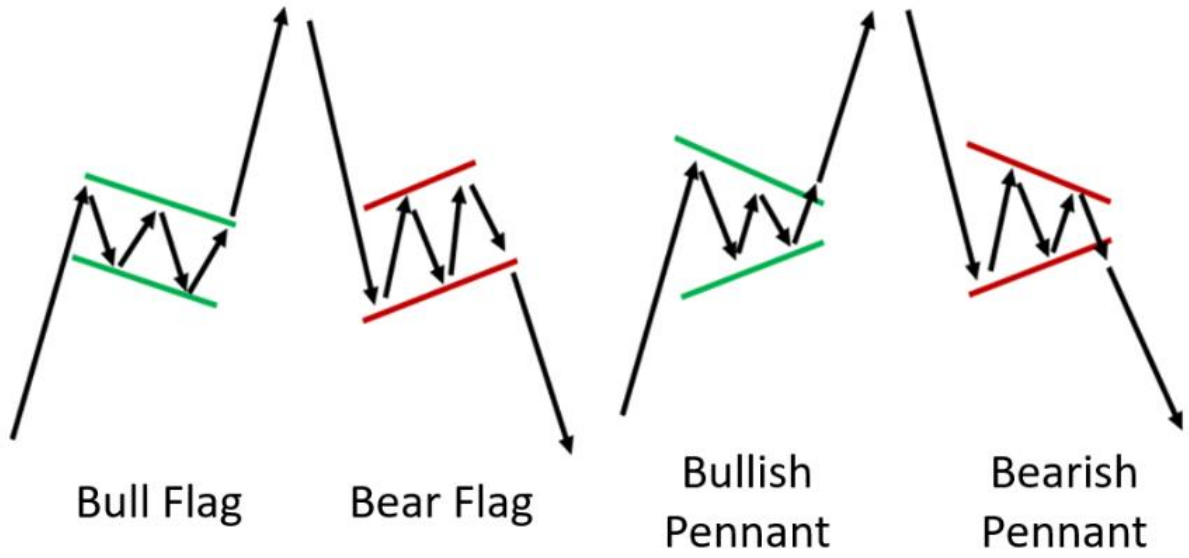
Double Top and Double Bottom

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.



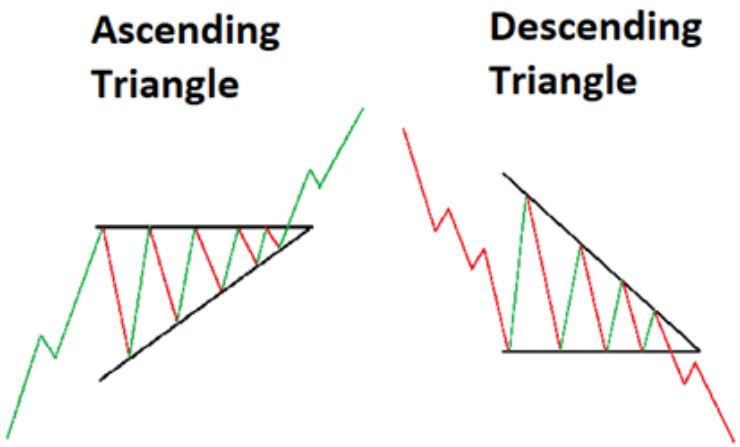
Flag and Pennant Patterns

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.



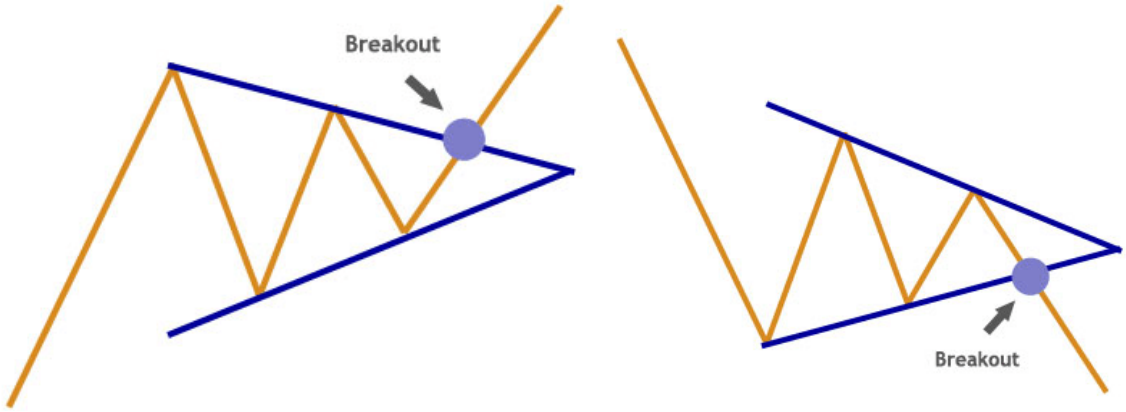
Ascending and Descending Triangle

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.



Cup and Handle Pattern

The cup and handle have a bullish continuation pattern that looks like a tea cup. The cup forms after a price decline followed by a recovery, and the handle forms as the price consolidates before breaking out higher.

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.

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.

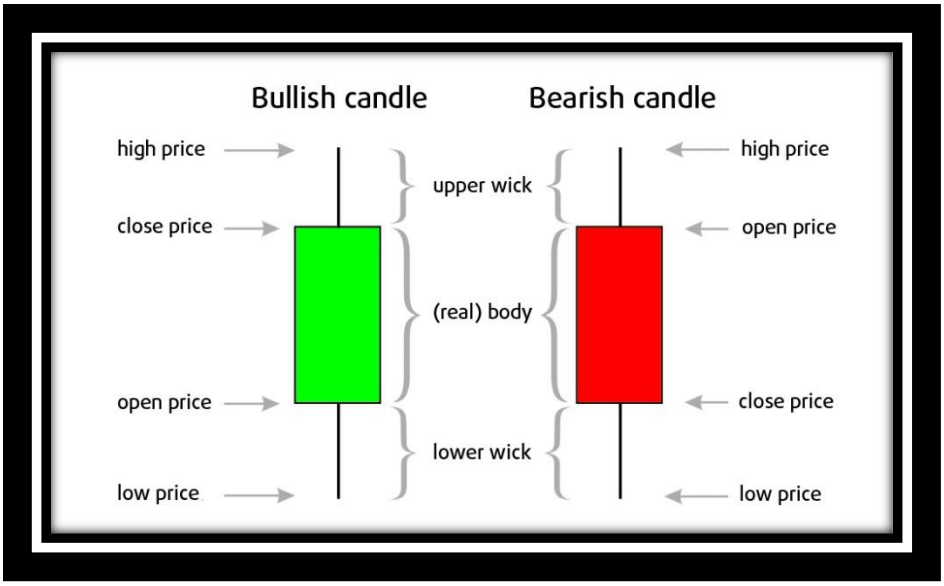
Key Takeaways:

- 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.

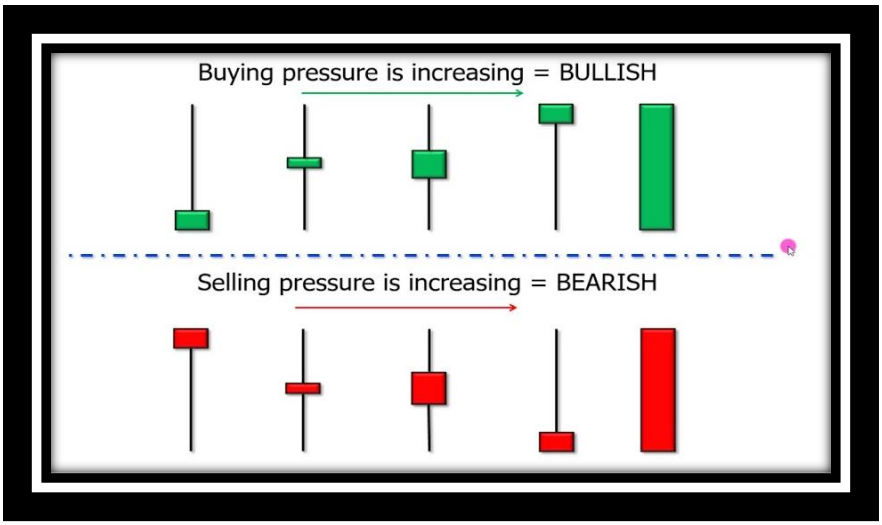
Understanding Candle sticks

- 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.



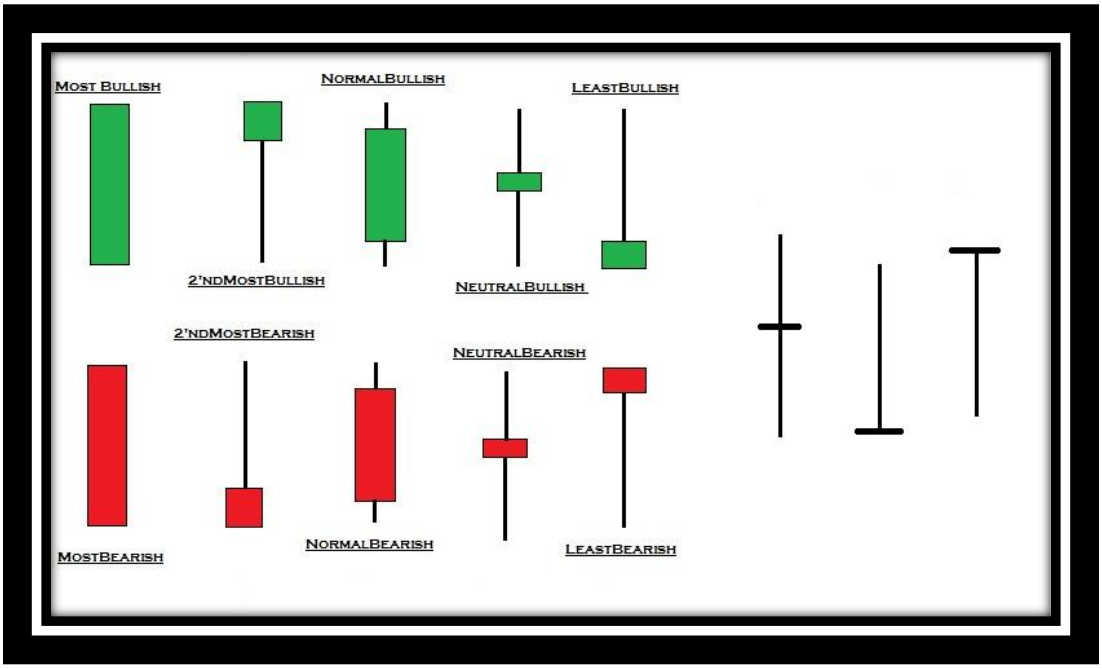
Every Candle is part of a bigger story

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

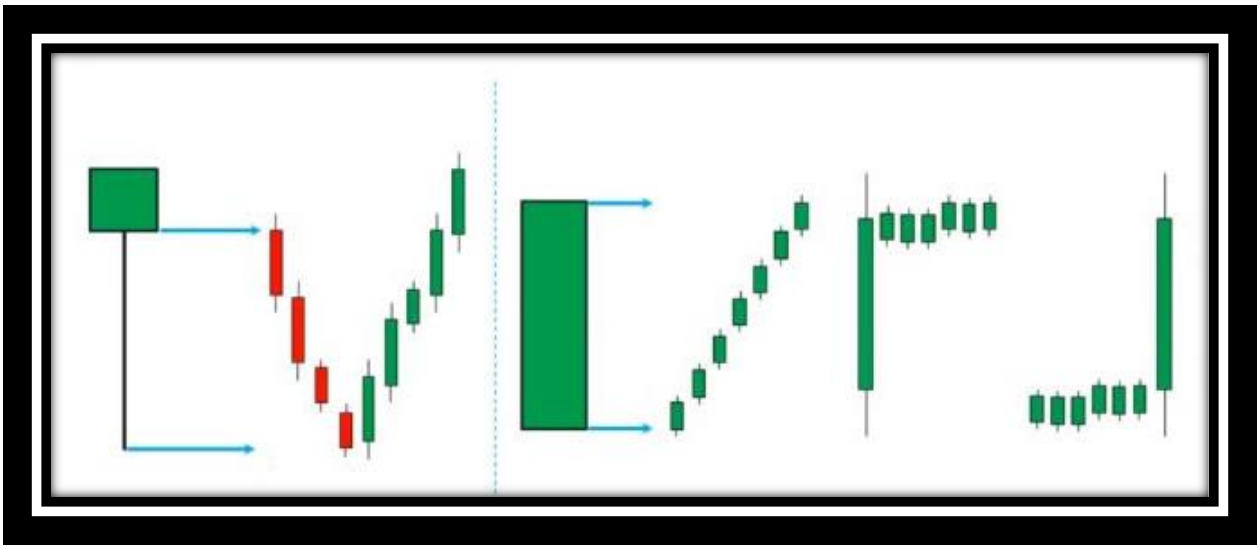


Description of the candles

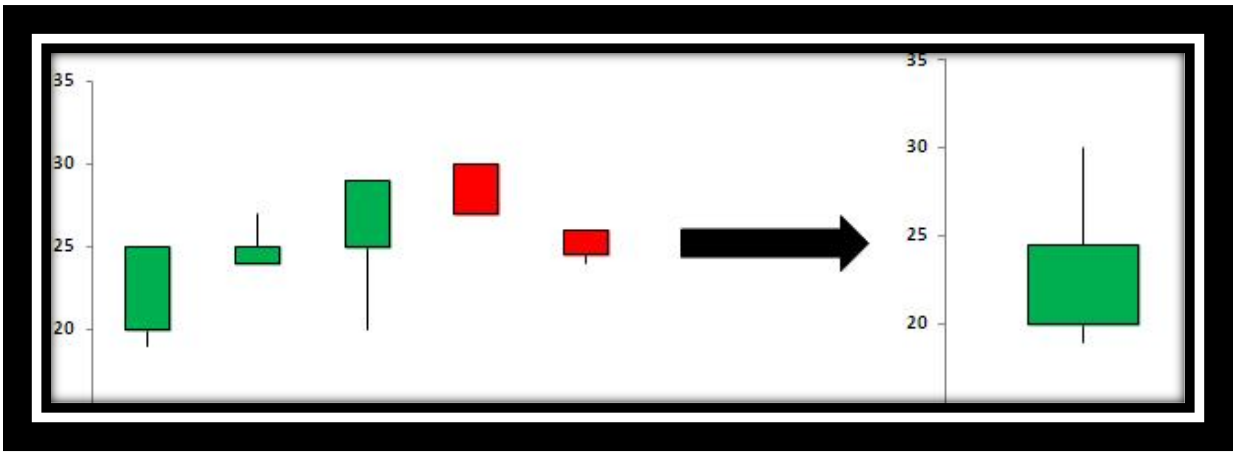
- As per diagram below you can identify price action of each candle based on how they close. Is it bullish or bearish?
- This will help in understanding price action better.



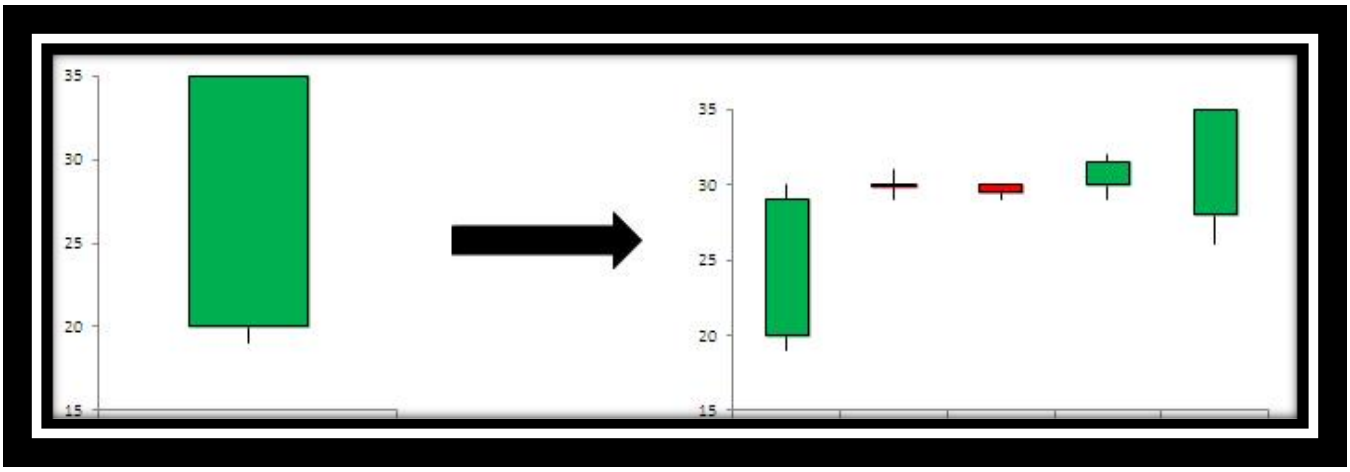
Looking at a smaller time frames to see how the big picture was made.



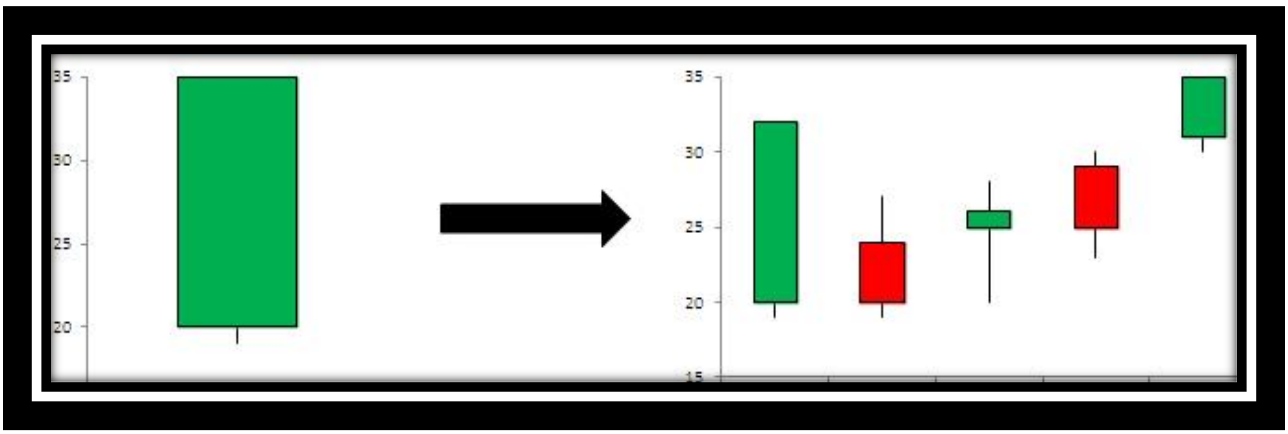
More example of let's say what a 5-minute candle would look like based on 1 minute time frame.



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.



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Truth Chart

The price chart looks at price action measured with volume. It also has a 21 Exponential Moving Average (EMA) indicator represented by the orange line. Other indicators include Moving Averages (MA), 50MA, 200MA, Volume and Relative Strength Index (RSI). This is the chart link: https://www.tradingview.com/chart/Xn0yRHUS/

The Truth Chart key points:

Price Action Chart

1. Price above 21 EMA relative strength
2. Price below 21 EMA relative weakness
3. Price action generally refers to the up and down movement of a security's price when it is plotted over time.
4. Different looks can be applied to a chart to make trends in price action more obvious for traders.
5. Technical analysis formations and chart patterns are derived from price action.
6. Technical analysis tools like moving averages in this instance the 21 EMA are calculated from price action and based on that along with charting pattern, we decide on where the price action has the potential to go.

Volume Chart

1. Volume measures the number of shares traded in a stock or contracts traded in futures or options.
2. Volume can be an indicator of market strength, as rising markets on increasing volume are typically viewed as strong and healthy.
3. When prices fall on increasing volume, the trend is gathering strength to the downside.

4. When prices reach new highs (or no lows) on decreasing volume, watch out; a reversal might be taking shape.
5. Igniting volume is the circumstance where the price of a security rises, also accompanied by high or increasing trading volume.
6. Igniting volume may indicate a shift in trend toward a rally or bull market.
7. Volume charts help keep track of Igniting volume to confirm that a rise in price may indeed signal shift in sentiment.
8. Exhaustion occurs when everyone who wants to be sold has now sold, leaving very few people to support or continue pushing the price in the current direction.
9. This can occur regularly, both on small- and large-time scales.
10. Exhaustion can potentially be identified by looking at the number of usually identified with a spike in volume.

Notes:_____

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Red & Blue Line Chart Rules

Buy Call Option When the 2 Blue Lines have Crossed Above Red Line, and also the crossover is below the MACD

Buy Put Option when the 2 Blue Lines have Crossed Below Red Line, and also the crossover is above the MACD. Follow the rules and keep it simple.

Call Options Entry - Call

Call Options Exit: When one of the blue lines crosses below the red line.

Put Options Entry - Put

Put Options Exit: When one of the blue lines crosses above the red line.

Red & Blue Line Chart Rules - Recap

Buy Call Option When the 2 Blue Lines have Crossed Above Red Line

Buy Put Option when the 2 Blue Lines have Crossed Below Red Line

Exit when 1 blue line crosses a red line

Squeeze Setup

The squeeze has two major attributes, they are the Keltner channels which you learned about in the previous videos and the Bollinger Band. The video discussed Bollinger Bands is a channel formed by two vertically displaced moving averages: one displaced upwards by two standard deviations and one displaced downwards by two standard deviations. The typical parameters refer to a simple moving average and standard deviation based on 20 periods.

The squeeze is performed using the Bollinger bands in combination with the Keltner channels indicator. We look for where the Bollinger bands entering the Keltner channels (the squeeze) and trade the direction in which the price breaks out from the Bollinger band when it re-emerges from the Keltner channels.

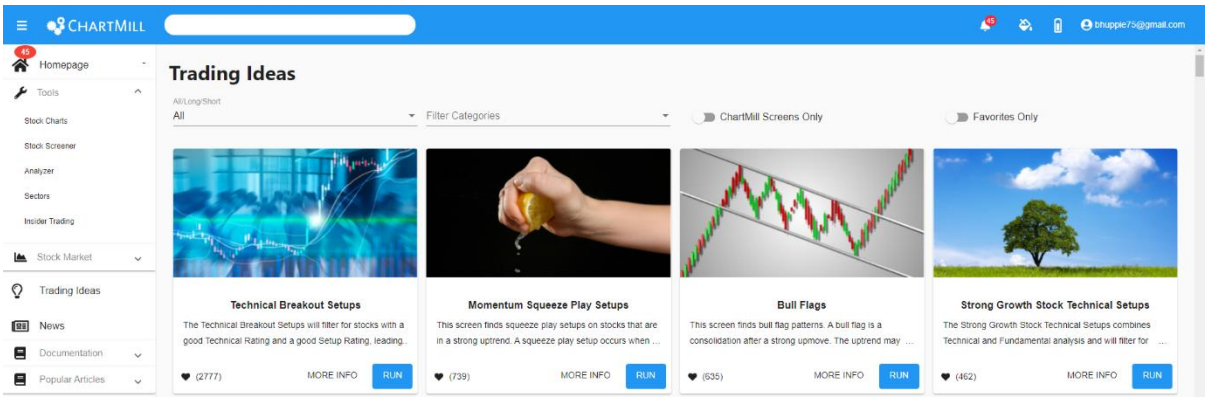
How does the squeeze work? Well, when market volatility decreases, the Bollinger Bands tighten, and the Keltner Channels remain relatively stable. As volatility decrease through the trading period the Bollinger Bands move inside the Keltner Channel, this phenomenon is called a squeeze.

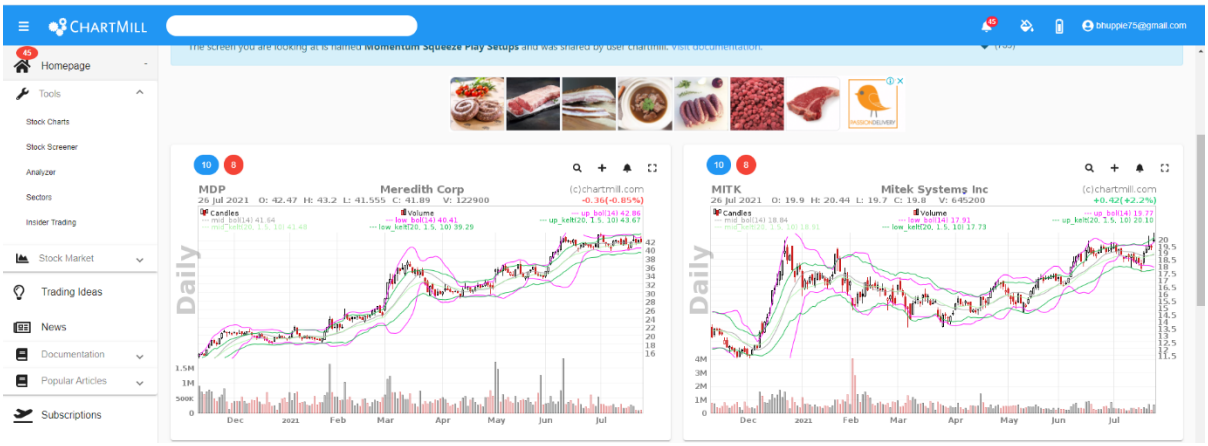
The Squeeze breakout, the price action will experience a significant move to the up or downside. In the example above, it is on the upside. The Bollinger Bands Breakout during this high volatility period as identified on the chart above.

How do you find Squeeze Trades.

Chartmill is a good website to find squeeze trades. The website link is https://www.chartmill.com/trading-ideas

1. Click on trading idea and then click on the Momentum Squeeze Play Setups “RUN” icon.
2. You will get a list of potential trades that could be in a squeeze.
3. You would than put the stock symbol through TC2000 to verify if it is a squeeze, rom here you would continue your analysis.





To set up a basic squeeze trade summarized:

1. Buy 1 in the money option contract, with a delta of between (60/70)

2. Buy 2 or more contracts that are out of the money (OTM) options with a delta of (20)

3. Buy the contracts with the same expiration period.
4. Remember the time frame, 1 candlestick can represent a day, week, month etc. so ensure you buy the right expiration.
5. A squeeze has the potential to last between 8 to 10 candle sticks
6. If the squeeze is unsuccessful, get up on the 4th candlestick
7. Ensure price is above $10.00 & volume is greater than 500K

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 period.

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.

Intrinsic Value

The value of an option if it were exercised immediately. It is calculated as the difference between the underlying asset's 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.

Covered Call

A strategy where an investor holds the underlying asset and sells a call option on the same asset to generate income.

Naked Option

An option position where the seller does not own the underlying asset. This exposes the seller to significant risk.

LEAPS (Long-Term Equity Anticipation Securities)

Options with expiration dates longer than one year, often used for longer-term investment strategies.

Options Trading Terminology

Implied Volatility Skew

A pattern of implied volatility that varies by strike price and expiration date. It can indicate market expectations for future price movements.

Volatility Smile

A graphical representation showing that implied volatility is higher for ITM and OTM options compared to ATM options, often seen in equity markets.

Calendar Spread

A strategy involving the purchase of a long-term option and the sale of a short-term option at the same strike price, benefiting from time decay differences.

Delta Hedging

A strategy used to neutralize the impact of price movements in the underlying asset by balancing an option position's delta to zero.

Theta Decay Arbitrage

A strategy exploiting the accelerated time decay of options nearing expiration to generate consistent profits.

Synthetic Positions

The creation of a position using combinations of calls, puts, and the underlying asset to replicate another position. For example, a synthetic long stock is created with a long call and a short put.

Risk Reversal

A strategy involving the purchase of a call and the simultaneous sale of a put (or vice versa) to express a directional view on the underlying asset.

Payoff Diagram

A graphical representation of the profit or loss of an option or strategy at expiration, based on different underlying asset prices.

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

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

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

Unusual Option Activity, Dark Pools & Insider Trading

1. http://openinsider.com/
2. https://www.barchart.com/
3. https://www.stockgrid.io/darkpools
4. https://tradytics.com/darkpool-market
5. https://unusualwhales.com/ (Paid)
6. https://www.whalestream.com/ (Paid)

MoneyWheel Charts

Red/Blue Chart

https://www.tradingview.com/chart/Ru3wN037/

Bull/Bear Chart

https://www.tradingview.com/chart/alkbpj2G/

21EMA

https://www.tradingview.com/chart/ZJ31Bxd5/

Truth Chart

https://www.tradingview.com/chart/35SpoTZc/

Squeeze Chart

https://www.tradingview.com/chart/aQXsLn3c/

Potential Trading Edges in Options Trading

This document lists potential trading edges that can help traders gain an advantage in the options market. These edges can be leveraged to increase profitability, manage risk, and improve decision-making.

1. Volatility Edges

1. Exploiting Implied Volatility (IV): Trade options when IV is significantly higher or lower than historical volatility.
2. IV Crush: Sell options before an earnings event to benefit from the post-event IV drop.
3. Volatility Skew: Use options with higher or lower IV across different strikes to create spreads.

2. Time Decay (Theta) Edges

1. Selling Premium: Sell options to capitalize on time decay, especially in high IV environments.
2. Short-Term Expiration: Focus on options with shorter expiration dates for rapid theta decay.
3. Rolling Positions: Continuously roll short positions to maintain theta advantage.

3. Directional Edges

1. Technical Analysis: Use chart patterns, support/resistance levels, and moving averages to predict price movements.
2. Fundamental Analysis: Base trades on macroeconomic factors or company-specific events.
3. Trend Following: Trade with the prevailing trend for higher probability setups.

4. Strategy Edges

1. Spreads: Use vertical, calendar, or diagonal spreads to limit risk and optimize returns.
2. Hedging: Create protective strategies like collars or married puts.
3. Neutral Strategies: Deploy iron condors, butterflies, or straddles in low-volatile markets.

5. Market Knowledge Edges

1. Event Knowledge: Trade around earnings, economic reports, or geopolitical events.
2. Seasonal Trends: Leverage seasonal patterns in specific stocks or indices.
3. Sector Rotation: Focus on sectors with strong relative performance.

6. Psychological Edges

1. Discipline: Stick to predefined trading plans and avoid impulsive decisions.
2. Emotional Control: Avoid overreacting to market swings.
3. Patience: Wait for high-probability setups and avoid overtrading.

7. Technology Edges

1. Advanced Charting Tools: Use tools to identify patterns and trends.
2. Algorithmic Trading: Develop or use algorithms for systematic trading.
3. Data Analysis: Analyze large datasets to uncover market inefficiencies.

8. Risk Management Edges

1. Position Sizing: Allocate appropriate capital to each trade.
2. Stop-Loss Orders: Set limits to cap potential losses.
3. Diversification: Avoid overexposure to a single asset or strategy.

9. Knowledge and Experience Edges

1. Education: Continuously learn about new strategies and market dynamics.
2. Back testing: Test strategies on historical data to validate their effectiveness.
3. Mentorship: Learn from experienced traders.

Fundamental and Technical Edges for Trading Options

This document outlines key fundamental and technical edges that traders can leverage to improve their success in options trading. These edges provide insights into market behavior and help traders make informed decisions.

1. Fundamental Edges

1.1 Earnings Reports

Trading options around earnings reports can be highly lucrative due to the volatility associated with these events. Implied volatility often spikes before earnings, creating opportunities for strategies like straddles, strangles, or selling premium post-earnings.

1.2 Economic Indicators

Key economic indicators such as GDP growth, employment data, inflation reports, and Federal Reserve interest rate decisions can influence market trends and volatility. Understanding these indicators can help traders position their options strategies accordingly.

1.3 Sector Rotation

Identifying capital flow between sectors (e.g., technology, healthcare, finance) can provide trading opportunities. Traders can focus on options for leading stocks within the outperforming sectors.

1.4 Dividend Announcements

Dividend-paying stocks can create opportunities in options trading. Strategies like covered calls or cash-secured puts can be particularly effective during dividend announcements.

1.5 Mergers and Acquisitions

News of mergers or acquisitions can lead to significant stock price movement. Options traders can capitalize on this volatility through directional or volatility-based strategies.

2. Technical Edges

2.1 Price Action and Trends

Identifying trends (bullish, bearish, or sideways) can help traders align their strategies. For example:

- Bullish Trends: Long calls, bull calls spread.
- Bearish Trends: Long puts, bear put spreads.
- Neutral Trends: Iron condors, butterflies.

2.2 Support and Resistance Levels

Using key support and resistance levels can help traders determine entry and exit points. Options strategies like strangles or vertical spreads can be aligned with these levels.

2.3 Moving Averages

Moving averages (e.g., 50-day, 200-day) act as dynamic support and resistance levels. They can signal trend reversals or continuations, aiding in strategy selection.

2.4 Relative Strength Index (RSI)

RSI is a momentum oscillator that measures the speed and change of price movements. Overbought or oversold conditions can signal potential reversals, useful for options traders.

2.5 Implied Volatility (IV)

Implied volatility reflects the market's expectations for future price movement. High IV favors selling premium, while low IV favors buying options.

2.6 Chart Patterns

Patterns like head and shoulders, double tops/bottoms, triangles, and flags can indicate potential price movements. Options traders can use these patterns to choose appropriate directional or volatility strategies.

2.7 Bollinger Bands

Bollinger Bands help identify volatility and price range. When prices move outside the bands, it often signals high volatility and potential reversals.

2.8 Fibonacci Retracements

Fibonacci levels are used to identify potential support and resistance zones. Options strategies can be aligned with these levels to capture reversals or continuations.

Conclusion

By combining fundamental and technical edges, traders can develop robust strategies that maximize profitability while minimizing risk. Understanding market behavior, using data-driven analysis, and applying these edges effectively can greatly enhance trading performance.

Other Notable Edges

Overall Market: Flow of Money

1. SPX is it above or below the 21EMA.
    a. Has it found a level of support or resistance?
2. MACD is moving up or down or what is the RSI doing.
3. Is the market bullish or bearishly stacked (Stacked Chart)
4. Is there any economic or market news that is impacting the market.

Sector and Industry

1. Which sector is preforming the strongest or weakest based on market sentiments?
2. Again, are they above or below the 21EMA?
3. Is it bullish or bearishly stacked?
4. Is a specific sector or industry being impacted more than others based on market and economic sentiments.

Stock Edges

1. 9 EMA below or above 21EMA
2. Sector and Industry PRICE above or below 50 SMA & 200 SMA
3. Are there any squeezes?
4. Is this an earnings trade?
5. Is there a charting pattern?
6. Is there a level of support or resistance?
7. Is the stock bullish or bearishly stacked?
8. Does the stock correlate to any economic or market news?

By identifying and leveraging these trading edges, options traders can improve their chances of achieving consistent profitability. Success in trading requires not just skill but also a well-defined edge.

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 stays 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 essay 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!

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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