OPTIONS TRADING

Crash course for beginners

CRASH COURSE FOR BEGINNERS – PROFITABLE AND SECRET OPTIONS STRATEGIES SIMPLIFIED ON HOW TO MAKE BIG MONEY IN 2019 WITH OPTIONS TRADING

HENRY HILL

Options Trading

Crash course for Beginners – profitable and secret options strategies simplified on how to make big money in 2019 with options trading, start

investing in the stock market in 10 days!

[Henry Hill]

Text Copyright © [Henry Hill]

All rights reserved. No part of this guide may be reproduced in any form without permission in writing from the publisher except in the case of brief quotations embodied in critical articles or reviews.

Legal & Disclaimer

The information contained in this book and its contents is not designed to replace or take the place of any form of medical or professional advice; and is not meant to replace the need for independent medical, financial, legal or other professional advice or services, as may be required. The content and information in this book has been provided for educational and entertainment purposes only.

The content and information contained in this book has been compiled from sources deemed reliable, and it is accurate to the best of the Author's knowledge, information and belief. However, the Author cannot guarantee its accuracy and validity and cannot be held liable for any errors and/or omissions. Further, changes are periodically made to this book as and when needed. Where appropriate and/or necessary, you must consult a professional (including but not limited to your doctor, attorney, financial advisor or such other professional advisor) before using any of the suggested remedies, techniques, or information in this book.

Upon using the contents and information contained in

this book, you agree to hold harmless the Author from and against any damages, costs, and expenses, including any legal fees potentially resulting from the application of any of the information provided by this book. This disclaimer applies to any loss, damages or injury caused by the use and application, whether directly or indirectly, of any advice or information presented, whether for breach of contract, tort, negligence, personal injury, criminal intent, or under any other cause of action.

You agree to accept all risks of using the information presented inside this book.

You agree that by continuing to read this book, where appropriate and/or necessary, you shall consult a professional (including but not limited to your doctor, attorney, or financial advisor or such other advisor as needed) before using any of the suggested remedies, techniques, or information in this book.

Table of Contents

Introduction

Chapter 1) The call and also put short and long options and how to speculate 22

Chapter 2) Greeks and their importance 31

Different Types of Options 36

Useful Options Terminology 57

Options Pricing Terminology 57

Trading Options vs. Stocks 60

Options Contracts 60

Pros of Trading Options 61

1. You require much lower upfront financial resources than with stocks. 61

2. Limited losses when you invest in stocks and options. 61

3. Options offer traders flexibility on their trades. 61

4. Options can help you to fix the stock price. 62

5. You have plenty of leverage. 62

Setbacks of Trading Options 63

1. Sellers are exposed to large and sometimes unlimited losses. 63

2. Time is always limited for the investor to make a profit. 63

3. Traders have to qualify to trade. 63

4. Options traders can incur added costs that affect returns. 64

Pros of Trading Equities 65

1. Equities have significantly high liquidity. 65

2. Time is on your side. 65

3. Stocks generally have a lower risk. 66

Disadvantages Associated with Stocks 66

1. Stocks have limited upside. 66

2. Stocks have limited leverage. 66

3. Higher risks for lower profits. 67

Other Crucial Considerations 67

Choosing Options Over Stocks 68

Leverage 68

Fine-tuning Strategies 68

Chapter 3) Managing costs 70

The Bull Put Spread 70

The Iron Condor 73

The Bear Call Spread 76

The Bull Call Spread 79

The Long Straddle/Strangle Strategy 82

The Bear Put Spread 88

Chapter 4) Strategies and analysis 91

Option Trading Strategies 98

Chapter 5) Creating an options trading Plan 103

Chapter 6) Common pitfalls for beginners and how to avoid them 109

Chapter 7) Thinking like an expert trader 116

Conclusion 123

Introduction

An option is defined as a contract between two parties, which gives the holder (buyer) the right, but not the obligation, to buy or sell the underlying asset at an agreed fixed price at an agreed time in the future – or in some cases at any time before the contract's expiry date.

Options, as we saw earlier, were designed to allow institutional investors to mitigate risk and act as tools for ensuring against market unpredictability. Thus the Options contract was originally used to buy insurance against potentially catastrophic price movements that would have led to huge losses. But their inherent characteristics soon made Options attractive to traders as speculation tools in their own right. To see how Option became fashionable with traders, we need to take a deeper dive into what makes up an Option contract.

Options in Common Law

Options can be best explained, and easiest understood using examples from everyday contract law as Option contracts have been in place since trade began. For example, suppose you want to buy a house or a new car, but you don't have a mortgage or finance at hand. In this case, you would perhaps agree with a price with the seller and a date for completion of the sale. However, the seller is going to want

a deposit in return for this sales contingency, which gives you the right to buy at the agreed price at a future date or walk away from the sale if you change your mind. The deposit is compensation to the seller for providing you with the right, but not the obligation, to buy the car or house at the agreed price and date. If you renege on the deal and walk away, you will lose the deposit as that is the price of that option.

This is the basis of financial options, and if we consider the transaction through the lens of a financial trade, we can substitute many of the technical terms to make the metaphor more transparent. So for example when you go to buy a house, you agree to a price (strike price) and a date (expiry date) and a suitable deposit (premium) as part of the contingency of the sale (the Option contract). Then on the expiry date, you will exercise your right to buy the house (stock) at the strike price or walk away (let the option expire) losing your deposit (premium).

Don't worry too much about some of the terms, such as strike price and premium all the trading jargon will be explained soon enough. What is important just now is that you understand that with Options trading you are dealing with a contract, the right to buy rather than the asset itself. But because that contract has inherent value, as it derives its value from the relationship between the strike prices, which is fixed in the contract, relative to the current market

stock price. And if the contract is deemed attractive to others in the market, then it also becomes a tradable asset in its own right.

Why Options Exist

An Option is considered in finance to be a derivative as it derives its value from an underlying asset. A stock option is similar to a contingency on the sale of a house or a deposit on a car, but it involves the stock market rather than a private agreement.

For example, an Option - MSFT 2019 Mar 39 call - gives you the right to buy Microsoft at $39 per share at any time before the expiration date in mid-March 2019. If Microsoft is trading above $39 per share, you can exercise the option to buy and make a quick profit. The term, Exercising the option, is when you – the option holder - take up your contractual right to buy the shares at the agreed price – typically then to sell the stock on the market at the higher price for a tidy profit.

However, should the stock not perform as expected over the lifetime of the Option contract and the stock is selling below $39, then you would just let the contract expire as it makes no sense to buy a stock at a higher price than market value as you could buy the stock cheaper in the open market.

When an Option contract expires, it means the value of the

option is worthless and thus the loss to the buyer is 100% of the cost of the Option – the (deposit) Premium.

To get a better understanding of why they came about, it is best to look at how they are used by taking a closer look at their use in practice.

Options as Insurance

As we touched on earlier Institutional and fund managers, use stock options as a form of insurance. They want to protect themselves against any market turn-around and potentially damaging losses by having in-place a hedge bet, which is a counter-balance position. In effect, they will be placing a bet that works in the opposite direction to the desired position of the asset they wish to protect, thereby nullifying any adverse market movements. This works because with Options, they are guaranteed a method to buy or sell stock at a specific price, but with no obligation to buy, before or upon a certain date.

So, for example, should they wish to protect the value of a portfolio, of let's say, their very expensive Amazon shares (that they own). Then they could do so by buying a relatively cheap Option that worked in favor of falling Amazon stock prices – i.e., its value increases as Amazon prices fall. In this way, even though their prized Amazon portfolio dropped in price, their Option would be increasing in value and vice versa so together they would counter-balance any

price fluctuations in the market.

This form of Hedging is often performed in order to protect against the risk to a position or an asset. Institutional stock traders have always had in place complex and often costly methods of risk management. However, it was only in 1973 when there was the standardization of stock options that it finally made risk actually manageable and very cost effective.

Using options in this way allows institutional investors to ensure price changes and is known as hedging. Institutional traders are willing to pay the price, known as a premium, to obtain this insurance.

Trading Options Basics

Learning Options trading is not trivial, but it can be very rewarding if you learn the basic principles well and stick to good trading practices. The most important thing to learn as a beginner, as with all forms of financial trading, is the necessity of protecting your capital. The most profound way of doing this is by only paper trading – or using a test simulator – when you first start out. It is vital that you test your strategies and trading tactics with virtual money before you ever trade with real money.

Options trading, though is still deemed to be complicated and very risky, it is actually a good place for beginners to

start out financial trading as it provides several safety nets. For example, in Options trading, a beginner, if they follow the correct strategies, will find that their risk and losses are limited but their potential profits are unlimited. This is simply down to the nature of Options in so much as you as a beginner will be trading in contracts called premiums rather than buying the underlying stock. Hence the extent of your losses is limited to the price of the premium – don't worry we will explain all this in detail later – for now it is enough to know that when trading options we can show you how to limit losses and risk while chasing unrestricted profits.

As this book is targeted at beginners, it would be helpful first to give you a high-level summary as to why trading in options is advantageous. And the best place to start is to explain the mechanisms behind Option trading and how they work.

What is Options Trading?

When you trade in options, you are trading in a contract based upon an underlying asset – typically a stock in a company. An Option is a contract that gives the holders the right but not the obligation, to buy or sell an asset in the future at a price determined today.

That definition is hugely important to understand as it is the basic concept of Options Trading – basically, you are buying the right to buy the underlying shares but are under

no obligation to do so. So should the price go against your position you can simply walk away, albeit you will lose the cost of the option but no more? Hence, despite the common belief of it being a high-risk pursuit, trading in Options is much less risky than buying stocks outright where losses and profits are unlimited.

However, there is another attractive characteristic of trading in Options, and that is due to the fact that you can as a beginner trade safely in high-value stocks that would generally be out with your budget. This is because when you buy an Option, you are not actually buying the stock but the future right to buy at a fixed price. Therefore, the option is priced at only a fraction of the actual stock price.

This means that you can buy an option in high volume, volatile stock such as Apple, Amazon, etc., which would give you the control over 100 shares for perhaps $100, whereas to buy 100 shares of these premier stocks would set you back thousands of dollars. Remember, as there is no obligation to buy the shares, you can simply take your profit and walk away – no questions asked.

Indeed as there is no obligation to exercise the Option itself, it also becomes a tradable asset – and this is what came about. Instead of traders exercising their rights to buy the underlying asset, many simply bought the Options to trade on the open market. However, for every deal, there must be

a buyer and a seller – so other traders soon began writing Options in order to fulfill the market demand. Hence the flourishing market in Options we see today.

Options are extremely flexible so are used as both a form of insurance and as a source of speculative profits. The value is largely derived from the value of an underlying asset or financial instrument, but it also has additional components such as time till expiration and a locked-in price that provides additional value. So the value of the Option is not solely determined by the current value of the underlying asset or security as there are several other factors that come into play.

Moreover, Options provide the beginner the right level of entry into the market if they have only limited funds and trading knowledge. Furthermore, the beginner can, despite their lack of experience and trading skills also trade well above their budget and leverage their account to trade diligently in a low risk and high reward strategy. But Options are not just attractive to beginners with limited funds for in financial trading Options provide ways for experienced traders to add options on individual stocks, indexes, and exchange-traded mutual funds (ETFs) to their investment portfolio.

Nonetheless, the best reason for a beginner to start trading in Options and an intermediary level trader to add options

to their trading or investing strategies is that Options trading allows you to both manage risk while at the same time allowing you to optimize profits. And because there are so many different methods and techniques to trade in options there is a wide market for both buyers and sellers – i.e., just about anyone can benefit from trading them, so let look at some traditional examples.

If we contemplate the traditional buy and hold strategy for stocks, which is a good example, as that is the way that long term investors operate. In this scenario, we can consider it to be akin to you owning (real estate) apartments and then taking income as rent through properties per month for long periods to generate year-on-year income.

Now, this is a good way to generate long term safe income. However, this patient strategy may not work so well when you want short term profits and large gains. In which case, the way to generate quick returns would be to rent out your apartment short term at higher rates via Airbnb. In which case, a financial trading metaphor would be to shift away from trading in stocks and mutual funds to invest in writing (selling) short term Options based upon your stock portfolio.

Comparing Options to other Securities

Options are a form of financial derivative, and all that means is that it derives its value from an underlying

security. For example, a common type of Option is the Stock options - which this book focuses on – and they derive their value from the underlying company stock's market performance. However, Options can and are traded using other derivatives such as commodities and exchange-traded mutual funds

- Commodities and futures (ETF):

The provenance of financial Options is in the trading of Commodity and Futures contracts as these were agreements between two parties, typically farmers and traders looking for a future price for their next harvest crops. The futures markets developed to help traders hedge and speculate on commodities, especially in the agricultural market. The options market, in turn, evolved from the futures market, hence, the similarities and the shared concepts. But, because commodities and futures deal with a physical asset, there are slight differences as to how they work. The seller of a commodity or futures option is still obligated to buy or sell the stock. However, exercising the contract is different as commodities and futures contracts set the price for delivery of a specific quantity of a physical item – a bushel of wheat, for example - to be delivered to a particular location on an agreed date. There is nothing similar in stock options as there is no need for physical delivery of anything. Commodity options are options listed on such

things as corn, oil, gold, or interest rates. Futures, on the other hand, are options trading on the underlying value of futures contracts, typical futures on commodities and currencies. Futures contracts are therefore derivative contracts – their value is derived from the underlying commodity/asset - that give holders the obligation to buy or sell an asset at a specified future date for a specified price. Where there is a similarity between stock options and commodities and futures contracts is that they lock in the price and quantity of an asset and have predetermined expiration dates. But in both cases, they are in themselves tradable assets, which means you can trade away your rights and obligations if you wish to exit the contract early.

- Equity options

An equity option is an option based on the price of a share of stock of a company. However, options are not available on all stocks, but some do not have options attached to them. It is up to the exchanges to determine whether or not to offer an option – based upon perceived demand – it is not up to the companies that issue the stock.

Most equity options are priced at 1 contract per 100 shares. Equity options are what most people think of when they contemplate Options.

- Index Options

The concept behind trading options in indexes is that if you can buy an option on a stock of a particular company within a sector says technology then why does the exchange not make available an option on that market sector as a whole? That's the idea behind index options you can bet on the sector performance and not have to drill down to a specific company.

The result has been a proliferation of Index options based on the performance of different market indices. There are options on the S&P 500, NASDAQ, and FTSE. Trading in indexes has become a very popular alternative to trading in stock options as they can represent a collection of diverse assets. This means that a trader can spread their investments across several sectors of interest. The index works by pooling together several stocks in the same sector or across diverse sectors, and the performance aggregate is used to measure the price of the group. There are many indexes, and these include stocks, commodities, and futures as they are all used as components of an index. But an index is just a logical category a convenient grouping of other securities so you can't buy an index directly. Instead, you buy a security that tracks the value of the index. An example of such an option would be one that tracked a particular ETF that owned the stocks in a particular index such as Standard & Poor's (S&P) 500 Index.

- Exchange traded funds (ETFs)

ETFs are mutual funds that have become very popular trading vehicles as they can be traded like stocks on an exchange. Most ETFs are designed to track an index or an underlying sector so technically ETFs are not derivatives. However, they are often referred to as quasi-derivatives. This is because, unlike other indexes, they can be traded and also because they are not necessarily holding exactly the same securities of the index that they are tracking. For example, some leveraged ETFs use swaps to mimic the action of the underlying index while adding leverage. ETFs allow you to trade on their underlying indexes, directly or through options. One of the most popular and well known ETFs is the S&P 500 SPDR (SPY).

- Stocks and bonds

Buying a company's stock gives you part ownership in that company, whereas buying bonds makes you a debt holder. Each position has its risks and rewards. However, when we bring Options into the equation, we can see that the three assets, stocks, bonds, and options, have very different risk and reward profiles. For example, although stocks give you a piece of the company, and bonds offer you income, options offer you no ownership of any tangible assets, but all three can lead to a total loss of investment. In the end, stocks offer indefinite holding periods, and bonds have a maturity date,

whereas options have a limited life based on their expiration date.

- Interest Rate Options

These are sometimes better known as yield-based options, as they trade on the interest rate on a specific type of bond. With this type of Option, calls (buying) become more valuable as interest rates rise, and interest rate puts (selling) become more valuable as the rates fall. Importantly, the underlying value is the interest rate and not the value of the bond itself. Because interest rates aren't securities and can't be traded or exchanged as such the settlement is in cash.

- Miscellaneous Options

The way that the different options exchanges make money and compete with one another is when they develop new innovative types of contracts that capture the imagination of hedgers and speculators. As an option is just a contract, which is based on the price of another asset options can be drawn up for just about anything where someone might want to guarantee a price and someone else might want to speculate on that price. As a result, exchanges are always trying out new option types so you can find options on different measures of market sentiment, i.e., whether it's optimistic or pessimistic about different economic outcomes.

- A swap

This is a type of insurance contract whose terms are privately agreed upon by the participants. It is an over-the-counter style option as they are non-exchange traded options. They are often used to bet on the direction of just about anything, including the weather, that the two parties agree upon. Swaps are by sophisticated design securities, and so they are not available to individual investors. This is due to the lack of regulations and the often complex financial and legal requirements required to be signed before you can trade them.

Trading in Options

As opposed to investing in stock or assets, trading Options is often a decision based upon a short term analysis. An Option having a predetermined time period, a time-to-live, will have by design an expiry date. As a result, Options are renewable and can be resold many times. This makes them suitable for both trading's over the short term or over longer periods delivering income when the value of the underlying stock rises, falls, or even moves sideways.

Trading Options for Profit

Now the whole purpose of trading is that you want to have more money in the future than what you have just now. Therefore, to increase your wealth, you are trading Options

supplied by the markets. But here is the thing, regardless of the time frame — the question will come down to whether you have a tendency to hold a position for a short or long time — your objective, after all, will be the same too make more money.

But here is the problem because that hunger to make a profit makes traders and especially beginners impatient. Therefore as a beginner, you should consider that every time that you contemplate a new trading strategy; you will also have to contemplate a new learning curve. As a result, be prepared to realize that every change in strategy or trading tactics will begin with a deep study and analysis of trade conditions. This is where paper trading or virtual trading becomes invaluable as it lets you experiment with virtual cash and practice tactics with zero risks. Always be careful that when you start to trade with real cash those losses can be amplified so always be patient and be prepared to spend the time diligently required learning how to trade safely or you will likely lose a lot of money on worthless premiums.

Regardless of the type of financial trading that you are undertaking, there are some simple steps that you should adhere to in order to trade safely. It doesn't matter if you are a beginner or an intermediary trader; it is always sensible to ensure that you protect your capital. This means that even if you are experienced in other forms of trading or investing, or even have experience with options but with

different assets, you should always seriously contemplate the following:

- Check your financial health

This means simply to check your financial balance sheet and your disposable income. This is hugely important as before you start trading in Options or any other financial instrument; you must realize how much you can afford to lose. Therefore you must go over your finances diligently, and make sure that the amount that you have as trading capital is indeed disposable income. This means reviewing your current loans, mortgages, and life and health insurances as well as school fees or college funds.

- Draw up a financial net worth statement

The purpose here is to ensure that you are aware of the amount you could lose and the desire to make profits – be sure you are comfortable with the risk/reward ratio. Also, try and make sure that your finances are healthy and understand why you are taking on extraordinary risk.

- Be realistic

Don't chase unrealistic goals and trade beyond your experience or safe capital levels. Furthermore, never risk more than 5% of your capital on any one trade – for beginners, 1%-3% is the recommended maximum.

- Know your own risk appetite

If you are a typically a cautious trader or a gambler, that may indicate that you may not be a good options trader. Nonetheless, there may be many trading option tactics and strategies that will suit your risk appetite. The thing to remember is that once you understand the built-in safety nets that trading options provide, and then it will decrease your risk. An important caveat is that just make sure you read through the book and stick to the beginners' strategies and tactics and find the ones that make you comfortable before you jump in.

- Analyze the Data

Stocks trading place a lot of emphasis on technical analysis, fundamental analysis, and Charts in order to maximize your chances of trading options successfully. Option trading rides upon the underlying stock, so it also places a high emphasis on improving your technical and fundamental analysis skills. Therefore, you should be a diligent analyst, especially in identifying and following the dominant trends, as well as being able to analyze charts and the behavior of the underlying assets in your options.

- Always test your strategies before putting them into practice

Testing out scenarios and tactics beforehand through paper

trading before you take real-life risks is essential. Testing out theories before committing them with real money is always an excellent idea that is certain to provide both practices as well as saving you a lot of money

- Never trade with money that you aren't willing to lose

This might seem strange as Options are often seen as being risk management tools. But even though options are often deemed to be risk-management vehicles, you can still lose money trading them – sometimes in the case of insurance that is the whole purpose. And if you should adopt more sophisticated and riskier option strategies; your potential losses should always be identified and accepted as they could be significant if your trades – especially- sell- if they are not thoroughly investigated and analyzed beforehand.

Chapter 1) The call and also put short and long options and how to speculate

In general terms, a financial option is a contractual agreement between two parties. Options can be personalized agreements between two private individuals, and these are known as over-the-counter options. However, options traded on exchanges in Options trading are standardized contracts known as listed options.

Options contracts have a few characteristics that we must be aware of when beginning trading. For example, they have a limited lifetime determined by the expiry date. The expiry date is hugely important because once a contract expires, it becomes worthless. What this means is that if you don't exercise your rights on or before the expiry date they will expire and you will lose your premium along with the entire value of the Option. This may well be what you intended as many Options are bought as insurance cover for that time period. However, you would not want to lose out on a valuable Option with inherent profit just because you forgot to exercise your option on the correct date. Fortunately, many online broker platforms will track and notify you well in advance of any options due to expire so that shouldn't be the problem it once was.

We use stock options for the following objectives:

- To benefit from the leverage that allows us to profit from large stock movements using less money
- To benefit and gain profit from a bear market when there is a downward trend and falling prices in stocks without the risk of short selling
- To protect the overall value of a stock portfolio against persistent falling prices or sudden market downturns

To accomplish these tasks, there are fundamentally two main categories of Options - Puts and Calls.

Long and Short Puts and Calls

In general terms, an option will give you the right to buy or to sell an asset. Thus there are two main types of options - call and put – whereby the call gives you the right to buy, and the put gives you the right to sell.

An important thing to understand is the difference between Buyers and Sellers as this is fundamental to the way Options work. The Rights of the owner of an options contract is dependent on the type of contract:

- A call option gives the holder (owner) the right to buy the stock before or at an agreed date at a locked in price. A put option gives the owner the right to sell a specific number of shares of stock at a locked in price.
- Option writer or seller obligations: The writer or sellers of

call options have an obligation to sell shares of the underlying stock at the agreed locked in price. Sellers of put options have an obligation to buy from the option holder the pre-agreed amount of stock at the locked in price.

To see how this works in practice, let us consider why traders buy call options. Traders will buy call options when they predict an upwards or bull market, i.e., they forecast that stocks will go up in price. This is because the call option gives them the right to buy the shares at a lower price than they would otherwise. Now that is straightforward enough, but why do they buy put options? Traders will buy put options when they expect the market to go down, i.e., they will be buying options when they expect a downward trend in the market.

Going long or going short

Another confusing term for beginners and especially those familiar with other stock trading methods is the trading terms, long and short. In general trading terms to take a long position is to buy to own it, and to take a short position is to sell it.

Nonetheless, in Options trading, these terms take on more nuanced meanings. In Options trading, the terms of long and short are more complicated because you are also dealing with whether they are related to puts or call options.

Trading Long on a Call

If a Trader speculates that a company ABC's stock will be trading above $40 at expiration, which is within a month. The best premium for each Call option with a $40 strike price is $0.85.

Now, if ABC is trading at $45 at the expiration date, then all is well, and the trader can exercise the option and buy shares at $40 each, for a profit of $5 less the $0.85 premium - $4.15. But if ABC's stock price has remained at or around $40 or less, then the Trader is out the $0.85 option meaning they have lost $0.85x100 =$85.

Trading short on a Call

Another use of a call can be demonstrated when a Trader thinks Company ABC stock will be trading below $50 at expiration date in a months' time. However, in this scenario, the premium for each call option with a $50 strike price is $2.00. What the Trader can do is writes (shorts) call options at the $50 price, and they will receive $2 for each option.

If the price of Company ABC stock at expiration is $40 or below, the Trader is successful and gets to keep the $2 premium per option.

However If the price goes up to say, $54, the Trader will lose $54 – $50 = $4 per share; however, the $2 premium offsets half the total loss to $2.

Trading long on a Put

In a third scenario, we can see another way of using options when another Trader is confident that Company XYZ stock will be trading below $30 per share at expiration, in 3 months they use a put option.

The premium for a put option with a $30 strike price is $0.75.

If all goes as expected and the price of Company XYZ stock at expiration is $27, then the Trader will make $30 – $27 = $3 per share, less the $0.75 premium for a profit of $2.25.

However, should the price at expiration be $31 or higher, then the Trader is out of the money and the premium for a loss of $0.75.

Trading short on a Put

Another Trader thinks Company XYZ stock will be trading above $70 per share at expiration.

The premium for a put option with a $70 strike price is $1.02, so the Trader writes options at $1.02 each.

At expiration, the stock is at $72 per share, so the Trader gets to keep the $1.02 premium per share.

However, if the stock were to go to $68, then the Trader

would then lose $68 – $70 per share, plus the $1.02 premium for a loss of $0.98.

The following table gives you a short summary of what happens to different types of options positions as the underlying asset's price changes.

Basic Put and Call Matrix

Option	Stock price goes up	Stock price goes down
Long call	Profit	worthless
Short call	Loss	Keep the premium
Long put	Worthless	Profit
Short put	Keep the premium	Loss

Writers & Buyers

The trader who decides to short an option—in effect, sell it to someone else—is also known as the writer. For every trade that is made, there is a writer and a buyer. Exchanges need both buyers and writers to create the market depth. This is simply because writers construct options to sell to

those in the market to buy. In every trade, the option writer goes short, and the buyer goes long. Nonetheless, the interesting thing is that even if every trader in the market had a common perception of a stock's behavior, there would still be those that go short when the market as a whole is going long.

The reason for this is that there are always those trading for the purpose of speculation and those looking for insurance. These traders have conflicting interests and objectives, so they will have to take contrary positions in order to achieve their goals.

For example, Options that are bought for insurance purposes will take the opposite perspective of the market trend. This is because an investor holding a valuable asset; for example, 100 Apple shares may want them to go up in price but will still need protection against their price falling. Hence the need for a put Option with a low strike price that will counter-balance any sudden decline in value.

It is this ability to mix and match long and short, puts and calls in a few different ways that are the foundation in developing options trading strategies and cycles.

Setting the Strike Price

The strike price of an option is the predetermined and locked-in price where the option can be exercised at any

time up until expiration. For example, a call with a strike price of $70 can be exercised if the underlying price is at $70 or above. At exercise, the trader who wrote the call will receive $70 per share in exchange for a share of the stock. If the trader does not own the stock – remember they do not have to – the required stock will have to be purchased at market price. Whatever, the trader who bought the call has the right to buy the underlying for $70, whether it's worth $70.01 or $876 dollars in the market. The Option writer is obliged to sell the stock at $70 regardless of whether he has to go out to the market and buy it at $70.01 or $876 dollars in order to fulfill the contract.

Similarly, a put option with a strike price of $40 can be exercised if the underlying price is $40 or less. At exercise, the trader who wrote the put will have to buy the stock at $40 per share, whether it is worth $39.99 or $0.00. The holder of the option will receive the difference between the market price and the exercise price.

The following table shows what happens when a call or put expires in the money—that is, when the market price is above the strike price for a call or below the strike price for a put.

	Older	Writer
Call	Receives cash or	Delivers cash or secu-

	security	rity
Put	Delivers cash or security	Receives cash or security

You'll notice that the receiver and deliverer are different for puts and calls, holders and writers. This allows for the structure of many different strategies.

To exercise an option, the holder notifies their broker, which then notifies the market clearinghouse, which then, in turn, notifies the seller that it is time to settle up.

Expiration Date

The expiration date is not as straightforward as you might suspect, albeit it does mean the day the option is no longer valid. However, the way the date is determined is by the month on the contract and the day is the third Friday of the month. Thus an Option will be dated 2019 Dec, and the expiry date will be the date on the third Friday of December 2019. By the expiry date, the holder must either exercise their rights, and the writer has to settle up by that date, or the option will expire and become worthless.

American and European Options

There is some ambiguity between Options as there are two distinct styles an American and a European style. The only

real difference but it is a significant one is that an American option gives the holder the right to exercise the option at any time after the sale and before the expiration date. On the other hand, a European option can only be exercised on the expiration date. This is a major difference in terms of trading so you must make sure you know which option style you are trading in.

To compound the problem exchanges issue both types, it is no longer the case that American exchanges only issued American style Options and European only issued European style options now there is a mixture of both. You need to know which you are trading as it can have a large effect of the Options value and ability to be traded.

Chapter 2) Greeks and their importance

When it comes to trading options successfully, it is vital that you understand the multiple types of risk that come into play. To make them easier to discuss in detail, they have been broken down into different variables, each of which is labeled with a letter of the ancient Greek alphabet. Trading without taking the time to learn this valuable way to avoid as much risk as possible is akin to driving in a foreign country without first learning the rules of the road or even the language.

Regardless if you are placing a put or a call, or even just planning your strategy, it is crucial that you look at your various risks and rewards in terms of three key areas. First, the amount of change the price is likely to experience, second the amount of volatility currently at play, and finally, the amount of time the option has left until it expires. If you are holding a call, you will all need to consider if the price is moving in the wrong direction, if the volatility is decreasing or if there isn't enough time left on the option in question. On the contrary, sellers face the risk of prices moving in the wrong direction and an increase in volatility but never when it comes to the time value.

When options are combined or traded, you will then want to determine the Greeks related to new result, often referred to as the net Greeks. This will allow you to determine the

new difference between risk and reward and act appropriately. Understanding what the Greeks can tell you will allow you to better tailor your strategy based on your desired level of risk. You can think of them as guideposts to keep you on the right track when it comes to seeking out the right options for you.

Delta: When dealing with individual options, Delta can be thought of as the overall amount of risk that exists between the price of an underlying stock at the current moment and where it is likely to move. If the strike price of an option is the same as the current price of the underlying stock, then that stock has a Delta of .5. If this is the case then is means that if the underlying stock moves 1 point, the price of the option will shift .5 points, assuming all other factors remain even. The total range Delta can possibly be anywhere from -1 to 1. Puts can be anywhere from -1 to 0, and calls can be anywhere from 0 to 1.

Delta is likely the first measurement of risk that you will always want to consider when it comes to choosing the options that are right for you. It can be particularly useful when it comes to deciding the right time to buy into a put option as you want it to be at just the right point in order to maximize its potential for profit. In this instance, it is beneficial to know the expected results of paying less in exchange for knowing the Delta is going to be lower as well. This difference can be seen by simply looking at the strike

price and watching how it changes in relation to the put price.

Generally speaking, the cheaper an option is, the smaller its Delta is going to be. This is due to the fact that delta is often linked to the odds that a specific option is going to be worth a profit by the time it expires. As an example, if you are looking at an option with a Delta of .32, then you can assume, all things being equal, that buying into that option is going to pay out successfully about a third of the time.

Vega: Whenever a position is taken, regardless of what that position is, the risk of change that comes from the volatility of the underlying stock is known as the Vega. The level of volatility that an underlying stock has can change even if the price of the stock in question doesn't. This means that it has the potential to affect their profits significantly. Successful strategies can be built around both low and high volatility choices, as well as neutral volatility choices from time to time.

As a general rule, the more time standing between an option and its expiration date, the higher that option's Vega is going to be. This is because time value is proportional to volatility as the longer the timeline, the higher the chance that the volatility will manifest itself. As an example, assume an option is currently worth about $4 with an underlying asset that is worth $90. Further, assume that it

has a Vega of .1 with 20 percent volatility. If the volatility increases by just one percent, this will equate to 10 cents worth of increase in the price for a total of $4.10. The amount of change that is seen in an option with a shorter period is often going to result in larger changes because there is ultimately less time the option will destabilize.

Theta: Theta is the measure of the rate at which the time the option has left disappears or decays, which means that this number will often be negative when you are dealing with it. The instant you purchase an option, that option's Theta starts to decrease along with the total value as both decreases the closer the option is to its expiration point. If the Delta of a given option is greater than its Theta, then the option will benefit the holder, and if the Theta is greater than the Delta, then the option will benefit the writer.

As an example, consider an option with a Theta of .015 that is going to decrease in value by 1.5 cents in 24 hours. Puts have negative thetas and calls have positive thetas. This is because puts are worth the least when they are about to expire, and calls are worth the most because the difference between the starting and ending amounts is going to be at its highest. Additionally, Theta fluctuates day to day as it starts off slow and then builds in intensity the closer the option gets to its ultimate expiration. This explains why long-term options attract buyers, and short-term options are preferred by sellers.

If you are looking to make a trade when the market is neutral, then you will want to be sure to take Theta into account, but you can otherwise move forward confidently with your current strategy. Generally speaking, you are always going to want to buy into options with a Theta that is as low as you can manage it.

Gamma: If Delta is the amount of change that the option will experience in response to a change in the underlying asset price, then Gamma is the amount you can expect Delta to change over time. Gamma increases as options near the point where the price of the options and the price of the underlying asset overlap and will decrease even further below the strike price as the price of the underlying asset drops. The larger the Gamma, the larger the risk, but also the larger the return. Gamma is also likely to spike as the option in question reaches its expiration date. This can be taken a step further with the Gamma of the Gamma which considers the rate the rate the Delta changes at.

For example, if a stock is trading at about $50 and a related option are currently going for $2. If it has a delta of .4 as well as a gamma of .1, then, if the stock increases by $1 then the delta will see an increase of 10 percent which the Gamma amount is also. If volatility is low, then gamma is high when the option in question is above its strike price and low when it is below it. Gamma tends to stabilize when volatility is high and decrease when it is low.

Rho: Rho is the name given to the amount of risk associated with the odds that the interest rates that affect your option are going to change before it expires. Rho isn't going to come into play as frequently as the other Greeks as interest rates are typically going to increase in tandem with call prices while the price of puts will decrease, and the reverse is true when interest rates decrease. You can expect the Rho values to reach their peak when the price of the underlying stock crosses the price of the option you are working with. Additionally, this value will always be negative for puts and positives to calls. Rho values are more important when it comes to long options and virtually irrelevant for most short options.

Finding the Greeks

In order to determine how the Greeks are going to apply to any of the options trades you make, the first thing you will need to keep in mind that every strategy is likely to have a positive or negative value for each of the Greeks. As an example, if the Vega is positive, then the position will see gains if the volatility rises. Likewise, a negative Delta position will result in a decrease if or when the underlying asset decreases. Keeping an eye on the Greeks and noting how they change is key to options trading success in both the short and the long term.

In order to find the Greeks for your chosen option success-

fully, the first step is always to remember that the results you see are going to be theoretical as no one, and certainly not the Greeks, are able to predict the future. What you are seeing is just the results of a mathematical formula with several different variables plugged in as needed. These include the bid you are putting on the option, the asking price, the last price, the volume, and occasionally the interest.

Different Types of Options

We have already determined in the previous chapter that options are actually contracts that give buyers the right to purchase a corresponding security for a predetermined value for specific time duration. The premium, which refers to the price paid for an option, consists of a number of variables. These variables help options traders to make informed decisions about the best time to trade options.

Different Options Markets

While options are commonly found at the stock market, they are also found across other markets. These include

Forex, commodity, and futures markets. For our purposes, we shall focus more on stock market options even though the concepts are similar across all markets.

Why do individuals and traders trade in options?

There are different reasons why traders and investors opt to trade or deal in options. One of the reasons is to hedge positions. Individuals, organizations, and institutions sometimes hedge their positions to protect themselves against any potential future disasters.

Traders often use options in order to generate huge profits at much lower costs compared to direct investment in stocks. Most options traders are speculators. They generally have no intention of exercising the options contracts that they invest in. Instead, they prefer to profit from the change in the price of the option.

Main Advantage of Options

One of the biggest advantages of trading in options is that traders are able to benefit immensely in the price movement of a stock without actually having to buy the stock. For instance, if a share of stock ABC costs $25 each and there's enough reason to anticipate a value increase in the next three months, then you will spend $2,500 to buy 100 shares. Alternatively, a call

option entailing a strike price worth $27 with an expiry date of 2 months could be bought. This will cost you a mere $50 is a single option costs $0.5. This is because $0.5 X 100 = $50.

Different Types of Options

Essentially, options consist of two general types—the call options and the put options. As previously defined, put options give the investor an opportunity to sell stocks at a specified price while call options give you the option to buy stocks at a certain price.

Underlying Asset

Every option contract is based on an underlying asset. Most options are based on stocks of companies that are listed at the stock market. In recent years though, other securities have been used. These include REITs or real estate investment trusts, ETFs or electronically traded funds, foreign currencies, and stock indices. Some are even based on commodities like minerals, industrial, and agricultural products.

Generally, 100 shares of a corresponding stock serve as the basis for stock options contracts. Some exceptions are made in special cases for instance where mergers occur or when there is a stock split. Also, buying options is completely different to investing in shares. Here is a look at different types of options.

Different Types of Options

- **Weekly Options- Mini Options**
- **The Protective Put- Stock Options**
- **Futures Options- ES Weekly Options**
- **Index Options - Mini Index Options**
- **Binary Options- E-Mini Options**
- **IRA Accounts- ETF Options**
- **Near month in-the-money options**

1. near Month In-the-Money Options

> Some options are best suited for day trading. One such example is the near month in-the-month option. This option basically refers to options contracts that are set to expire at the close of the next month. Such options are usually past their strike price so investors are free to exercise them.

The inherent value of this options contract is one of the determining factors of the premium especially when it nears its expiration date. Such options are often traded in large volumes and this causes a smaller gap between the asking and bidding prices. As the option nears its expiration date, its time value diminishes.

2. Protective Put Option

> A protective put is an option that is used by traders who wish to purchase both an option and its underlying securities. This is the preferred strategy anytime that the underlying stock is expected to undergo periods of high volatility.

There are instances when day traders will continually buy and sell the same stock option for a long time, maybe a couple of months, in order to benefit from a short-term upward trend. At other times, day traders make use of a strategy of

purchasing put options on the same underlying security just so they insure themselves against any sharp losses in the price of the stock. This is then considered as a risk management technique. While there are certain small loses paid in order to protect the share, the opportunity to minimize losses on a downward trend is absolutely invaluable.

3. Stock Options

Traders acquire a technique in upping their earnings through straightforward stock options through just purchasing or shorting shares for a certain predetermined price at a set time at the options market. Day traders have specific upper hands when it comes to stock options because the parameters are applied to stock options. Since both stocks and stock options are traded on an exchange, the market will have the same liquidity and will enable fast execution of orders. Sophisticated investors can use options as an effective hedge against risks.

Stock options have the potential to cost you 100% of your funds. Brokers only permit sophisticated traders to deal

with complex options systems like stock options. You can be exposed to enormous amounts of risk and it is crucial that you avoid strategies that require substantial experience. However, it's good to note that day traders rarely sell options.

4. Weekly Options

Weekly options are also popularly referred to as weeklies. Such options are generally listed with only one week left to expiration. Most options often have several months and sometimes even years to expiration. However, weeklies are generally available to day traders. They are found on ETNs or exchange-traded notes, broad-market indices in the US, and ETFs or exchange-traded funds.

A lot of traders view traditional options as a huge setback largely because of the long time duration. These traders very much prefer weeklies and view them as major game changers. They get to apply the leverage of options even as they engage in more short-term strategies.

Created on Thursdays

Weekly contracts are usually created once each week on a Thursday. They remain valid until the following Friday for ETNs, ETFs, and equities. Weekly index options, how-

ever, often close their final trading sessions on Fridays or Thursdays depending on the index. These basically have a total lifetime of seven trading days or one week.

As a day trader, you can benefit hugely if capitalize on the increased volatility that comes with the time decay and expiration that is associated with options. Weekly options have 52 expiration periods throughout the year and this increases your chances of benefiting from expiring options.

While weeklies provide a couple of advantages to day traders, they have some possible disadvantages especially due to the time factor. Option buyers generally pay less for the cost of a weekly option relative to regular options they usually experience a hugely limited opportunity window especially when trades move in the opposite of the intended direction. There is generally very limited opportunity for price recover and it is hard to fix a trade through strike adjustments.

5. Mini Options

Mini options are actually options that let traders and investors trade in options that are based on 10-share sets rather than the standard 100-share sets. Mini options have expiration dates that are similar in nature to regular

expiration dates. This expiration date is also similar to quarterlies and weeklies.

Other features like the bids, strike price, and offers are also similar and correspond to features of regular options. However, they do offer certain benefits. As a trader, you stand to enjoy the following benefits by simply trading in mini options.

Benefits of mini options:

- **You are able to hedge a position for very little money.**
- **Mini options are more affordable per transaction.**
- **They can be exercised on any business day**

as long as they are not expired because they are American style in nature.

Sadly, they also have some drawbacks. For instance:

- **Mini options are available for only limited securities.**
- They have much lower liquidity.
- **The bid-ask spreads are much wider.**
- **They charge a higher commission based on a percentage.**

In general, mini options act as a great tool for hedging highly valued securities and for day trading. However, their use in day trading is limited unless they are available on a bigger variety of ETFs and stocks.

6. Index Options

We also have another type of options contract which is

known as the index option. These options let you make use of put or call options to speculate on the movements of a whole stock market index like the S&P 500 or the Dow Jones instead of individual stocks and shares.

A trader who trades index options can capitalize on their predictions based on volatility or direction of an entire market without any need to trade options based on individual stocks. One of the main challenges that traders encounter when pricing index options is accurately calculating dividend estimates.

Features of index options:

- **Basically, index options are less vulnerable to volatility compared to stocks in general that constitute an index.**
- **Index options are well able to handle fluctuations that individual stocks could be exposed to and as such, they tend to be more stable compared to other kinds of options.**
- **A lot of index options are exercised in a**

European style. This is because they cannot be traded until they expire. However, the trader or investor will not necessarily be stuck with them as they can be sold or bought as long as they haven't expired.

- **Index options often trade in large volumes because they are largely traded by investment firms, hedge funds, and individual traders.**
- **Unfortunately for day traders, large volumes minimize the spreads quoted at the markets.**

7. Mini Index Options

The mini index options happen to be quite similar to ordinary index options. However, they cost 10% less and are

only 10% the normal contract size. Traders and investors with limited capital are easily able to trade this option type and benefit from trading on the general market. Day traders benefit from this option type as they are able to have a wider strategy scope.

There are certain benefits or advantages of the mini-index options.

Here is a look at some of these benefits:

- **They are a lot cheaper compared to ordinary index options.**
- **They resemble the underlying index perfectly.**
- **They generally offer a partial hedge against ordinary index options.**

There are some disadvantages as well. Some of these disadvantages include:

- **Mini index options have a large bid-ask spread.**

- **They usually have a higher extrinsic value due to lower liquidity.**
- **They are a lot more expensive compared to others.**

8. Binary Options

Binary options are among the most commonly traded options. They are known by different names depending on the platform where they are trading. For instance, binary options are referred to as FROs or fixed return options when traded on the American Stock Exchange. On the Forex markets, they are referred to as digital options and sometimes as all-or-nothing options on the ASE or American Stock Exchange.

The reason why they are known as binary is that this options class offers returns or profits in two outcomes. This means you get something or nothing. In this instance where you have binary options, the profitability is usually a pre-set amount such as $100.

There are certain assets that can be traded as binary options. These assets include:

- **Stocks**
- **Commodities**
- **Currencies**
- **Stock indices**

While there are plenty of different types of binary options, only two are commonly used by day traders. These popular binary options are:

- **Asset or nothing binary options**
- **Cash or nothing binary options**

The asset or nothing binary option pays the entire value of the underlying security. The cash or nothing binary option pays an investor a set amount of money should the option be in-the-money upon expiry. This is the reason why this type of options is referred to as binary. You can expect to receive only one of two outcomes investing in this particular options class.

The reasoning behind binary options day trading is pretty simple. As a trader, the aim is to enter a trade position and

exit before the close of the trading day. All binary options contracts come with expiry times and dates. This means that most binary options contracts have a set expiry date except on trading platforms where traders have a variable expiry on options.

As a day trader, you should identify expiry dates that will conclude trades within the same day. This is because once you enter a trade that has an expiry date, you will not be able to exit manually the same way that you do with all other options trades.

Predetermined profits

> When trading in binary options, you will already know what your potential profit will be. This is because the potential profit is always already pre-determined. Also, binary options can be applied to almost all types of securities and financial products as puts or calls.

This is why day trading with binary options is considered easy and quite profitable. As a trader, you can expect high returns that are paid out almost immediately. Apart from the high profitability of binary options, there are other advantages that they offer.

Additional benefits of binary options:

- **As a trader, you get to select variable expiry times to fit with your strategies.**
- **There are no brokers so you will manage your own trading account.**
- **You can trade diversified options at the same time.**
- **You are allowed to make multiple small investments, which is similar to day trading but with limited risk exposure.**
- **One trade can be sufficiently profitable to counter previous losses.**

- As a trader, you have trading opportunities throughout the day with no downtime.
- With binary options, the potential to make profits is high and the turnaround times are remarkably fast.
- Day traders have constant new opportunities as binary options markets keep expanding.
- Security is high on these platforms largely due to the nature of private trading in the options trading market.
- Volatility is not a big issue because risks are transparency and also options have short time frames.

If you want to be a smart trader, then you should ensure that you follow patterns and trends in the market. When you can identify a true trend, then you will be able to attain profits regularly on a continuing basis and with the need of changing strategy. However, should the trend fail to work because it was false or due to brief trading times, you must then exit the trade to minimize losses?

9. Futures Options

> Options on futures are contracts that are focused on one futures contract. As a buyer, you reserve the right to choose a futures position on an index, currency, commodity, or another financial price. The options trade is at a specified price known as the strike price and you maintain your right until the expiration of the option.

A future options seller is obligated by the contract to assume the reverse futures position as soon as you exercise your right. These options trades are dealt on the same exchanges with traditional futures contracts. The options contracts concisely match the underlying securities, which in this case are futures contracts. The matching is in terms

of strike price, expiration dates, and quantities.

There are certain differences between futures and options futures. As an example, buyers and sellers have different obligations. It is advisable to find out more about the differences between options on futures contracts and futures contracts.

Futures contracts

> When it comes to futures contracts, then you as the buyer will take on the obligation of purchasing a particular asset at a set date in the future. Your seller is obligated to sell and then deliver the specific asset at that future date unless your position closes well before the expiration date.

Futures contracts generally do not have any initial costs. This is in contrast to other options contracts that have some upfront costs. Also, the underlying position has a much larger size. Any profits earned are credited to the futures account right at the close of trading day. As such the value of the asset gets recorded based on its market price.

Options based on futures contracts

Options that are based on futures grant you, as a buyer, the right to sell an underlying security at a price that is predetermined. As a buyer, you are allowed to exercise your right to sell this asset as long as the contract is valid and not expired. However, in this instance, the underlying position's size is usually smaller compared to that of a futures contract.

How to make gains:

- **Consider this position as a great opportunity to hedge.**
- **Exercise the option as soon as it is deep in-the-money.**
- Hold your position until it expires then benefit from the size of increase between the strike price and the asset price.

10. ES Weekly Options

This type of options contract is commonly referred to as weekly options on futures. It is mostly used by day traders for short-term swing trading as well as day trad-

ing. The weekly options on futures provide an additional day trading opportunity with even more benefits. Here is a look at these benefits:

- **These options expose you to limited risks.**
- **You do not need to have a futures account in order to deal with them.**
- **Common rules such as pattern day trading are not applicable in this case.**
- **Options increase in value much faster when you go long due to the option Greek.**

Even then, there are some cons or negatives related to this trading type. Here is a look at some of these negatives:

- **They have a very brief time period before expiration**
- **You need a lot more effort in order to place it**
- **It is challenging to set limited orders if**

you're expecting to enter or have a target

Just as it is with futures trading, when trading the ES Weekly Options as a day trader on the 15-minute charts, you get access to more valuable intraday opportunities in relation to the daily chart.

11. E-Mini Options

One of the least known options contracts is the E-mini contract. This is an option that is electronically traded. It is viewed largely as a mini version of the ordinary futures contract. The E-mini contract, just like with other mini options, is in line with the structure of the standard counterpart just smaller in size and cheaper in price.

These contracts offer investors great leverage especially when investments are relatively small. The only challenge is that any potential losses are exponentially large. While these E-mini contracts were first made available for the S&P 500, they are today readily accessible on other indices such as the S&P Midcap 400 and the NASDAQ 100.

These options are sometimes used by day traders to hedge or even as a leveraging tool. Traders and investors can also use E-mini options to increase their profits on other future trades. They are also popularly used to protect or safeguard a position that is perceived to be vulnerable to market movements.

12. ETF Options

An ETF option is an options contract that is derived from the ETF or exchange-traded fund. ETFs are basically investment pools that are then traded at the stock market. Electronically traded funds contain a specific number of underlying assets that include bonds, commodities, and stocks. They trade very near to the net asset value throughout the course of the trading day.

The shares and other financial instruments are traded in much the same manner as regular stocks at the course. This way, a trader is easily able to purchase and sell shares and even options of an electronically traded fund via a bro-

kerage account. You will find ETFs across all the common stock indexes such as the Nasdaq 100 composite (QQQQ) and the Dow Jones Industrial Average.

Sometime traders will choose a specific industry because chances are high of finding stocks of major industries across most ETFs. This way, traders are able to focus more on determining and predicting movements in a specific industry rather than a mixed choice of stocks as offered by standard index ETFs.

ETF options come in very handy as their related options trade throughout the day. As a day trader, if you actively trade ETF options and make use of hedging strategies, then you need to ensure that you are well informed regarding the background information of the underlying stock. If you feel confident about this information, then you will gain from the tax breaks and low costs associated with trading ETF options.

13. IRA or Individual Retirement Accounts Options

Yet another options account that is out there is the IRA options contract. However, IRA accounts are generally unavailable to the general population because of rules

put in place by the SEC or US Securities and Exchange Commission.

The SEC demands that any day trader have the appropriate designation and should hold margin brokerage accounts. However, this is not the case when it comes to an IRA account. Such accounts cannot be margin accounts and are limited to only cash accounts.

In simple terms, day trading of stock options and stocks needs traders to operate a margin account and any IRA account used should have only a cash account status. The only alternative that you can have is to create your own IRA account via a commodity futures broker.

Useful Options Terminology

As you learn about options and get to understand how they work, it is extremely useful that you get to understand the terminology involved. We have the general options terminology and then we have terminology specific to pricing.

When it comes to options, the terminology is very similar

to that used in futures in many respects. Here are some useful definitions that you need to acquaint yourself with.

Options Pricing Terminology

It is advisable to learn as much as possible about options pricing especially at the basic level. Below is a review of some of the most basic terminology that pertains to options pricing.

At-the-money options: These are options contracts with a strike price that is exactly the same as that of the market price of the underlying commodity.

Contract: This is an option that consists of 100 shares of a specified underlying security.

Covered Put: This is an options contract where the option writer has a short position within the underlying security based on a share-for-share basis.

Covered Call: In this instance, the option contract writer has a long position on the underlying security based on a share-for-share term.

Covered Writer - This term refers to an options seller who also owns the underlying security. The owner hedges the security against the option.

Date: This is the date when an option contract expires and becomes null and void. A lot of options contracts expire on

the third Friday at 4.00 pm on expiration month.

Derivative: This is a security that derives its value from another security referred to as an underlying security. Options contracts are a type of derivative because they derive their value from an underlying security.

Early Exercise – When you decide to exercise an options contract before it attains its expiry date. This can happen with American style options.

European Options: This term refers to a specific type of options contract which can only be exercised at a particular period of time just before it expires.

Holder: A trader who purchases an options contract then pays the writer a premium.

LEAPS: Long-Term Equity Anticipation Securities – these are options contracts that are publicly traded with expiration dates that extend beyond a year.

In-the-money: We say that a call option is in-the-money when the value of the underlying security is greater than options' strike price.

Listed Option: This is a call or put option that is available for trade at the options exchange. Some of the terms pertaining to the option are determined and standardized by the exchange.

Open Interest: The sum of all outstanding options at the options market on a specific day.

Naked Option: This refers to an option's position that does not include the writer's offsetting position with the underlying security. This means that there is no protection in case the price moves in the opposite direction.

Option: An option is a financial instrument and a derivative. This derivative grants its buyer the right to an asset or security without any obligation to sell or buy. However, this is usually for a specified period of time and at a set price.

Out-of-the-money: An option that has no intrinsic value and that will expire worthless at the close of the trading day. For call options, this is the case when the strike price exceeds the underlying security's market price. For the put option, this is when the strike price is below the market rate of the underlying security.

Over-the-counter: This term refers to options contracts that are not traded at an exchange like other options. Such an option lacks standardized expiration dates and strike prices.

Premium: This is the overall cost of an options contract. When you buy an option, you pay an amount known as the premium. This amount combines the time value of the option and its intrinsic value.

Put: This refers to an option contract that awards a buyer

the right to sell an underlying security without the obligation of doing so. This right is pegged within a certain time frame and an agreed price.

Strike Price: this is the price that is agreed upon between parties at which you can exercise your options contract. For a call option, the strike is generally the price at which you can buy the contract. For put options, it refers to the price at which you can sell the option. Sometimes this price is known as the exercise price.

Terms: An options contract has conditions. These include an expiration date, strike price, underlying security and so on. These are collectively known as terms.

Writer: This is an investor who writes and sells options contracts and collects a premium as payment for the effort. As a writer, you are obligated to sell or buy the underlying security should the holder decide to exercise the option.

Underlying Security: This term refers to a financial security that will be sold or bought should an option be exercised.

Trading Options vs. Stocks

Options and stocks are used by traders and investors in order to benefit financially from the movement of stocks. However, these financial securities have major differences

in the way they are created and the mode of operation.

Options are sometimes used for hedging positions that have been established by traders. However, equities are also widely used to determine a company's directional view.

Options Contracts

Investors have plenty of financial and strategic leeway with options compared to simply investing in stocks. By investing in options, traders not only hedge to protect against losses but also gain access to stocks at a fraction of the normal costs. Options contracts lower your risk in all market conditions on speculative bets and increase your profits on any new or existing positions you may take.

Trading in options has a lot of positives compared to trading in stocks only or other securities. However, there are some inherent risks that you need to be aware of. As a potential trader, you need to be aware of the great benefits as well as inherent risks related to trading options.

Pros of Trading Options

1. You require much lower upfront financial resources than with stocks.

The cost of buying options, which includes the premium amount and trading commission, is much lower compared

to the amount you will pay to invest directly in shares.

As an investor or trader, you will pay far less money to invest in the same number of shares compared to one who invests directly in shares. However, if the trade is successful, then you will benefit just as much as a direct investor percentage-wise.

2. Limited losses when you invest in stocks and options.

When you purchase stock options, you are not required to exercise your right to buy or sell the underlying stock. If your estimations or speculation about stock movement are right, then you make a large profit. However, should your speculations not follow through, and then your losses are limited only to the cost of the premium and brokerage fees.

3. Options offer traders flexibility on their trades.

There are a couple of strategies that can be implemented by investors or traders before the expiry of the contract. Here are some of these strategies:

- You can exercise an option and purchase the underlying stocks then add these to the portfolio.
- You can also exercise an option contract, pur-

chase shares and then sell them for a profit at the stock market.

- You can make back some funds that were spent buying an out-of-the-money option. This is by selling the option to another trader before it expires.
- You can also exercise options that are in-the-money to other investors.

4. Options can help you to fix the stock price.

Option contracts act similar to lay-away in stores because they let investors fix the price of a stock at a specific value which in our case is the strike price for a couple of days, weeks, or months. This guarantees you that an investor will be able to sell or purchase the underlying security at the strike price before the option expires.

5. You have plenty of leverage.

Using options contracts, you are able to invest a significantly tiny amount of money yet control a large number of shares. For instance, a single options contract enables you to be part of the movement of 100 shares of a stock. In this case, your risk will be limited to a certain level and the costs will be extremely low.

Setbacks of Trading Options

1. Sellers are exposed to large and sometimes unlimited losses.

Option buyers and holders are only exposed to small losses. However, the option writer's risk is almost unlimited. The losses that they stand to incur are so much greater than the cost of the options contract. The reason is that they have obligations of purchasing or selling stocks or the underlying stocks if a buyer or seller chooses to exercise their right.

2. Time is always limited for the investor to make a profit.

Options are short-term in nature. Investors who use options often seek short-term or near-term price movements that they can capitalize on. These price movements need to take place within a matter of a couple of days, weeks, or months for the payoff to happen.

As such, it is crucial to make a number of assumptions. These are deciding when to buy an option and when to exercise it or walk away from the contract before expiration. This contrasts long-term stock buyers who have really no time limit. They are able to invest and wait for years and even decades.

3. Traders have to qualify to trade.

As an options trader, there are certain essential criteria that you must meet if you are to start trading. For instance, you must be approved by a broker. You do this by answering a couple of questions or going through a similar screening process. The broker will need to find out about your personal financial situation and your knowledge and experience with risk and understanding how to trade options.

After the screening, then you will most likely be assigned a trading level based on your skill and experience. The broker will also take into consideration your understanding of risk posed by options trading. This level will dictate the kind of options trades that you will be allowed to place.

As a trader, you will generally be expected to maintain a minimum balance of roughly $2,000 in the brokerage account. This is the general requirement within the industry and this is a cost that you need to seriously consider.

4. Options traders can incur added costs that affect returns.

There are certain strategies that need you to set up a margin account. For instance, when you are selling a call options contract on securities that you do not own. This margin account provides a line of credit that is held as collateral in the event the trade moves against you.

There are different minimum requirements across the various brokerage firms for account opening and so on. The interest rate and amount will depend on factors such as how many securities and cash are present in an account. You can get access to margin loans with interest rates ranging from the low single digits to the low double digits.

In the event that you are unable to repay the margin loan advanced to you by your brokerage firm, then the broker will issue a margin call then liquidate your account should you not add some funds or securities to it. This can also happen if your account falls below a certain percentage which is very possible in the course of a trading day.

You can learn detailed information about the risks and characteristics of standardized options contracts at the Options Clearing Corporation of the USA. There are also income tax regulations that you need to familiarize yourself with if you are going to trade in options and other securities.

Pros of Trading Equities

1. Equities have significantly high liquidity.

Compared to options markets, equity markets are significantly more liquid. For most traders and investors, it is easy to enter and exit positions. This can happen within minutes in most cases. Exiting positions within a matter of

a few minutes is especially easy for stocks that constitute major indexes such as the S&P 500. This liquidity often comes from mutual funds and passive index funds that are invested in the S&P 500 stocks. These funds are regularly seeking to invest in stocks contained in the fund in order to own larger percentages.

2. Time is on your side.

Options give you very little time to profit from market movements. This is not the case when it comes to stocks. In fact, stocks have no time limit which means you can hold them for as long as you see necessary.

As a stock investor, you have plenty of time within which you can enter and exit trades. You will not be punished for early or late entry into trades. However, options traders really need to factor in time because options contracts are limited by time.

3. Stocks generally have a lower risk.

Both stocks and options have their own pros and cons. However, in general, traders and investors view stocks as being generally less risky. The volatility of any given stock is generally much lower than that of options. Also, stocks have no risks due to time decay.

Disadvantages Associated with Stocks

There are certain downsides of equities trade compared to options contracts. We will examine some of these disadvantages and see how they compare to options.

1. Stocks have limited upside.

Most stocks move in tandem with respective indexes. Stocks rarely move above 20% in any given year. Traders with limited finances or small capital will be frustrated to discover that even with all the time in the world, their income potential is limited. This contrasts traders who focus on other instruments such as options who are able to double their income in just a few short months or even weeks. Just a few well-managed options trade and good risk management techniques, it is very possible for multiple investments within a short time period.

2. Stocks have limited leverage.

Investors in stocks can only access limited capital through borrowing of only up to 50% of the total value of securities they have purchased. This refers to margin loans that are advanced by brokerage firms to clients.

This limitation is placed by the federal government through the Federal Reserve's regulations. This regulation applies only to equities markets but not the derivatives markets. The use of excessive leverage is discouraged and generally

frowned upon. However, investors with capital amounts totaling about $5,000 can access marginal loans of up to $10,000 which they can use to invest in trades.

3. Higher risks for lower profits.

It is possible to put money in a stock and actually lose the entire amount. While this is very rare and hardly occurs, it can happen should the asset's value tumble down to zero. When it comes to options, you only stand to lose your initial investment only which in most cases is the premium paid for the options contract. While the losses may sound similar in both cases, this is not so. The amount of capital needed to invest in stocks is vastly different from amounts used in options trading.

Other Crucial Considerations

In order to make informed decisions about whether to buy, sell, or hold stocks, you need to understand more about a company's operations and business. You also need to understand the company's vision and have a sense of direction where the asset is heading. This is crucial, especially for options traders.

To be successful, options investors should have an excellent understanding of a company's intrinsic value and also affirm thesis regarding the foundations of a business and how near-term events will affect its performance such as

macroeconomics. Numerous investors can choose to think options just add complexity to their basket of investments. However, if you really want to earn big profits and enjoy attractive returns on your investments, then options trading and investments is really the way to go. It is crucial that you learn how to trade options and how to limit your downsides. Fortunately, these are some of the things that you will learn in this bok.

Choosing Options Over Stocks

Leverage

When you buy options, your potential gains are virtually unlimited while any potential losses are limited to your original investment and any additional costs incurred such as the brokerage fees. Therefore, in theory, your potential gains are limitless while losses are capped to the amount paid as premium.

Also, you spend significantly less to invest in stocks through options compared to direct stocks investments. For instance, to buy $10,000 worth of stocks, you will need to fork out at least that much money. With options, you will pay a tiny fraction of this amount. However, you stand to

gain the same returns in both cases.

Fine-tuning Strategies

When you invest your funds in shares, your options are pretty much limited to buying or selling shares. However, with options, it is easy to identify a strategy that does fit your expectations. Stock options can be purchased and exercised in numerous combinations that enable traders to fine-tune strategies so that they can match market conditions whether bearish, bullish, neutral or in-between.

For example, as an options investor, you can opt to select a variety of expiration dates. These can range between about-to-expire monthly options with LEAPS that have close to three years before expiration. It is possible to find a strike that is based on both your risk tolerance and stock performance expectation.

With this approach, you are also able to benefit significantly from high market volatility simply by choosing a strategy that will benefit you from major movements in either direction like the short straddle. Options are also widely used for hedging positions such as the protective put and for managing risk such as with the stock replacement strategy.

Chapter 3) Managing costs

The Bull Put Spread

You can apply a variety of strategies when it comes to working in options trading. The first strategy that we will take a look at is the bull put spread. This is considered a directional strategy that you will want to use when a stock is showing signs of reaching its support level and is unlikely

to fall down further. When the stock reaches this stage, it is either starting to trade flat, which means that it isn't moving much in either direction, or it is going to rise again.

If you would like to work with a bull put strategy, some of the things that you will need to do include:

Select the stock or the index that fits the criteria for trading on this strategy. This is going to be based on your medium or short-term outlook for that stock.

You will then sell one OTM put option of this stock. Buy one OTM put option that has the same expiry date and the same underlying stock as the put option that you did in the second step, but you will pick a lower strike price.

Once done with the above steps, you should make sure to monitor your position the whole time and then close both the options at the same time once the trade has made a good profit. Alternately, you can choose to hold onto the trade until both of the options reach their expiration, which can help you to get the maximum profit. You will only want to go to the expiration day if you feel confident that the stock does not have any threat of following below the strike price of your higher strike put option ahead of time.

When should I use this strategy?

The first question that you may have about this strategy is when you would choose to use this kind of strategy. You

will want to use this kind of spread when you believe that your underlying stock has gotten to a strong support level and there isn't much of a chance that the stock will go down much from that level, at least before the chosen expiration date.

A good time to choose this kind of trade is when the stock has just gone through some expected correction or a profit booking. For example, it may be a strong stock that underwent a decline of about 5%, and then it started to show that it was stabilizing again at the lower level. You do need to make sure that the buying volume and the number of buyers is the same or increasing so that the stock is likely to go back up rather than down. Or you can pick to start trading when a stock is slowly climbing up and it doesn't seem likely that it is going to fall back down in the near-term.

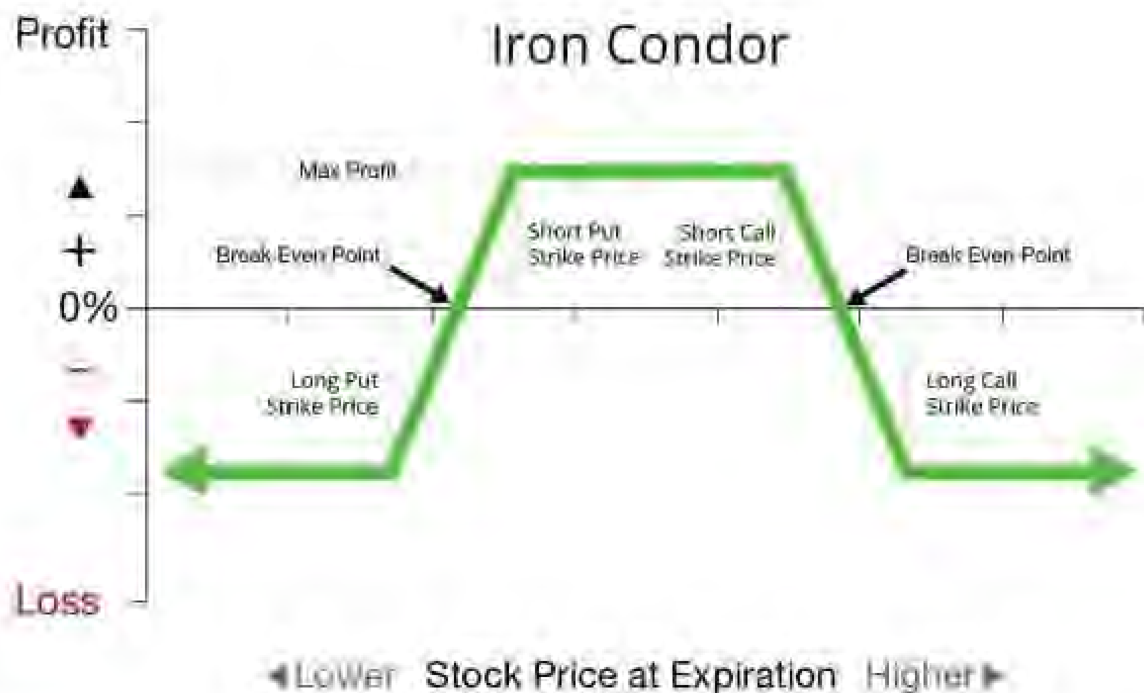
For this strategy, it is preferable for you to trade options that are historically low in volatility. This is a credit spread strategy that will exploit the time-decay. When working with low-volatility stocks, a price fall is only going to be small and this makes it unlikely to overcome the time-decay of the options. Basically, this keeps the trade pretty profitable, even if the stock doesn't move with your expectations. This strategy can sometimes work for the higher-volatility stocks as well if the opportunity presents itself, but this is not always the best choice to go with.

Advantages and disadvantages

The biggest advantage of using the bull put spread strategy is that it will make sure that the time-decay will work in your favor. Even if your stock doesn't go up after it hits the support level and it stays pretty stagnant, you will be able to get some kind of gain because of the time-decay. In addition, if you use this strategy in times of high volatility in the market, any drop is going to act like a catalyst in making the trade profitable at a faster rate.

The biggest disadvantage of using this kind of strategy is that the maximum amount of profit that you are able to earn is less than the potential that you could use if the stock doesn't go the way that you would like and your positions get into losses.

The Iron Condor



The other strategy that we talked about was directional strategies but the iron condor is going to be a non-directional strategy. This one is going to limit your profit a bit but its probability of success is pretty high for the traders that are able to trade it well. When you are working with an Iron Condor trade, no matter which way the stock or the index ends up moving, the trader is going to become profitable as long as the movement stays inside the boundaries that the trader sets, at the time of expiry. Out of all the strategies that we are going to discuss in this guidebook, this one has the highest potential to give you profits and it has the least amount of risk as well.

You will use the iron condor to trade on stocks with very

low volatility. It is not a good idea to go with a stock that moves around quite a bit and has big highs and lows that go all over the place. You will find that this is a credit spread strategy that will be viewed as a combination of the bear call spread (which we talk about in the following chapter) and the bull put spread.

You can consider the iron condor as a type of evergreen strategy, one that a lot of traders are going to use when they find a stable stock. As a trader, if you are able to choose any strategy and you want to go with one that is pretty easy to follow and will give you a higher probability of doing well, then the iron condor is the best option for you to choose.

The iron condor is going to be a little bit more difficult to work with because there are four legs to go with it, rather than the two legs on the other trading strategy. For the first step, you need to go through and find the stock that you would like to work with. Remember that for the iron condor to work, you need to have a stock that is pretty stable and is not going to go up or down too much in the process.

The next step is to sell one deep OTM put option of the stock that you selected. Then buy one OTM put options with the same expiry date and with the same stock that you sold in the first step, but make sure that this one has a lower strike price.

After those steps are done, it is time to sell again. This time

you are going to sell a deep OTM but it needs to be a call option. You want this to use the same stock and have the same expiry date as what you used in the last part. And finally, you can buy an OTM call option that has the same stock and the same expiry date as all the other steps, but this one needs to have a slightly higher strike-price.

One thing to note is that there is going to be a difference between the strike prices the two put options need to be the same as the difference between the strikes of the two call options if you want to accurately create this strategy. Throughout the time until the expiry, you will want to monitor how your position is doing. Unless you are certain that your stock is going to keep within the limits that you have placed, you will want to consider exiting out of the trade when the position is making 50% or more of the maximum profit that you want out of this trade. If you find that the market goes against your expectations and there is a big directional movement of your stock, it is time to close out all of the positions and wait until that stock has time to stabilize before entering again.

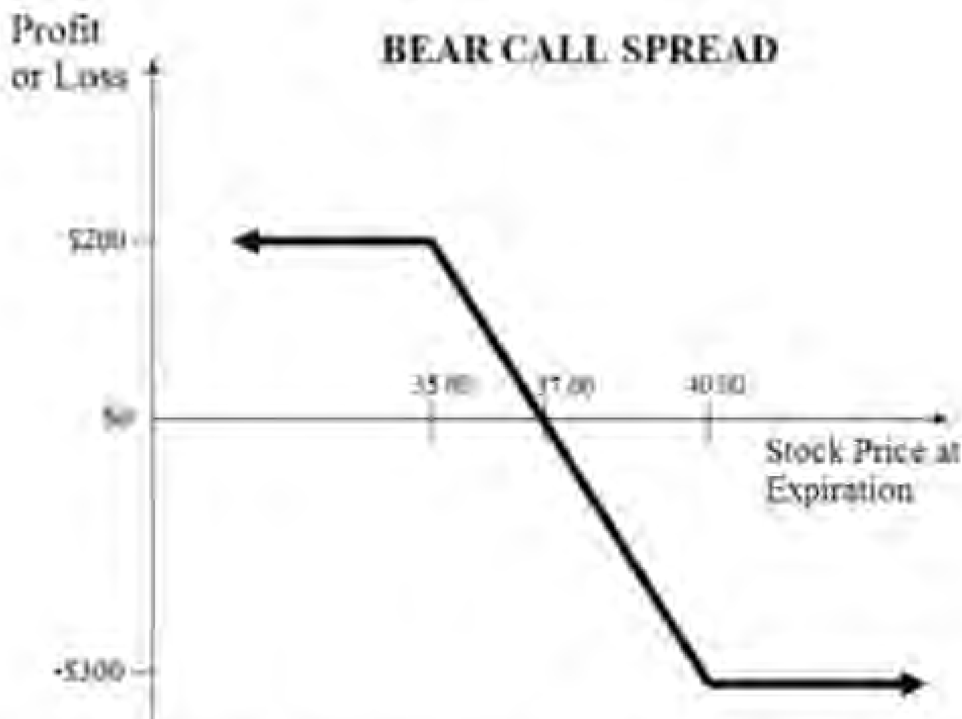
You would choose to go with this strategy any time that your stock is showing a really low amount of volatility. This means that the stock is not moving much or if it is moving within a range that you are able to define easily. For the most part, index options are going to be the best for executing this strategy compared to stock-based options since

these indexes are often less volatile. If you are working with a market that is pretty stable, you will find that iron condors are the safest option for winning.

The biggest advantage of using the iron condor is that it is considered a neutral position and you are likely to get some kind of profit as long as you execute this strategy the right way, no matter which way your chosen stock or index ends up moving. And since this is a net credit strategy, it will be able to help you work against the issues with time decay.

The biggest disadvantage that you are going to find with the iron condor is that the returns that you will get out of it are quite a bit less than what you can get from a directional strategy. In addition, the maximum loss that you can incur is going to be quite a bit more than the maximum profit that you would be able to gain in this position if you are not careful with the stocks that you are using. However, when looking at the statistics for success with the iron condor, you will notice that the probability of a win is going to be much higher than that of a loss, which helps to make this a great strategy to work with.

The Bear Call Spread



Next on the list is the bear call spread. This is another directional strategy that will be used by a trader when they believe that their underlying stock has reached its upper resistance level and they do not believe that the underlying stock is going to go up much more at this point. They usually believe that the price point of the stock is going to stay flat and not change or it is going to go back down. Basically, this is going to be the opposite strategy that we talked about earlier with the bull put spread.

Like the bull put spread, the bear call spread is also a credit spread. What this means is the premium that you end up receiving while selling one leg of this trade is going to be greater than any premium that you end up paying for the

second leg of the trade. You will end up receiving a net credit to your account when you decide to go with this position.

First, create your bear call spread is to select the right stock that fits this kind of strategy. You will find that there are a variety of stocks that you can choose from, but you will need to pick based on your outlook for this kind of index.

Next, you will need to sell an OTM call option of the stock that you selected. And third, you should purchase an OTM call option that has the same expiry date and the same underlying stock as your id with your ATM call option, but the second one needs to have a higher strike price.

Once you enter the market, you will want to constantly monitor your position each day. Once you have made a considerable profit, which is about 50% of your max profit, it is time to exit your position. Or, once you have started to recognize some of the signs of the market and you are sure that the stock is not going to end up reversing, you could wait until the stock reaches its expiry and then take the maximum amount of profit.

Sometime spans are crowned as better for entering a bear call spread than others. You would want to choose the bear call spread any time that you believe that your chosen stock is not likely to rise in price in the near future and that this stock is probably going to decline from its current price

rather than go up. This can happen when the stock from a particular company that had big market expectations posted their results and these were way below the expectations of the market. In addition, the index option could hit a big resistance level and this could cause it to go down a bit.

This method is not going to work that well if the stock is really volatile and it has the potential to rise quite a bit over the short term. You want to pick out some options that are not likely to go up anymore. You would then be able to use the bear call spread and make some profit whether the stock stays stagnant or the price goes down.

The maximum profit that you will be able to make with the bear call spread is when at the time of expiry, the stock price is trading below the strike price of the call option that was sold. To get the maximum profit, you will need to take the premium received or selling the lower-strike call option and minus the premium paid for purchasing the higher-strike call option. Then you can multiply both of these by the lot size.

The biggest loss that you would incur with this kind of spread is when at the time of expiry, the stock price is trading above the strike price call option you bought with the higher strike price. This is why you want to make sure that you are picking out stocks that are going to go down or remain steady. If the stock goes up with this option, you

will end up losing money in the process. This is why this strategy is a good one to choose if you think that the market is about to go down or you want to work with a stock that is not really increasing at the time.

The biggest advantage of working with the bear call spread is that it is going to ensure that the time-decay is going to work in your favor. As long as you go with a stock that is able to stay below your lower strike-price when the expiry happens, you will get the benefit of keeping your entire credit that you received when you entered into this position and you have the potential to make a good profit.

However, there is a disadvantage of working with this strategy. With this position, if you see that there is the possibility that the stock will make a big movement that goes against your expectations. This means that the stock starts rising in price quickly rather than remaining stagnant or going down as you had predicted. If this does happen, the maximum amount that you could lose can be a lot more than the maximum profit that you might have been able to gain with this strategy so there is some risk.

The Bull Call Spread

Now we are going to take a look at the bull call spread. This is another directional strategy that you are able to use any time that you have a positive outlook on your stock and you think that it is going to have a moderate rise in the short-term. As you will find with any of the other strategies that are spread based, both the potential losses and profits are going to be capped when using the bull call spread. However, the best advantage of using this spread is that the maximum amount of profit that you will be able to gain from

this strategy will exceed the maximum amount of loss that you may incur.

The bull call spread is a bit different than the other strategies that we looked at because it is considered a debit spread. This means that you must pay what is known as a net debit to enter the position. This spread, as well as the bear put spread that we will talk about next, are the two strategies that you can choose that provide a high percentage of returns because they can be used to capitalize the momentum of the market while still making sure that the risk is as low as possible.

How can you get started with this strategy? First, you will want to pick out the stock that will meet all the criteria that you need to trade successfully with this strategy. Once you have chosen the strategy, you need to make a purchase of one slightly OTM call option.

Next, you need to sell one OTM call option, but make sure that this call option has a strike price that is about one or two strikes higher than the option that you originally purchased. Both need to have the same expiry date and they need to be using the same stock.

After you have made both of the purchases that you would like, you need to make sure that you monitor your position and watch what the market is doing. It is a good idea to close up the position as soon as the trade has provided you with

a good amount of profit. This is going to be when the profit reaches about 30-40%of the maximum amount that you can make on this trade.

You may be wondering when you should choose to use this kind of strategy when it comes to options trading. You will want to trade using the bull call spread whenever the market has a good outlook on whatever your chosen stock is. For example, if the stock of a company has received some positive news, like a good strategic move by the company, good earnings result, or some other news that would increase the growth of the stock.

You can also choose to work with the bull call spread on stocks that have been overcorrected and then have started showing strong signs of reversing. One thing to notice with this strategy is that since it works as a debit strategy, the time-decay is going to end up working against you. the decay will be much slower compared to working with a naked long call position, but the time-decay is not going to work as well as it did with the other options. This means that it is not the best idea to hold onto this spread for more than two or three weeks unless you see that the position keeps on gaining after the two weeks and that it is gaining a lot more than you expected.

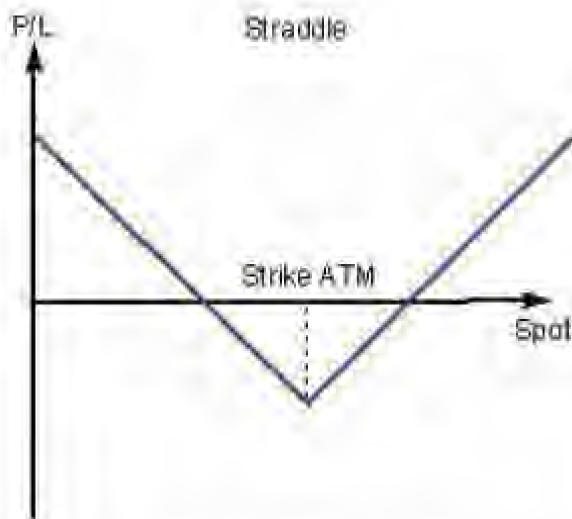
If you enter this trade and notice that there really isn't any momentum for the two weeks or more, it is best to exit out

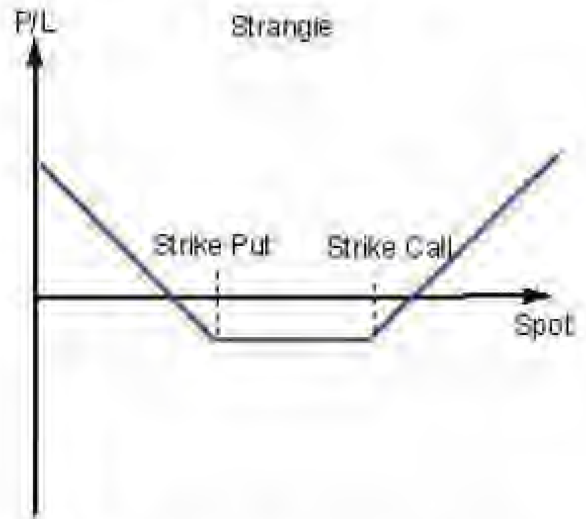
of the trade. You may end up taking a small loss when doing it, but at least you are able to free up your capital to use on other trades and you won't have to worry about losing more money out of the profit.

The main advantage of using this type of strategy is that there is a good ratio for your reward to risk and even a moderate move up in your stock could help you to make some good profits. You are also able to increase your potential for profits by widening up your spread, which means that you would increase the strike prices between your two options. You can also choose to reduce your risk a bit more by decreasing how many strike prices are between the two options. The method that you choose is going to depend on how much risk you would like to take and how favorable the market is.

You have to remember that you have to work against the time decay when you are working with this strategy. Despite the limited amount of loss potential with this strategy, if you are working with a stock that stays stagnant for a long time, the position will lose you money.

The Long Straddle/Strangle Strategy





Another strategy that you can work with is the long straddle and strangles strategy. This strategy is nice because it has the potential to make the trader unlimited amounts of profit but there is a limited amount of risk. You have to make sure that you are picking the right kind of stock to make this strategy work. For example, this is a good strategy to work with if you feel your chosen stock is going to deal with a lot of volatility in the near future.

Compared to the other strategies that we have talked about so far in this guidebook, the long straddle is considered one of the riskiest strategies and you will only want to work with it if you feel the movement in your stock or your index is going to be pretty big over the near future.

However, even though there is some risk that comes with this strategy, it does have the potential to help you earn the maximum amount of profits compared to some of the other strategies as well. This is because there isn't an upper limit

on the amount of profit that you are able to make when you are working with the long straddle while the other strategies will have a limit on the profit.

There is also the long strangle. This one is similar to the long straddle but there are some modifications that make it slightly different. We will discuss the long strangle a bit more later on.

So, to execute the long straddle is going to be a bit different than what you were able to do with some of the other strategies that we have talked about. First, pick out the stock that you would like to do. To see success, you need to pick out a stock that is going to show a lot of volatility along the way in the near future, or you are not going to get good results.

After you have chosen the stock that you want to work with, you need to purchase an ATM call option of this stock. Then you need to purchase an ATM put option that has the same stock and the same expiry date as the call option that you purchased in the previous step.

When you complete the purchases, you will want to watch your trade pretty closely. When you see the large price movement that you were watching out for, it is time to close the legs at the same time. This is another strategy that is going to have to fight against the time decay issue and this time decay is going to impact both options, so it is best to not hold onto this kind of strategy for over a few days.

One thing to note is that the strike prices of both your put and your call options need to be the same when doing the straddle trade. This can be difficult to do when entering into a trade though and you may not be able to purchase the options when the market price of the stock isn't matching up to your chosen strike price. When doing this trade, you may find that the market price of your chosen stock might end up being slightly above or below the chosen strike price of your option. This implies that you have a likelihood of ending up with one option that is slightly OTM and the other one ends up being slightly ITM when you initiate this kind of trade. This is fine as long as you keep them as close to ATM as possible.

The long straddle and strangle is a strategy that you are only supposed to use on rare occasions and only when you think that there is going to be a sudden and big rise or fall in the stock you want to choose, usually following some external factor. Even in this kind of trade, when you enter into the long straddle position, you want to make sure that the volatile still isn't too high. Most traders are going to stick with a stock or an index that is less than 60%of historical volatility. The reason that you want to be careful with this is because if there is a big drop in the volatility of the stock, even after the price movement goes the way that you want, this drop-in volatility is going to end up harming how much profit you can make.

Ideally, the long straddle can be traded when there is a big decision making or policy change in the company, especially one that will have a big impact on the stock for that company and that could cause it to fall or rise really quickly over a few days. Some of the situations that may result in conditions being right for the long straddle include:

- The quarterly or annual results from a company will come out in the next few days and people have some big expectations from these.
- A big decision regarding the company that owns the stocks is going to come out soon. This could include a decision for the company to change their management or to do a merger with another company.
- A big announcement that will talk about a large dividend or a bonus issue is going to come out soon.

If you are working with a benchmark index, there are many situations that could make it rise or fall. Some of these would include the announcements of the annual budget for the company, when the company is going to make some new monetary policy decision when there are some major elections in the management of the company, and even some major socio-economic decisions. If you see that any of these are going to happen with the underlying stock, it may be time to work with this position.

On the other hand, if you see that your chosen stock is trading on a pretty narrow range, or if you feel that the outlook on that stock is pretty neutral (without much movement even if it is negative or positive) over the short-term, then the long straddle strategy is not the right one for you. It should also be a strategy that you avoid if the volatility is high, even if there is some potential for movement.

When you get into the long straddle position, it is a good idea to exit this position once you see that there is a big rise or fall in your position and you are gaining profit. It is common for many people to stay into the market too long with this strategy and if you hold onto that position too long, you could end up losing any profits that you earn, thanks to the potential of a drop in volatility or because of the time decay issue.

The primary advantage that you are going to see when working with the long straddle is that you do have the potential to earn unlimited profits as soon as the trade crosses pass the break-even point, no matter what direction it goes in. the straddle is often used to earn profits even when a stock is volatile in the market without having to worry about predicting which direction that the stock will move in and for how long. Volatile stocks often go up and down pretty quickly and it is hard to figure out which way you should go. With this strategy, you will have the opportunity to profit from a rise and a fall of your stock based on the

points that you pick.

Another benefit that you can find with the straddle position is that it will limit how much risk that you are exposed to. The amount of risk that you will face is the total amount of premium that you paid when you decided to enter into the trade with this stock.

The biggest disadvantage that comes with using the long straddle is that you will have to deal with the time decay issue. In fact, the time decay issue could affect both sides of your straddle trade, the call and the put, so this issue is compounded and can cause you more issues than you would have with other strategies.

Another disadvantage of using this kind of position to earn a profit is that it can be a bit difficult. In order to earn a profit, you need to properly predict that your chosen stock is going to have a very sharp movement, either up or down, in a pretty short amount of time.

The long strangle

Before we take a look at how to make this strategy work, we also need to take a look at what the long strangle is all about. This strategy is very similar to the long straddle but instead of purchasing an ATM call and put with the same strike price, the trader will choose to purchase a slightly OTM put and call for the same stock and the same expiration date.

The advantage of going with this long strangle rather than the long straddle, is that the amount of premium that you will have to pay for your premiums will be less than what you have to pay with the long straddle. However, for the long strangle to work, you are going to need the move in the market to be much bigger in order to recover your costs.

Traders are going to profit using the long strangle any time that they see a sharp move in their stock, similar to using the long straddle position, and you still have a potential to make unlimited profits. However, with this strategy, the maximum loss is going to happen if the price of the stock settles between the strike price for the call and the put when you reach the time of expiry. The maximum loss though, in both the straddle and the strangle, will be the premiums that you paid for the put and the call options.

The Bear Put Spread

So far, this guidebook has spent some time talking about quite a few of the strategies that you are able to use in order to be successful when it comes to options trading. The next one that we are going to discuss is the bear put spread. This is another directional strategy that you will want to employ any time that you have a negative outlook on your chosen stock. This means that you are taking a look at a stock and you expect that in the near future, it is going to fall moderately. This is another debit spread; just like the bull call spread that we discussed earlier, which means that you will be in charge of paying a debit in order to enter into the position.

To get started with this kind of strategy, you will want to

pick out the right stock that will fit into the criteria that are needed for this strategy. Remember that for this strategy, you want to have a negative outlook on the chosen stock. You want a stock that is going to go down for some reason, whether you have heard some bad news about the stock or there is something else that is going to bring the value of your stock down.

After you have been able to pick out the right stock, you will need to purchase one slightly OTM put option. You will also want to sell one OTM put option, making sure that the strike price ends up being about one or two strikes lower than the option that you purchased in the first step. Additionally, ensure that you are picking out ones that have the same stock and the same expiry date as what you did with the first step.

Once you are done with all of these trades, you want to make sure that you monitor your position and watch what is going on. You will then want to get out of both positions once they have helped you to receive significant profit, which is about 30-40%of the maximum potential profit.

This one is going to work similar to what you were able to do with the bull call spread. If you decide to increase the spread, you are going to increase how much potential profit you are able to make, but it also increases the risks that you are dealing with. In addition, you can choose to decrease the spread, the risk will also decrease, but you would also limit

how much profit you could potentially make on the trade.

There are a few times when you will choose to trade using the bear put spread. You will want to go with this kind of strategy when the market has a pretty negative outlook on the stock that you want to use. This is usually going to happen when some development occurs, such as the company not making the earnings that it should or the organization has made some new changes or decisions that the investors did not look at favorably.

Some people choose to trade with this kind of strategy when the company is part of or is selling under pressure. They do not want to sell but there is something that is going on that will make them feel like they do need to sell. For example, there may be some environment or market conditions that are unfavorable to the company that surfaced and is changing the company.

Remember that since the bear put spread is considered a debit spread strategy, you will have to work with the time-decay and it is going to go against your overall position, even though this kind of decay is considered a lot of slower than what will happen with a naked long put position.

When it comes to the disadvantages and advantages, this spread is going to end up being pretty similar to the bull call spread. The primary advantage that comes with this trade is that the ratio for risk and reward is pretty good and even a

moderate decrease in a stock can still help you to earn some good profits.

You will also be able to increase the amount of profit that you could potentially make by widening up the spread. To do this, you will want to increase the strike price that happens between your two options. You can also choose to reduce your risk in order to help you out as a beginner and to do this you will decrease the spread. In order to decrease the risk, you will want to decrease the number of strike prices that are going on between the two options.

The biggest disadvantage that comes with this strategy is dealing with the time decay that will work against the position. And while there is a limited amount of potential loss, if the stock ends up staying stagnant for a long period of time, the position is going to end up with a loss.

Chapter 4) Strategies and analysis

There are a lot of different market conditions that you could work with when you end up trading in options. Sometimes the market will rise a little or a lot, sometimes they will stay steady, and sometimes they will fall a little or a lot. And with options trading, you are able to make money on all of these conditions if you use the right strategy. This chapter is going to spend some time talking about the different strategies that you can use in many different market conditions to help you make a profit no matter what!

Strategies to use in every market

As a beginner, there are a lot of different strategies that are out there that you are able to keep track of and use the way that you want. But all of this information can be a bit confusing when you first get started out. To keep things a bit easier, we are going to take a look at some of the market scenarios that you may run into overtime and how you can pick out the right strategies that will handle these markets and still be successful.

Securities price rises a bit

The first thing that we are going to look at is if the price of your security ends up raising a little bit. There are a few options for strategies that are going to work here including the

short put; the bull put spread, and the bull call spread. First is the bull call spread. The advantage of using this strategy is that you are able to reduce some of the costs that you pay upfront but the downside is that there are some limitations on your profits if the asset ends up rising quite a bit.

You can also work with the bull put spread. This one is similar, but you will write the puts on the asset while also buying this amount of puts. The good thing about this one is that you will still make a profit even if your asset doesn't rise during that time, but if the asset does see a significant increase in price during that time; your profits will be limited.

And you can choose to work with a short put. This is simply a sell to open order where you will write the puts on the asset you think will see an increase in price. The best move to do with this one is to write close to the money put options that are going to end up expiring soon. With this strategy, you get the benefit of using one that is simple but if the asset ends up going down quite a bit in price, you would lose out on your money as well.

Securities price falls a little bit

If there is something going on in the market and you think that the price is going to fall a bit, there are going to be three strategies that you can pick as well including the short call,

the bear call spread, and the bear put spread. With the bear put spread, you get the advantage of having a cheaper option compared to just purchasing a put, but the profits are going to see some limitations if the security ends up falling quite a bit, instead of a little.

You can also work with the bear call spread. With this one, you would write out calls and then purchase calls that have the same asset with the same expiration date, but the ones that you end up purchasing should have a higher strike price. This is an option that is usually saved for some of the more advanced traders because it is difficult and if your asset falls quite a bit in that time, your profits will be limited. The good news is that if the security doesn't end up moving at all, you will still make a profit.

The short call will be an option that you can choose as well. This is going to consist of the trader writing out call options at or near the money, using an order that is known as sell to open. Ideally, for this to work, the options should expire soon. With this one, even if your asset doesn't seem to move, you are still able to get a return, but you will lose out if the price goes down quite a bit.

Security goes up a lot

If you think that your security is going to see a dramatic increase in price soon, there are a few strategies that you

are able to use including the short bull ratio spread and the long call. The long call is basically just a buy to open order to purchase calls. The advantage of going with this one is that you do have limitless profits if the price does go up quite a bit on your security. On the other hand, if the security doesn't change in price or if it ends up going down, you have nothing to protect you in this scenario.

The other option to go with is the bull ratio spread and it is usually another one that will be reserved for traders who have been doing this for a bit. With this kind of strategy, you would need to buy and write calls of the same asset that will expire at the same time. You will be in charge of buying more options that you write. The biggest advantage of this one is that you will have some protection if the asset price does start to fall or doesn't move at all, but it won't provide you with the same profit possibilities as some others.

Security prices go down a lot

If you are working with a security and you think that the price is going to go down quite a bit, it is possible to work on a long put or a short bear ratio spread to help you out. The long put is pretty simple and it is a good option for beginners. To start with this, you would need to work with

your broker to use a buy to open order and then you would buy a put option on your asset. It is always best to buy at the money contracts, which basically means that the strike price is going to be the same as the market price. This helps you to keep a better handle on the risk that is going to be involved. If you feel that the security will fall soon, you can pick out a contract that has a close expiration date. The downside to this option is that if the price ends up rising or doesn't move during your time, you will not get the protection you need to cut your losses.

The other option is to choose a short bear ratio spread and it is a bit more complex. You will buy puts and write puts at the same time and they will have the same asset and the same expiration date, but you need to make sure that your written puts come in at a higher strike price and you must purchase more contracts than you end up selling. This helps you get protection if the security ends up staying constant or goes up, though you do end up with fewer profits compared to the other strategy.

Security rises to a certain number

If you have a number in mind that your security will get to and you think that it will reach that place within a certain amount of time, there are a few strategies to work with including the bull condor spread and the bull butterfly spread. With the bull butterfly spread, you will conduct

three transactions, which is why it is considered more advanced. You will write calls that have the strike price of what you think the asset price will be when it expires. For each two calls that you write, you will need to purchase one call that is the next lowest strike price and then purchase another call that is at the next highest strike price. There can be a lot of profit from this option, but there are no limits to the potential losses.

If you want to get even more complex, you can use the bull condor spread that has four transactions. With this one, you will write calls with each strike price on the lower end of the price range that you want the asset to rise to, while also writing a few calls on the higher end. You can also buy calls at the higher and the lower strike price. The strategy can be great for profits, but since there are so many transactions in the process, remember that you will have to pay your broker more to complete this.

Security falls to a specific number

For this one, you believe that the asset you will invest in is going to fall down to a specific number. The best choice to do with this one is the bear butterfly spread, but there are going to be three transactions that have to occur for it to be effective. You will write the put options at whatever price you think the asset is going to fall to, and then, for every two puts that you end up writing, you are also going to

purchase two put options. One of these needs to be a higher strike price and the other should be lower with them both expiring at the same time. The advantage of doing this one is that you won't end up losing as much money if the asset doesn't move in price the way that you would like. However, commissions can add up because you are ordering three different transactions.

The security moves up or down in price

Sometimes the market may be a little volatile and you are not sure if it will see a rise or fall in price, but you are fairly certain that it is going to go one way or the other in a big way. There are a few strategies that work well with this one including the short butterfly spread, long gut, long strangle, and the long straddle depending on what you would like to see happen.

Using a long straddle can be good because you can increase your potential for how much profit you are able to make; however, if there isn't a big change in your asset, you are going to experience some losses. The long strangle is going to be cheaper than the other option, but you do need to see a larger change in the asset price for it to do you any good.

You can also choose to work with the long gut if you are a beginner because it will involve buying in the money call

options while also purchasing in the money put options. All the things that you purchase should end up with the same expiration date and you should end up with the same amount of call and put options when you are done. If you think that the asset will move soon, you want to pick out options that have a short expiration date.

If you are a more experienced trader, the short butterfly spread can be a good option for you. There will be three separate transactions for this one including selling in the money calls, selling the same amount of out of the money calls, and buying twice as many at the money calls. All of these options need to end up with the same expiration date. For the strike prices, you're out of the money calls should end up proportional to the amount that your money calls at in the money. If you are with a strike price that is pretty close to the asset price, the asset won't need to see much movement for you to see a profit, but the profit will be smaller.

Security doesn't see a price change

And finally, what are you going to do if your asset ends up not moving at all. Luckily, you can try out a few different strategies to make this one work include the butterfly spreading, short strangling, and the short straddle. The short straddle is going to be a higher level of trading because it involves using a sell to open order so that you can

write at the money calls and then you have to do the same number of puts on that asset. Both should end up with the same expiration date if possible.

With the short strangle, you will need to write call options as well as the equal number of puts. They need to be out of the money. If you go with contracts that are considered really out of the money, the price of the asset will need to have a huge amount of movement before you would lose anything. And if you go with shorter term expiration for the options, it means that you will have a better chance of receiving a profit from this.

Most beginners are not going to choose the butterfly spread on this one because it is going to be difficult and more expensive than the other options. It does have a lower upfront cost, but there are quite a few transactions to make it happen and the commissions are going to add up quickly.

Option Trading Strategies

No matter what type of investment you choose to work with, there are always going to be some risks that come with it. One of the best ways that you can ensure that you reduce those risks is to find a good strategy that will help you to pick out the right options and earn money in the

process. Many beginner investors who do poorly will often fail because they either didn't pick out an investment strategy in the beginning, or they didn't understand and use that strategy in the proper way.

Often, picking out a strategy is going to help you to choose which options to go with because all the strategies won't work with all of the options. The right strategy can also help with determining how much risk you are willing to take on when you first get started. This is why it is so important to pick out a good investment strategy right in the beginning before you even talk to your broker or pick out any options to trade in.

So, at this point, you are probably curious as to which options you should work with to see a good profit. Some of the best options trading strategies that you can pick include:

Covered call

This strategy is going to involve actually going in and purchasing the assets. Once you own the assets, you would write out a call option for them. This is a good strategy to use when the trader wants to earn some profits from their call premium, while also being able to protect against the possibility of the asset losing some value. With this one, if the volatility increases, the trader stands to lose, but if the volatility decreases, the trader stands to gain.

Naked call

This is a riskier strategy to work with so if you are just getting started and want to keep your risks pretty low, this is probably not the best option for you to choose. With this option, the trader is going to sell a call option on the open market, but they don't really own this asset. It can cause you to lose a lot of money if the trade doesn't work out, but there are a lot of gains as well if it is done in the proper way.

Married Put

This one is going to be a bit different because you will do a combination of the two above to help protect yourself. In this kind of option, the investor will make the purchase of the asset they want to use while also doing a put option for them. This is a good choice to go with because it will protect them against any short-term losses that may occur.

Bull call spread

Another strategy that an options investor can choose is the bull call spread. With this particular strategy, the trader is going to buy call options once a specific strike price is reached. Then when that strike price gets a bit higher (they will need to choose the right strike price that they want to use here), the trader will turn around and see the option and make a profit on the difference. This is a good strategy to go with any time a trader is looking at an option and thinks

that the asset may soon go up a bit in the near future so they can make a profit from this.

Bear put spread

You can also work with the strategy that is known as the bear put spread. This one is similar to what we say with the bull call spread, but a bit different because it goes the opposite way. This particular strategy is going to involve making a purchase of a put option instead of at a certain strike price. Then when the strike price goes lower, they will sell the option. This is a strategy the trader would work with any time that they think the price of the asset is going to go down. They can still make a profit from this as long as the price of the asset goes down. If it goes up, they stand to lose.

Protective collar

The next strategy that can be used is known as a protective collar. For this one, the trader is going to purchase an out of the money put option and then at the same time they will write an out of the money call option. This strategy is one that the trader will use when they see that the long position they have chosen is doing well. The protective collar is going to allow the trader to lock in the profits that they want without needing to sell the asset's shares in the process.

Long straddle

The long straddle strategy is one where the trader is going to pick out an option that they like and then they will buy a put and a call of this asset. Both orders are going to work on the same expiration date and strike price. This is the strategy that you would want to use when the trader knows that the price of their asset will make a dramatic move sometime in the future, but they may be uncertain about which way the move is going to occur. This allows the trader to make money no matter which way the trade ends up going.

Long strangle

This one may look similar to the option that we had before, but there are a few differences that will make it unique. One difference is that while the put and the call options are going to still be the same asset and will use the same expiration date, they will come in with different strike prices. The price that is used with the call option will usually end up higher than the price of the put strike, but both of them are going to be out of the money. This option is often less expensive compared to the long straddle, but it is a choice to go with when you think the price of the asset is going to move up or down quite a bit soon.

Butterfly spread

This one is going to be kind of a combination of a few

strategies and you may recognize a few points from the bear spread and bull spread that we talked about earlier, which makes this one a bit more complicated. One method is going to purchase a call option at the strike price that is as low as possible while, at the same time, selling two of your call options at a much higher strike price. Another option is to sell another call option that has a higher strike price compared to the other two calls.

Iron Condor

For this strategy, the trader is allowed to hold the short and the long position at the exact same time, but there has to be two strangles that are separate. It is a good way to get started with selling your options because you won't be able to experience a loss on both sides when you do this trade. This means that you will only lose on one side while you win on the other and this is a great way to get into the market.

Iron butterfly

This is a good strategy to go with as a trader when you want to have control over limiting your profits and losses within a range that you get to specify. To help cut your losses and make sure that you are limiting your risks, the trader will use what is known as an out of the money option. To work with this strategy, the trader is going to combine together either a long or short straddle with a purchase or they will do a sale of a strangle at the same time. This one is a bit

different than the butterfly spread we just talked about because it will use both puts and calls.

Chapter 5) Creating an options trading Plan

Now that we have taken some time to learn more about options and the benefits of trading in them, it is time to get started on the actual process of trading with them. We will make this easier by breaking things down into steps so that it is easier to understand. Sometimes as a beginner it is confusing to know where you should begin or what steps to take, so we are going to try to make this as easy as possible so you can be successful right from the beginning.

Getting ready

Before you start with the actual process of trading, there are a few steps that you can take first. You need to have a good understanding of some of the basics, which we have covered a bit, such as the types of options available. The more information you have about options and what they are, the more prepared you will be to begin this journey.

Once you are pretty certain that you have a good grasp on trading and what comes with options, it is a good idea to think about why you want to go into trading? How much money would you like to make and what other goals are important to you during this time? It is always a good idea to be precise in your goals because you can develop your strategy around this. It also helps to break frustration and overspending from the start.

But the most important thing that you can do in this first step is to make sure that you create what is known as a trading plan. This is basically a plan that lists out everything that you want to accomplish such as your expectations, goals, and the guidelines that you will follow with your strategy. Those who don't go into this with a plan are the ones who add a lot of risk to the whole process.

Getting a broker

The second step is to find a good broker to work with. The broker is the person who, at your request, will make the actual trades. Remember that they will require some fees and a commission for the work that they do, so factor this in when figuring out the costs of getting started with options. Do some research on the broker that you would like to work with? There are some that will offer their services at a discount, but you have to determine if they are a good choice for you or not.

When you first get started with your new broker, they will probably sit down and discuss some of the things that they like to do with trading and they will go over a risk assessment with you since you are a new customer. This risk assessment is when the broker will figure out how much risk you will feel comfortable with based on your investment and financial history, and then they can assign you a

trading level to keep you safe. This is a good place to start to develop your strategy and will help the broker to provide you with the best services possible.

Choosing your underlying assets

Since a contract with options is going to be a derivative of other securities, there are quite a few that you will be able to pick from. You are able to purchase and sell options contracts of things such as stocks, bonds, foreign currencies, commodities and so much more. This is great news because it allows you to work with what you are comfortable with and will give you a lot of flexibility in the process. The key point here is to do your research before entering the market because it is never a good idea to just pick out a bunch of options that you have no idea about simply because you can.

Managing your money and your risk

The next thing that you need to consider when you get started with options trading is to know how you can manage your risk and your money. Like any type of trading, options are known to be risky and if you just jump in without a plan and you aren't careful, it is possible for you to lose a lot of money. When you are creating your own trading plan, it should include some guidelines on the amount of risk that you will take depending on the money amount that you are using.

Get this kind of plan in place right from the beginning and keep it there. Having this plan in place is going to help keep your emotions out of the game; if emotions get into the game, you may as well give up now because you will make bad decisions that will lose you a lot of money. This is true whether the emotions are excitement, greed, nervousness, or something else.

Before you make any decisions with trading, take a breath, look over your plan, and then make the decision that will stay closest to that plan. If you follow that good feeling that you have about a trade, you will often take on more risk and it could be disastrous.

One way to help you keep better hold on your risk and money is to use what is known as an option spread. This is when you will combine more than one position on your contract on the same security. This way no matter which way the market goes, you will end up making some money off the process rather than losing out.

Diversifying

Another thing that you need to work on when you enter the stock market is diversifying. This makes a lot of sense and is actually one of the best ways to limit how much risk you are taking on. There are some choices that you can make when

it comes to diversifying in options trading. You can choose to work on a variety of strategies, pick out different securities, work on different orders, and even invest in different types of options.

Position sizing

This step sounds kind of fancy, but it is pretty simple. All that it means is that you will decide how much money, or how much of the capital that you are using, that you want to spend on taking a certain position while trading. It is similar to diversifying because you probably don't want to spend all of your money sitting in one position. When you stay in control of your capital, you are able to control your losses better and it is easier to protect yourself from big losses.

Planning out the trades

Once you have finished out some of the other steps, it is time to get with your broker and start options trading. Some of the steps that you need to do for this part include:

- Forecasting: in this step, you need to make predictions about what will happen with the security, such as whether it is going to rise or fall. Having this forecast is going to determine the strategy that you will use and the options that will fit into that strategy.

- Setting goals: in this step, you will have to decide what your goals are. You can ask yourself some questions for this one, such as how much you would like to make off the trade? This can help you determine whether or not the trade was successful when it is all done.
- Choose the right strategies: there are a lot of great options trading strategies that you can choose and we will discuss them a bit more lately. But having a good strategy in place is going to help you be successful. Before you contact the broker about making a trade, you need to choose what strategy you would like to use.
- Choose your position sizing: this is going to be the basic decision of how much money you would like to put into each option so that you have a good idea of the risks ahead of time.

Making the trades

Once the other steps are done, it is time for you to contact your broker and work with them to place the orders that you want to work with. You should have already set up the funds with the broker, so it won't be too hard to get the orders going quickly. This is the point where you are entering into a trade and you should also spend some time writing out what circumstances need to happen when you want to

exit the trade. Will you keep going until the contracts expire? Will you close them early when you receive certain information? Or is there some other determining factor about when you will exit? This is important because it helps you to have a good strategy for all parts of your trading.

Monitoring the trades

After you place your orders and the broker has been able to make the trades for you, there are a few other things that you will need to do. it is not enough to just put in the money and hope that things go well. Instead, you need to spend your time monitoring the trades as they are in progress. What this means is that you have to keep good records about what is going on throughout time with your security so you can make good decisions about holding onto this option or whether it is time to close it or not. The choices that you will make during this particular stage will depend on whether you lose money or make a profit on the options that you chose.

And that is basically all that it takes to get into the options trading and start making the money that you want in the process. If you pick out a good trading strategy and a good process to work with along the way, this process can yield you a good return on investment without having to put in as much work as you find with the stock market. It can still

be hard to do sometimes, but as you get better at your strategy and work hard to learn how this market works, you can make some good money in the process.

Chapter 6) Common pitfalls for beginners and how to avoid them

Inexperienced traders are often warned away from purchasing options that are out of the money as being a greater risk than the ultimate reward is likely to be. While it is true that a short expiration time coupled with an out of the money option will frequently look appealing, especially to those with a smaller amount of trading capital to work with, the issue is that all of these types of options are likely to look equally appealing which leaves them with no way to tell the good from the bad. As a more experienced trader, however, you have many more tools at your disposal than the average novice which means that, while risky, cheap options have the potential to generate substantial returns, as long as you keep the following in mind while trading them.

Mishandling early assignment: Early assignment occurs when a holder exercises an option that you are the writer upon much early that you had anticipated, and at terms that are much less favorable than you had initially hoped. If this happens, it can be easy to become flustered and simply sell as requested, taking a loss in the process. Instead, it is important to consider all the possible options, including purchasing another option for the express purpose of selling it, to ensure that you mitigate the extra costs as completely as possible.

Ignoring the statistics behind options trading: One of the biggest mistakes that most newbie options traders make is that they forget the probability is a real thing. When you check a potential stock before purchasing an option, it's important to understand that the history of an option is important when deciding whether or not you should be investing in it, but so are the odds and probability surrounding whether or not a particular event is going to occur.

For example, a common strategy that investors use is to leverage their money by investing in cheap options so that this will help to prevent big losses on a stock that they actually own shares of. Of course, this is a good strategy, but nothing works one-hundred percent of the time. Make sure that if the rules of probability and simple ratios are telling you to stay away from a deal, you listen to the facts that are staring you in the face. Wishful thinking will come to bite you later on.

Being overzealous: Oftentimes when new options traders finally get their initial plan just right, they become overzealous and start committing to larger trades than they can realistically afford to recover from if things go poorly. It is important to take it slow when it comes to building your rate of return and never bet more than you can afford to lose. Regardless of how promising a specific trade might seem, there is not risk/reward level at which it is worth considering a loss that will take you out of the game completely

for an extended period of time. Trade reasonably and trade regularly and you will see greater results in the long term guaranteed.

Not being adaptable: The successful options trades know when to follow their plans but they also know that no plan will be the right choice, even if early indicators say otherwise. There is a difference between making a point of sticking to a plan and following it blindly and knowing which is which one of the more important indicators of the separation is between options trading success and abject failure. This means it is important to be aware of when and where experimentation and new ideas are appropriate and when it is best to toe the line and gather more data in order to make a well-reasoned decision.

This also means having several different plans in your options trading tool box and not just resolutely sticking to the first one that brings you a modicum of success. This is crucial as there are certain plans that will only work in specific situations and knowing which to use when, in real time, will lead to significantly greater returns on a more reliable basis every single time.

Likewise, an adaptive options trader knows that market conditions can change unexpectedly and is prepared to respond accordingly. This means understanding when the time is right to go in a new direction, regardless of the

potential risks that doing so might entail. Sometimes a good trader has to make a leap of faith, and a trader who is successful in the long term knows what signs to look for that indicate this type of scenario is occurring in real time. Unfortunately, this type of foresight cannot be taught, and instead must be found with experience.

As long as you keep the appropriate mindset regarding individual trades, any new strategy that is attempted will result in valuable data, if nothing else. It is important to understand that learning not to use a specific course of action a second time is always valuable, no matter the costs.

Ignoring the probability: Always remember that the historical data will not apply to the current trends in the market at all times which means you will always want to consider the probability as well as the odds that the market is going to behave the way it typically does. The odds are how likely the market is to behave as expected and the probability is the ratio of the likelihood of a given outcome. Understanding the probability of certain outcomes can make it easy to purchase the proper options to minimize losses related to holdings of specific underlying stocks. When purchasing cheap options, it is important to remember that they are always going to be cheap for a reason as price is determined by strike price of the underlying stock as well as the amount of time remaining for the option to regain its value, choose wisely otherwise you are doing little more

than gambling and there are certainly better ways to gamble than via options trading.

Letting the opinions of other influence your trading: While every day trader is going to have opinions regarding the best way to trade this type of stock or when to use that indicator, the best day traders tend to avoid this advice like the plague and instead work out their own. The only thing you really need to focus on in order to make the right types of trades in the right timeframes is math and anything else is only going to get in the way. Keep in mind that you want to analyze and observe economic and political events not get caught up in them.

Not dealing with short options properly: While, in theory, it might seem like buying back short options at the last moment is the best choice, this practice is sure to hurt your more than help you in the long run. It may be tempting to hold onto profitable options in order to squeeze the maximum return out of each investment but you need to be aware that the potential for a reversal is always lurking in the shadows. Instead, a good rule of thumb is to buy back options that are currently at 80 percent of your ideal return or higher and let the extra take care of itself. While it may hurt to leave some potential profit on the table, it will improve your overall reliability, netting you a profit in the long run.

Not considering exotic options: An exotic option is one that has a basic structure that differs from either European or American options when it comes to the how and when of how the payout will be provided or how the option relates to the underlying asset in question. Additionally, the number of potential underlying assets is going to be much more varied and can include things like what the weather is like or how much rainfall a given area has experienced. Due to the customization options and the complexity of exotic options, they are only traded over-the-counter.

While they are undoubtedly more complex to get involved with, exotic options also offer up several additional advantages when compared to common options including:

- They are a better choice for those with very specific needs when it comes to risk management.
- They offer up a variety of unique risk dimensions when it comes to both management and trading.
- They offer a far larger range of potential investments that can more easily meet a diverse number of portfolio needs.
- They are often cheaper than traditional options.

They also have additional drawbacks, the biggest of which is that they cannot often be priced correctly using standard pricing formulas. This may work as a benefit instead of a

drawback; however, depending on if the mispricing falls in the favor of the trader or the writer. It is also important to keep in mind that the amount of risk that is taken on with exotic options is always going to be greater than with other options due to the limited liquidity each type of exotic option is going to have available. While some types are going to have markets that are fairly active, others are only going to have limited interest. Some are even what are known as dual-party transactions which mean they have no underlying liquidity and are only traded when two amiable traders can be found.

Not keeping earnings and dividend dates in mind: It is important to keep an eye on any underlying assets that you are currently working with as those who are currently holding calls have the potential to be assigned early dividends, with greater dividends having an increased chance of this occurrence. As owning an option doesn't mean owning the underlying asset, if this happens to you then you won't be able to collect on your hard-earned money. Early assignment is largely a random occurrence which means that if you don't keep your ear to the ground it can be easy to get caught unaware and be unable to exercise the option before you miss the boat.

Along similar lines, you are going to also always want to be aware of when the earning season is going to take place for any of your underlying assets as it is likely going to increase

the price of all of the contracts related to the underlying asset in question. Additionally, you will need to be caught up on current events as even the threat of influential news can be enough to cause a significant spike in volatility and premiums as well. In order to minimize the additional costs associated with trading during these periods, you are going to want to utilize a spread. Doing so will minimize the effect that inflation has on your bottom line.

Chasing bottoms and tops: There are certainly some strategies out there that are effective when used near the turning points of existing trends. These are in the minority, however, which means that picking bottoms and tops is, more often than not, a risky proposition. Unfortunately, it is an all too common mistake for traders to invest money into securities that are either too low or too high, gleefully ignoring the 2 percent rule as they do so. This impulse should be avoided like the plague and replaced with a focus on major inbound price moves instead. Sticking to one side of markets that are range-bound will lead to better long-term results at least 90 percent of the time.

Sticking with relative trends: If a trend is already well-defined in the market then it is entirely possible that it is going to continue long enough for you to make some money off of it but it is far from a guarantee. The market will naturally fluctuate up to 20 percent of its current average with very little warning, before settling back to the current standard.

This means that if you recklessly jump onto a specific trend without doing the required homework you will frequently find yourself making a momentum play that is never going to go anywhere.

Before you make a move regarding a specific trend, there are three distinct timeframes you are going to want to consider first. If you are prone to trading in the short-term then you are going to want to keep an eye on the weekly hourly and daily charts. If you prefer holding onto trades for a longer period of time then daily, weekly and monthly charts are typically going to be more useful.

Chapter 7) Thinking like an expert trader

Know when to go off book: While sticking to your plan, even when your emotions are telling you to ignore it, is the mark of a successful trader, this in no way means that you must blindly follow your plan 100 percent of the time. You will, without a doubt, find yourself in a situation from time to time where your plan is going to be rendered completely useless by something outside of your control. You need to be aware enough of your plan's weaknesses, as well as changing market conditions, to know when following your predetermined course of action is going to lead to failure instead of success. Knowing when the situation really is changing, versus when your emotions are trying to hold sway is something that will come with practice, but even being aware of the disparity is a huge step in the right direction.

Avoid trades that are out of the money: While there are a few strategies out there that make it a point of picking up options that are currently out of the money, you can rest assured that they are most certainly the exception, not the rule. Remember, the options market is not like the traditional stock market which means that even if you are trading options based on underlying stocks buying low and selling high is just not a viable strategy. If a call has dropped out of the money, there is generally less than a 10

percent chance that it will return to acceptable levels before it expires which means that if you purchase these types of options what you are doing is little better than gambling, and you can find ways to gamble with odds in your favor of much higher than 10 percent.

Avoid hanging on too tightly to your starter strategy: The personalized trading strategy that you created in chapter four if you have been following along is an important step in trading properly, no two ways around it. That doesn't mean that it is the last strategy that you are ever going to need, however, far from it. Your core trading strategy is one that should always be constantly evolving as the circumstances surrounding your trading habits change and evolves as well. What's more, outside of your primary strategy you are going to want to eventually create additional plans that are more specifically tailored to various market states or specific strategies that are only useful in a narrow band of situations. Remember, the more prepared you are prior to starting a day's worth of trading, the greater your overall profit level is likely to be, it is as simple as that.

Utilize the spread: If you are not entirely risk averse, then when it comes to taking advantage of volatile trades the best thing to do is utilize a spread as a way of both safeguarding your existing investments and, at the same time, making a profit. To utilize a long spread you are going to want to generate a call and a put, both with the same underlying asset,

expiration details, and share amounts but with two very different strike prices. The call will need to have a higher strike price and will mark the upper limit of your profits and the put will have a lower strike price that will mark the lower limit of your losses. When creating a spread it is important that you purchase both halves at the same time as doing it in fits and spurts can add extraneous variables to the formula that are difficult to adjust for properly.

Never proceed without knowing the mood of the market: While using a personalized trading plan is always the right choice, having one doesn't change the fact that it is extremely important to consider the mood of the market before moving forward with the day's trades. First and foremost, it is important to keep in mind that the collective will of all of the traders who are currently participating in the market is just as much as a force as anything that is more concrete, including market news. In fact, even if companies release good news to various outlets and the news are not quite as good as everyone was anticipating it to be then related prices can still decrease.

To get a good idea of what the current mood of the market is like, you are going to want to know the average daily numbers that are common for your market and be on the lookout for them to start dropping sharply. While a day or two of major fluctuation can be completely normal, anything longer than that is a sure sign that something is up.

Additionally, you will always want to be aware of what the major players in your market are up to.

Never get started without a clear plan for entry and exit: While finding your first set of entry/exit points can be difficult without experience to guide you, it is extremely important that you have them locked down prior to starting trading, even if the stakes are relatively low. Unless you are extremely lucky, starting without a clear idea of the playing field is going to do little but lose your money. If you aren't sure about what limits you should set, start with a generalized pair of points and work to fine tune it from there.

More important than setting entry and exit points, however, is using them, even when there is still the appearance of money on the table. One of the biggest hurdles that new options traders need to get over is the idea that you need to wring every last cent out of each and every successful trade. The fact of the matter is that, as long as you have a profitable trading plan, and then there will always be more profitable trades in the future which mean that instead of worrying about a small extra profit you should be more concerned with protecting the profit that the trade has already netted you. While you may occasionally make some extra profit ignoring this advice, odds are you will lose far more than you gain as profits peak unexpectedly and begin dropping again before you can effectively pull the trigger. If you are still having a hard time with this concept, consider this: options

trading are a marathon, not a sprint, slow and steady will always wins the race.

Never double down: When they are caught up in the heat of the moment, many new options traders will find themselves in a scenario where the best way to recoup a serious loss is to double down on the underlying stock in question at its newest, significantly lowered, price in an effort to make a profit under the assumption that things are going to turn around and then continue to do so to the point that everything is completely profitable once again. While it can be difficult to let an underlying stock that was once extremely profitable go, doubling down is rarely if ever going to be the correct decision. If you find yourself in a spot where you don't know if the trade you are about to make is actually going to be a good choice, all you need to do is ask yourself if you would make the same one if you were going into the situation blind, the answer should tell you all you need to know.

If you find yourself in a moment where doubling down seems like the right choice, you are going to need to have the strength to talk yourself back down off of that investing ledge and to cut your losses as thoroughly as possible given the current situation. The sooner you cut your losses and move on from the trade that ended poorly, the sooner you can start putting energy and investments into a trade that still has the potential to make you a profit.

Never take anything personally: It is human nature to build stories around, and therefore form relationships with, all manner of inanimate objects including individual stocks or currency pairs. This is why it is perfectly natural to feel a closer connection to particular trades, and possibly even consider throwing out your plan when one of them takes an unexpected dive. Thinking about and acting on are two very different things, however, which is why being aware of these tendencies are so important to avoid them at all costs.

This scenario happens just as frequently with trades moving in positive directions as it does negative, but the results are always going to be the same. Specifically, it can be extremely tempting to hang on to a given trade much longer than you might otherwise decide to simply because it is on a hot streak that shows no sign of stopping. In these instances, the better choice of action is to instead sell off half of your shares and then set a new target based on the updated information to ensure you are in a position to have your cake and eat it too.

Not taking your choice of broker seriously: With so many things to consider, it is easy to understand why many new option traders simply settle on the first broker that they find and go about their business from there. The fact of the matter is, however, that the broker you choose is going to be a huge part of your overall trading experience which means that the importance of choosing the right one should

not be discounted if you are hoping for the best experience possible. This means that the first thing that you are going to want to do is to dig past the friendly exterior of their website and get to the meat and potatoes of what it is they truly offer. Remember, creating an eye-catching website is easy, filling it will legitimate information when you have ill intent is much more difficult.

First things first, this means looking into their history of customer service as a way of not only ensuring that they treat their customers in the right way, but also of checking to see that quality of service is where it needs to be as well. Remember, when you make a trade every second count which means that if you need to contact your broker for help with a trade you need to know that you are going to be speaking with a person who can solve your problem as quickly as possible. The best way to ensure the customer service is up to snuff is to give them a call and see how long it takes for them to get back to you. If you wait more than a single business day, take your business elsewhere as if they are this disinterested in a new client, consider what the service is going to be like when they already have you right where they want you.

With that out the way, the next thing you will need to consider is the fees that the broker is going to charge in exchange for their services. There is very little regulation when it comes to these fees which means it is definitely

going to pay to shop around. In addition to fees, it is important to consider any account minimums that are required as well as any fees having to do with withdrawing funds from the account.

Find a Mentor: When you are looking to go from causal trader to someone who trades successfully on the regular, there is only so much you can learn by yourself before you need a truly objective eye to ensure you are proceeding appropriately. This person can either be someone you know in real life, or it can take the form of one or more people online. The point is you need to find another person or two who you can bounce ideas off of and whose experience you can benefit from. Options trading don't need to be a solitary activity; take advantage of any community you can find.

Knowledge is the key: Without some type of information which you can use to assess your trades, you are basically playing at the roulette table. Even poker players show up to the table with a game plan. They can adapt to the circumstances and learn to read other players. That way, they can tell the contenders from the pretenders. Options trading are no different. If you are unable to use the information that is out there to your advantage, then what you will end up with is a series of guesses which may or may not play out. Based purely on the law of averages you have a 50/50 chance of making money. That may not seem like bad odds, but a string of poor decisions will leave you in the poor

house in no time.

So, it is crucial that you become familiar with the various analytics and tools out there which you can use to your advantage. Bear in mind that everyone is going to be looking at the same information. However, it is up to you to figure out what can, or might, happen before everyone else does. This implies really learning and studying the numbers so that you can detect patterns and see where trends are headed, or where trends may reverse. The perfect antidote to that is vision and foresight. Practice building scenarios. Try to imagine what could happen are trends continuing. Or, what would happen if trends reversed? What needs to happen in order for those trends to continue or reverse?

When you ask yourself such tough questions, your knowledge and understanding begin to expand. Your mind will suddenly be able to process greater amounts of information while you generate your own contingency plans based on the multiple what ifs. That may seem like a great deal of information to handle, but at the end of the day, any time spent in improving your trading acumen is certainly worth the effort.

Conclusion

Getting started in options trading can be an exciting time. It is a time where you get to work with the market and perhaps make some more money in the process. Most people start out with this, with the help of their broker, to make a little extra money on the side to help them pay bills, get a retirement plan, or to just have a little extra spending money. No matter the reason that you choose to get into options trading, if you make sure that you spend time learning about it and have a strategy in place for picking out the right options, you are going to see some results.

The last thing that we are going to discuss in this guidebook is some of the characteristics that need to be in place to help you be a successful options trader. There are a lot of people who get into options trading because they are excited or they want to make some extra money, but not all of them are going to see results. So, what makes some stand out above the rest? Let's take a look at some of the characteristics that you need to have so that you have a chance of becoming a successful options trader.

Have enough capital

The first thing that you should have is enough capital to get started. Capital is going to be the amount of money that is in your account and it will be used to pay for any transac-

tions that you go through as well as any losses that you are dealing with as well. Many people who first get into options trading end up not having enough money to help them out. They will have to take out some trading time in order to send over money to help them get started, which is basically time wasted.

While some people like options trading because it doesn't require as much of a startup cost as the stock market and other trading options, you do need to make sure that you are keeping enough capital in there to handle your trades. The successful traders will make sure that they always have a good amount of capital in there so even if they end up with some bad trades, they have a bit of a cushion to fall back on.

Don't take the bigger risks

Traders who are successful in options trading are the ones who won't take as big of risks with their work. They don't see the point in taking a big gamble just for a tiny chance at seeing a big payday. They will spend their time working on trades that have high gain but low risk. Yes, this means that at times they are going to pass up some of the more thrilling opportunities that come their way, but this is because the risk is so high that they are not likely to ever see the payoff.

Some beginners have an issue with this because they want to see those big paydays right away. They may feel annoyed at the smaller payoffs and think that they need to go after

the gold right from the beginning. But the best choice is to work with the small gains so that you only experience small losses as well. You will still make a good income over time because you won't see the losses.

Trade when the time is right

Since the successful traders are good at avoiding risks, they are very careful about when they enter and exit a trade and will only do so when they think that it is a good time. They have done their research and they have a good idea of the big picture, rather than always calling their brokers up to do some more trades for them.

Sometimes this does mean that they need to sit on the sidelines for a little bit, waiting around to see if the odds will ever be stacked in their favor. There are a few resources that they will use to help them figure out the perfect time to jump right in. For example, they like to take a look at the "Big Picture" article that is released each day by Investor's Business Daily. This article is great because it lets them know how the market is doing such as whether the market is going upwards if there is any pressure in the market, or even if the market is about to go down again.

They have their own plan

We have spent some time talking about the importance of having a plan and even outlined some of the things that you

can consider when it is time to pick out a plan, such as the best strategies to use. But it is so important to get that plan in place if you want to be successful with options trading. A successful trader goes the extra mile; they not only have a plan in place, they write it down so they can keep track of all the thoughts in their head and revert back to that plan anytime they are questioning a decision.

There are a lot of things that you can consider writing down in your plan. You can write down your entrance and exit plan. You can decide on how much risk you would like to take in this market, the goals that you have overall, how the market is doing at the time, and even the strategies that you would like to use depending on how the market is doing.

In terms of all the specifics that you should include, a successful trader will make sure to include everything. This also includes a rundown of what will happen if the worst-case scenario hits and they end up losing money. They can write down how much they will lose if that scenario is a reality and when they will finally exit. This is a good way for them to reduce how much money they end up losing and to manage their risk at the same time. Yes, all traders want to do well with their options and only want to see profits, but there are times when the market doesn't always react the way that you want or that you will make a mistake and it is always a good idea to have a plan in place to keep you on track so you can minimize your losses.

There are a lot of different types of investments out there that you can choose to work with. Some are going to include taking over real estate and renting it out or selling it to others. Some will get into their own business and try to make money that way. And still, others will get into the stock market and hope they can make the right decisions. But one investment that is different from all the others is options trading.

This guidebook has taken some time to talk about options trading and all of the neat things that you are able to do with it. We talked a bit about what options are and some of the benefits of choosing to work with them instead of with some of the other investments out there. In addition, this guidebook moved onto some of the best overall strategies that you can use with options trading and what kind of market scenarios you encounter when using some of them.

As with any investment type, there is some risk involved when you get into options trading. The good news is that we spent some time talking about the most common mistakes to avoid and how to reduce the amount of risk that you take on inside this investment opportunity. Options investing are a tricky investment to choose to go with, but it provides a great return on investment and is often easier to get into compared to the stock market.

Download the Audio Book Version of This Book for FREE

If you love listening to audio books on-the-go, I have great news for you. You can download the audio book version of this book for FREE just by signing up for a FREE 30-day audible trial! See below for more details!

Copy and paste the links below to get started!

For Audible US

https://www.audible.com/pd/B07XG9DHZV/

For Audible UK

https://www.audible.co.uk/pd/B07XG93KLQ/

For Audible FR

https://www.audible.fr/pd/B07XG84KCT

For Audible DE

https://www.audible.de/pd/B07XFCLF2W/

Maybe you can be also interested to read about

swing trading!

What is swing trading? Are you a beginner and would you like to start but you don't have any kind of basics about it? Do you want to have success in your personal finances?

You will learn:

- What Is Important to a Swing Trade
- Why Swing Trading Over Day Trading
- Swing Trading Mindset to earn money and don't lose it

• The 11 most important commandments that each profession traders follow

•How to create a plan and a strategy to start trading

• How to assess the risk, how to set a stop and how to save you from your initial inexperience

•and more...

Copy and paste this link https://www.amazon.com/Swing-Trading-Simplified-Strategies-Management-ebook/dp/B07TY3R9FD/ to start investing!

This is my book:

Swing Trading: A Simplified Beginner's Guide on Swing Trading, Stock Market, Forex and Options With Strategies Plan, Risk and Time Management. Learn how to Invest

Money, Trade and Swing a Big Profit!

Maybe you can be also interested to read about day trading!

What is Day Trading? Are you a beginner and have no clue about day trading? Do you want to become rich?

You will learn:

- to read the main tools and charts
- The Benefits of Day Trading
- Understanding Futures
- Day trading pros and cons
- to avoid common mistakes with day trading
- Advice for beginners and tips for success
- Building up Your Watch List
- How to invest with a step-by-step guide and More...

Copy and paste this link https://www.amazon.com/Day-Trading-Beginners-Investing-Strategies-ebook/dp/B07TZK-GYPC/ to start investing

this is my book:

Day Trading: A Beginner's Guide on How to Trade, Living in

the Market and Make Money with Day Trading Investing in Stocks, Forex, and Options with the Best Futures and Strategies for a Trader in 2019