Lan Turner's Stock Options PlayBook

"Trading Options My Way is Boring, I Hope You Have Some Hobbies You Enjoy."

Systematic Options Trading Strategies

My Stock Options PlayBook

by: Lan Turner

Lan H Turner, Author

Mr. Turner is a 26-year veteran of the financial markets, having taught his unique trading strategies to thousands of traders world-wide, he's even taught at the Chicago Board of Trade, and Chicago Mercantile Exchanges Education Centers.

Mr. Turner is currently an active trader, teacher of finance at Dixie State University, software development engineer, and entrepreneur.

"Stop putting money into the market, and start taking money out!"

Lan Turner puts a new twist on a an old trading strategy, bringing it into the 21st century using customized tools, indicators and trading concepts. Once you understand his strategy, you'll ask yourself, "Why the hell didn't I think of that?"

Lan Turner's Stock Options PlayBook

LanTurner.com

Welcome to…
My Options PlayBook

With Lan Turner

Past performance is not necessarily indicative of future results, there is a chance of loss when trading Stocks, Futures & Forex. All educational trade examples, unless otherwise specifically indicated, are performed in a simulated environment.

The views and opinions expressed in this presentation are those of the author and do not necessarily reflect the opinions of any other person, entity, or university.

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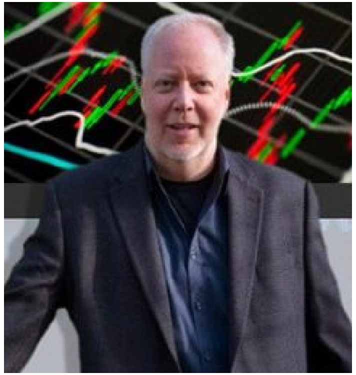
Lan H Turner, Author

www.LanTurner.com



Author Notes

Lan Turner, as of this writing, is a 26-year veteran of the financial markets, he's also the founder of Gecko Financial Services, Gecko Software, and PitNews Press, Inc.

Teacher and educator at Dixie State University, a former educator at Utah State University, guest lecturer at Bridgerland Applied Technology Center, and the University of Puerto Rico.

Also guest lecturer and educator at the Chicago Board of Trade, and the Chicago Mercantile Exchange education centers.

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Lan Turner's Stock Market Playbook.

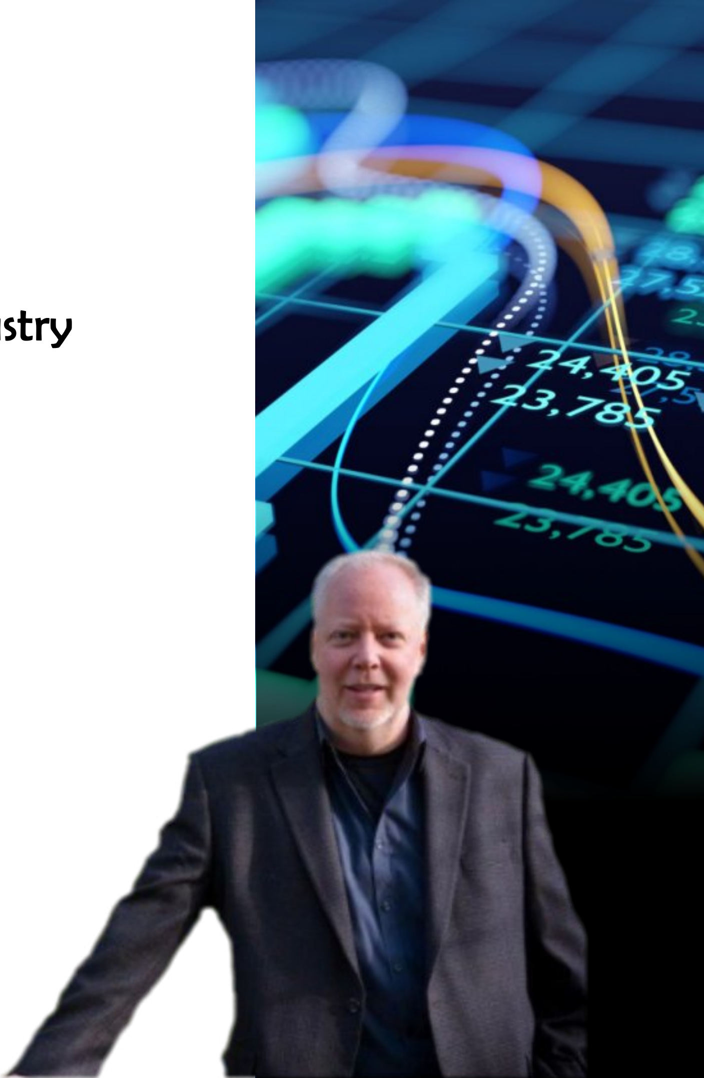
1. The main category of the book: Stock Market
2. Second category: Commodity Futures
3. Third category: Personal Finance: Retirement

Third Edition

Who is Lan Turner?

Active Trader, Teacher, Entrepreneur

- Active Trader; been working in the financial industry for over 25 years.
    - Trades: Stocks, Futures & Forex



Who is Lan Turner?

Year Active Trader, Teacher, Entrepreneur

- Teacher; taught at…
  - The Chicago Board of Trade & Chicago Mercantile Exchanges Education Centers as a guest lecturer on numerous occasions.

Who is Lan Turner?

Active Trader, Teacher, Entrepreneur

- Teacher; taught 16-years at the university level…so far!
  - Dixie State University, Utah State University, University of Puerto Rico, & Bridgerland Applied Technology Center.

Who is Lan Turner?

Active Trader, Teacher, Entrepreneur

- Private Trading Tutor.
    - The President's Club; Private Members Only Advisory Service & Trade Consultant

Enough About Me...
Let's Talk About You!

- What Are Your Financial Goals & Aspirations?
  - How are we going to reach those goals?

Class Resources

Contact Lan Turner

- My email: LHTurner@TradeMentors.com
- Office Hours: https://LanTurner.Setmore.com
- Proctors / Tech Support: 800-862-7193 (Regular Business Hrs.)

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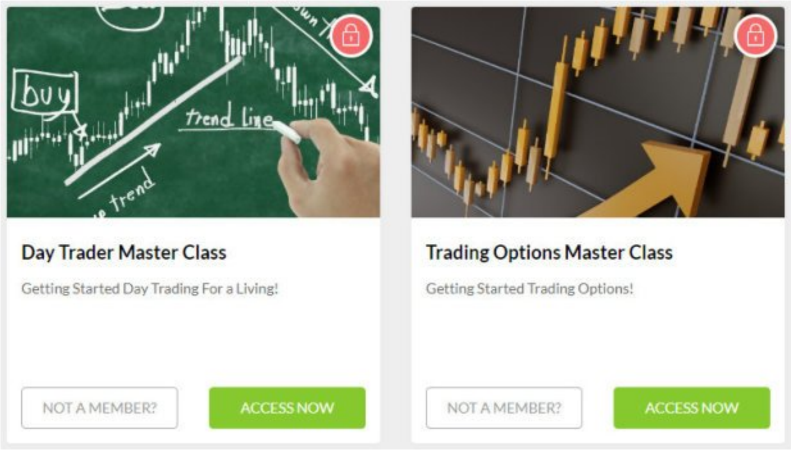
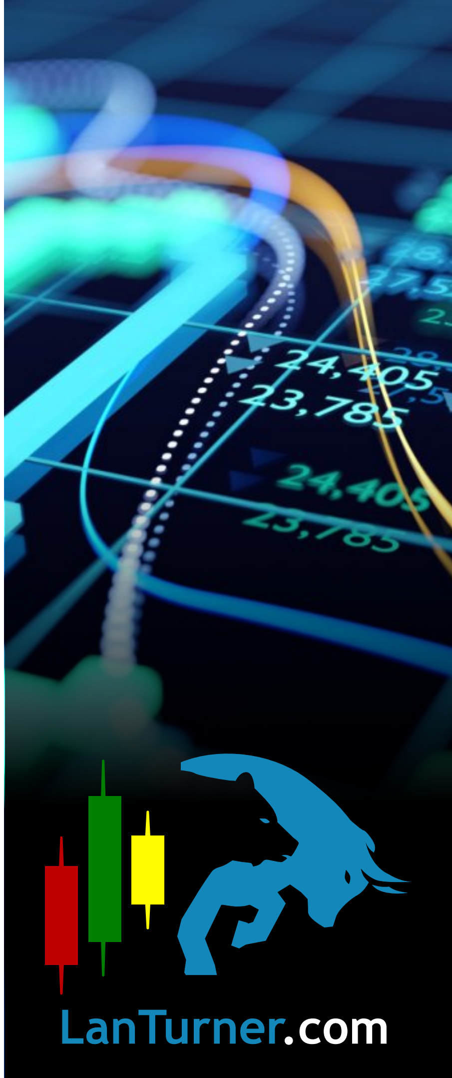


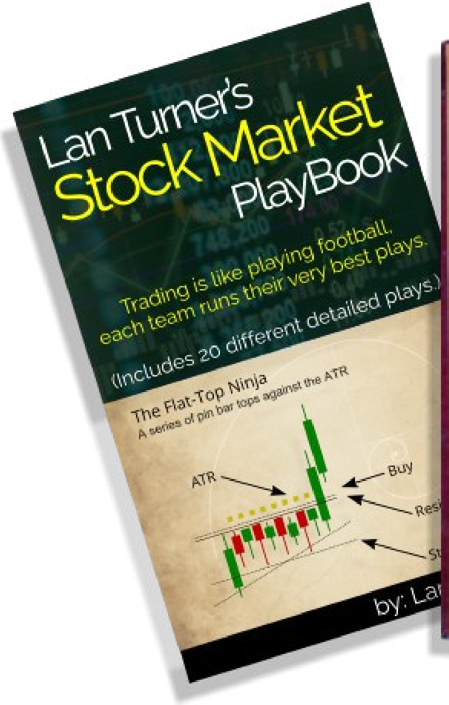


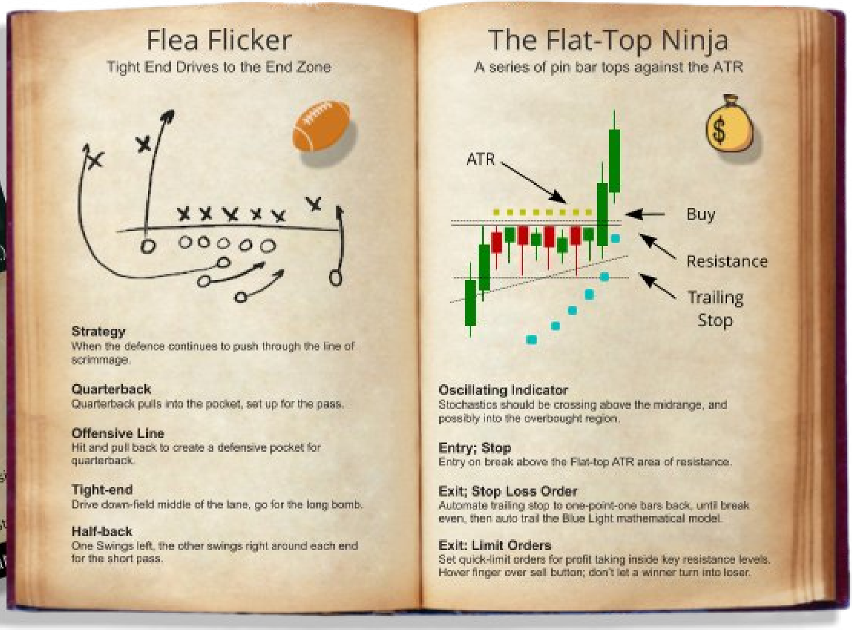
Decision Point Trading

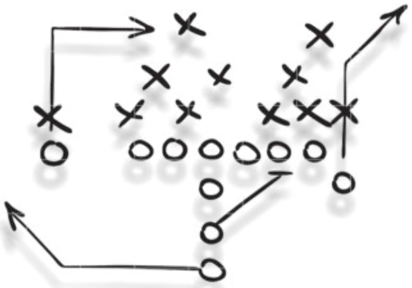
Trading is like playing football, each team runs their very best plays.

LEARN MORE ›››

Also Get Lan Turner's
Stock Market PlayBook







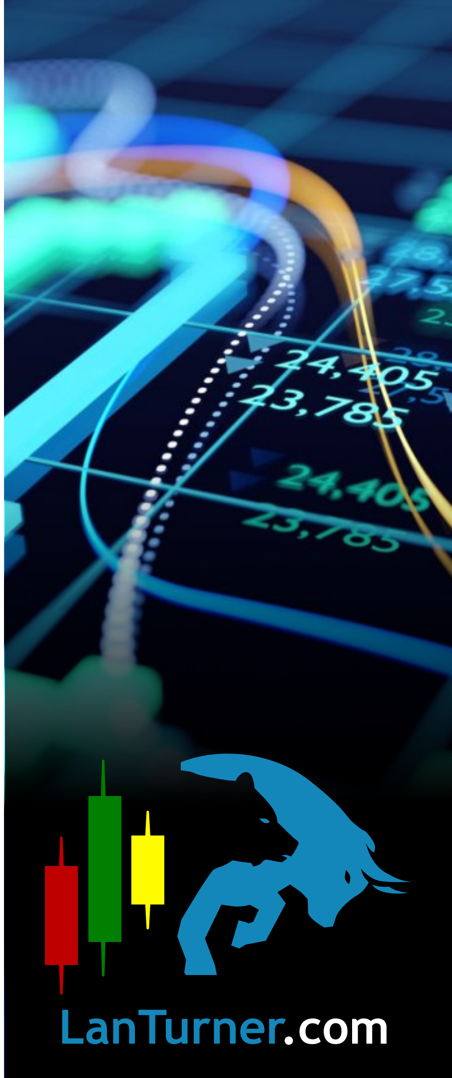
Trading is like playing football, these are my very best plays & Strategies.

Class Resources

Live Trading Platforms

- Gecko Software's Track 'n Trade LIVE (Futures)

LEARN MORE ›››



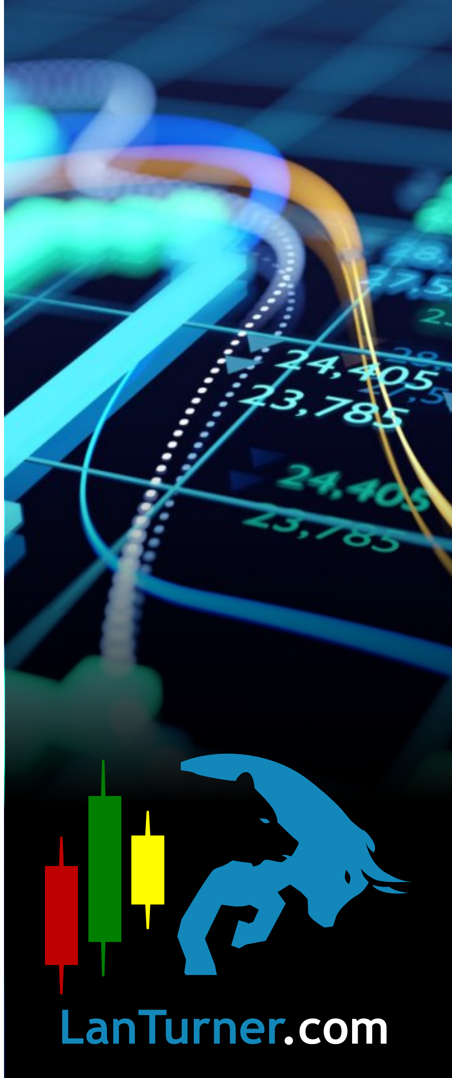
Chapter 1

Option Trading

Getting Started, Understanding Options

Lan Turner's Crash Course In Trading

Stocks * Futures * Forex



Fear of Options

Many traders seem to have a fear of options!

"A lack of knowledge breeds fear, gain knowledge to erase the fear." -- Lan Turner

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#1 Question I Get...

If I'm only going to be trading options, do I need to learn how to trade Stocks/futures?

To me, that's like asking...

- "Do I need to learn how to drive a car, if I'm only going to be driving a truck?"
- Options, if you think about it, are nothing more than another type of order:
  - We have: Stop, Market, Limit
  - Now we have: Puts and Calls too

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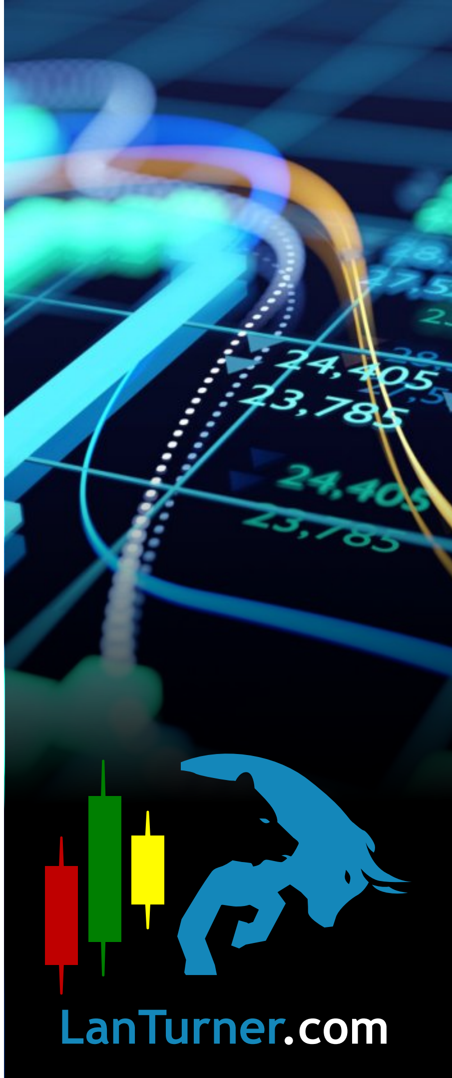
What is an Option?

Puts & Calls

- There are only two types of options; Puts & Calls
  - You Can Buy a Call, You Can Sell a Call
  - You Can Buy a Put, You Can Sell a Put

- Buying an Option gives you the RIGHT but NOT the OBLIGATION to purchase the underlying asset at a:
  - Specified price (The Strike Price), before a
  - Specified day (The Expiration Day), for a
  - Specified cost. (The Premium).

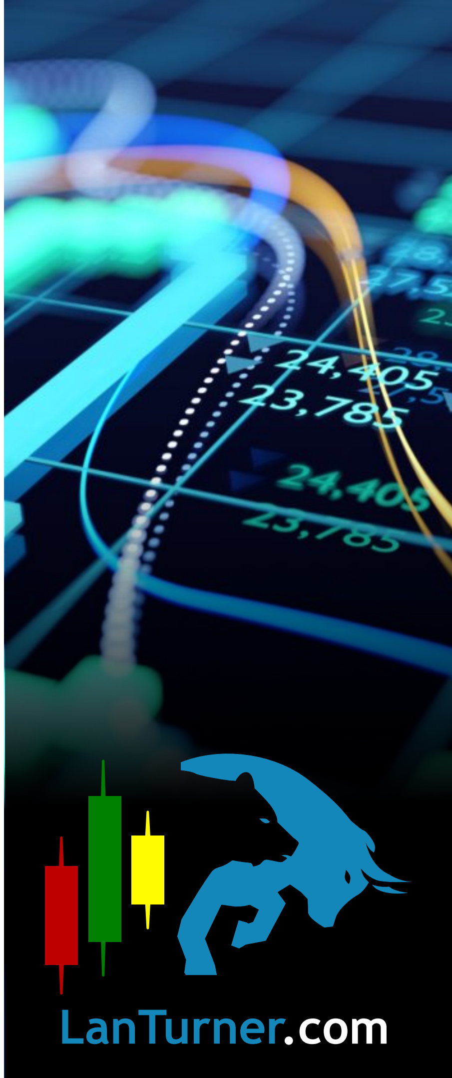


What is an Option?

Puts & Calls

- An Option Seller (Writer), has the obligation to:
  - Sell the underlying asset/contract at a
  - Specified price (The Strike Price), before a
  - Specified day (The Expiration Day), for a
  - Specified cost. (The Premium).

- An options seller must have a margin account to cover the selling of an option.
  - No margin account, or margin required when buying options.

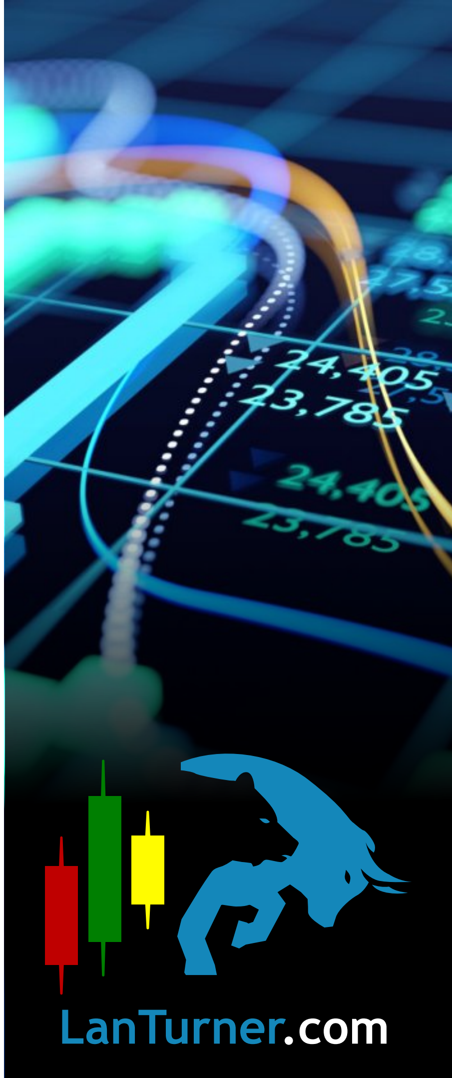


Terminology: The Language of Options

Puts & Calls

- Strike Price
  - The price at which buyer/seller agree to purchase/sell the underlying asset.

- Expiration
  - The length of time before the buyer's rights expire.
  - This is known as Theta; I call it opportunity value, the length of time you have left to take advantage of the option opportunity.



Terminology: The Language of Options

Puts & Calls

- Premium
  - The amount of money the purchaser of the option must pay for their right.
  - The amount of money the seller receives for granting the buyer the right.
    - The premium of an option is akin to the earnest money in a real estate transaction.

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Terminology: The Language of Options

Options are similar to a real estate transaction

1. The “Premium” is like the earnest money.
2. The “Expiration” is the amount of time you’ve been given to complete the transaction.
3. The “Strike Price” is like the agreed upon value of the house.

Strike Price/Home Value: $200,000

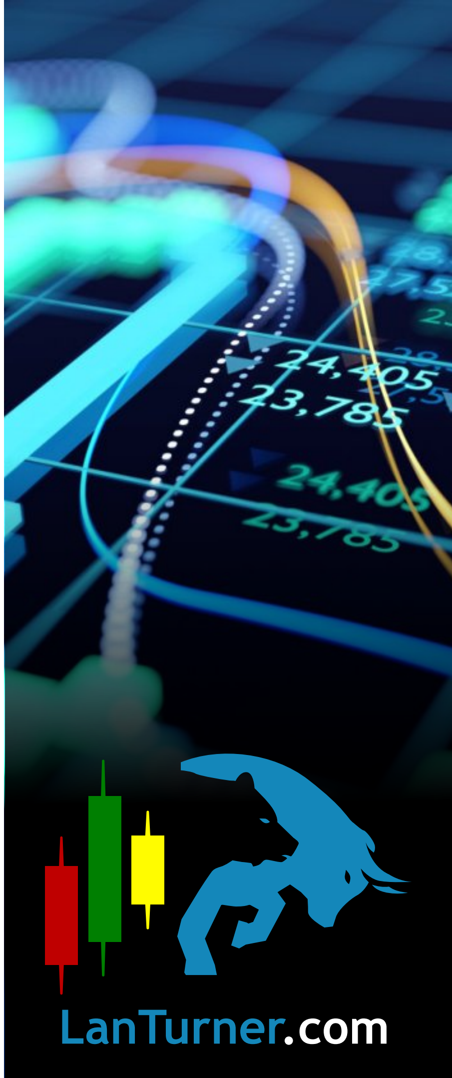
- Value of the stock you’re purchasing

Premium/Earnest Money: $2,000

- Cost to purchase the option

Theta/Expiration: “Three Months”

- Amount of time you have to complete the transaction. (Can be almost any amount of time; the more time you buy the higher the premiums.)



Terminology: The Language of Options

The value of an option, or the premium, increases or decreases with the increase or decrease in the value of the underlying asset.

Premium, Expiration, Strike Price

Example, if the city counsel votes to turn the swamp land next to your asset/house into a city park, and the value of the house increases, who gets the increase in value?

The homeowner, or the buyer who has an option/earnest money on the house? (The buyer, right?)

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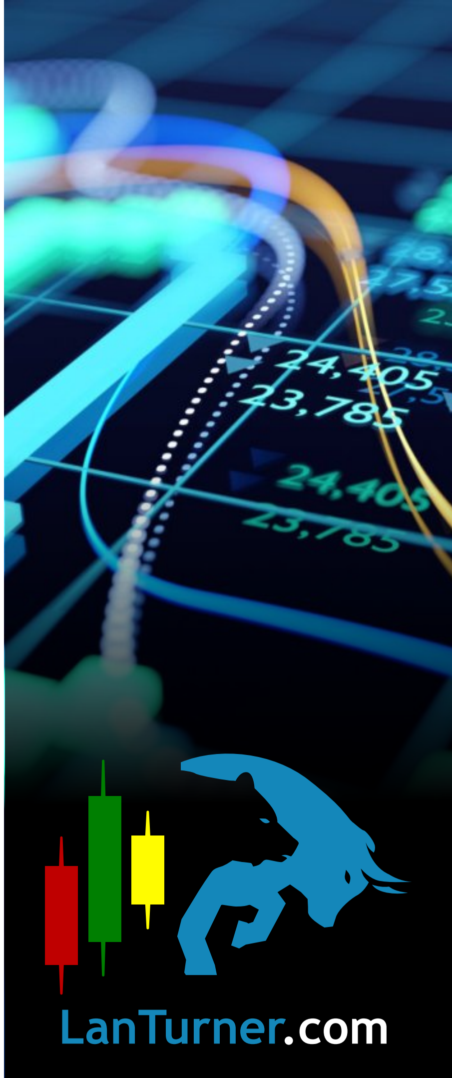
Terminology: The Language of Options

The value of an option, or the premium, increases or decreases with the increase or decrease in the value of the underlying asset.

Premium, Expiration, Strike Price

Example, if the city counsel votes to turn the swamp land next to your asset/house into a sewage collection plant, and the value of the house decreases, who suffers the decrease?

The homeowner, or the buyer? (The homeowner, right?) You have an option, the right to buy, not an obligation.



Why Trade Options?

In the world of options, the buyer of the option, like the buyer of the house, puts down the premium/earnest money, which gives them the right, but not the obligation to buy the underlying asset, whether thats the house in real estate, or stock in the financial markets.

- In the financial markets, the premium of the option will increase in value, or decrease in value based on the increase in value, or the decrease in value of the underlying asset/stock.
    - Therefore we rarely actually take possession (Exercise our right) of the actual asset/stock, we generally just trade the increase or decrease of the option premium.
    - Buying the option, waiting for the value to increase, then liquidate our option, or sell it back. (We usually don't really want to ever actually own the stock itself.)

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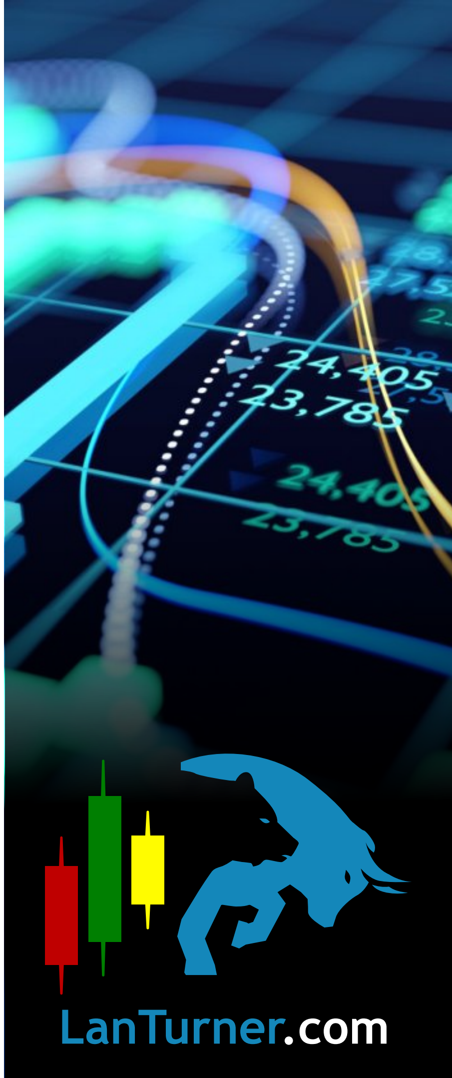
Terminology: The Language of Options

Puts & Calls

- Premium
  - The amount of money the purchaser of the option must pay for their right.

- Strike Price
  - The price at which buyer/seller agree to purchase/sell the underlying asset.

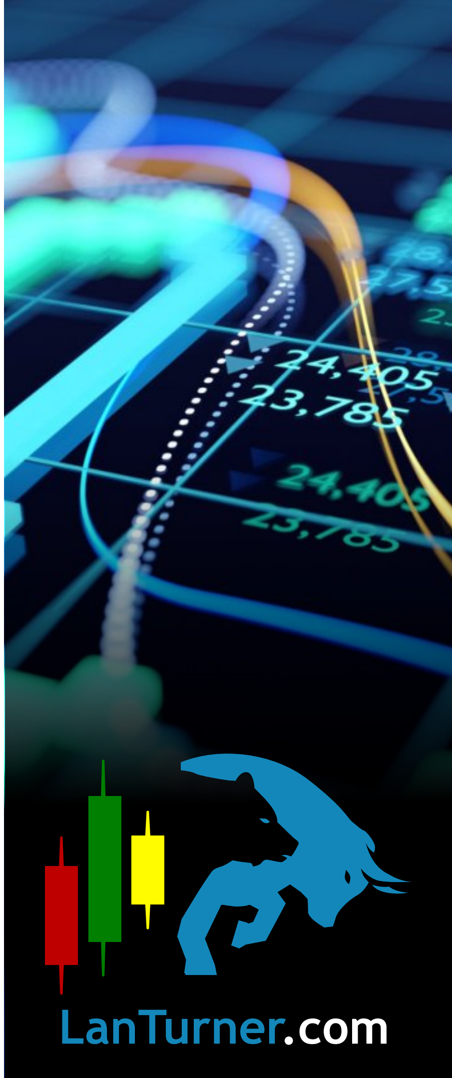
- Expiration
  - The length of time before the buyer's rights expire.



Why Trade Options?

Options are just one more tool that enables investors to enter a market with limit risk and increased leveraged.

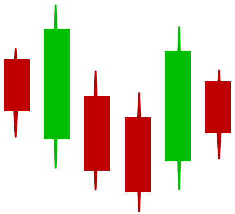
- Buy Options:
  - With a small amount of capital, a trader can limit their risk, without having to worry, as much, about market volatility.
- Sell Options:
  - By accepting a larger risk, traders can 'write' or sell options to collect the premium.



Long Call Option

Putting on a Bullish Call option

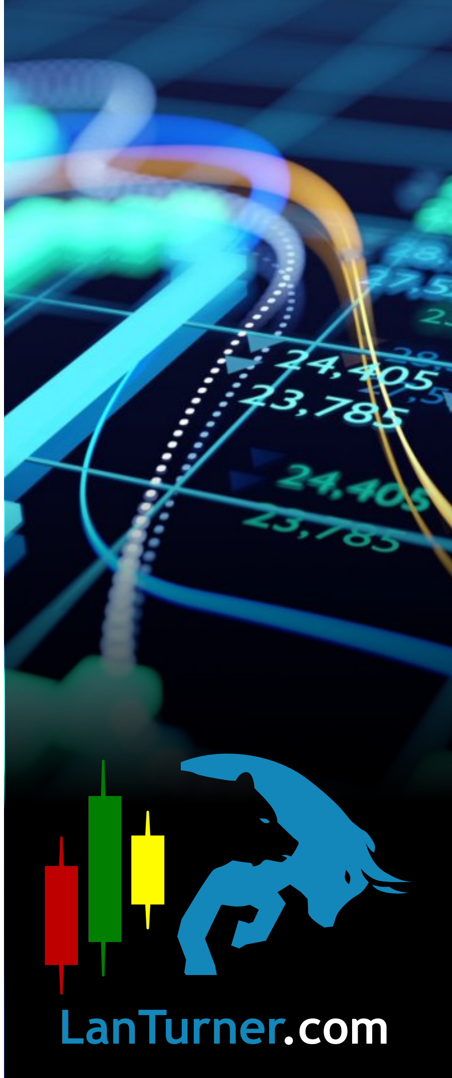
1. Buy / Hold a Call:
   (If you think the market will rise.)



Market Price

Buy 1 Call: 50 Strike

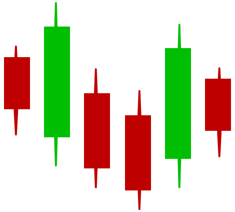
* Bullish, if you anticipate a rise in price.



Long Put Option

Putting on a Bearish Put option

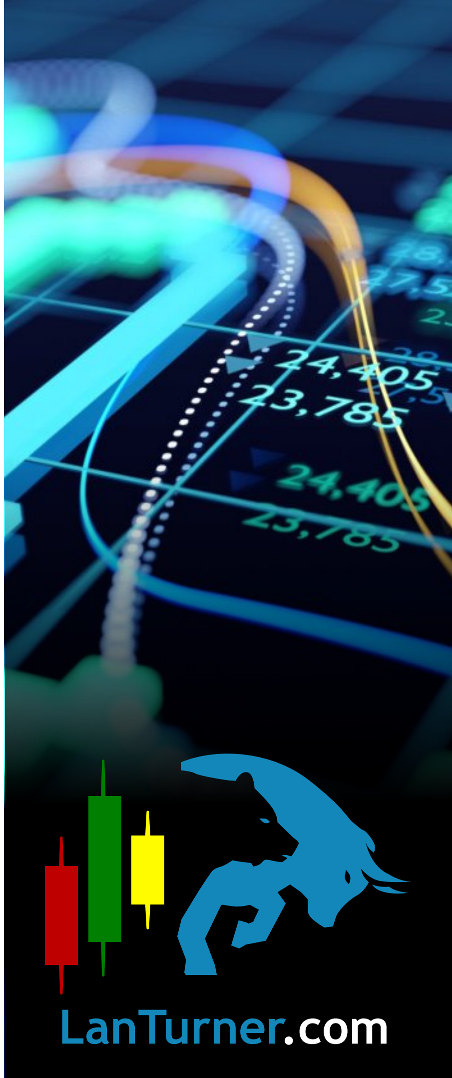
1. Buy / Hold a Put:
   (If you think the market will fall.)



Market Price

Buy 1 Put: 50 Strike

* Bearish, if you anticipate a fall in price.

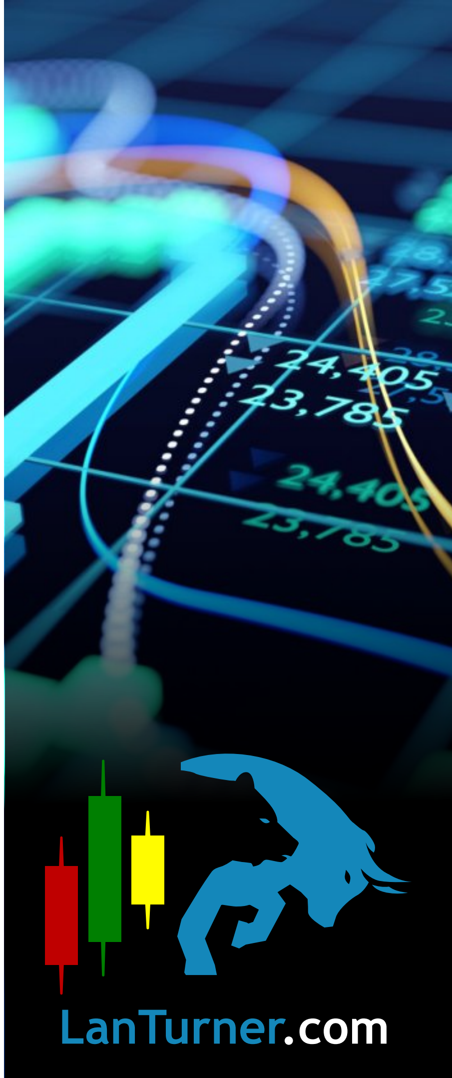


Chapter 2

Option Trading
Options Language & Terminology

Lan Turner's Crash Course In Trading

Stocks * Futures * Forex

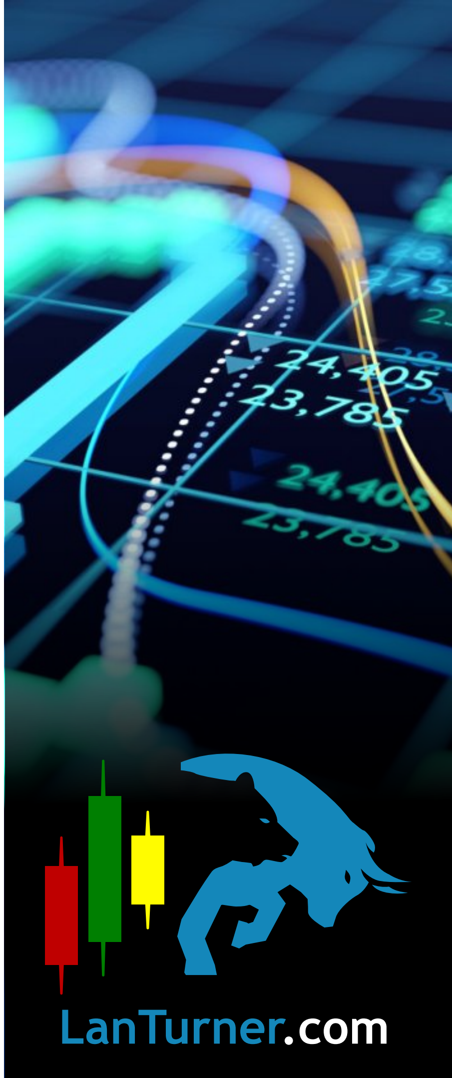


Options Strategy

Puts & Calls

- Buying a Put / Call is the simplest form of trading options.
    - If we think the market is going to go up:
        - We buy a call option.
    - If we think a market is going to go down:
        - We buy a put option.

- Exercising Options
    - It's rare that a trader actually exercises an option.
        - We usually liquidate our option position, at or prior to expiration, and take profits from the increase or decrease in premium.
            - Exercise in low volatility situations.

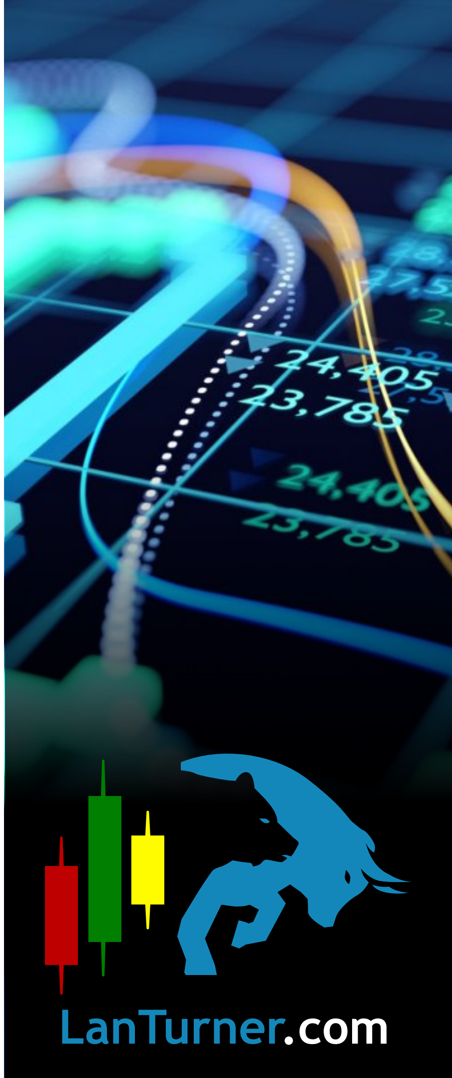


Advantages of Buying Options

Puts & Calls

- Low Risk, High Return
  - Buying an option gives you unlimited profit potential, with limited risk.

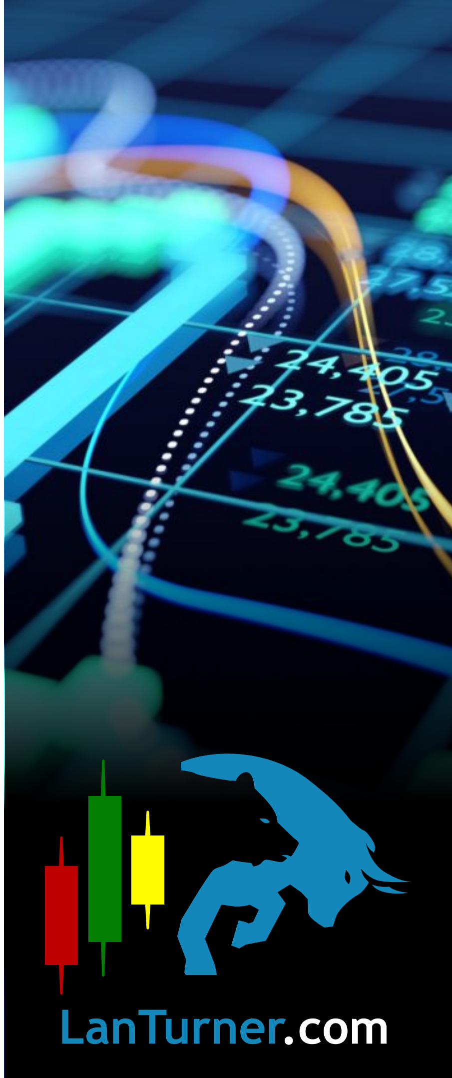
- No Margin Requirements
  - If you have enough money in your account to purchase the option premium, then go for it!
    - No margins when buying options.



Options Strategy

Puts & Calls

- Buying and selling options, as far as we're concerned, for speculation purposes, is…
    - To collect the increase in option premium.
- When setting up an options strategy, we must understand the value of each individual option in that strategy, whether we're buying it, or selling it.
- We must know why it was placed at the strike price it was placed at, and what will happen to the price of it's premium, if the market rises, or falls in price.
    - I liken this to doing math in high school. You could use a calculator, but I want you to understand how to do the math.

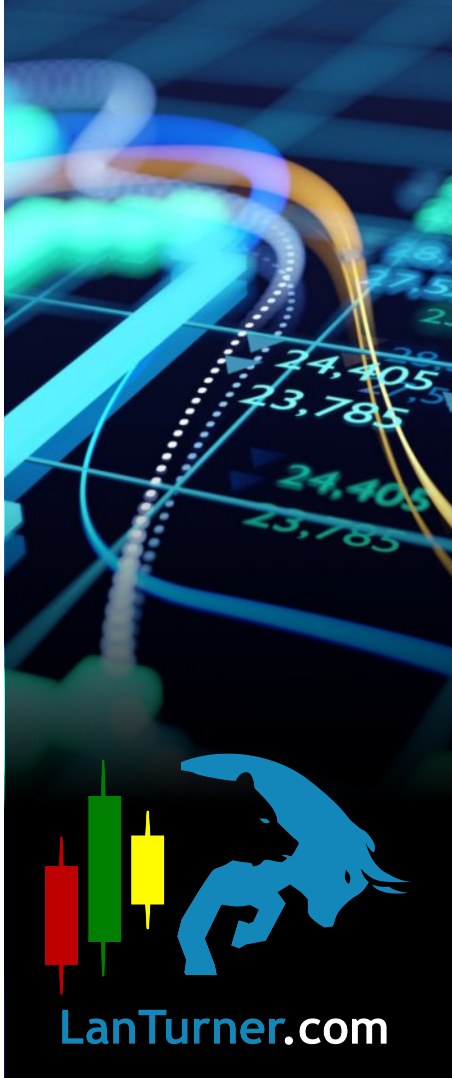


Advantages of Buying Options

Puts & Calls

- Leverage
  - Options are designed to provide us with additional leverage while reducing risk.

- Flexible Strategic Alternatives
  - Options provide us with the ability to build a variety of different strategies.
    - Straddles, Strangles, Iron Condors, etc…



Disadvantages of Buying Options

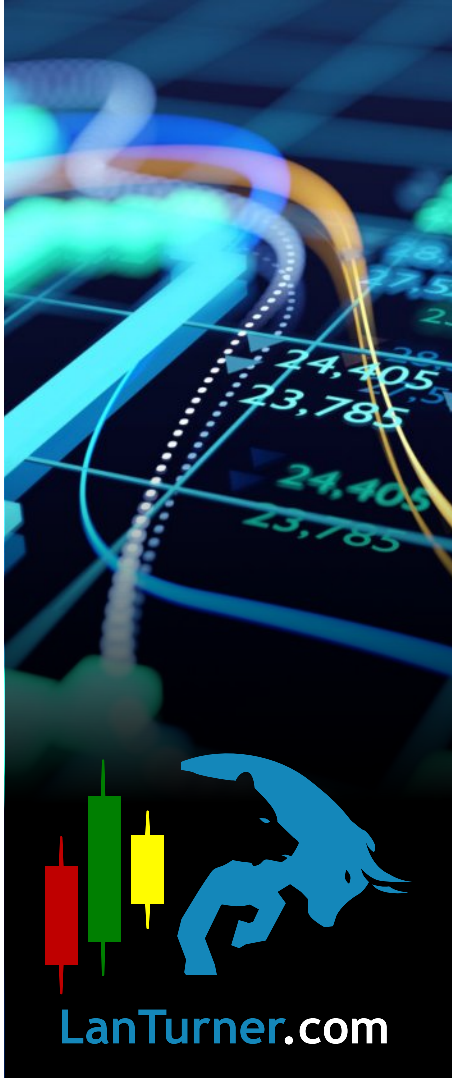
Puts & Calls

- Deteriorating Asset
  - The Extrinsic (Time) Value of an option begins to immediately decay upon purchase.

- Leverage

  Options leverage can impact performance on the downside as well.

  - (If you can make more money quickly, then you can lose money quickly too.)



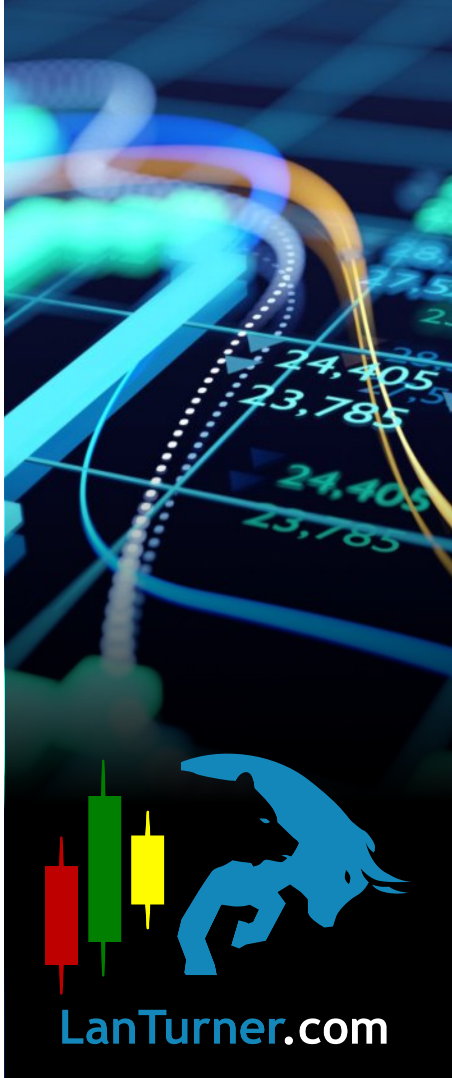
Terminology: The Language of Options

Puts & Calls

- Intrinsic Value
  - The built-in value, due to its relationship to the strike price/purchase price of the underlying market.

- Extrinsic Value
  - The built-in value, due to the amount of TIME left until expiration.

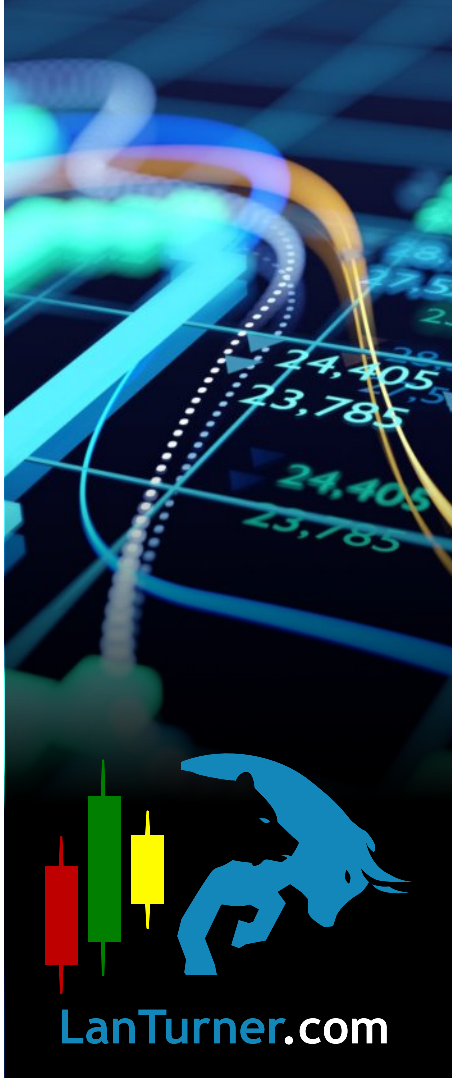
- Exercise
  - The buyer actually taking advantage of their right to buy/sell at the specified strike price.



Terminology: The Language of Options

Puts & Calls

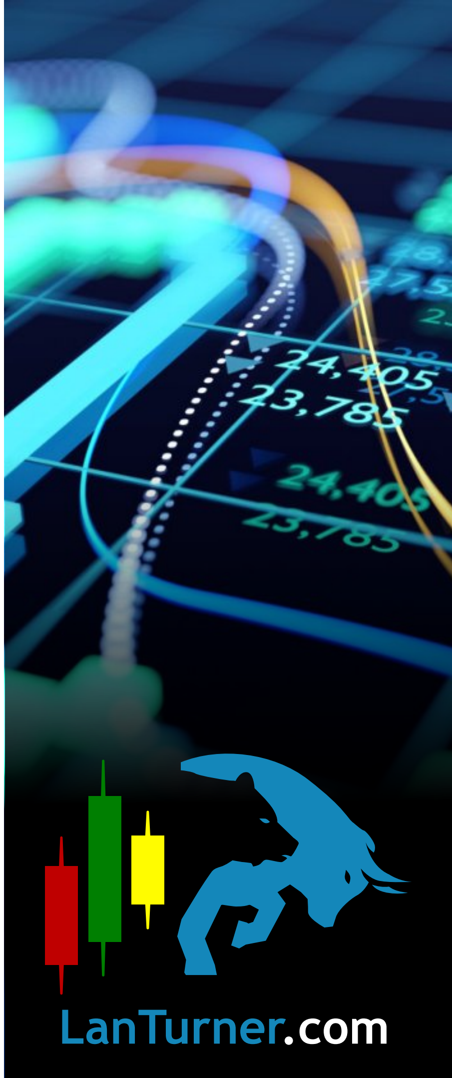
- In-the-money
  - When the underlying market has exceeded the strike price value
- At-the-money
  - When the underlying asset is trading at the same price as the option strike price.
- Out-of-the-money
  - When the underlying asset is trading less than the strike price value.



Terminology: The Language of Options

Puts & Calls

- Options Delta
  - A delta of .50 means that for every $1.00 the underlying commodity increases, the Call option will increase by $0.50
    - As an in-the-money option nears expiration, its delta will approach 1.00
    - As an option gets further and further in-the-money, its delta will approach 1.00
  - Convexity



Options Strategy

Puts & Calls

- Buying a Put / Call
  - An option has a finite lifespan. (Time Value)
    - Take the life of the option, and divide by the number of days left. (Rudimentary Calculation.)
  - The daily dollar amount is an estimate of the death march toward expiration.
    - The underlying market must move fast enough to increase the option premium more quickly than it is dying.

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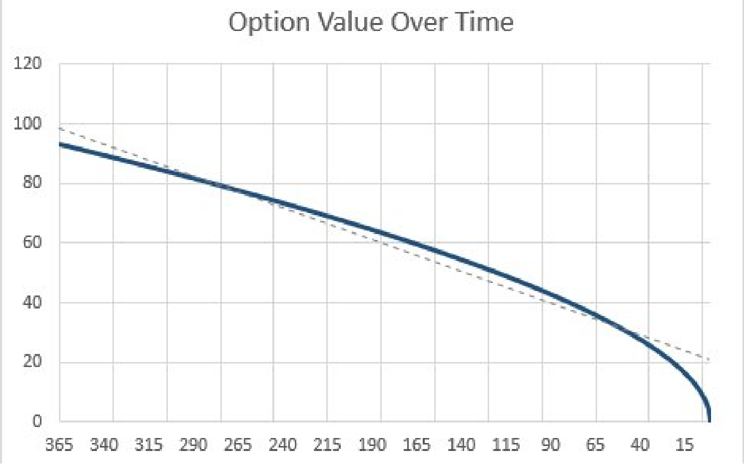
Options Strategy

Puts & Calls

- Buying a Put / Call
  - An options premium decays much more quickly the closer to expiration it gets.



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Options Strategy

Puts & Calls

- Options Expiration
  - What happens when an option expires?
    - If the option has NO intrinsic value
      - It dies worthless, and just goes away
    - If it HAS intrinsic value
      - If exercised, you receive the stock at the strike price.
      - Deliverable commodities, you get long, or short the futures market at your strike price.
      - Cash settled markets, you get the cash.

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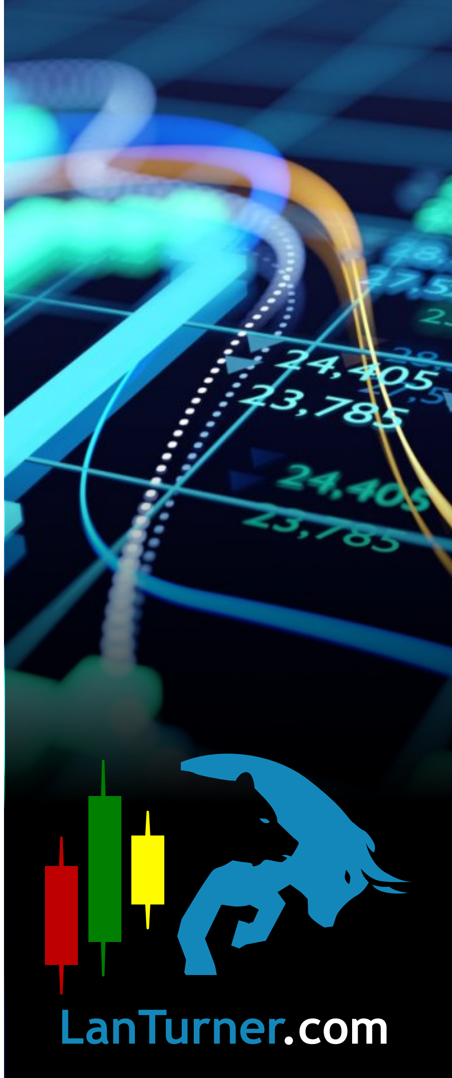
Options Strategy

Puts & Calls

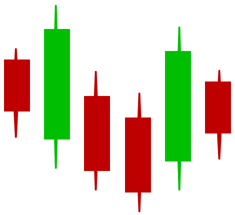
- When buying & selling options, ask these questions:
  - Why am I buying an option, and not a contract?
  - Where am I in the Elliott Wave Count?
  - What is the Fibonacci retracement/projection?
  - What's the setup of my trade?
  - What will trigger my entry into this market?
  - How will I get out?
    - If I'm right (What does right look like?)
    - If I'm wrong (What does wrong look like?)



Long Call Option

Putting on a Bullish Call option

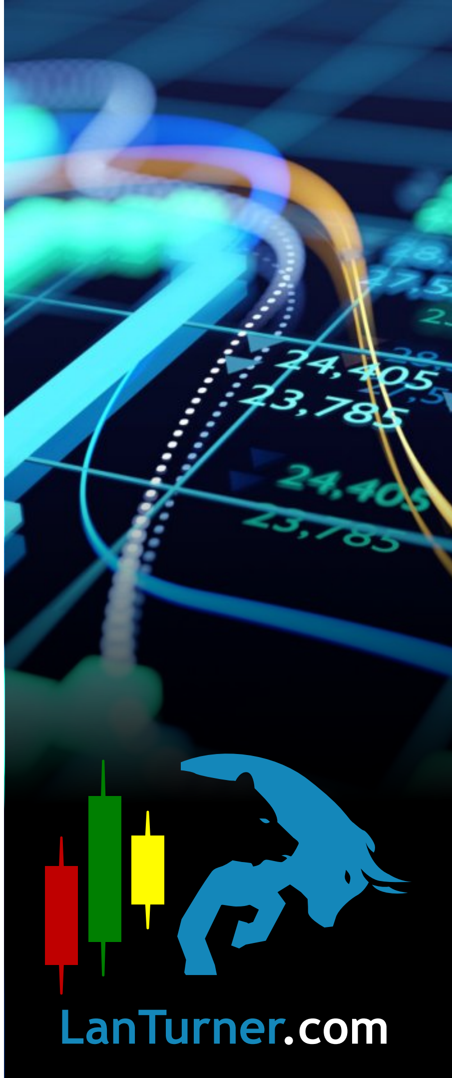
1. Buy / Hold a Call:
   (If you think the market will rise.)



Market Price

Buy 1 Call: 50 Strike

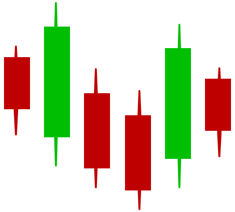
* Bullish, if you anticipate a rise in price.



Long Put Option

Putting on a Bearish Put option

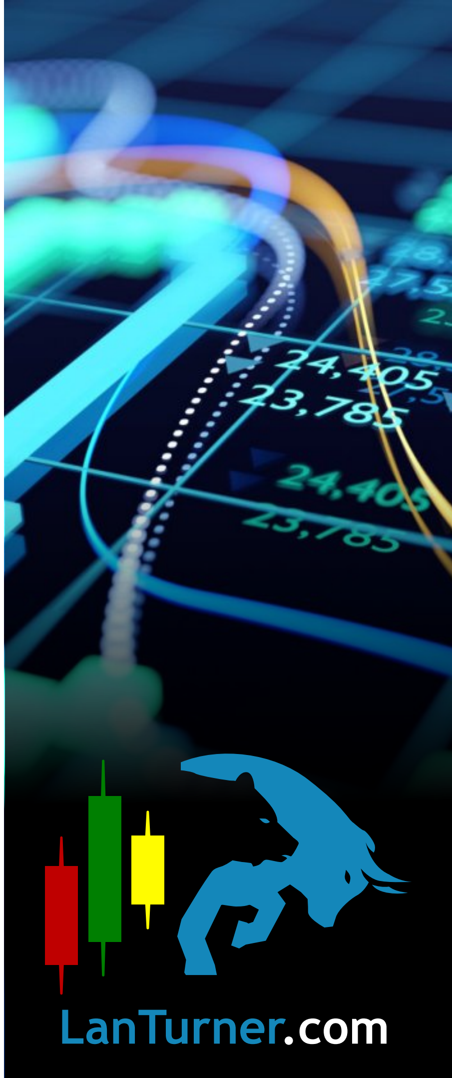
1. Buy / Hold a Put:
   (If you think the market will fall.)



Market Price

Buy 1 Put: 50 Strike

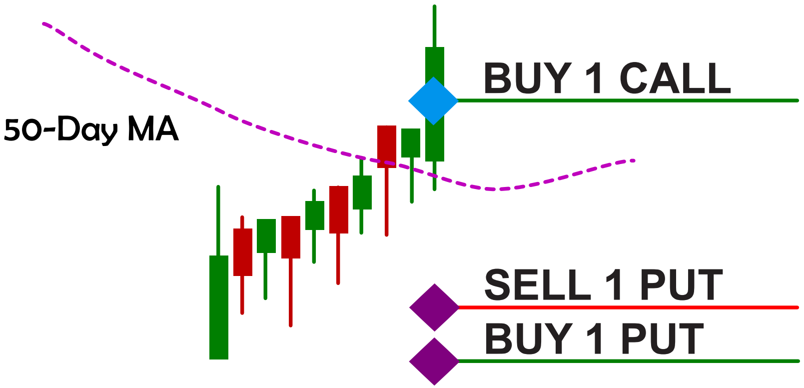
* Bearish, if you anticipate a fall in price.

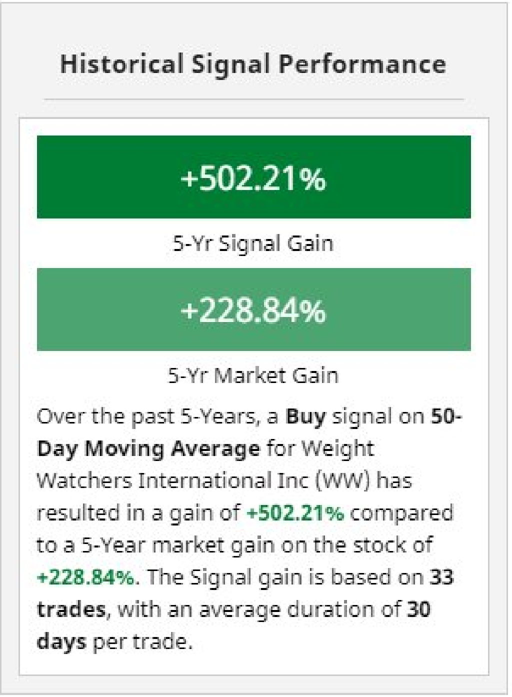


50-Day, 50/50 Option Strategy

Buy an option with 30-ish days until expiration at the 50-day moving average crossover.

- Liquidate 50% of profits early if the market gives you 50% of your profit within the first half of the days until expiration, otherwise, hold until expiration, win or lose. (50/50 Rule)





Historical Signal Performance

+502.21%

5-Yr Signal Gain

+228.84%

5-Yr Market Gain

Over the past 5-Years, a **Buy** signal on **50-Day Moving Average** for Weight Watchers International Inc (WW) has resulted in a gain of **+502.21%** compared to a 5-Year market gain on the stock of **+228.84%**. The Signal gain is based on **33 trades**, with an average duration of **30 days** per trade.

Chapter 3

Option Trading

The Mathematics of Options

Lan Turner's Crash Course In Trading

Stocks * Futures * Forex

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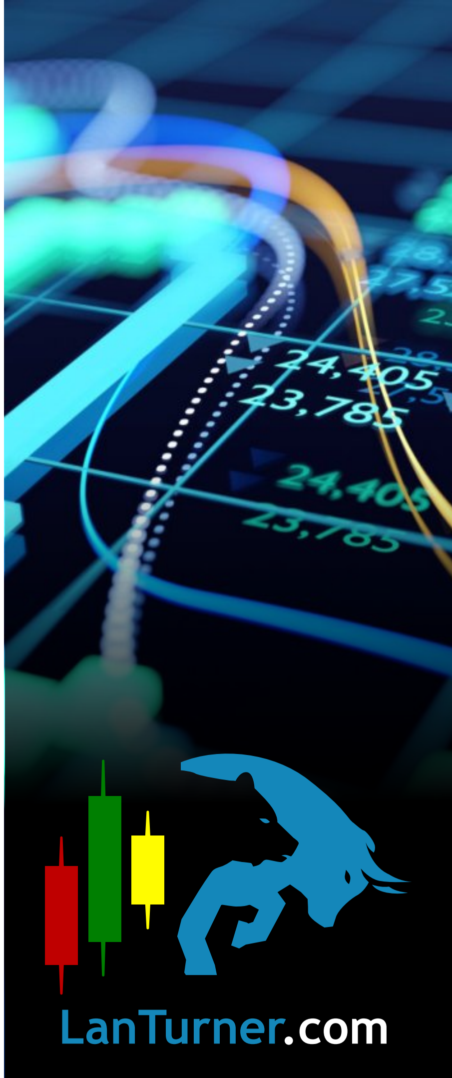
What Are The Greeks?

Why are the Greeks important?



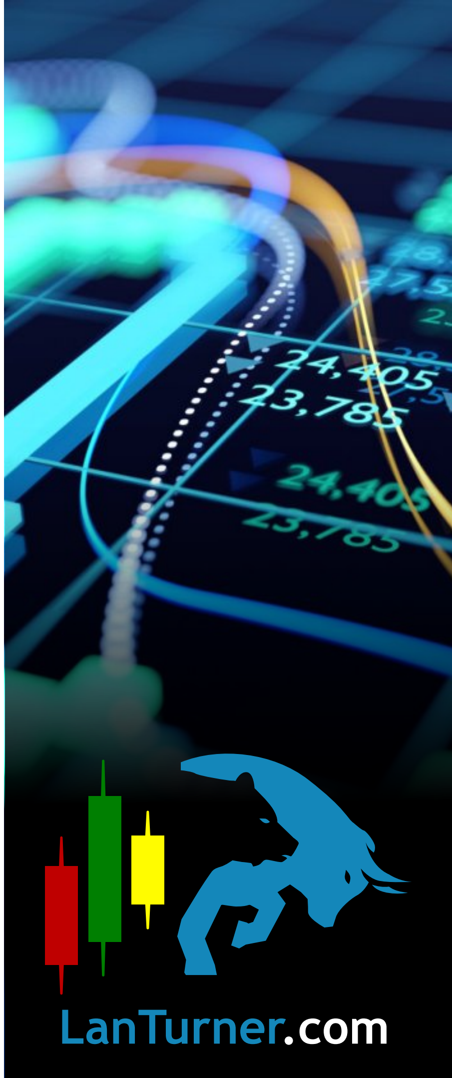
Infamous Quote

Lan Turner

- 21st Century Stocks, Futures & Forex Trader

“The Greeks are not all that important, not individually that is, but when combined...they’re imperative.”

-- Lan Turner



What Are The Greeks?

Mathematical variables pertaining to options pricing

Delta:

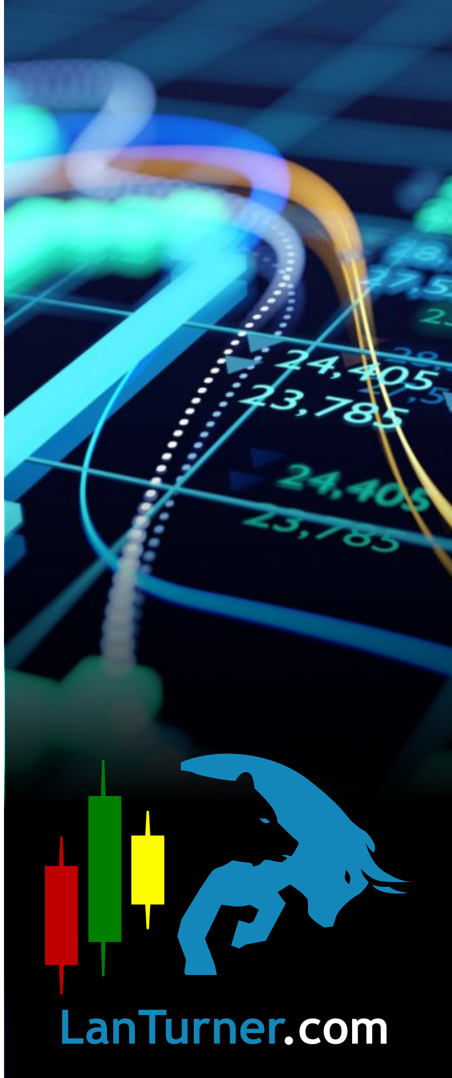
Impact of a change in the underlying price.

Gamma:

Rate of change of Delta.

Theta:

Impact of a change in the time remaining.



What Are The Greeks?

Mathematical variables pertaining to options pricing

Vega:

Impact of a change in volatility.

Rho:

Price Change (in %) on an interest rate change.

iVol.   (Not a “Greek”)

Yet I lump it into this same category.

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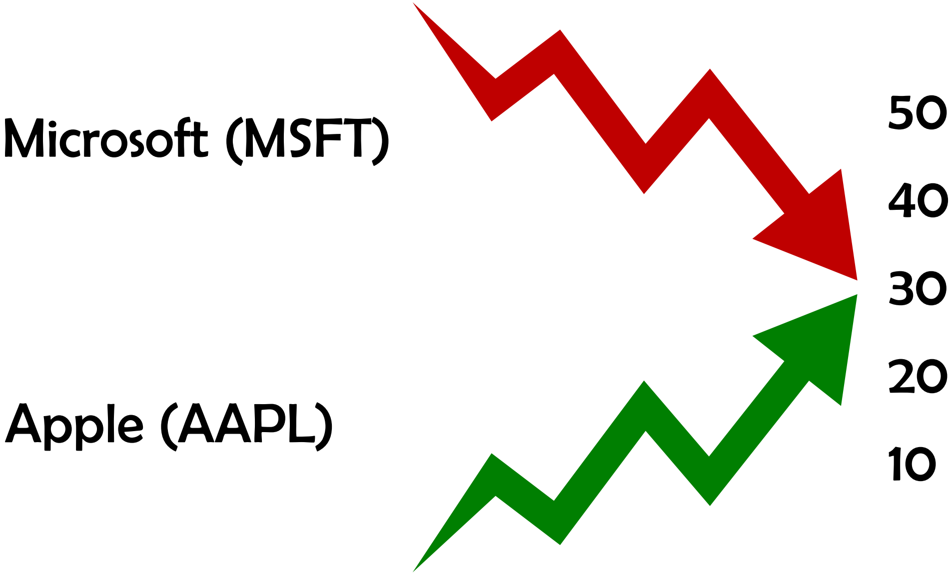
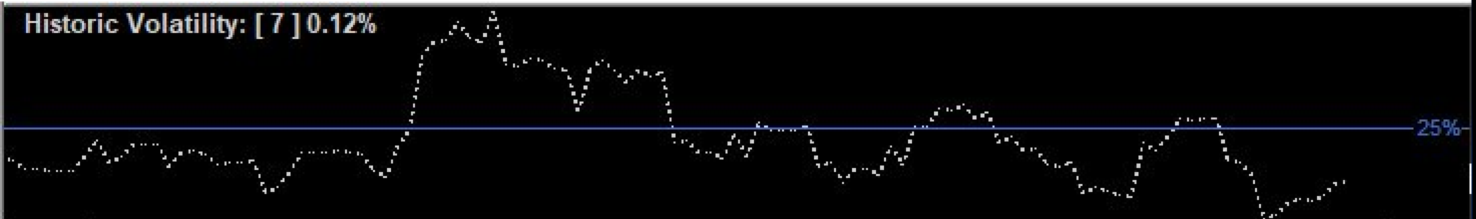
Why Are The Greeks Important?

They're not...not individually by themselves.





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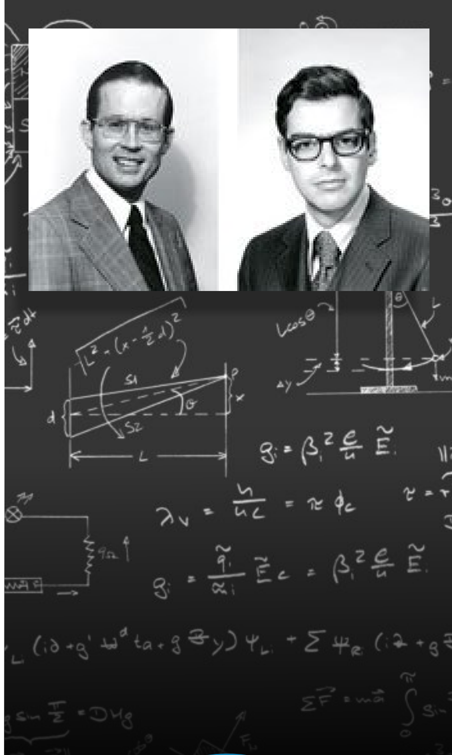
Who Are Black 'n Scholes?

Why is Black 'n Scholes Important?

Fischer Black

Myron Scholes

Fischer Black and Myron Scholes are two economists who won the Nobel Memorial Price in 1997 for having created an options mathematical pricing model.



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Why is Black 'n Scholes Important?

The Nobel Winning Mathematical Formula

$$c = S_0\, N(d_1) - K\, e^{-rT} N(d_2)$$

$$p = K\, e^{-rT}\, N(-d_2) - S_0\, N(-d_1)$$

$$\text{where} \quad d_1 = \frac{\ln(S_0 / K) + (r + \sigma^2 / 2)T}{\sigma\sqrt{T}}$$

$$d_2 = \frac{\ln(S_0 / K) + (r - \sigma^2 / 2)T}{\sigma\sqrt{T}} = d_1 - \sigma\sqrt{T}$$

The Black 'n Scholes option pricing model gives a theoretical estimate of the value of an option and shows that the option has a unique price regardless of the risk of the security and its expected return.

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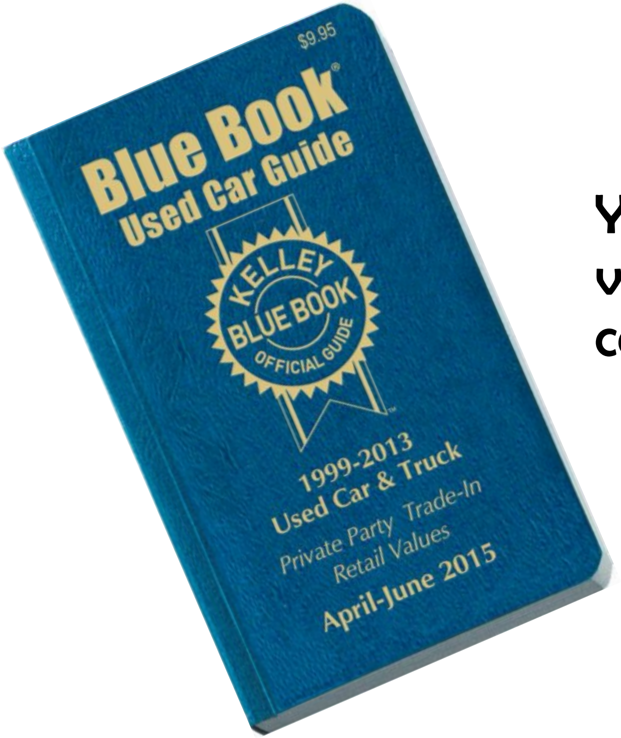
Kelly Blue Book of Options?

Buying & selling options is liking buying/selling a car.



You need to first know the value of the vehicle before you can make or take an offer.

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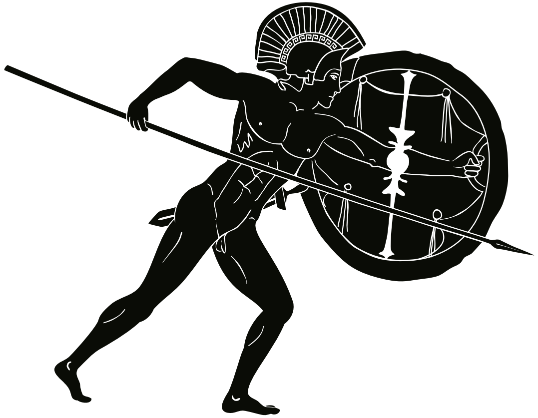
Black 'n Scholes & The Greeks

The Greeks are the math variables used by B&S

Individually, the Greeks, or each individual variable, provides a trader very little in helping to make a better trading decision. But they are imperative when combined together, into the Black 'n Scholes formula.



$$c = S_0\, N(d_1) - K\, e^{-rT} N(d_2)$$

$$p = K\, e^{-rT}\, N(-d_2) - S_0\, N(-d_1)$$

$$\text{where} \quad d_1 = \frac{\ln(S_0 / K) + (r + \sigma^2 / 2)T}{\sigma\sqrt{T}}$$

$$d_2 = \frac{\ln(S_0 / K) + (r - \sigma^2 / 2)T}{\sigma\sqrt{T}} = d_1 - \sigma\sqrt{T}$$

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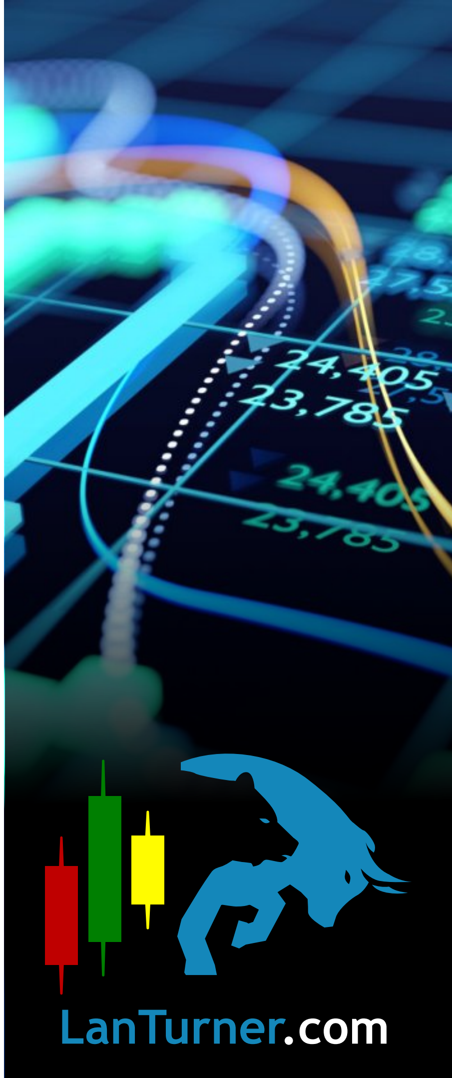
Options Strategy

Puts & Calls

- Buying a Put / Call Options.
  - If we think the market is going to go up:
    - We buy a Call option.
  - If we think a market is going to go down:
    - We buy a Put option.

- Selling a Put / Call Option
  - If we think the market is going to go up:
    - We sell a Put option.
  - If we think the market is going to go down:
    - We sell a Call option.

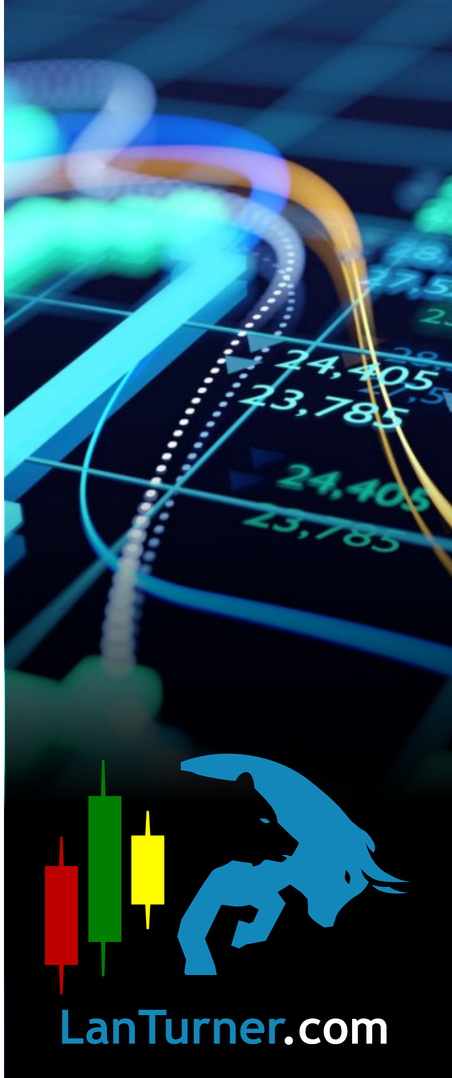


Selling (Writing) Options

Puts & Calls

- High Risk, Low Return
  - Selling an option gives you unlimited risk potential, with limited profit.

- Requires Margin
  - Must have a margin account.



Disadvantages of Buying Options

Risk

- While a buyers risk of loss is limited to the premium they paid for the option, the sellers risk us theoretically unlimited.
  - Basically has the same risk as buying or selling an outright Stock/Futures contract.

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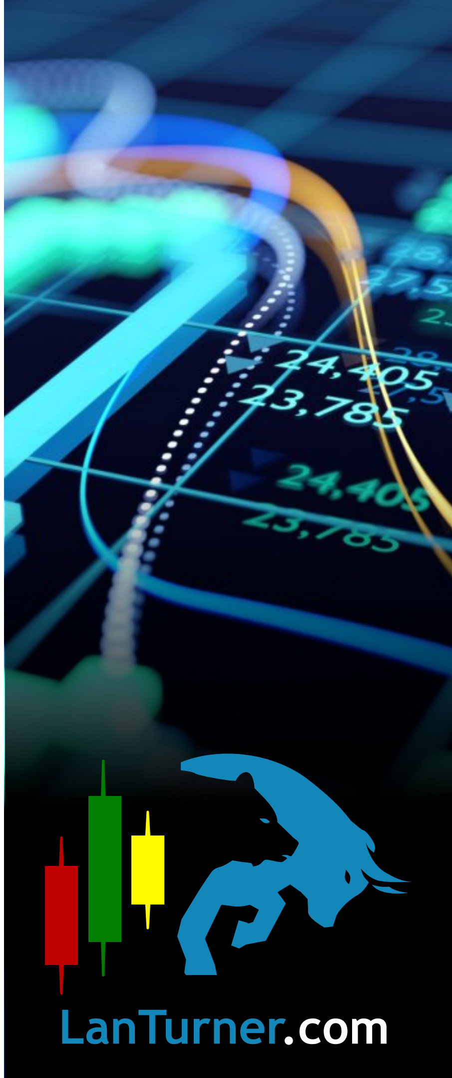
Advantages of Selling (Writing) Options

Puts & Calls

- Deteriorating Asset
  - The Extrinsic (Time) Value of an option begins to immediately decay upon purchase.
  - An option Seller (Writer) collects the premium as it decays.

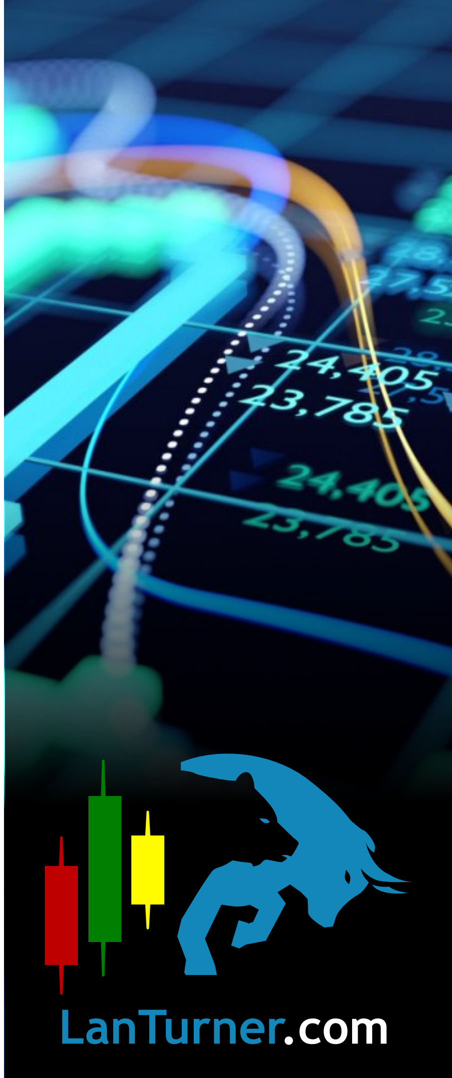


Advantages of Selling (Writing) Options

Puts & Calls

- Premium Collection
    - 80% of all options expire worthless, there are more opportunities to collect.

- Flexible Strategic Alternatives
    - Options provide us with the ability to build a variety of different strategies.



What Are The Odds?

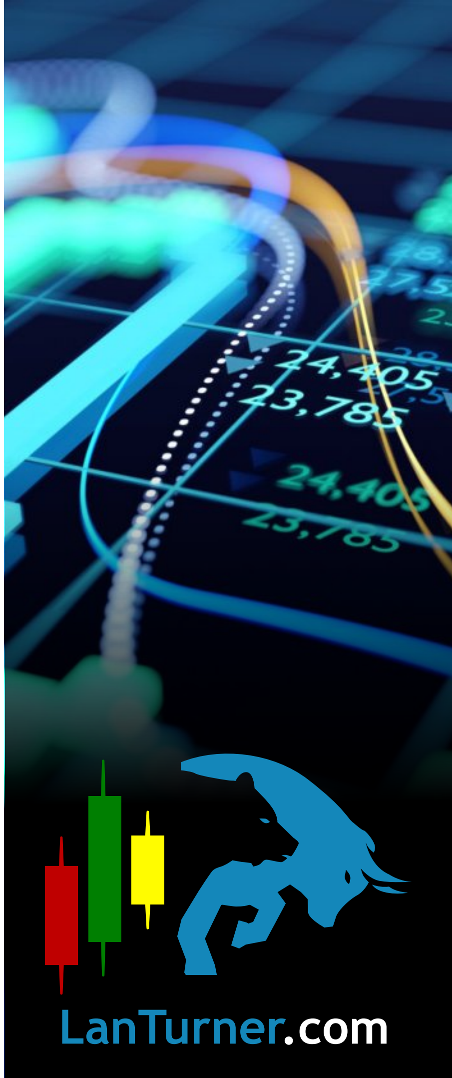
Calculating Probabilities

Las Vegas Table Game Approx. Probabilities

1.	Blackjack	You: 48%	House: 52%
2.	Craps	You: 45%	House: 55%
3.	Roulette (2/0)	You: 45%	House: 55%

Out-Of-The-Money Options (Delta of .20) Writer

1.	Put/Call Option	You: 80%	House: 20%



Terminology: The Language of Options

Puts & Calls

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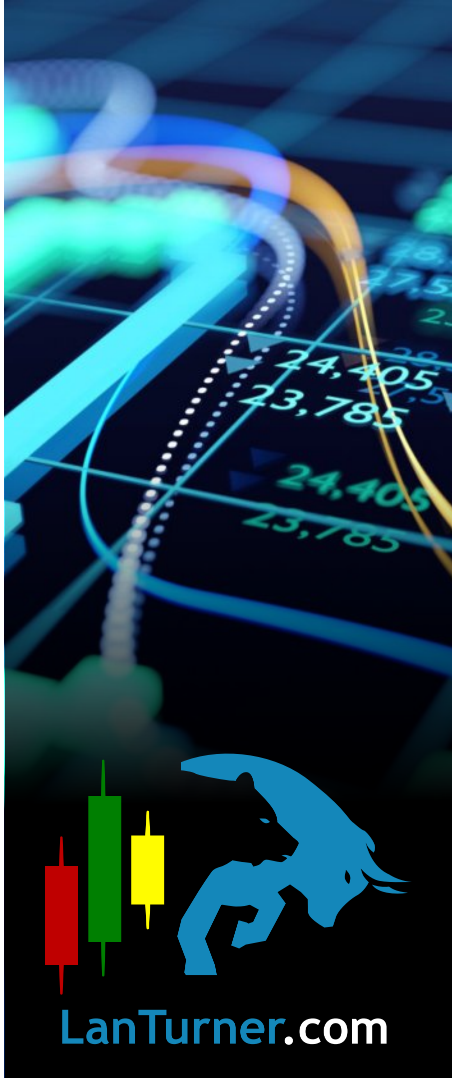
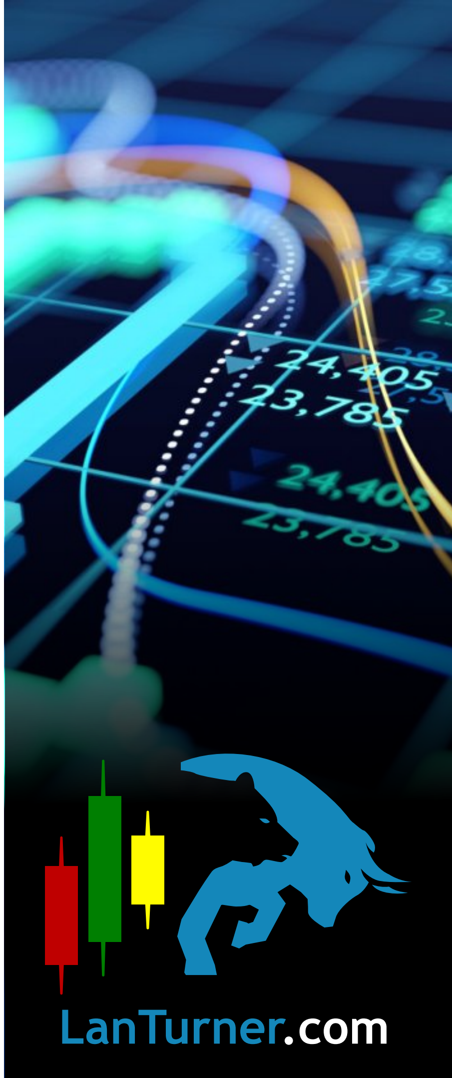


Options Strategy

Puts & Calls

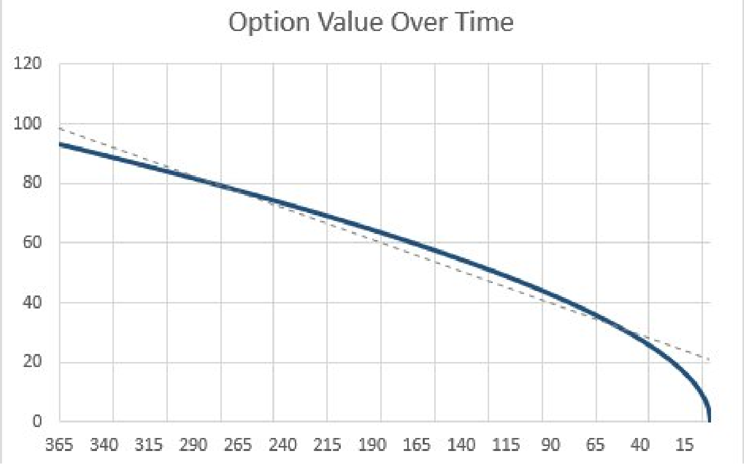
- Buying a Put / Call
  - An option has a finite lifespan. (Time Value)
    - Take the life of the option, and divide by the number of days left. (Rudimentary Calculation.)
  - The daily dollar amount is an estimate of the death march toward expiration.
    - The underlying market must move fast enough to increase the option premium more quickly than it is dying.



Options Strategy

Puts & Calls

- Buying a Put / Call
  - An options premium decays much more quickly the closer to expiration it gets.



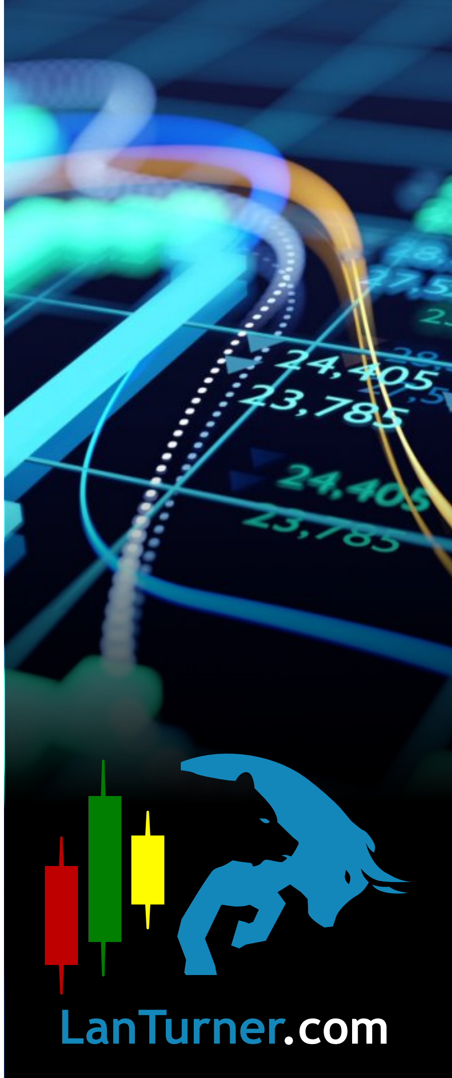
Options Strategy

Puts & Calls

- Selling an option is used to collect premium.

  - If you write, or sell an option, you do so for the purpose of collecting premium. (Less commissions & fees.) Collecting the premium paid by the buyer.

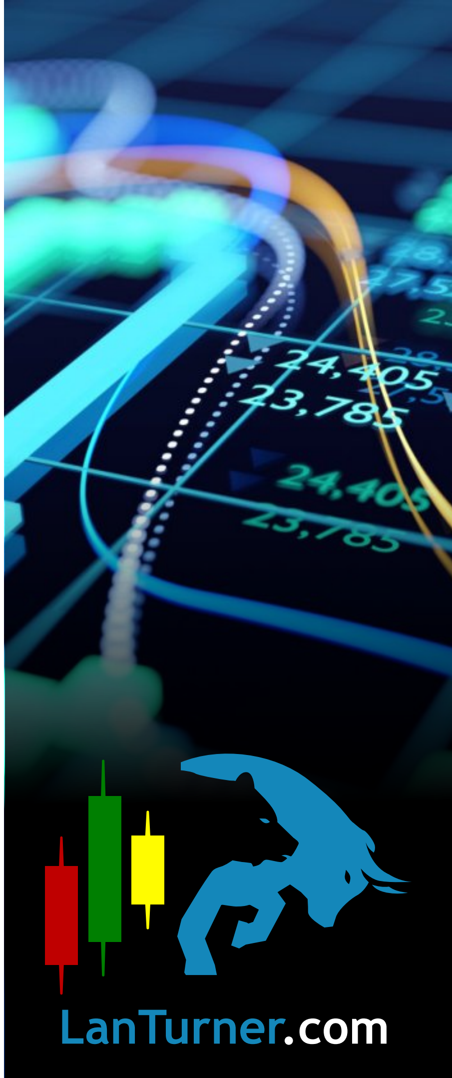
    - Selling options is usually done to offset the cost of the option you are purchasing, in an attempt to lower the overall outlay in cash needed to put on the trade.



Options Strategy

Puts & Calls

- Options Expiration
  - What happens when an option expires?
    - If the option has NO intrinsic value
      - It dies worthless, and just goes away
    - If it HAS intrinsic value
      - If exercised, you receive the stock at the strike price.
      - Deliverable commodities, you get long, or short the futures market at your strike price.
      - Cash settled markets, you get the cash.



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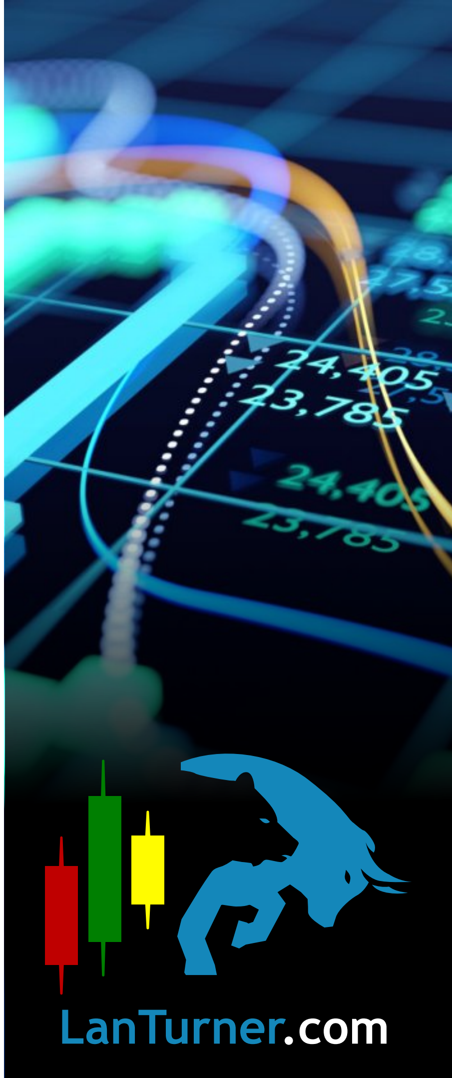
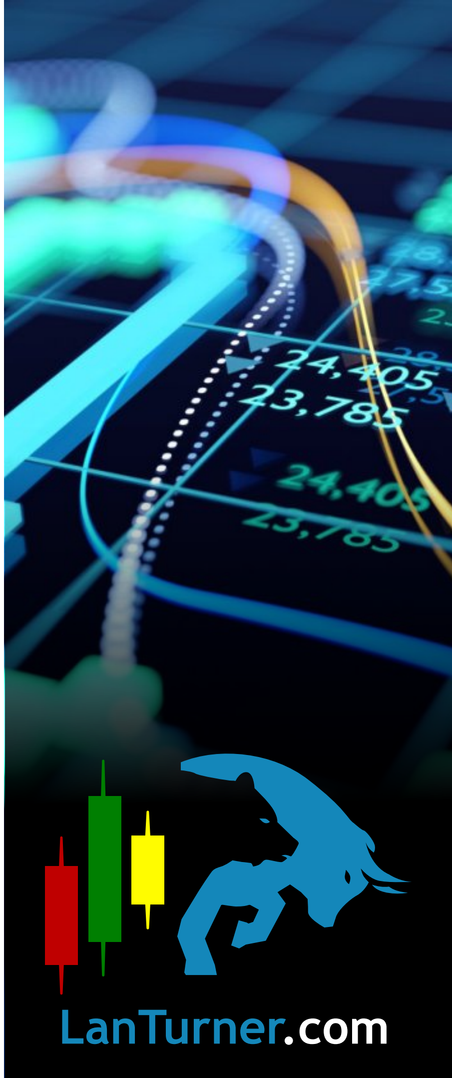


Selling (Writing) Options

Puts & Calls

- High Risk, Low Return
    - Selling an option gives you unlimited risk potential, with limited profit.

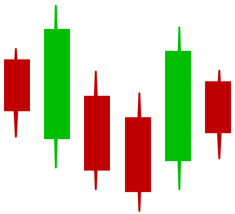
- Requires Margin
    - Must have a margin account.



Call Option

Putting on a Bearish Call option

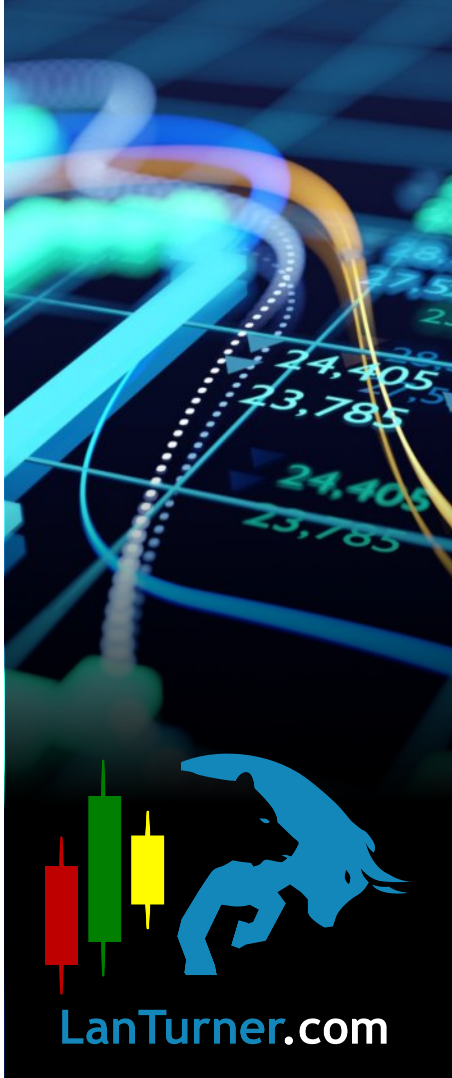
1. Sell (Write) a Call:
   (If you think the market will fall.)



Sell 1 Call: 50 Strike

Market Price

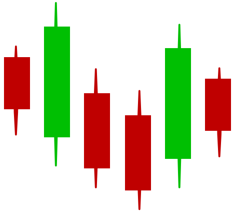
* Bullish, if you anticipate a rise in price.



Put Option

Putting on a Bullish Put option

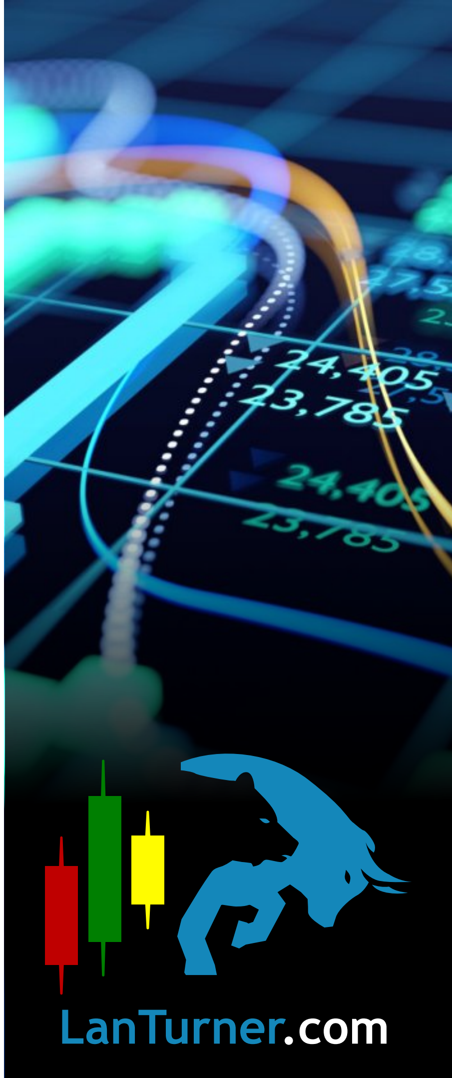
1. Sell (Write) a Put:
   (If you think the market will rise.)



Market Price

Sell 1 Put: 50 Strike

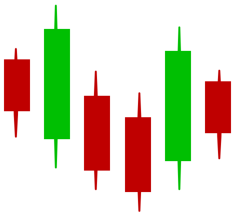
* Bearish, if you anticipate a fall in price.



Call Option

Putting on a Bullish Call option

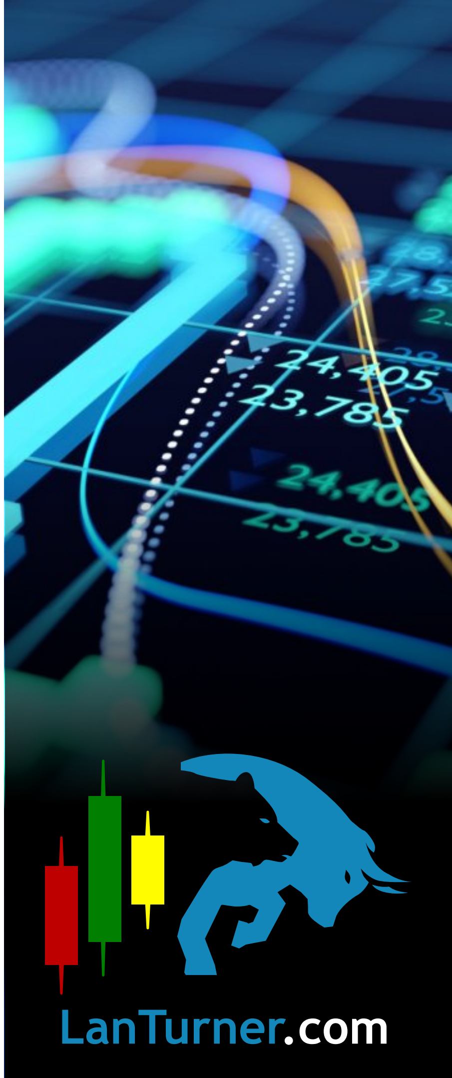
1. Buy (Hold) a Call:
   (If you think the market will rise.)



Buy 1 Call: 50 Strike

Market Price

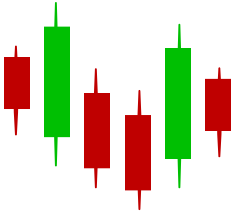
* Bullish, buy at the money, or above; further out of the money.



Put Option

Putting on a Bearish Put option

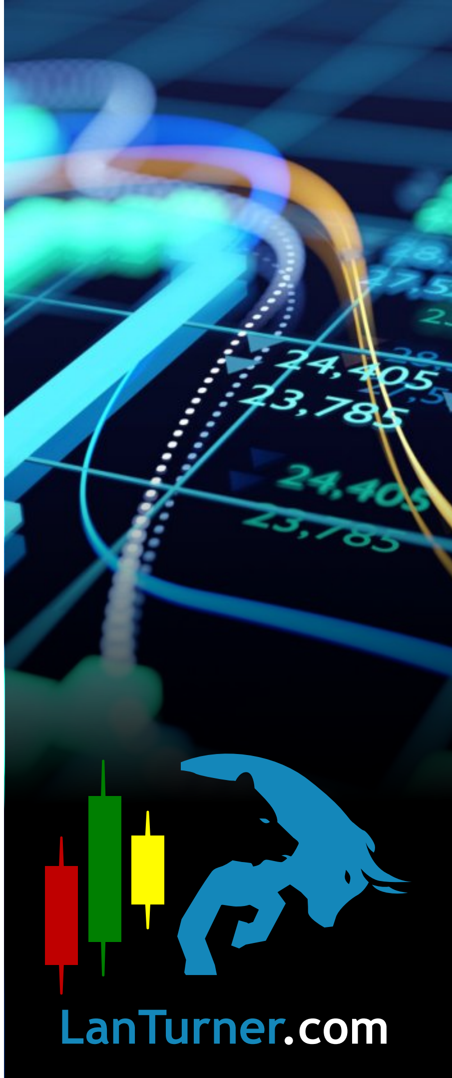
1. Buy (Hold) a Put:
   (If you think the market will fall.)



Market Price

Buy 1 Put: 50 Strike

* Bearish, buy at the money, or below; further out of the money.



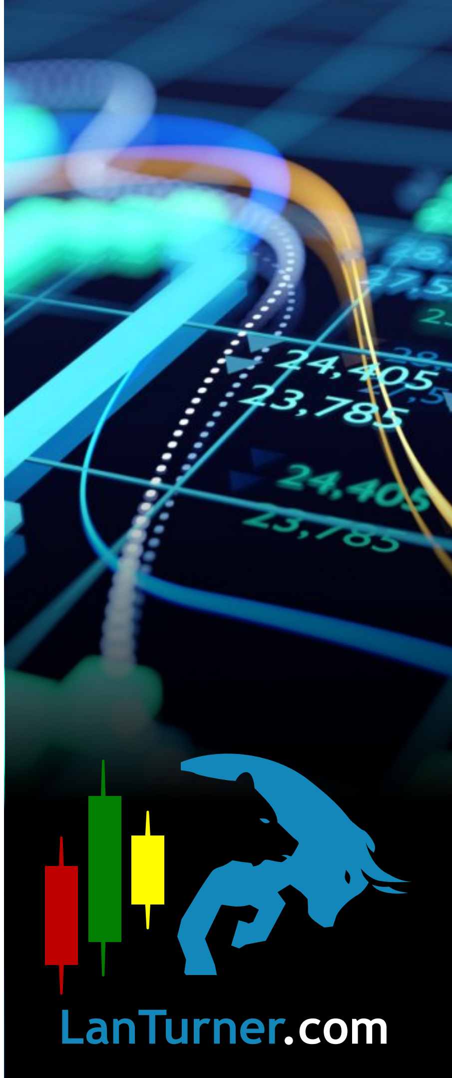
Chapter 4

Option Trading

Beginner Option Strategies

Lan Turner's Crash Course In Trading

Stocks * Futures * Forex



Plan Your Trade & Trade Your Plan

Trading is Like Playing Chess

1. Most people know how the pieces move, but few people know any strategies necessary to use multiple pieces to pin the king and win the game.
2. When trading, have a strategy, practice the game, and play those strategies.
3. You can't play ALL the strategies, so just master one or two, and learn how to win the game!

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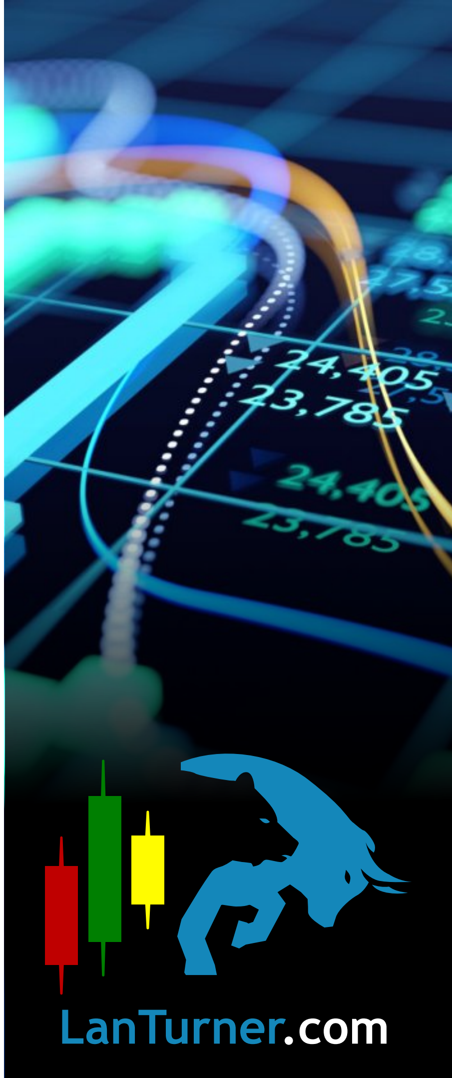
Terminology: The Language of Options

Puts & Calls

- Intrinsic Value
  - The built-in value, due to its relationship to the strike price/purchase price of the underlying market.

- Extrinsic Value
  - The built-in value, due to the amount of TIME left until expiration.

- Exercise
  - The buyer actually taking advantage of their right to buy/sell at the specified strike price.



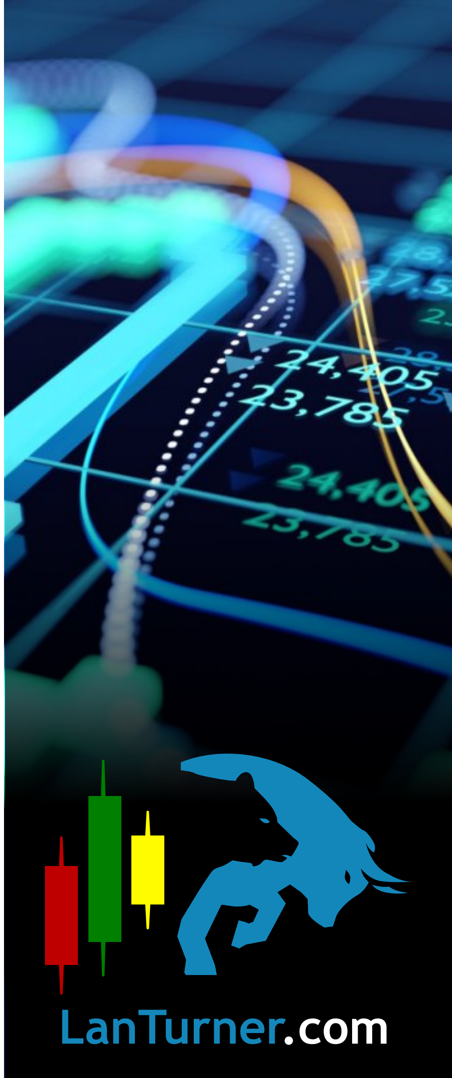
Terminology: The Language of Options

Puts & Calls

- In-the-money
  - When the underlying market has exceeded the strike price value

- At-the-money
  - When the underlying asset is trading at the same price as the option strike price.

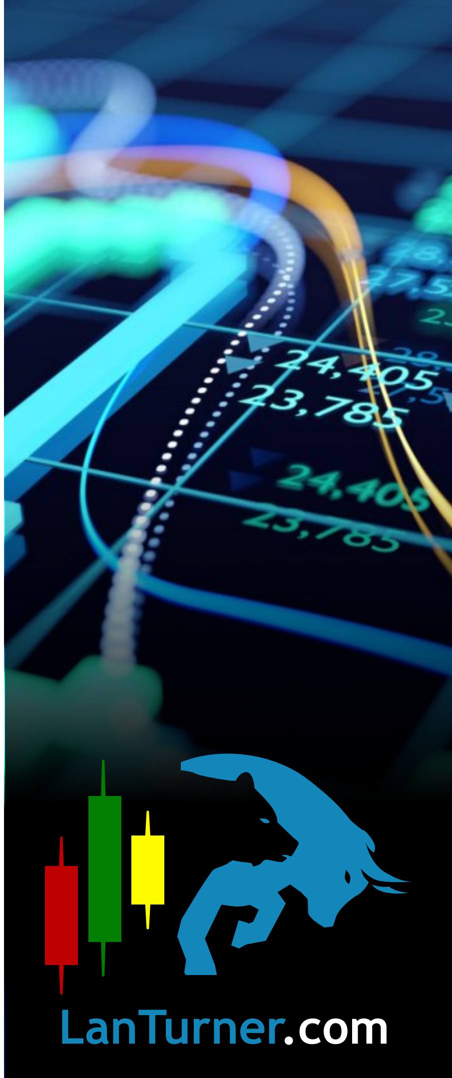
- Out-of-the-money
  - When the underlying asset is trading less than the strike price value.



Terminology: The Language of Options

Puts & Calls

- Options Delta
  - A delta of .50 means that for every $1.00 the underlying commodity increases, the Call option will increase by $0.50
    - As an in-the-money option nears expiration, its delta will approach 1.00
    - As an option gets further and further in-the-money, its delta will approach 1.00
  - Convexity



Two Options Savings Plans

Two Long(er) Term Options Strategies

1. Dr. Scott Brown's Options Strategy
   a. How Dr. Brown turned $5,000 into $1.2 Million in less than five years trading options.
   (Disclaimer: His results are not typical.)

2. Lan Turner Options Saving Plan (My version)
   a. A more "conservative" short(er)-term options savings plan.

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Dr. Scott Brown's Options Savings Plan

Long-Term Options Saving Plan

1. Pick 3 - 5 Stocks
   a. Dr. Brown's Favorite Criteria
      i. High volume options
      ii. Mid to High Priced Options $50 - $150
      iii. Well known, most popular stocks
2. List of some popular favorite stocks within that range.
   a. AMZN, GOOGL, NFLX, NVDA, AAPL, FB, MSFT, V, BYND, WMT, DIS, ATVI, INTC
      i. Dr. Brown likes FAANG stocks for this strategy.

Dr. Scott Brown’s Options Savings Plan

Rule 1: Each year donate max amount allowed for both you and your spouse into a self directed IRA account.

- ROTH if you qualify.

Rule 2: Pick three of your favorite stocks or similar quality from the list provided, consider the FAANG stocks.

Rule 3: Wait for a Bulls ‘n Bears Buy Signal
(See next slide for settings)

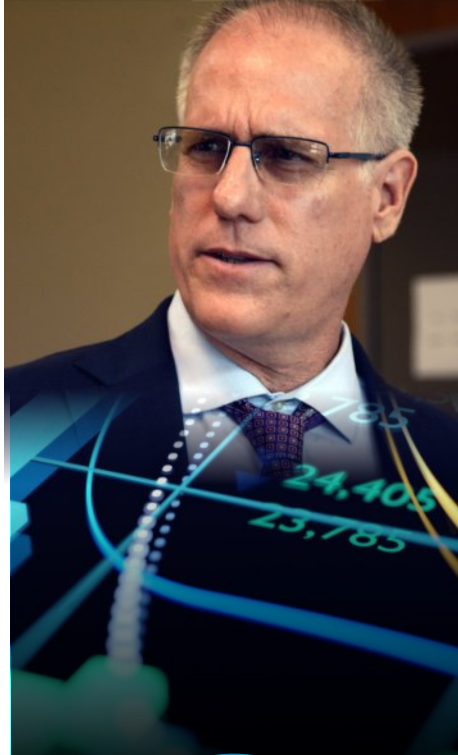
Dr. Scott Brown's Options Savings Plan

Rule 3: Wait for a Bulls 'n Bears Buy Signal, or re-entry signal from the Blue Light.

- If using Blue Light re-entry, don't enter after the second drive of an Elliott Wave, wait for BnB buy arrow.

BnB Settings

1. Daily Chart, Sensitivity 72, Traditional Formula, Blue Light set to Both, No Filters.



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Dr. Scott Brown's Options Savings Plan

Rule 4: Divide IRA money by the number of stocks you plan on holding (Three).

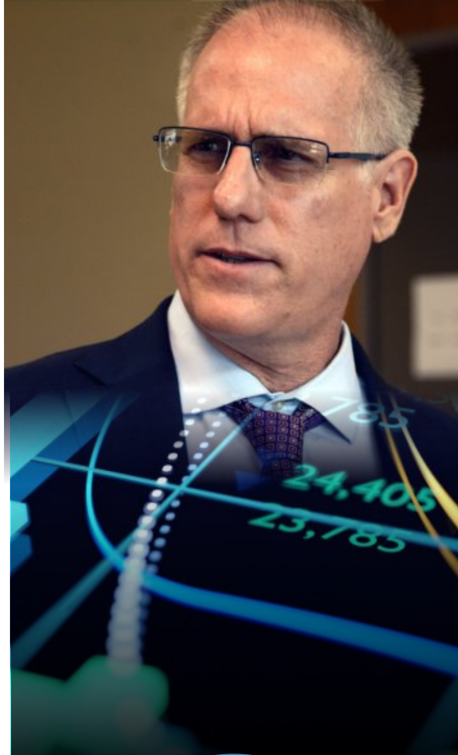
Example: $12,000 / 3 = $4,000

Rule 5: Divide $4,000 by 2 = $2,000

Rule 6: Buy as many At-The-Money LEAP options of your chosen stock as you can for $2,000.

Rule 7: Buy as many (Three Strikes) Out-Of-The-Money LEAP options as you can for $2,000.

- Repeat for all three stocks.



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Dr. Scott Brown's Options Savings Plan

Rule 9: Hold until Expiration

- If in-the-money, liquidate just prior to expiration, transfer profits to indexed ETF; DIA.
- If out of the money, cry…

This is an ALL-OR-NOTHING strategy.

Even if you lose money, rinse and repeat the following year with your next IRA contribution.

Rule 10: Continue this for the rest of your life.

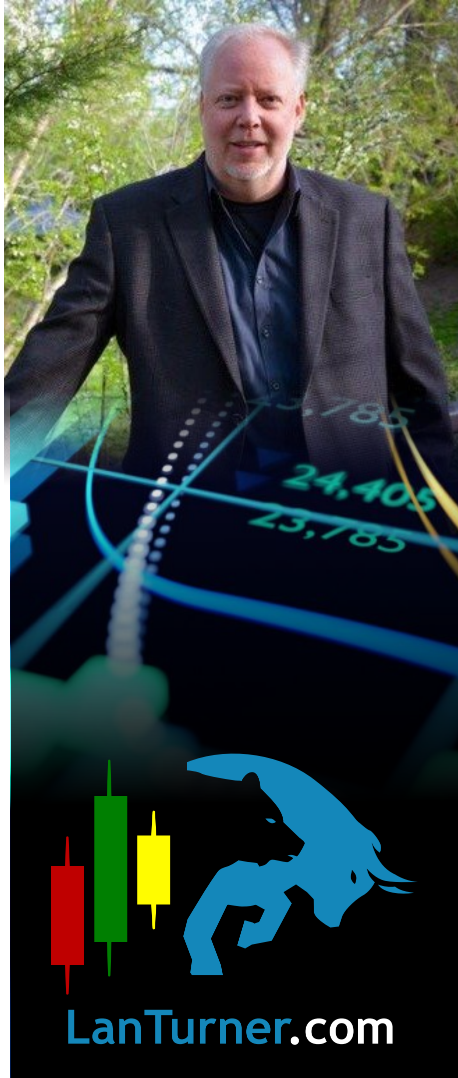
Chapter 5

Lan Turner's Option Savings Plan

Options Long-term Savings Plan

Lan Turner's Crash Course In Trading

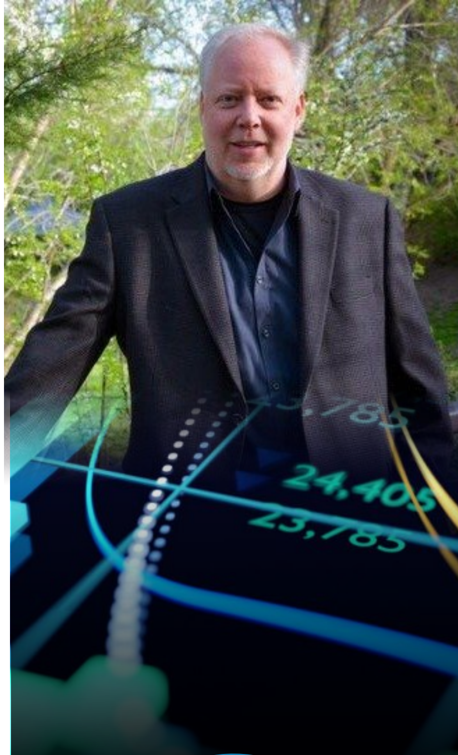
Stocks * Futures * Forex



Lan Turner's Options Savings Plan

Short(er)-Term Options Saving Plan

1. Pick 5 - 10 Stocks
    a. My Favorite Criteria
        i. High volume options
        ii. Mid-Range, $15 to $60
        iii. Well known
2. List of some popular favorite stocks within that range.
    a. SPCE, CCL, MGM, CIT, BP, BAC, DAL, WFC, UAL, WORK, T, LYFT, TWTR, UBER, DKNG, BSX, EBAY, CSCO, XOM, MS, LUV, AMD, USO, SPG, MRK, GM



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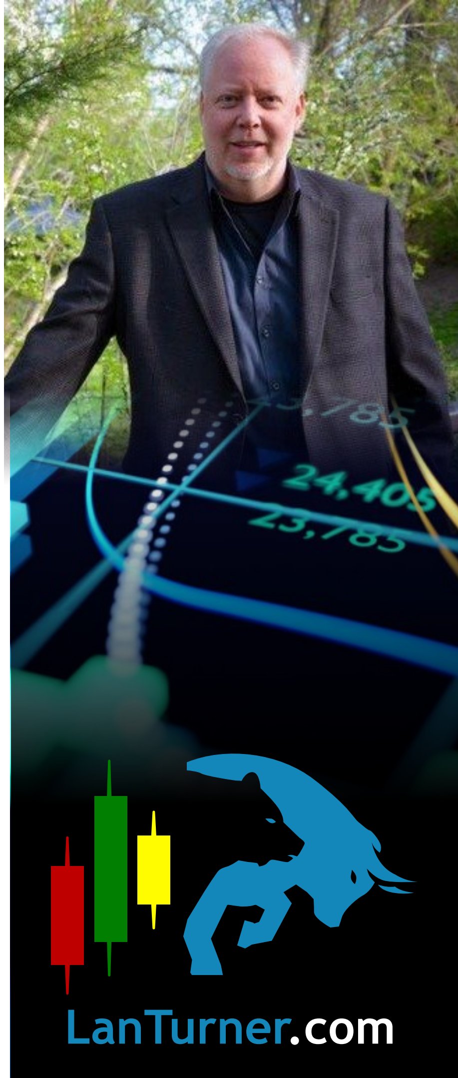
Lan Turner's Options Savings Plan

Rule 1: Set aside a small weekly amount of money; an amount usually spent on recreation, food, or entertainment; an amount that if you lose, it won't hurt.

Rule 2: Pick 5 to 10 of your favorite stocks or similar quality from the list provided.

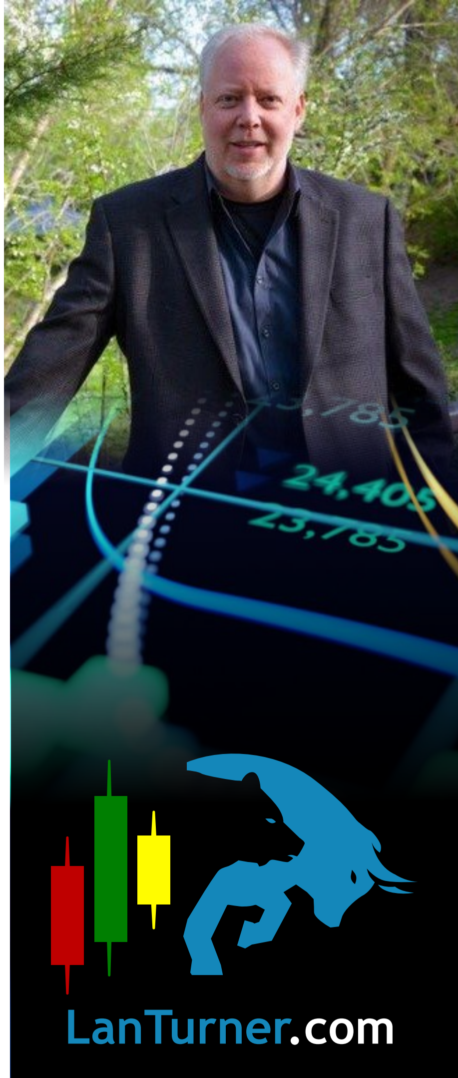
- Diversification is good; try to find great stocks from each market category to avoid stocks that all move in tandem one-with-another.



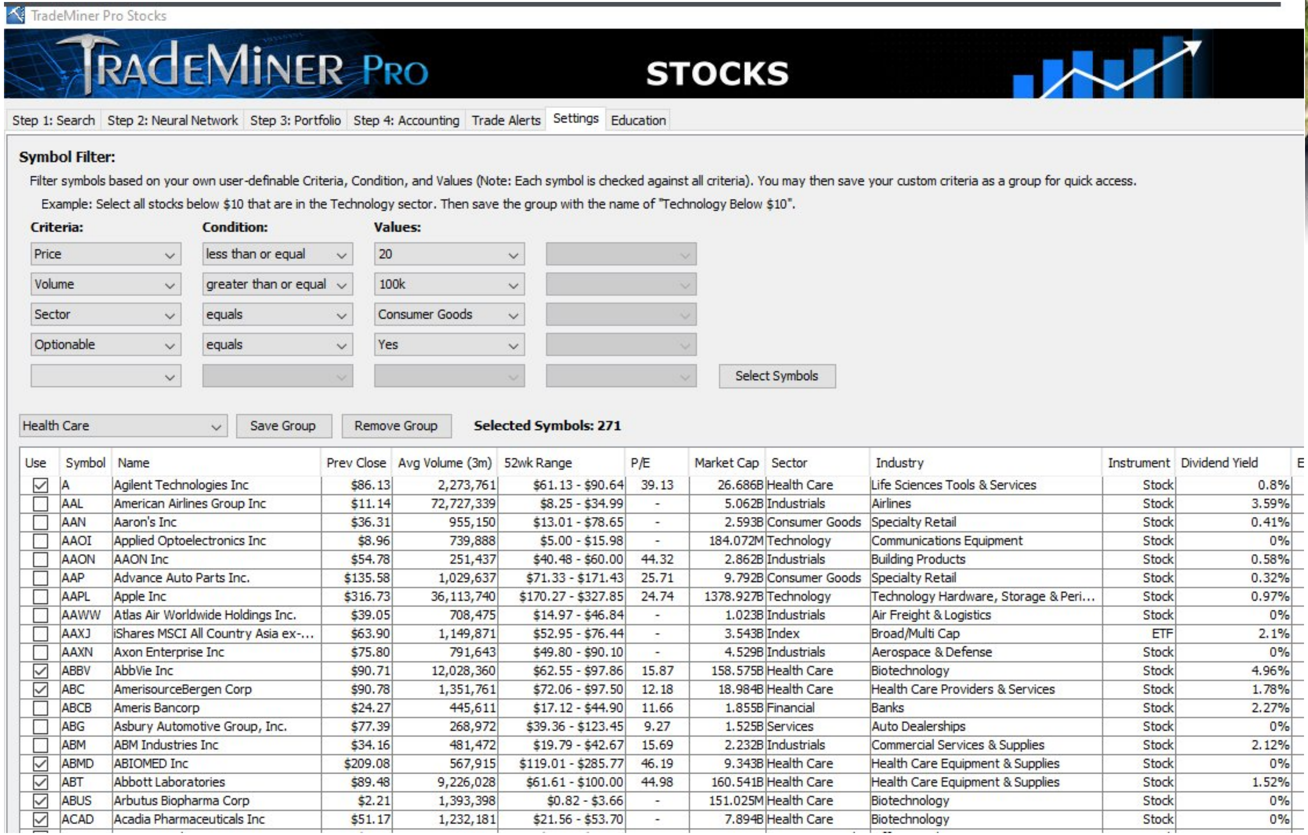
Lan Turner's Options Savings Plan

Rule 2: Diversify

- Basic Materials
- Communications
- Consumer Goods
- Financial
- Health Care
- Industrials
- Services
- Technology
- Utilities



Lan Turner's Options Savings Plan



Use	Symbol	Name	Prev Close	Avg Volume (3m)	52wk Range	P/E	Market Cap	Sector	Industry	Instrument	Dividend Yield
☑	A	Agilent Technologies Inc	$86.13	2,273,761	$61.13 - $90.64	39.13	26.686B	Health Care	Life Sciences Tools & Services	Stock	0.8%
☐	AAL	American Airlines Group Inc	$11.14	72,727,339	$8.25 - $34.99	-	5.062B	Industrials	Airlines	Stock	3.59%
☐	AAN	Aaron's Inc	$36.31	955,150	$13.01 - $78.65	-	2.593B	Consumer Goods	Specialty Retail	Stock	0.41%
☐	AAOI	Applied Optoelectronics Inc	$8.96	739,888	$5.00 - $15.98	-	184.072M	Technology	Communications Equipment	Stock	0%
☐	AAON	AAON Inc	$54.78	251,437	$40.48 - $60.00	44.32	2.862B	Industrials	Building Products	Stock	0.58%
☐	AAP	Advance Auto Parts Inc.	$135.58	1,029,637	$71.33 - $171.43	25.71	9.792B	Consumer Goods	Specialty Retail	Stock	0.32%
☐	AAPL	Apple Inc	$316.73	36,113,740	$170.27 - $327.85	24.74	1378.927B	Technology	Technology Hardware, Storage & Peri...	Stock	0.97%
☐	AAWW	Atlas Air Worldwide Holdings Inc.	$39.05	708,475	$14.97 - $46.84	-	1.023B	Industrials	Air Freight & Logistics	Stock	0%
☐	AAXJ	iShares MSCI All Country Asia ex-...	$63.90	1,149,871	$52.95 - $76.44	-	3.543B	Index	Broad/Multi Cap	ETF	2.1%
☐	AAXN	Axon Enterprise Inc	$75.80	791,643	$49.80 - $90.10	-	4.529B	Industrials	Aerospace & Defense	Stock	0%
☑	ABBV	AbbVie Inc	$90.71	12,028,360	$62.55 - $97.86	15.87	158.575B	Health Care	Biotechnology	Stock	4.96%
☑	ABC	AmerisourceBergen Corp	$90.78	1,351,761	$72.06 - $97.50	12.18	18.984B	Health Care	Health Care Providers & Services	Stock	1.78%
☐	ABCB	Ameris Bancorp	$24.27	445,611	$17.12 - $44.90	11.66	1.855B	Financial	Banks	Stock	2.27%
☐	ABG	Asbury Automotive Group, Inc.	$77.39	268,972	$39.36 - $123.45	9.27	1.525B	Services	Auto Dealerships	Stock	0%
☐	ABM	ABM Industries Inc	$34.16	481,472	$19.79 - $42.67	15.69	2.232B	Industrials	Commercial Services & Supplies	Stock	2.12%
☑	ABMD	ABIOMED Inc	$209.08	567,915	$119.01 - $285.77	46.19	9.343B	Health Care	Health Care Equipment & Supplies	Stock	0%
☑	ABT	Abbott Laboratories	$89.48	9,226,028	$61.61 - $100.00	44.98	160.541B	Health Care	Health Care Equipment & Supplies	Stock	1.52%
☑	ABUS	Arbutus Biopharma Corp	$2.21	1,393,398	$0.82 - $3.66	-	151.025M	Health Care	Biotechnology	Stock	0%
☑	ACAD	Acadia Pharmaceuticals Inc	$51.17	1,232,181	$21.56 - $53.70	-	7.894B	Health Care	Biotechnology	Stock	0%

Lan Turner's Options Savings Plan

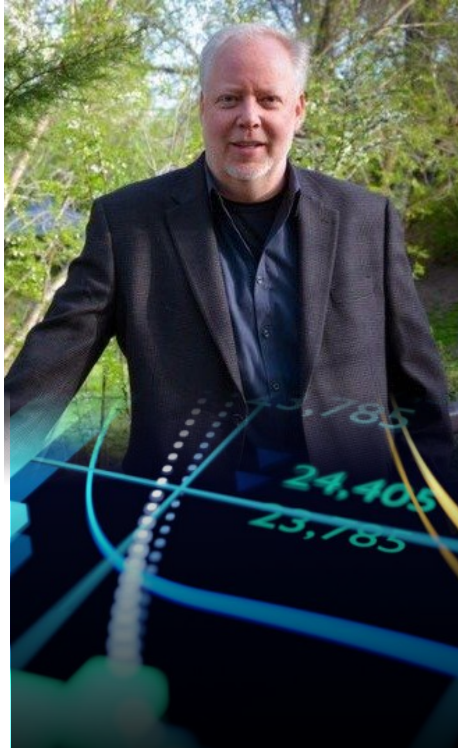
Rule 3: During the first part of every week, Monday or Tuesday, choose your favorite stock.

Buy a 90-day At, or Out-of-The-Money Call option using that weeks set-aside money.

- Wait until after 1:00pm EST.
- Avoid high iVol times of day

Move as far Out-of-the-Money as needed to purchase the option you can afford.

- Be judicious, do your homework.



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Lan Turner’s Options Savings Plan

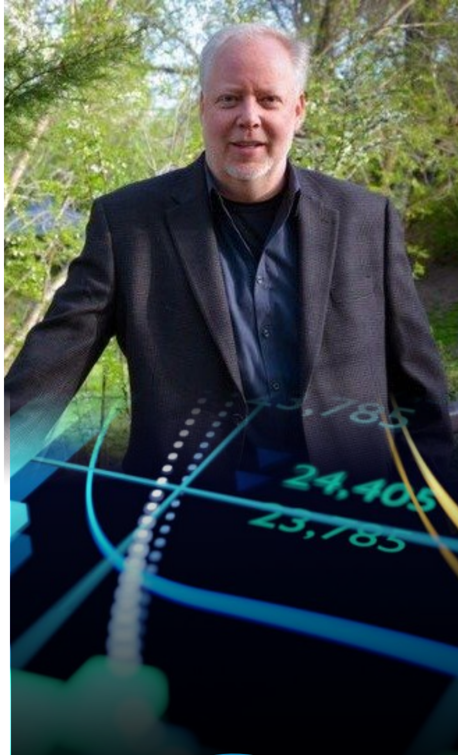
Where/When to Exit Options?

Strategy 1: Set a Limit Order to take profits once your option hits 20%.

- Alternatively exit at 30% - 50%
  - Greater risk, greater reward.

Strategy 2: 60-Day Theta Exit

- Liquidate options 30 days prior to expiration.



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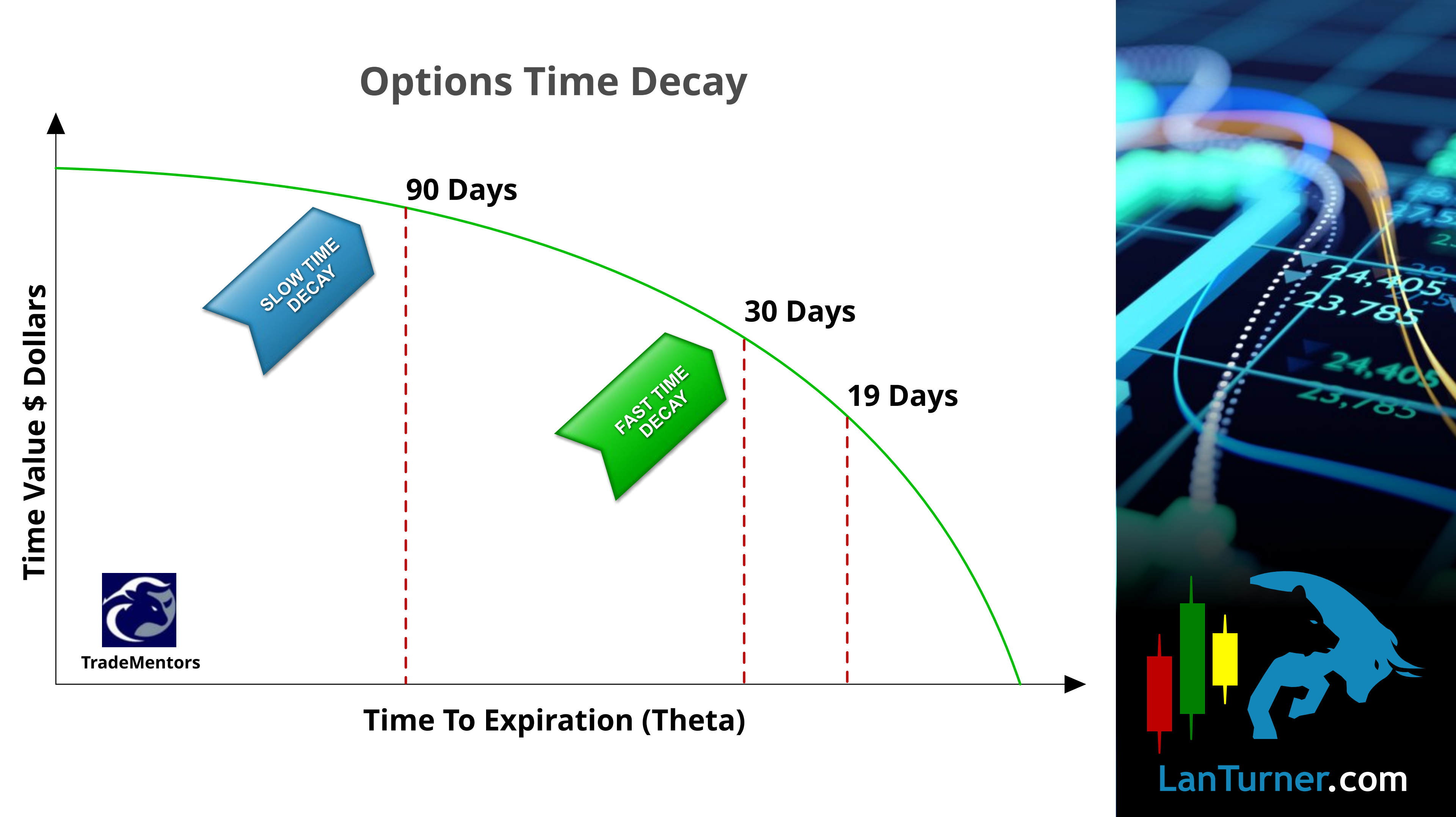


Options Time Decay
90 Days
30 Days
19 Days
SLOW TIME DECAY
FAST TIME DECAY
Time Value $ Dollars
Time To Expiration (Theta)
TradeMentors
24,405
23,785
24,405
23,785
LanTurner.com

90-Day Options Savings Plan

Where/When to Exit Options?

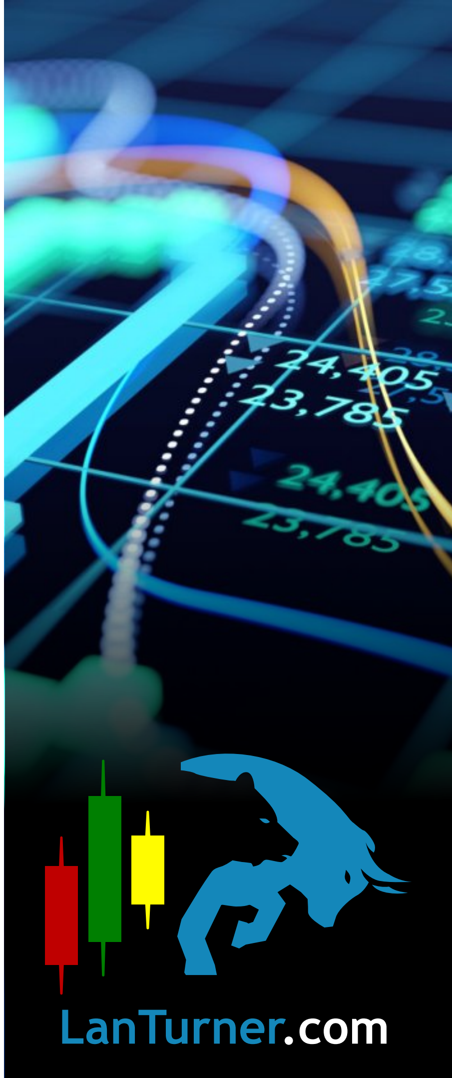
Strategy 3: AON (All-Or-Nothing)

Hold until Expiration

- If in-the-money, liquidate just prior to expiration.
  - Transfer profits to indexed ETF; DIA.
- If out of the money, cry…

Strategy 4: Start today!

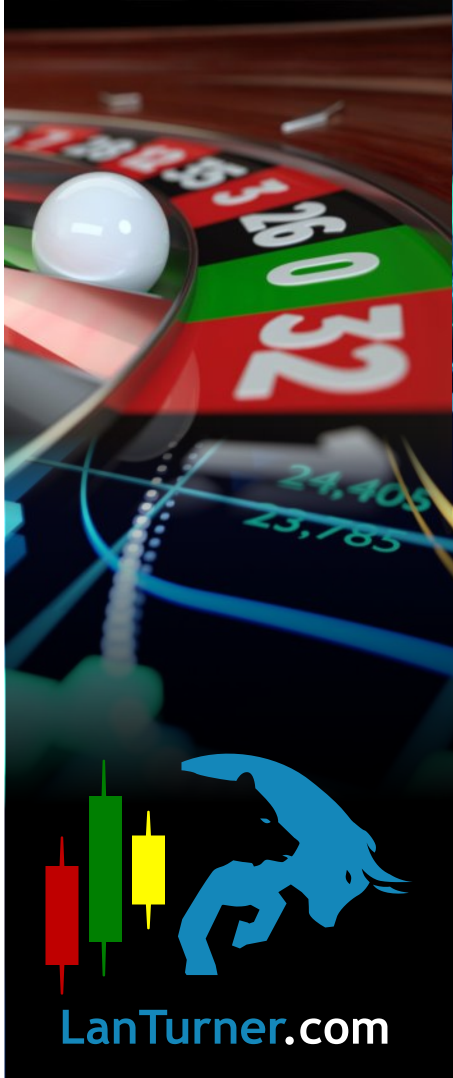
- Continue for the rest of your life.



Lan Turner's Options Savings Plan

Optional Inclusions

1. Pick one indexed ETF; QQQ, DIA, SPY
2. Consider including the VIX
   - The VIX would be a hedge against a falling market. By including the VIX, if the market tanks, it might not cover your entire nest egg, but take away some of the sting.
   - It's like putting chips on the Green Zero when playing the roulette wheel.
     - Don't spend all your money on insurance.



Infamous Quote

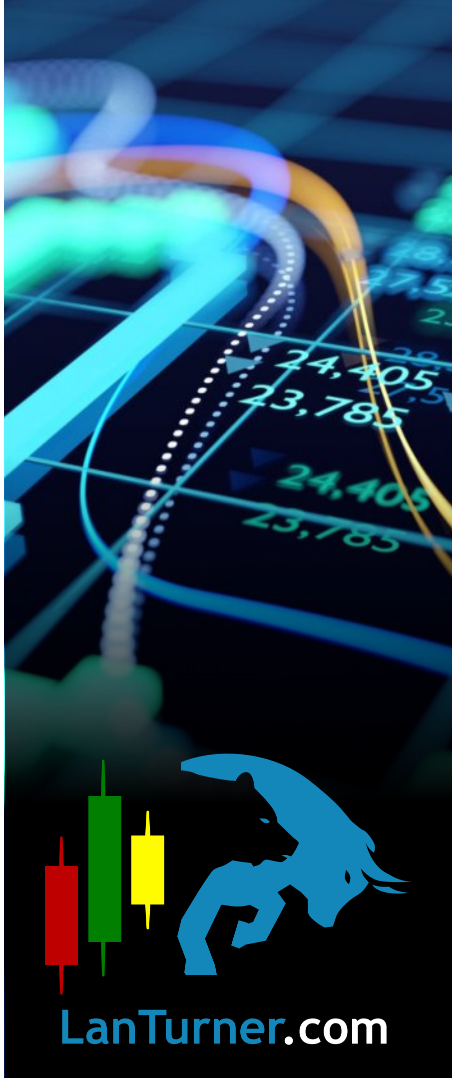
Sir John Templeton

- American-born British investor, banker, and fund manager.

"The four most dangerous words in investing are:"

"This time it's different."

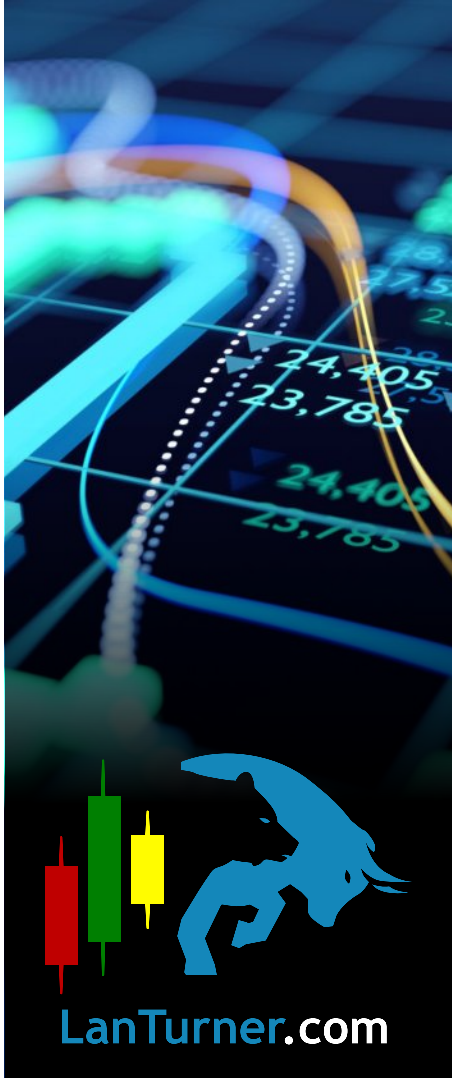
-- Sir John Templeton



Covered Call

Putting on a Covered Call

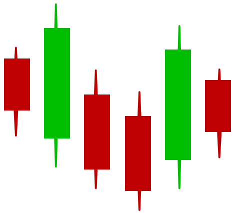
- A covered call is a strategy combining the purchase of the shares, as well as a selling a call option to collect premium against the shares purchased.
- Traders 'Write' Covered Calls to help boost long-term investment income.



Covered Call

Putting on a Covered Call

1. Sell (Write) a Call OTM (Out of the Money)
2. Buy 100 Shares



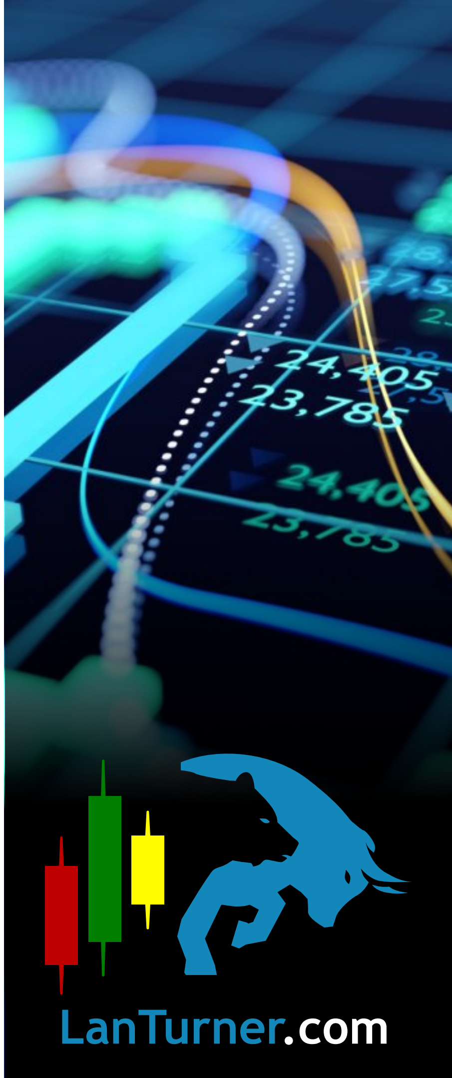
Sell 1 Call: 50 Strike

Market Price

Buy 100 Shares: 30 Price

* I like to refer to this as my "Slumlord Strategy."

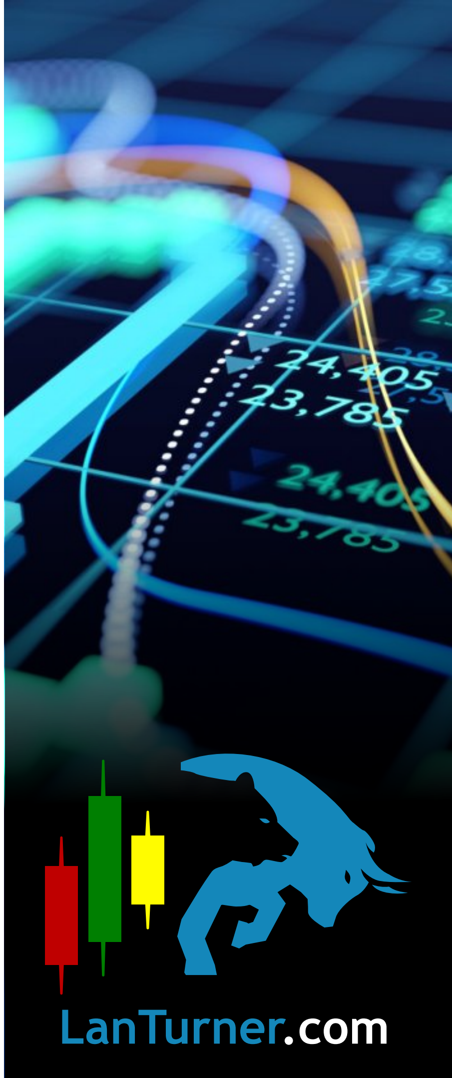
- The shares represent my rental property.
- The Short Call represents the rent.



Covered Call

Advantages of a Covered Call

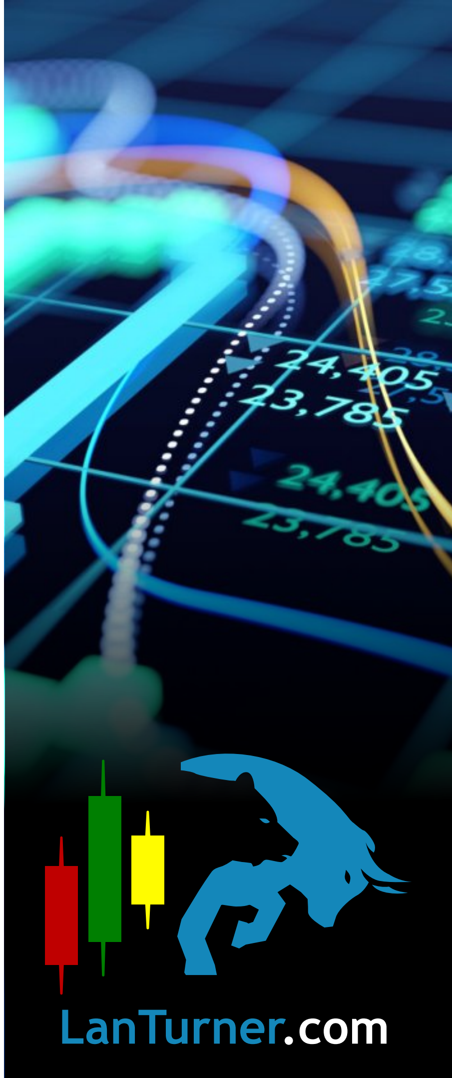
1. Covered Calls are a premium collection strategy played against shares that you already own, which can increase the upside return and help offset downside risk.



Covered Call

Disadvantages of a Covered Call

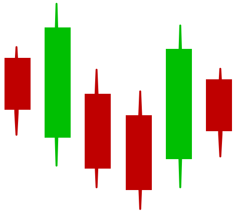
1. A Covered Call can limit your potential upside profit if the stock rises above the option strike price.
    a. If the stock rises above the Covered Call strike price, you lose the premium.
2. A traditional Covered Call does not provide much downside protection, other than the option premium collected.



Protective Collar

Putting on a Protective Collar

1. Sell (Write) a Call OTM (Out of the Money)
2. Buy 100 Shares
3. Buy (Write) a Put OTM



Sell 1 Call: 50 Strike

Market Price

Buy 100 Shares: 30 Price

Buy 1 Put: 10 Strike

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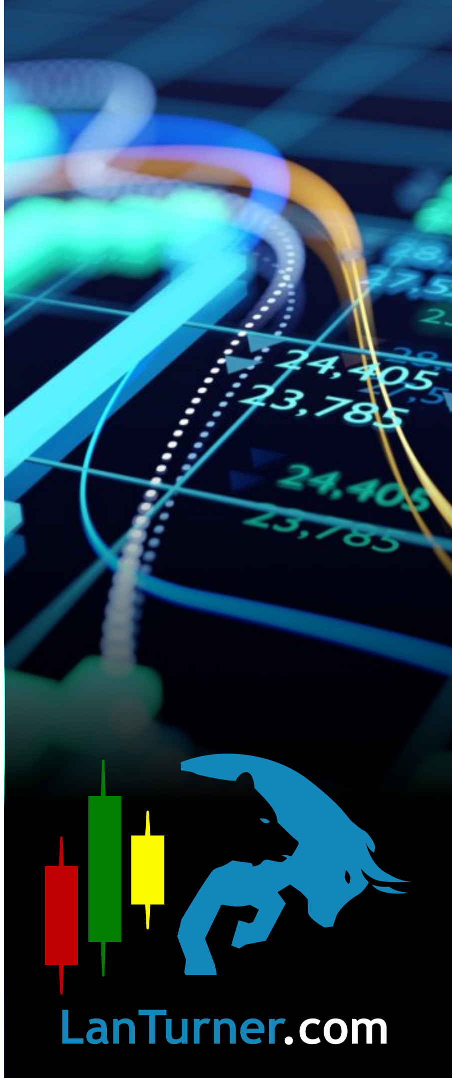
Protective Collar

Advantages and Disadvantages

1. The advantage is that we are protected against a fall in the market below the strike price of the purchased put option. (This is what I call the insurance policy.)

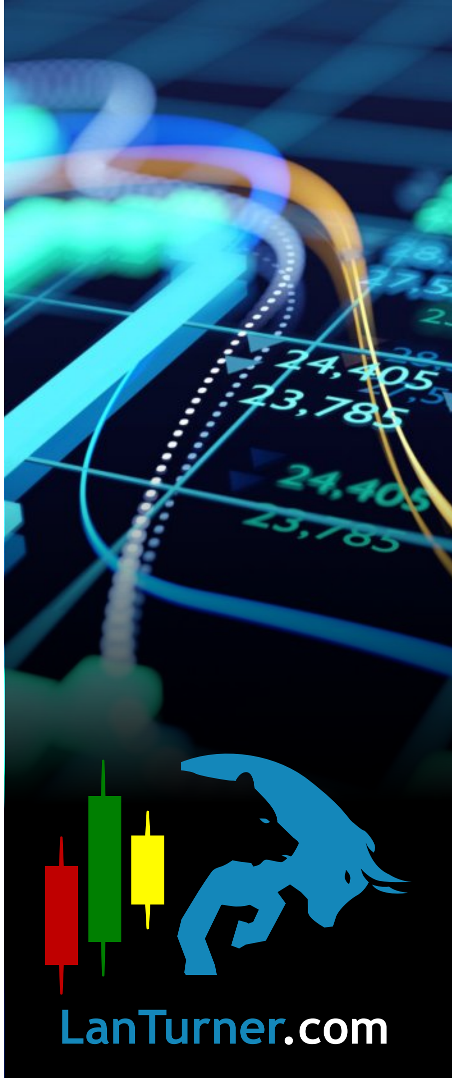
2. The disadvantage is that we may be required to sell our shares at the sold Call strike price; if exercised against.



Bull Call Spread

Putting on a Bull Call (Debit) Spread

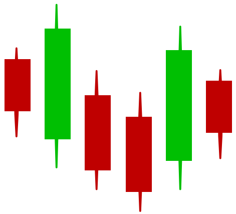
- A Bull Call Spread is an option strategy that involves the purchase of a call option and the simultaneous sale of another option with the same expiration date but a higher strike price.
- With a Bull Call Spread, the premium paid for the Call purchased is always more than the premium received for the Call sold.
  - Therefore it’s a debit spread.



Bull Call Spread

Putting on a Bull Call Spread

1. Buy 2 (Hold) Calls
2. Sell 2 (Write) Calls OTM (Out of the Money)

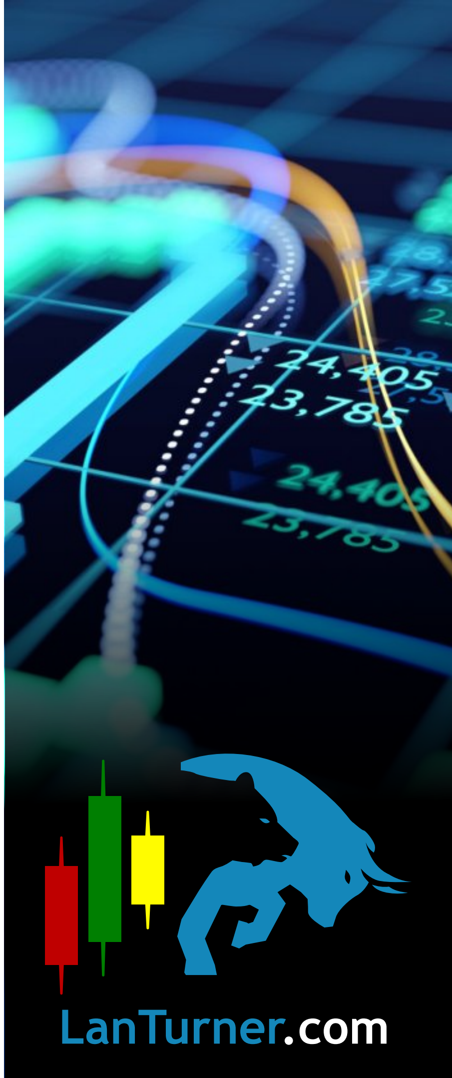


Sell 2 Call: 50 Strike

Market Price

Buy 2 Call: 30 Strike

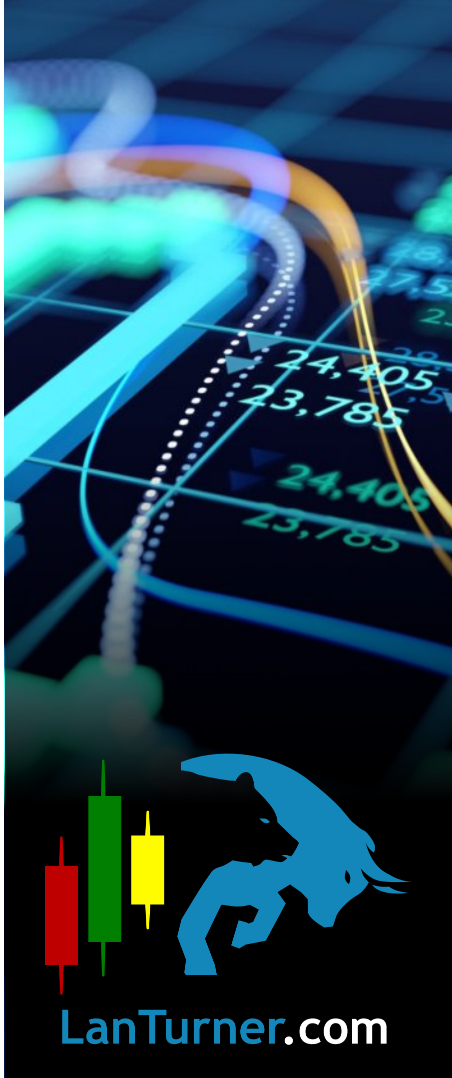
* This is sometimes referred to as a "Poor Man's Covered Call."



Bull Call Spread

Advantages of a Bull Call Spread

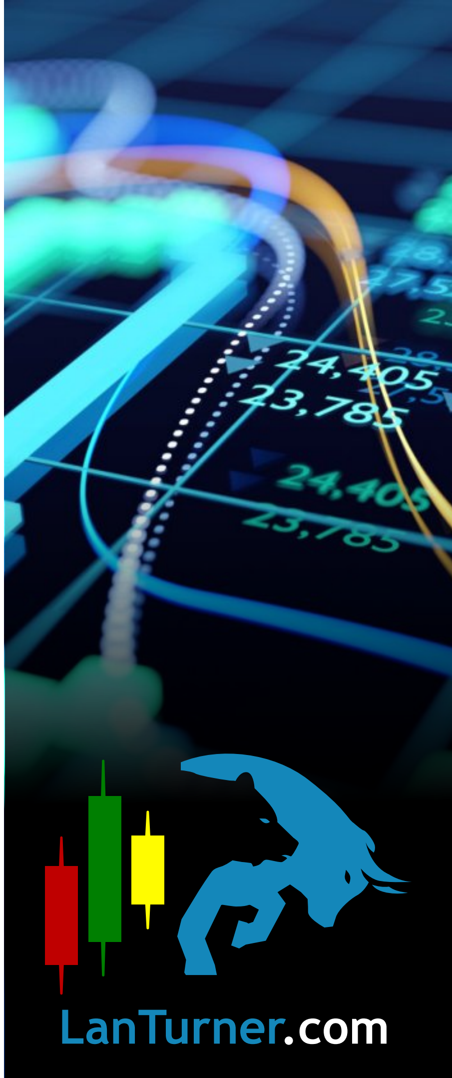
1. Risk is limited to the net premium paid for the position.
2. It has a measurable risk vs. reward.
    - The maximum P&L amount can be easily determined at the time of placement.



Bull Call Spread

Disadvantages of a Bull Call Spread

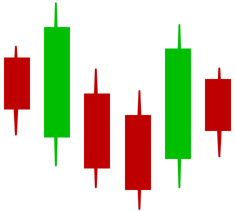
1. We run the risk of losing our entire premium paid.
2. Profit is limited; not the best strategy if big moves in the market are expected.



Bear Put Spread

Putting on a Bear Put Spread

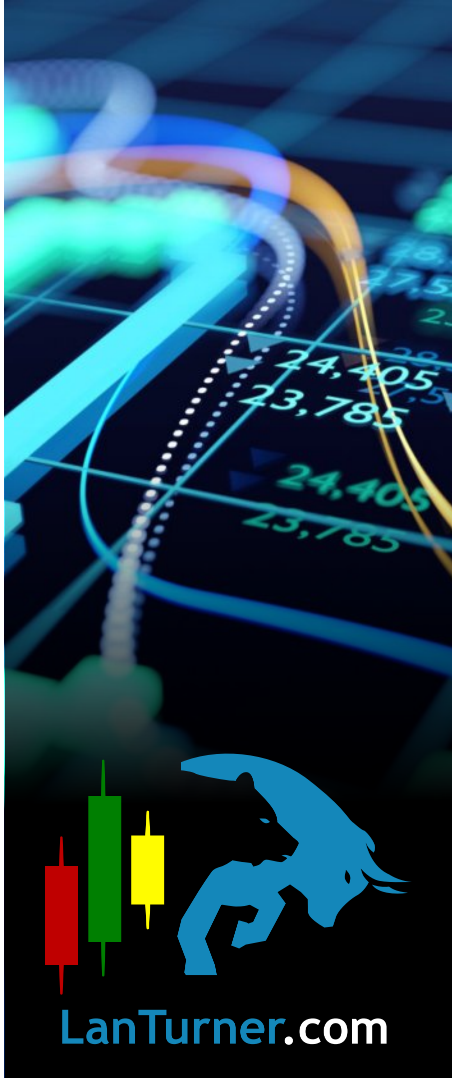
1. Buy 2 (Hold) Puts
2. Sell 2 (Write) Puts at a lower strike price.



Buy 2 Put: 50 Strike

Market Price

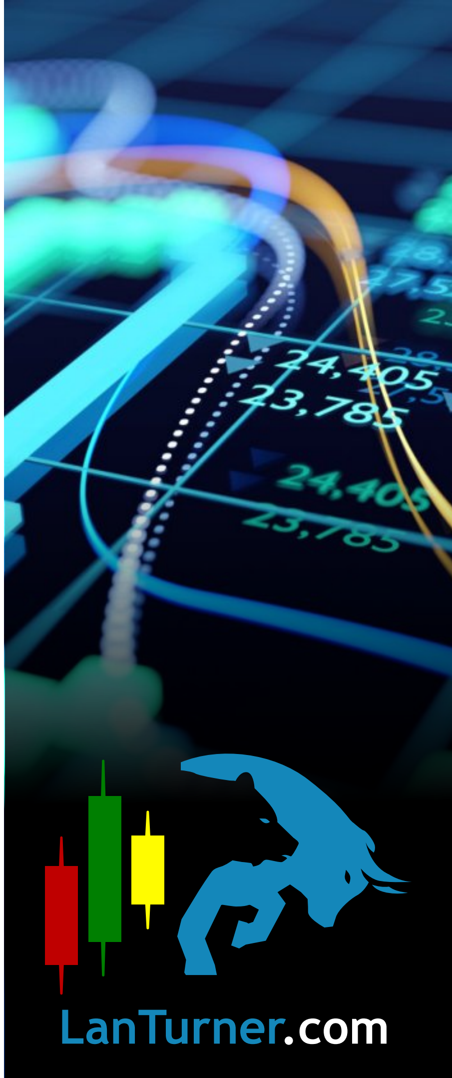
Sell 2 Put: 30 Strike



Married Put

Putting on a Married Put

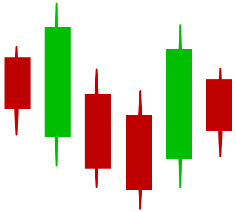
- We purchase the stock, or futures contract, then at the same time, purchase a put options for the same quantity of shares, or contracts.
- We use this strategy as a way of protecting our downside risk when holding a long position.
    - This strategy is like purchasing an insurance policy; it sets a price floor in case the market falls.



Married Put

Putting on a Married Put

1. Buy 100 Shares
2. Buy 1 Put

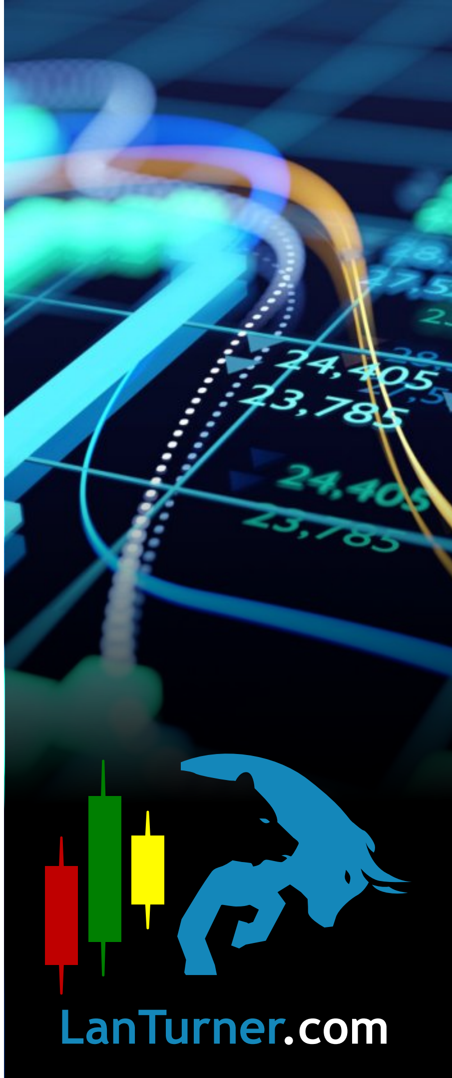


Buy 100 Shares: 30 Price

Market Price

Buy 1 Put: 30 Strike

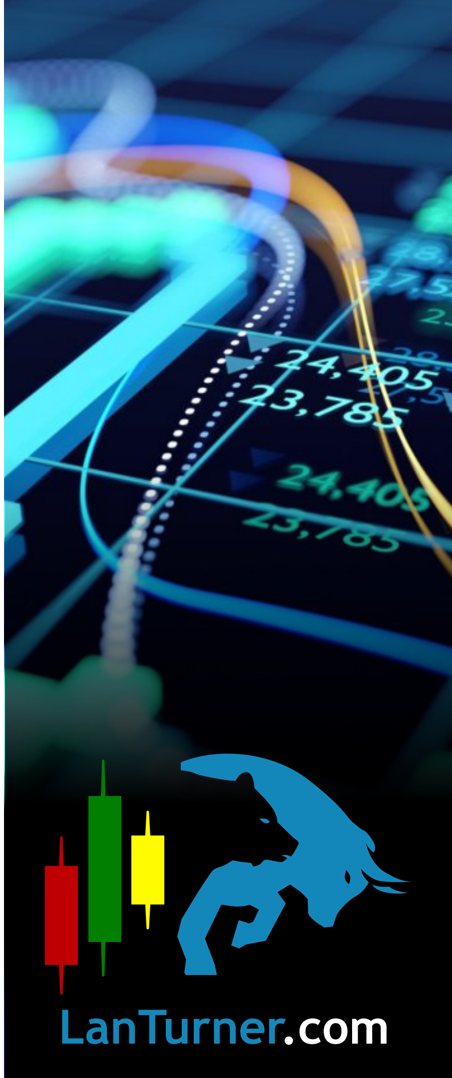
* Consider varying levels of protection based on strike and qty.



Married Put

Advantages and Disadvantages

1. One advantage, is that if the stock price falls, your losses are limited.
2. Another advantage is if the stock continues to rise, you continue to profit; <u>above the premium spent on the put.</u>
3. The disadvantage is that if you are continually purchasing puts, you eat up all your profits buying insurance.



Chapter 6

Favorite Option Strategies
Covered Calls / Covered Puts

Lan Turner's Crash Course In Trading

Stocks * Futures * Forex

LanTurner.com

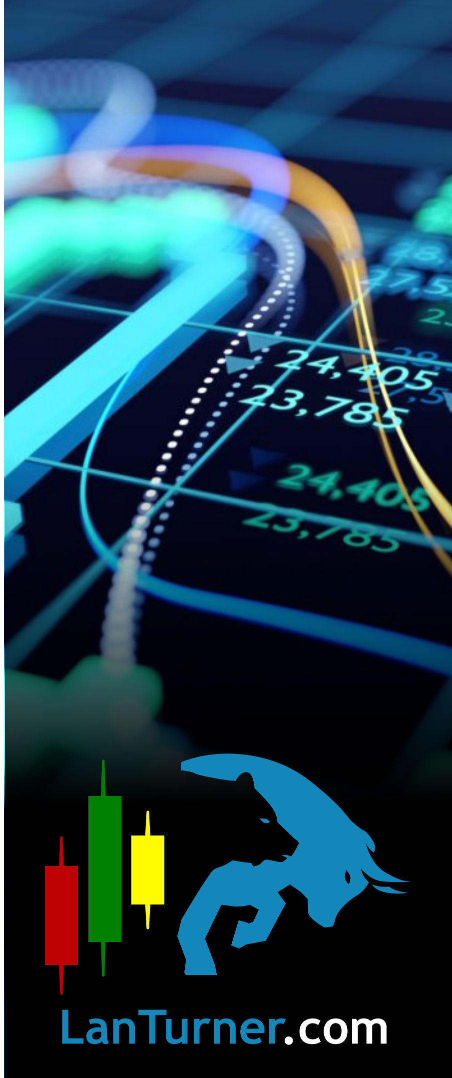
Famous Quote

Martin Schwartz

- A famous Wall Street trader who made a fortune trading Stocks, Futures & Options, and who won the 1984 US Investing Championship.

"A lot of people get so enmeshed in the markets that they lose their perspective. Working longer does not necessarily equate with working smarter. In fact, sometimes it's the other way around."

-- Martin Schwartz

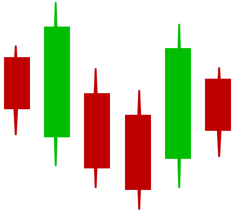


Covered Call

Added Income Strategy

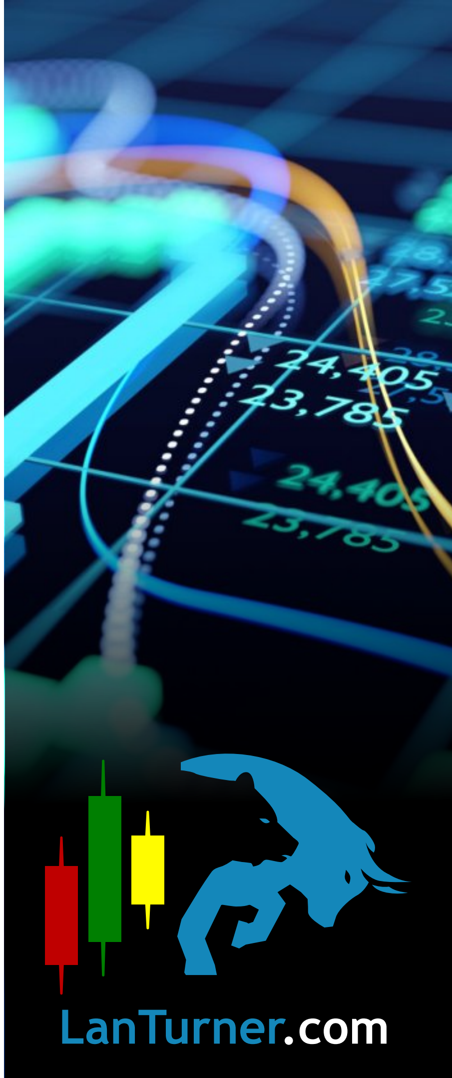
1. Buy The Market (Shares/Contracts)
2. Sell (Write) Call: (Out of The Money)

Sell a Call .20 Delta



Buy the Market: Market Price

* Anticipate a slow rise in price; max profit is between 30 & 50

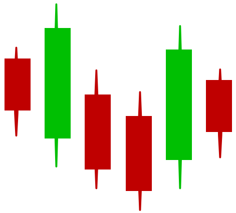


Courage Call (Poor Man's Covered Call.)

Added Income Strategy

1. Buy a Call: (At the Money)
2. Sell (Write) Call: (Out of The Money)

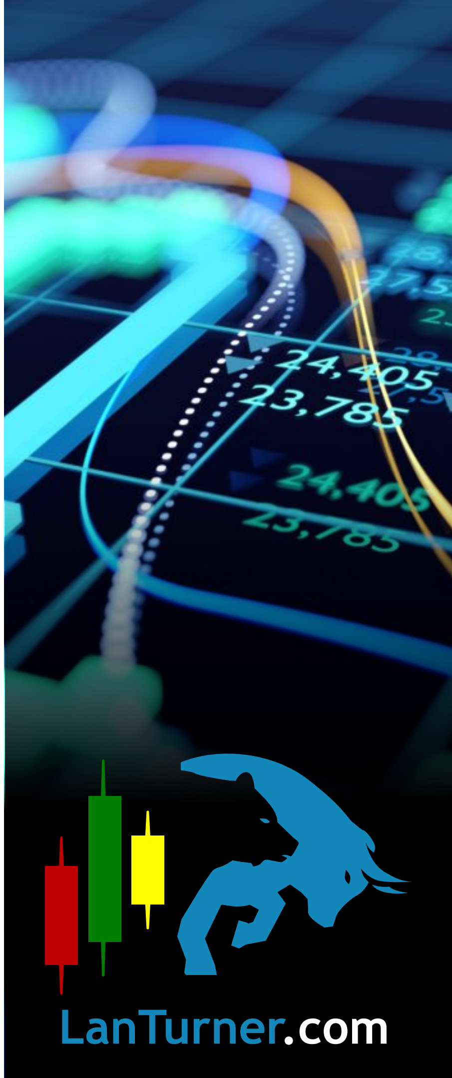
Sell a Call .20 Delta



Market Price

Buy a Call:

* Anticipate a slow rise in price; max profit is between 30 & 50

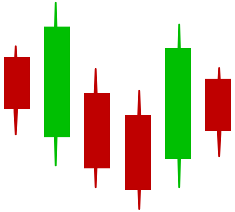


Courage Call #2 (Poor Man's Covered Call.)

Added Income Strategy

1. Buy a Call: (At the Money)
2. Sell (Write) Call: (Out of The Money)

Sell a Call .20 Delta



Market Price

Buy a Call (In-The-Money) .95 Delta

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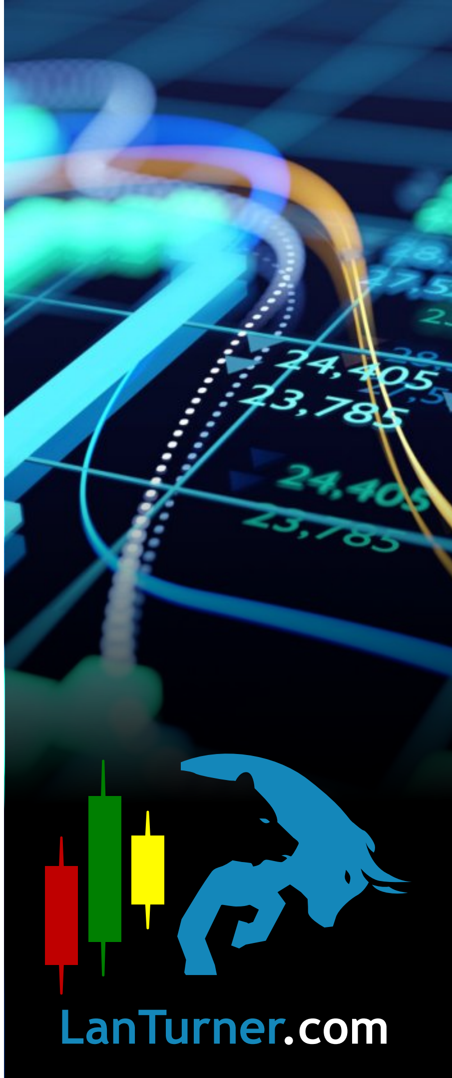
Statistically Speaking

Trading Covered Calls

Historical back tests reveal

- The best results were obtained when selling:
  - .10 to .20 delta call options
    - Further out delta's generate nearly 60% more revenue than closer in Deltas.
  - 60-90 days from expiration
  - Holding the position to expiration.
  - Hit a max draw-down of -41.75%



Considerations

Selling Covered Calls

If we tweak our strategy slightly and instead we...

- At a Delta level of .10
- 90 Days From Expiration
- Take Profits at 75%
- Holding until expiration

We average a max draw-down of -36.89%, but only a .34% increase in revenue.

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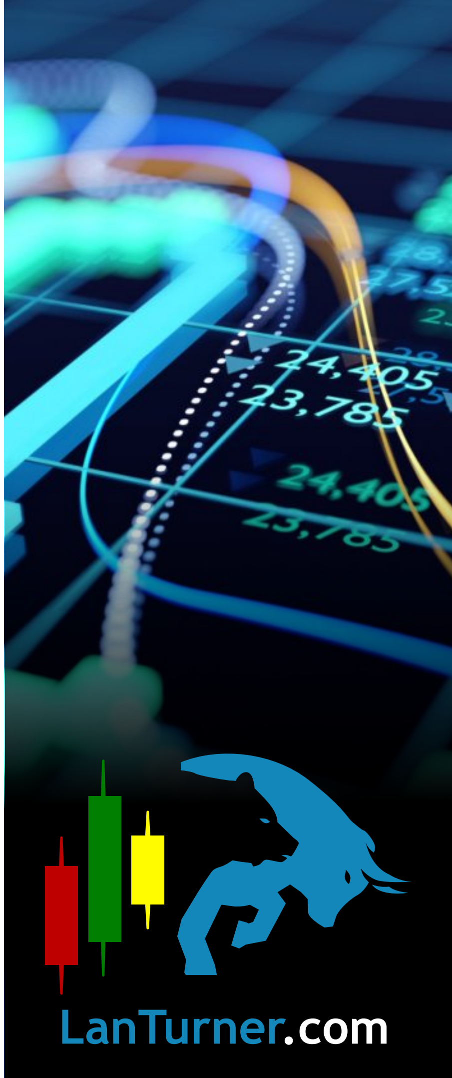
Summary

Selling Covered Calls

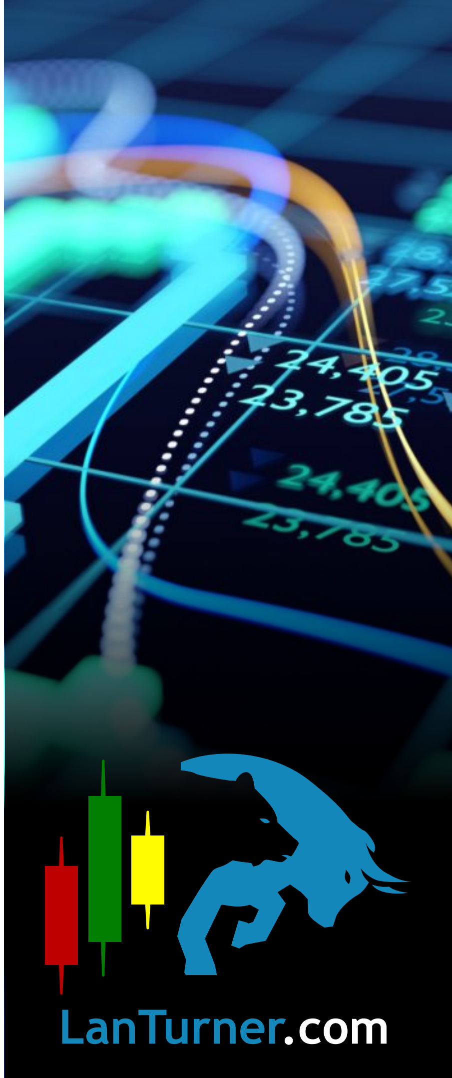
1. Trying to reduce the cost basis on stock positions using covered calls, in most cases, is more harmful than helpful.
    - Significant performance increases were seen when combining with technical analysis, and mathematically calculated entry strategies.



Summary

Selling Covered Calls

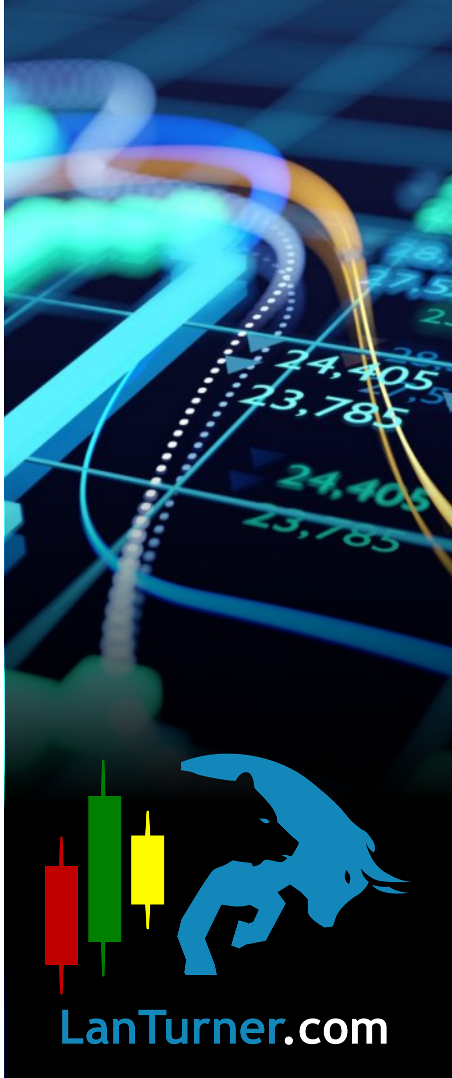
2. Discipline and patience generates higher returns.
   - Proper position sizing, by allocating small positions in each underlying symbol, should be the cornerstone of risk management.
   - Primarily focus on ETFs. The best results came from trading covered calls on ETFs.



Summary

When trading options

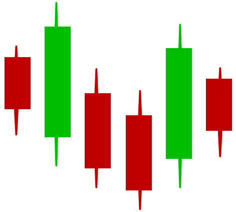
3. A dynamic trading approach is more profitable than a systematic approach.
    - Rather than using a single strategy for all market environments, research shows that using a more dynamic approach generates more profits in the long-run.
    - Adjust positions, strategies, entry, and exits based on prevailing market conditions.
    - Using indicators, technical analysis, cycles, trends and mathematics.



Married Put (Soft Stop)

Buying Insurance

1. Buy The Market (Shares/Contracts)
2. Sell (Write) Call: (Out of The Money)

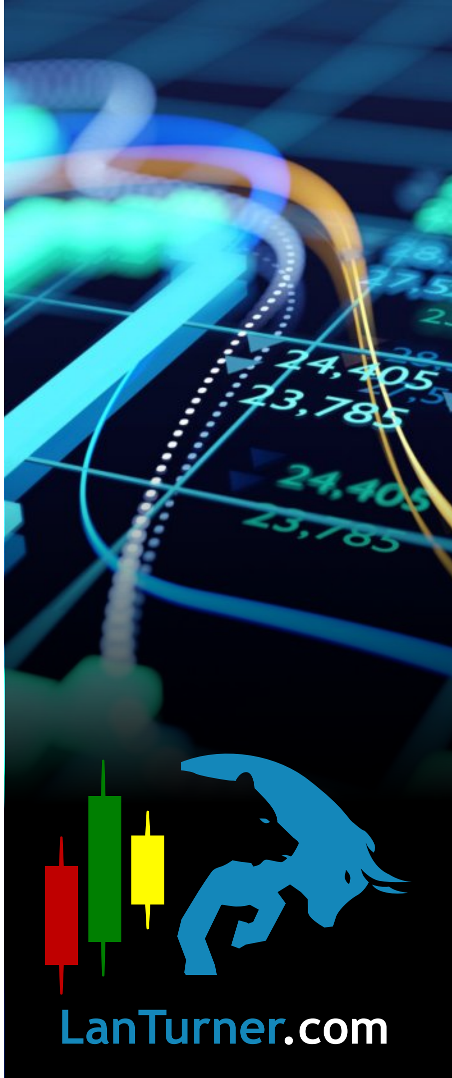


Market Price

Buy the Market: 100

Buy a Put (At-the-Money)

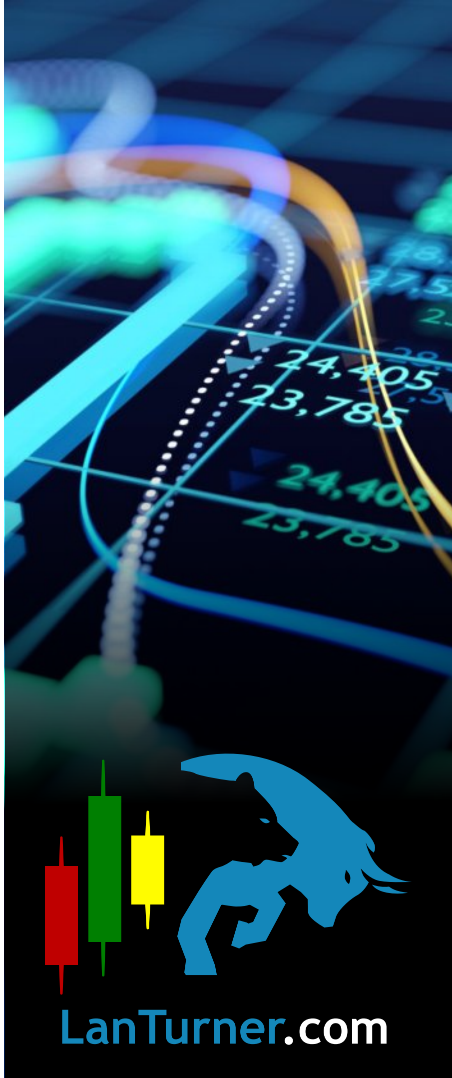
* Anticipate a rise in price, with protection to the downside.



Summary

Married Put (Soft Stop/hedge)

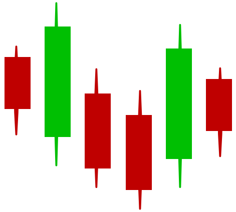
1. Everyone gets FOMO, (Fear of Missing Out).
   - The Married Put is a strategy designed to allow traders the ability to enter highly over-bought markets, with the assurance that if the market does fall, they're protected to the downside.
   - A single option protects 50 shares, two options protects 100 shares; this is due to Delta.



Synthetic Long

Bullish Synthetic Long Strategy (Free Trade)

1. Buy (Hold) Call: (At or Above The Money)
2. Sell (Write) Put: (1, 2, 3 or More OTM)

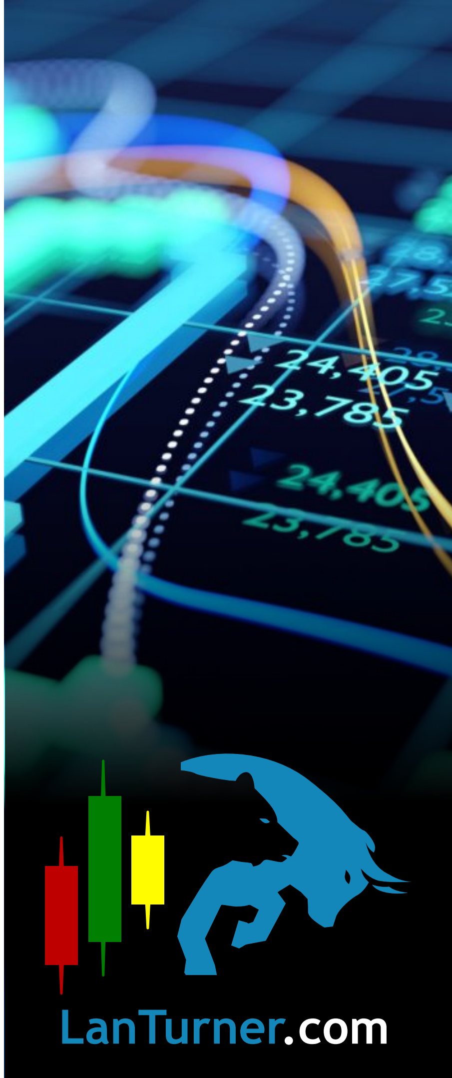


Buy Call: 50 Strike

Market Price

Sell Put: 30 Strike

* We expect the market to rise
* Options generally have the same expiration date
* The Premium from the Put pays or helps pay for the Call



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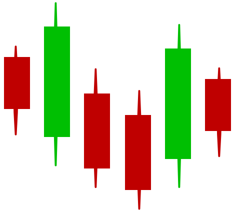

Buy Call: 50 Strike

Market Price

Sell Put: 50 Strike

Buy Put: 30 Strike

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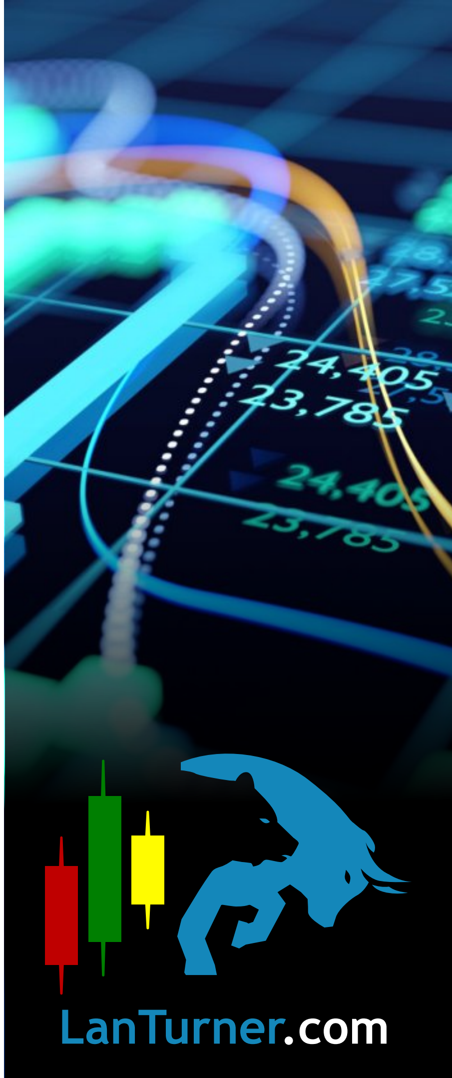

Summary

Synthetic Long/Short Options

- Synthetic Options are a way of entering the market, while selling options and collecting the premium to help pay for the shares, contracts, or options that we purchased.
    - You can also purchase shares, then sell options to help pay for the shares, this does not have to be exclusively an options only strategy.
    - There are many variations of every option strategy, the Synthetic strategy in particular.

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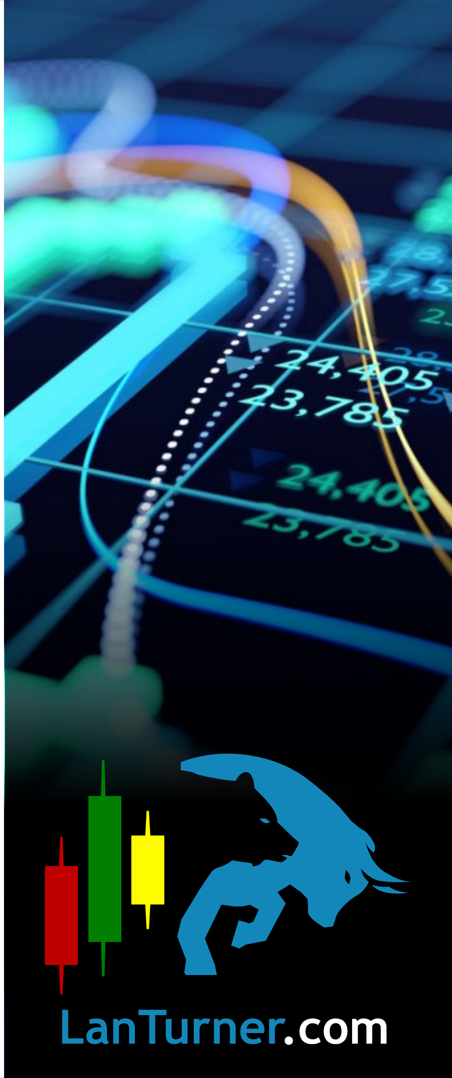
Chapter 7

Favorite Option Strategies

Advanced Option Strategies

Lan Turner's Crash Course In Options

Stocks * Futures * Forex



Famous Quote

Nicolas Darvas

- 1950's self-taught investor who turned $10,000 into over $2,000,000 in 18 months trading stocks; famous for the "Darvas Box," Narrow Sideways Channel Breakouts.

"I believe in analysis, not forecasting."

-- Nicolas Darvas

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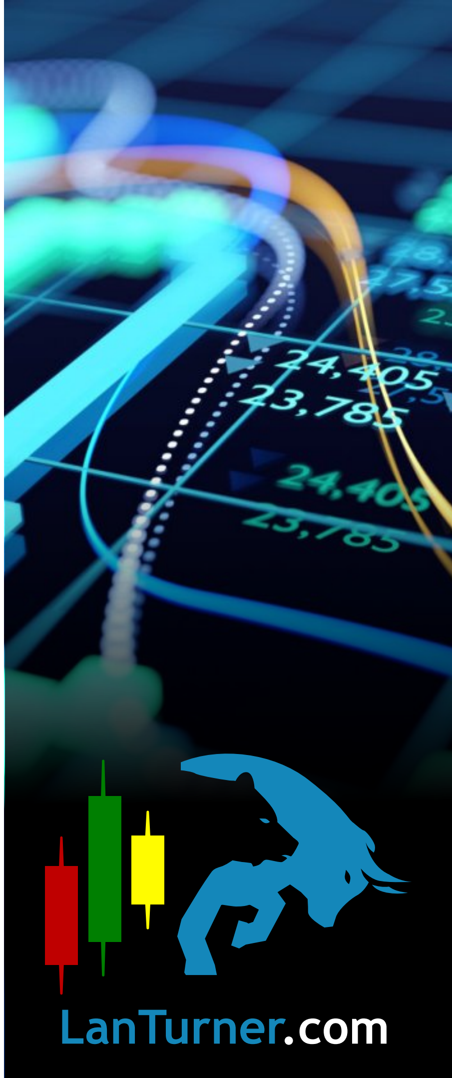
Put / Call DEBIT Spreads

Putting on a Debit Spread

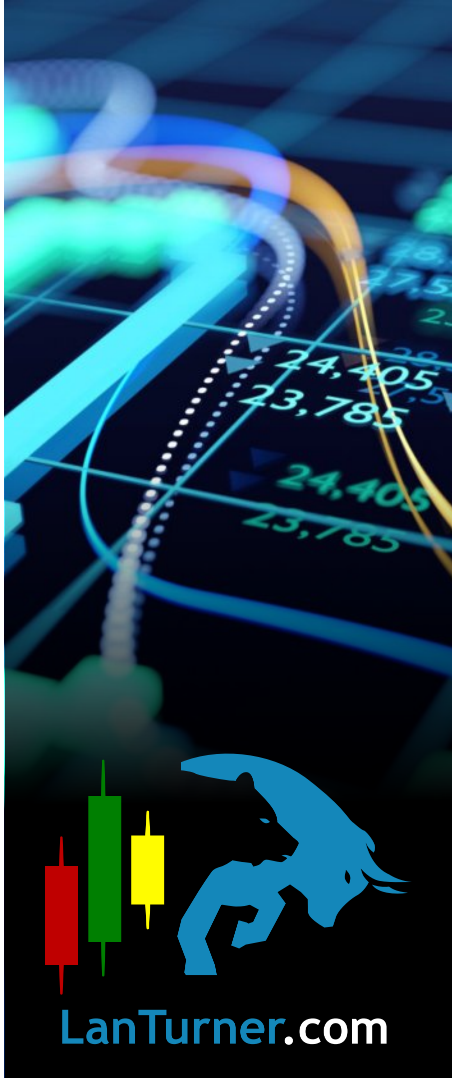
- A Debit Spread involves buying and selling two of the same type of options with different strike prices, which results in a net DEBIT to our trading account.
    - Example: Buy a 50-Call, Sell a 70-Call
- The options bought cost more than the options sold, therefore there is a cash outlay to put on the position.
    - "Poor Man's Covered Call" is a Debit Spread.



Put / Call CREDIT Spreads

Putting on a Credit Spread

- A Credit Spread involves buying and selling two of the same type of options with different strike prices, which results in a net CREDIT to our trading account.
  - Example: Sell a 50-Put, Buy a 30-Put
- The options sold collects more premium than the cost of the option purchased, therefore there is a credit to your account.
  - The “Chicken Wing” is a Credit Spread

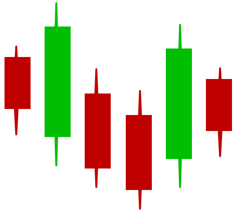


Call Credit Spread

What is a Call Credit Spread?

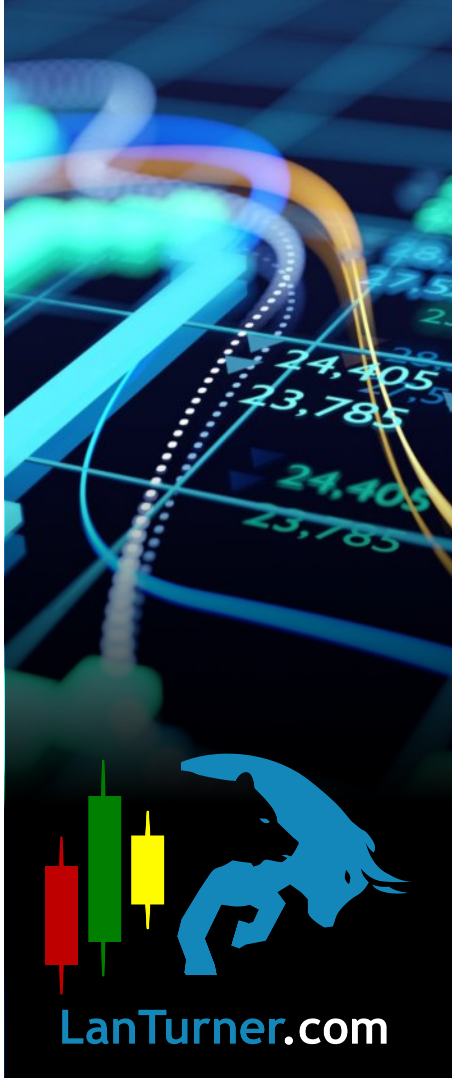
A Call Credit Spread is a multi-option-strategy where the premium collected is LARGER than the premium paid.

Buy 1 Call: 70 Strike



Sell 1 Call: 50 Strike

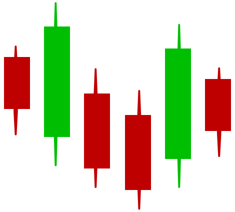
Market Price



Put Credit Spread

What is a Put Credit Spread?

A Put Credit Spread is a multi-option-strategy where the premium collected is LARGER than the premium paid.



Market Price

Sell 1 Put: 50 Strike

Buy 1 Put: 30 Strike

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Protective Collar

Advantages and Disadvantages

1. The advantage is that we have a known risk vs. reward for both max profit and max loss at time of purchase.
2. Another advantage is we don't have to be absolutely correct with market direction.
3. The disadvantage is that our risk is significantly larger than our reward.

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Famous Quote

Nassim Taleb

- An acclaimed author on randomness and risk who's book describes the Option Credit Spread strategy which can have a very high probability of success for a small return (pennies), with a very low probability of a large loss (the steamroller).

"Trading Credit Spreads is like picking up pennies in front of a steamroller"

-- Nassim Taleb

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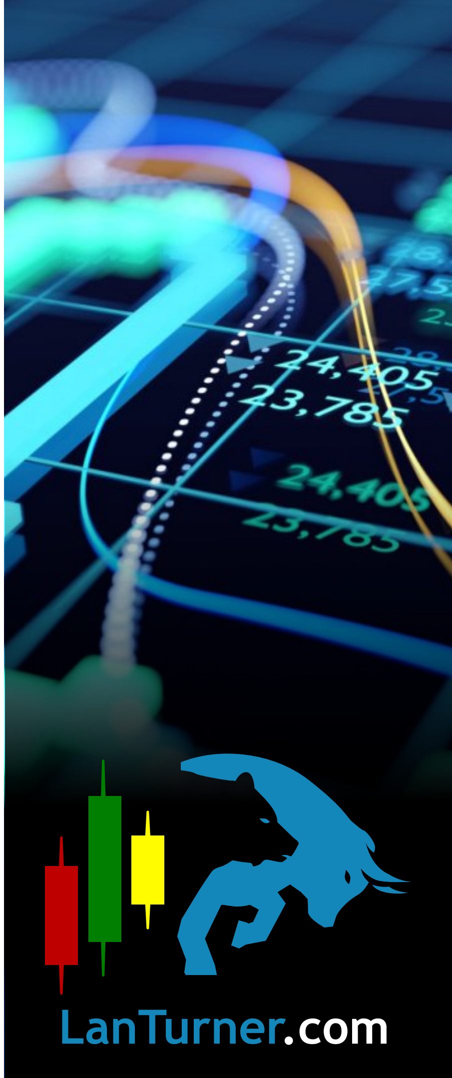
"Trading Credit Spreads is like picking up pennies in front of a steamroller"

-- Nassim Taleb



Call & Put Credit Spreads

How to adjust when things go wrong.

1. Maintain the position until expiration.
2. If market price hits the Red Line (Sold Option), then liquidate the position.
3. Add another spread position further out.
4. Turn the position into an Iron Condor. (Enter the apposing side.)
5. Liquidate the bought option, let sold option get exercised, take the shares, add covered calls.

* Remember to liquidate all in-the-money options 30-minutes prior to close of the market on expiration day; otherwise you risk receiving the shares through assignment, unless that's what you want.

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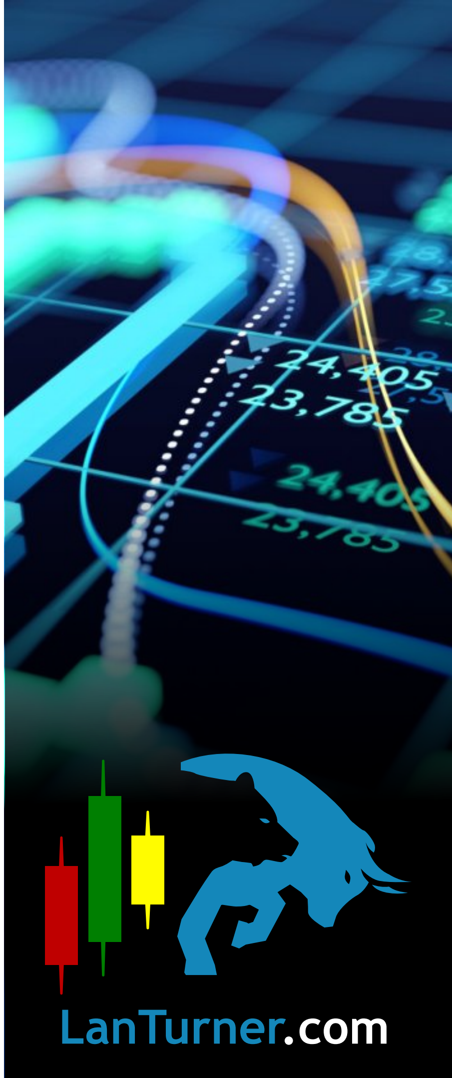
Synthetic Options Strategy

Synthetic Long Options

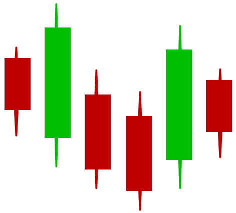
- A synthetic Long Call is an options strategy where we purchase a Call and Sell a Put at the same strike price.
    - The sell of the Put pays for the premium of the Call; this is called a “free trade.”
- We can then add a long Put option as an insurance policy, protecting against downside losses.
    - The trade is no longer “free” once you buy the Put insurance.



Synthetic Long

Bullish Synthetic Long Strategy

1. Buy (Hold) Call: (At or Above The Money)
2. Sell (Write) Put: (At the Same Strike)
3. Buy (Hold) Put: (Several Strikes Below)



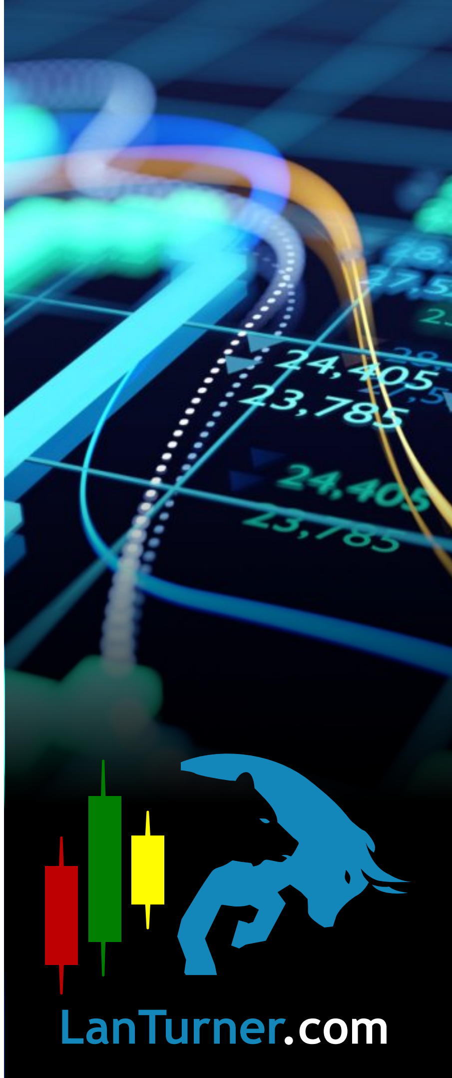
Buy Call: 50 Strike

Market Price

Sell Put: 50 Strike

Buy Put: 30 Strike

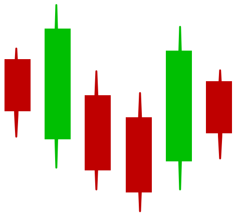
* We expect the market to rise
* Options generally have the same expiration date
* The Premium from the Put pays or helps pay for the Call



Synthetic Short

Bearish Synthetic Short Strategy

1. Sell (Write) Call: (At the money)
1. Buy (Hold) Put: (At the money)
3. Buy (Hold) Call: (Several strikes above)



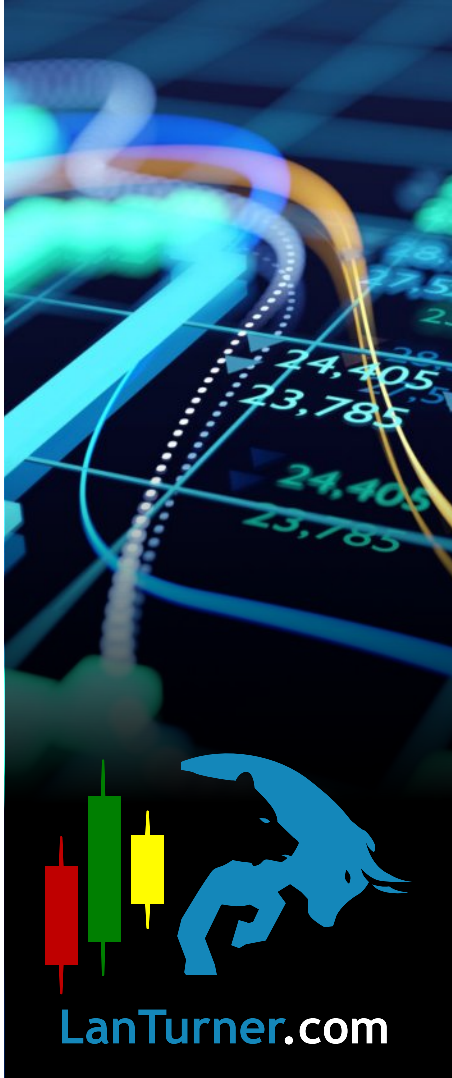
Buy Call: 70 Strike

Sell Call: 50 Strike

Market Price

Buy Put: 50 Strike

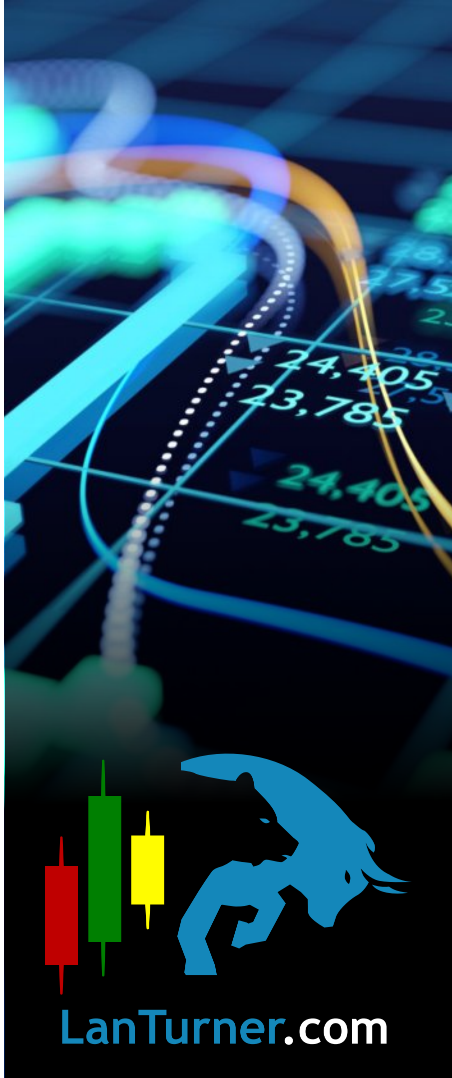
* We expect the market to fall
* Options generally have the same expiration date
* The Premium from the Call pays or helps pay for the Put



Synthetic Long / Short Strategies

Advantages and Disadvantages

1. The advantage is we can significantly reduce the cost of taking a long/short position in the market. (Great for smaller accounts.)
2. The disadvantage is that this strategy experiences smaller gains when right, and larger losses when wrong compared to a straight Call or Put.



Long Straddle

Putting on a Long Straddle

- A Long Straddle is when we purchases a call and put option with the same strike price and expiration date. (Generally at the money.)
- We use this strategy when we believe the price will break significantly from the current price, but are unsure of which direction.
- Long Straddles provide unlimited profit potential with losses limited to the combined premium of the purchased options.

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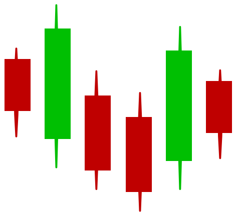
Long Straddle Buy (Hold)

Putting on a Long Straddle

1. Buy (Hold) a Call: (At-The-Money)
2. Buy (Hold) a Put: (At-The-Money)



Buy 1 Call: 50 Strike

Market Price

Buy 1 Put: 50 Strike

* Options (Usually) have the same expiration date.
* Risk is limited to the premium paid for the two options.

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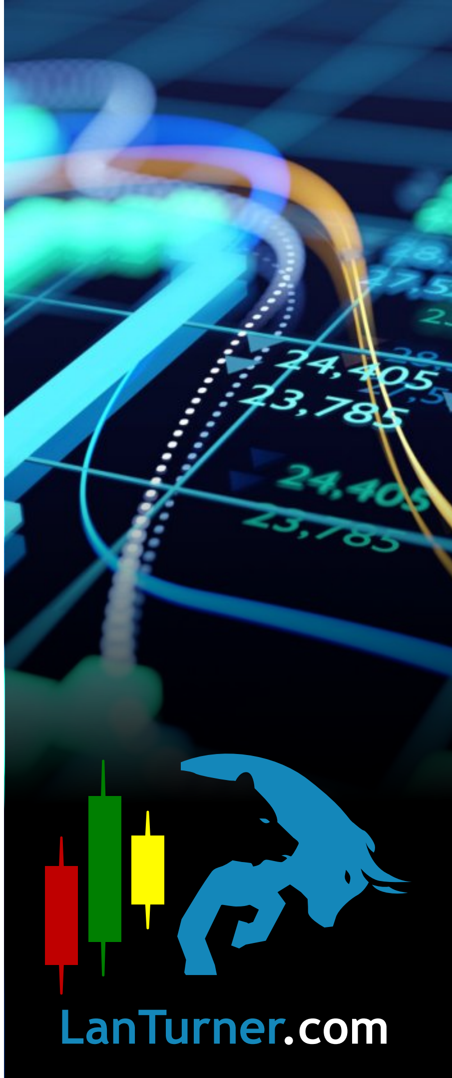
Long Straddle

Advantages and Disadvantages

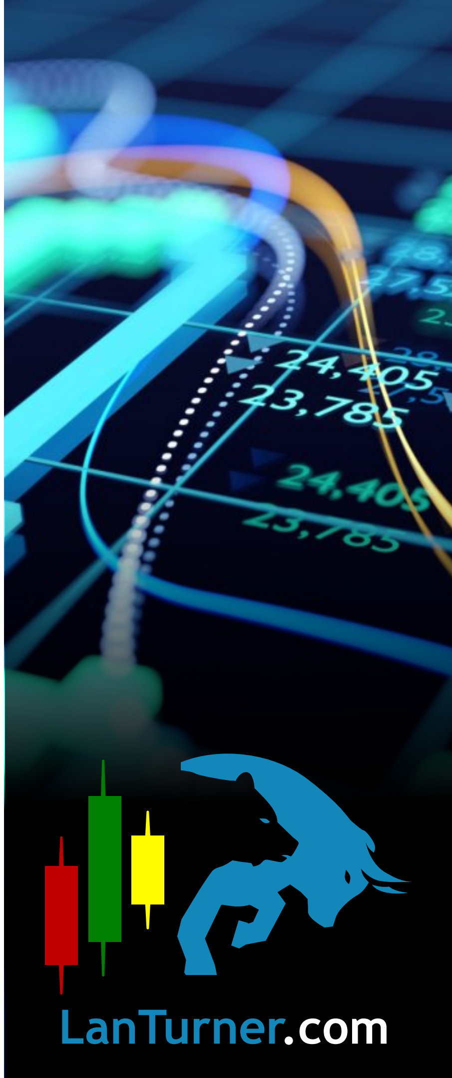
1. The advantage of a Long Straddle is that we don't care which direction the stock moves, only that the move is greater than the total premium we paid for the Strangle.
2. The disadvantage is that this strategy requires a rather large move in the market to outperform iVol / Theta, time decay.



Long Strangle

Putting on a Long Strangle

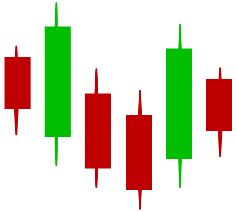
- A Long Strangle is when we purchases a call and put option with DIFFERENT strike prices and the same expiration date.
- We use this strategy when we believe the price will move significantly out of a specific range, (Darvas Box) but are unsure of which direction.
- Long Strangles provide unlimited profit potential with losses limited to the combined option premium.



Long Strangle Buy (Hold)

Putting on a Strangle

1. Buy (Hold) a Call: (1, 2, 3 or More OTM)
2. Buy (Hold) a Put: (1, 2, 3 or More OTM)

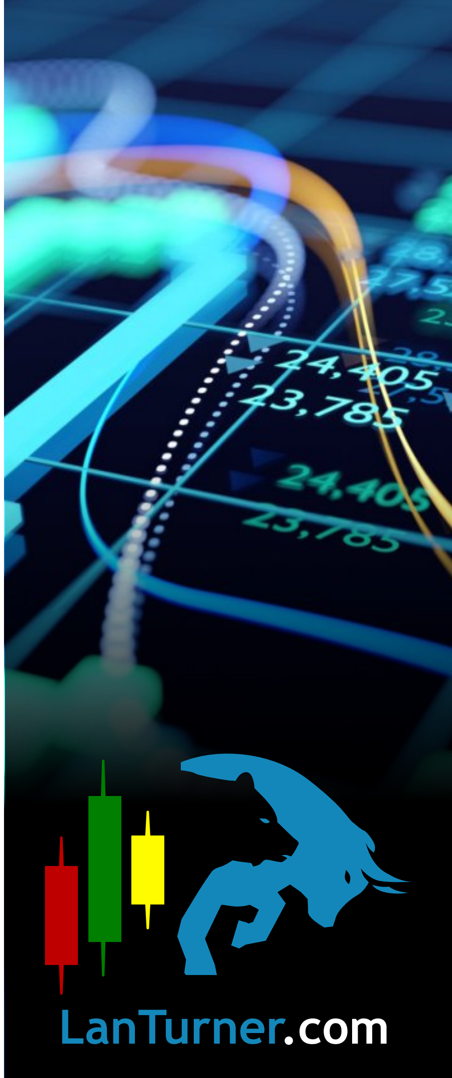


Buy 1 Call: 70 Strike

Market Price

Buy 1 Put: 30 Strike

* Options (usually) have the same expiration date.
* Risk is limited to the premium paid for the two options.
* How to remember the difference? The names are backwards.



Long Strangle

Advantages and Disadvantages

1. The advantage and disadvantages of a Long Strangle are basically the same as a long Straddle.
2. We don't care which direction the stock moves, only that the move is greater than the total premium we paid for the Strangle.
3. The disadvantage is that this strategy can require a rather large move to outperform iVol / Theta, time decay.

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Chapter 8

Favorite Option Strategies

Straddles & Strangles

Lan Turner's Crash Course In Options

Stocks * Futures * Forex

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Infamous Quote

Sir John Templeton

- American-born British investor, banker, and fund manager.

“The four most dangerous words in investing are:”

“This time it’s different.”

-- Sir John Templeton

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Queston & Answer Time

What's Easier?

Is it easier to trade by predicting...

1. **Where a market is headed.**
   - Where a market will be in 30-days

2. **Where a market is NOT headed.**
   - Where a market wont be in 30-days

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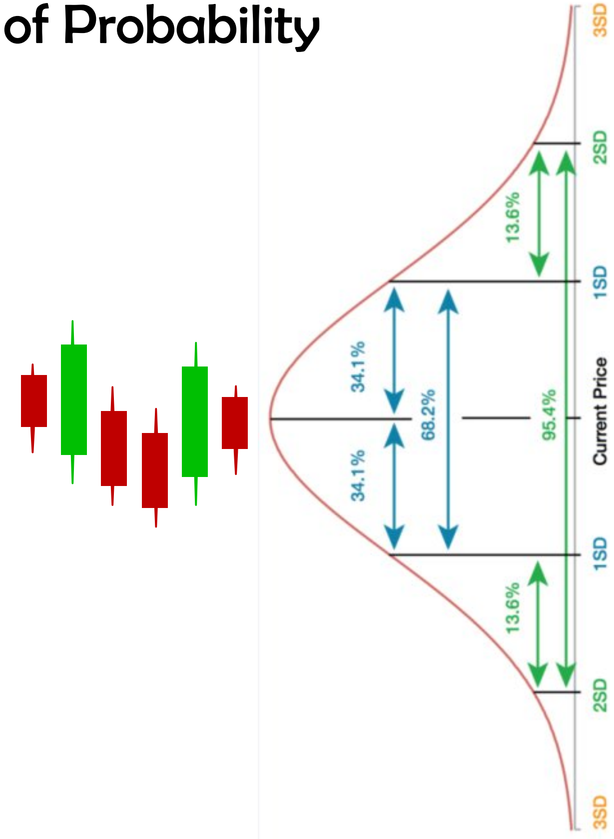
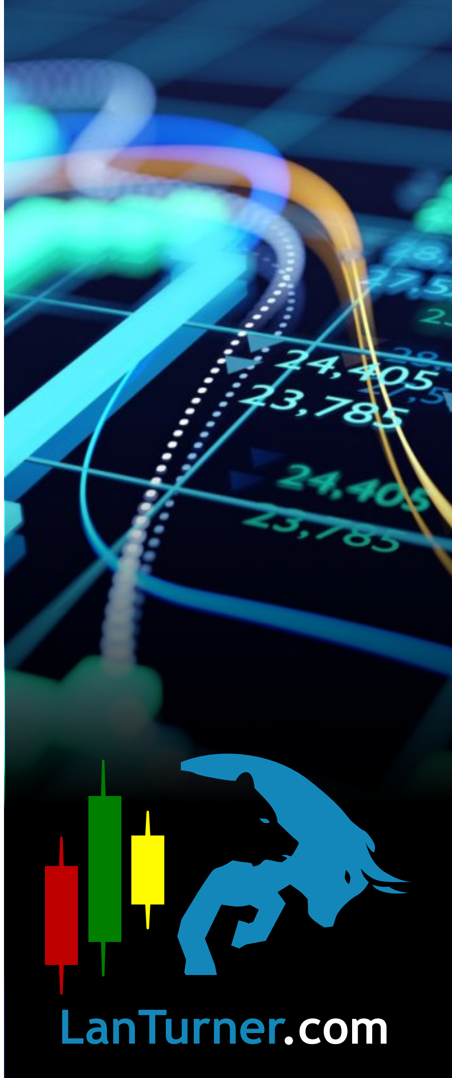
Cone of Probability

Calculating the Delta Cone of Probability

- During any span of time, 68.2% of the time stock prices fall within +1 and -1 standard deviation of the average.
- Stocks fall within +2 standard deviations only 95.4% of the time.
- Only 99.7% of the time, stocks will end within a +3 standard deviation.

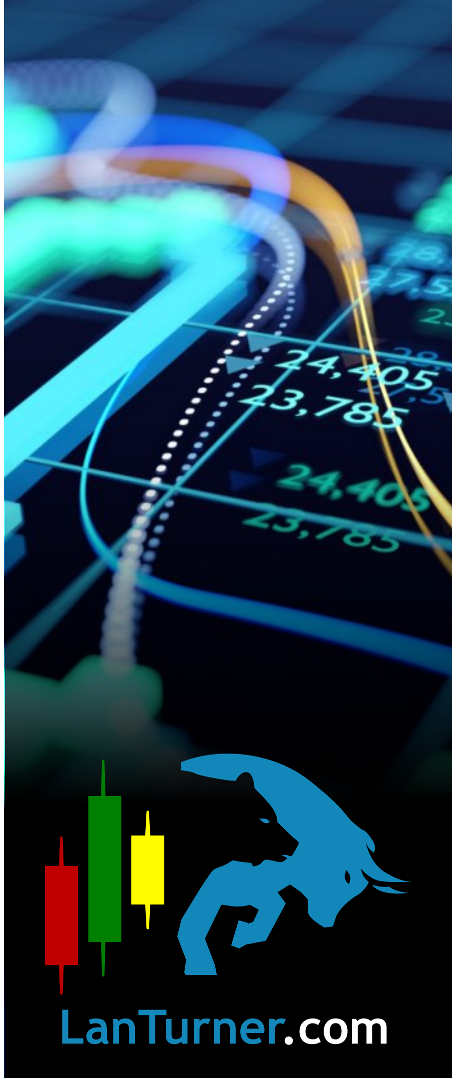




Strangles & Straddles (Buy/Hold)

When to Use?

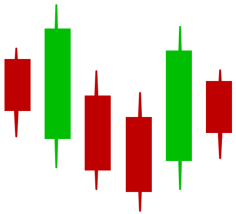
- A strangle and/or a Straddle is a good strategy if you think the underlying market will experience a large price movement in the near future but are unsure of the direction.
- However, they are usually only profitable if the asset swings sharply in price.
- News Events, Earnings Reports, Etc.
    - (When the direction is unknown.)



Straddle Buy (Hold)

Putting on a Straddle

1. Buy (Hold) a Call: (At-The-Money)
2. Buy (Hold) a Put: (At-The-Money)

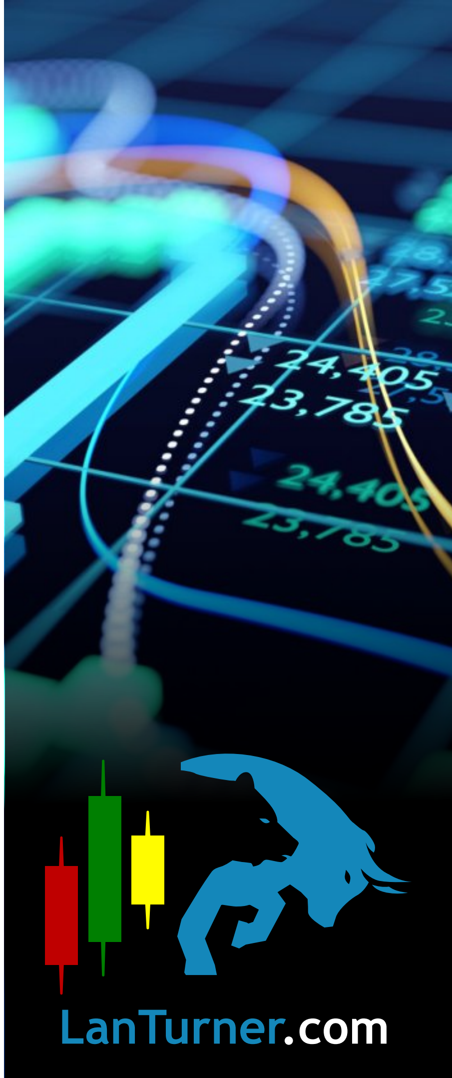


Buy 1 Call: 50 Strike

Market Price

Buy 1 Put: 50 Strike

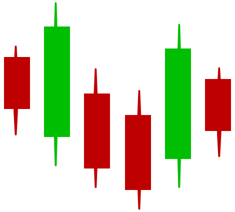
* Options have the same expiration date.
* Risk is limited to the premium paid for the two options.



Strangle Buy (Hold)

Putting on a Strangle

1. Buy (Hold) a Call: (1, 2, 3 or More OTM)
2. Buy (Hold) a Put: (1, 2, 3 or More OTM)

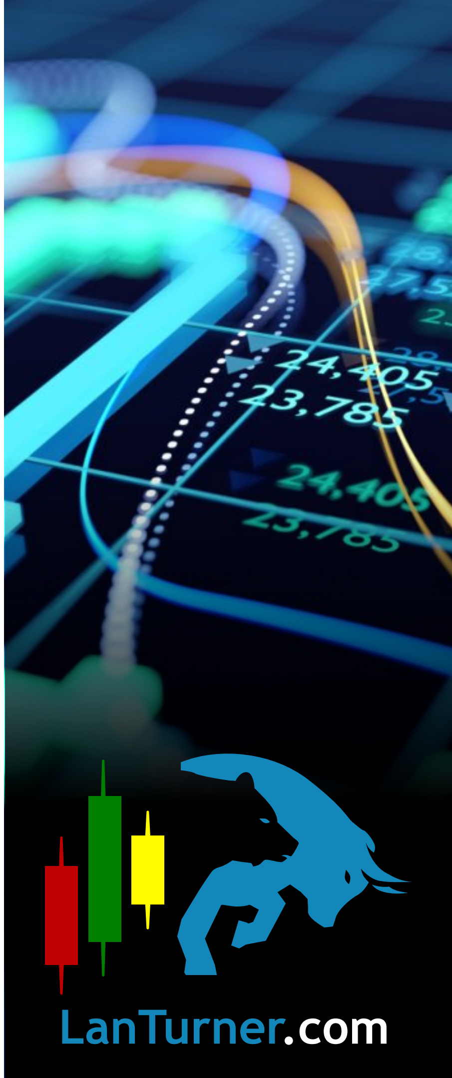


Buy 1 Call: 70 Strike

Market Price

Buy 1 Put: 30 Strike

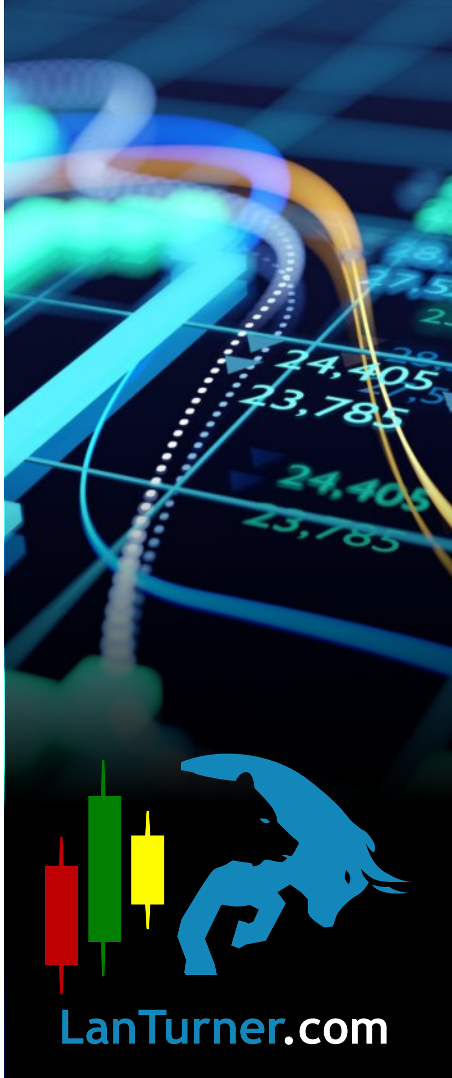
* Options have the same expiration date.
* Risk is limited to the premium paid for the two options.



Strangles & Straddles (Sell/Write)

When to Use?

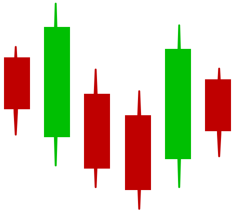
- Selling, or writing straddles and/or strangle is a good strategy if you think the underlying market will experience a time of stability and lack of trend.
- They are profitable primarily if the asset does not swing in price.
    - No news, no trend, no upcoming government reports, earnings, reports, or cycles.



Straddle Buy (Write)

Putting on a Straddle

1. Sell (Write) a Call: (At-The-Money)
2. Sell (Write) a Put: (At-The-Money)



Sell 1 Call: 50 Strike

Market Price

Sell 1 Put: 50 Strike

* Options have the same expiration date.

* Risk is unlimited, profit is limited to the premium collected.

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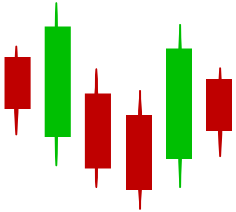
Strangle Sell (Write)

Putting on a Strangle

1. **Sell** (Write) a Call: (1, 2, 3 or More OTM)
2. **Sell** (Write) a Put: (1, 2, 3 or More OTM)



Sell 1 Call: 70 Strike

Market Price

Sell 1 Put: 30 Strike

* Options have the same expiration date.
* Risk is unlimited, profit is limited to the premium collected.

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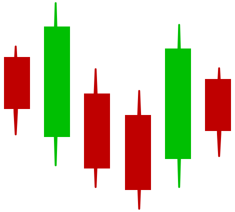
Credit Spread

What is a Credit Spread?

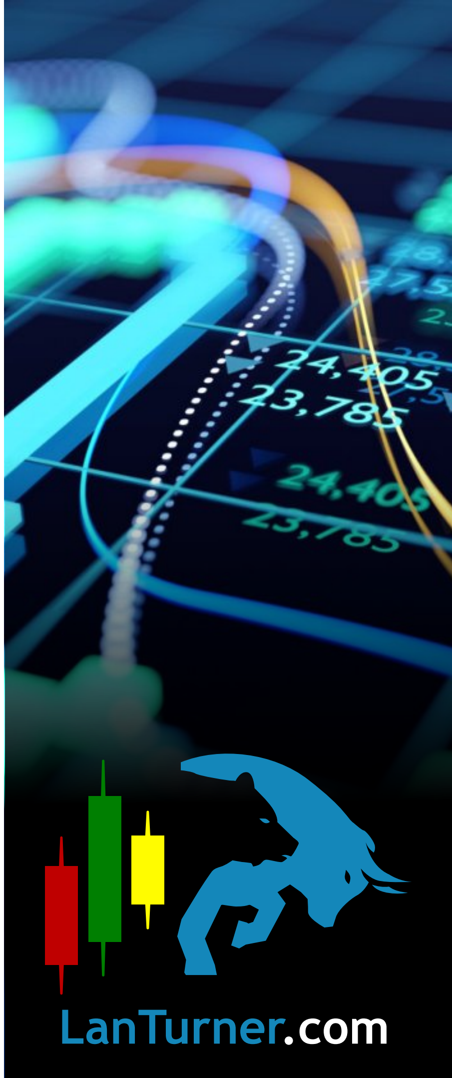
A credit spread is a multi-option-strategy where the premium collected is LARGER than the premium paid.



Market Price

Sell 1 Put: 30 Strike

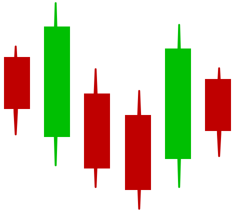
Buy 1 Put: 70 Strike



Debit Spread

What is a Debit Spread?

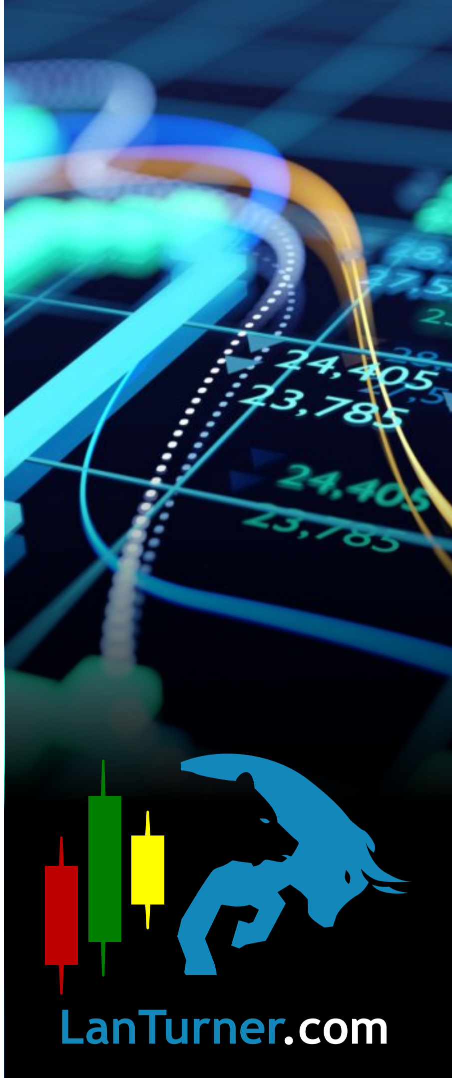
A Debit Spread is a multi-option-strategy where the premium collected is SMALLER than the premium paid.



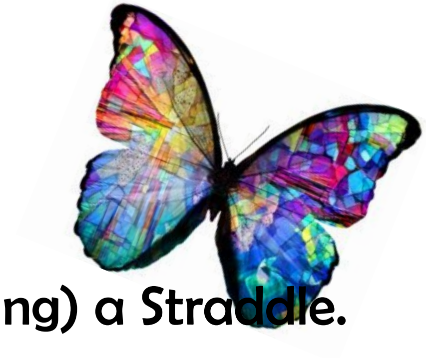
Market Price

Buy 1 Put: 70 Strike

Sell 1 Put: 30 Strike



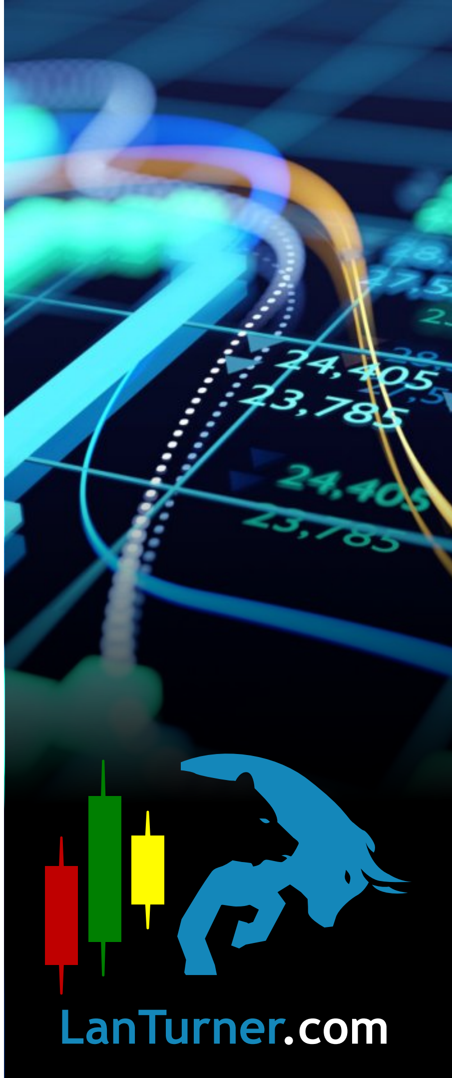
Iron Butterfly



What's the Concept?

Pay for the Strangle by selling (writing) a Straddle.

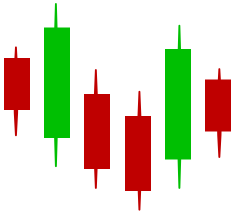
- If the sell of the Straddle pays more than the cost of the Strangle, this would be a:
  - Credit Iron Butterfly
- If the sell of the Straddle does NOT pay for the cost of the Strangle, this would be a:
  - Debit Iron Butterfly
- If the expiration dates of the Strangle & the Straddle are not the same, this would be a:
  - (Credit/Debit) Iron Calendar Butterfly.



Iron Butterfly

Putting On an Iron Butterfly

1. Sell (Write) a Straddle: (ATM)
2. Buy (Hold) a Strangle: (2, 3 or More OTM)



Buy 1 Call: 70 Strike

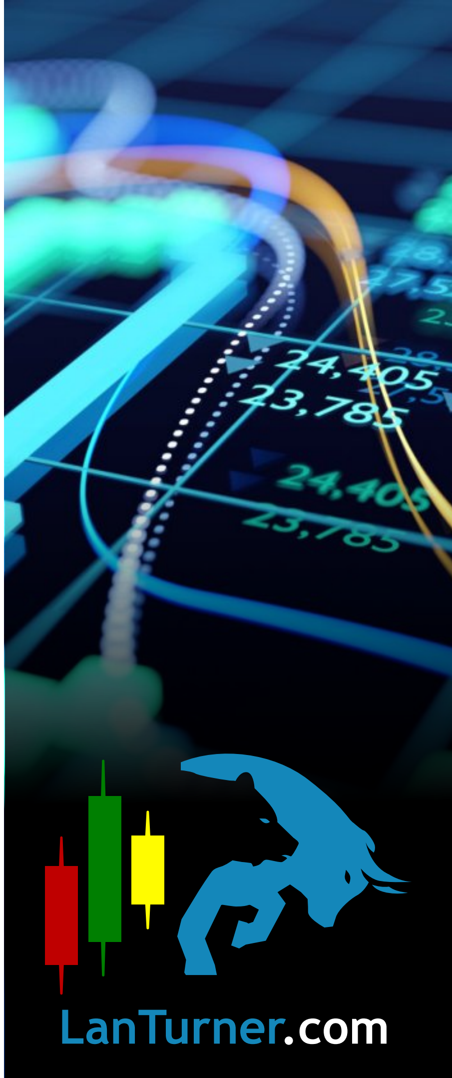
Sell 1 Call: 50 Strike

Market Price

Sell 1 Put: 50 Strike

Buy 1 Put: 30 Strike

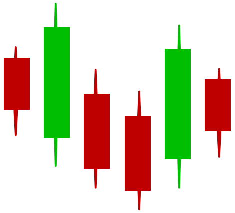
* Options are generally equal distance from market price



Iron Dragonfly

Putting On an Iron Dragonfly

1. Sell (Write) a Straddle: (ATM)
2. Buy (Hold) 2 Strangles: (2, 3 or More OTM)



Buy 2 Call: 70 Strike

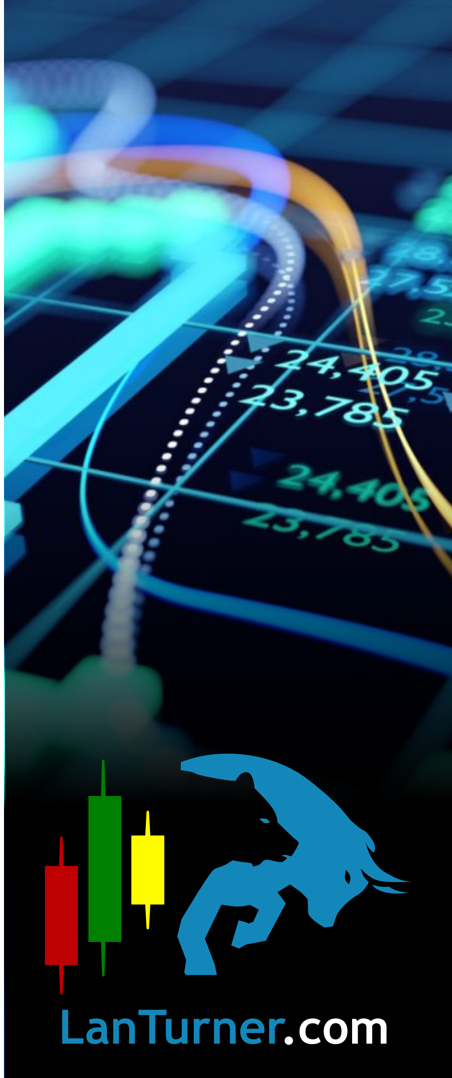
Sell 1 Call: 50 Strike

Market Price

Sell 1 Put: 50 Strike

Buy 2 Put: 30 Strike

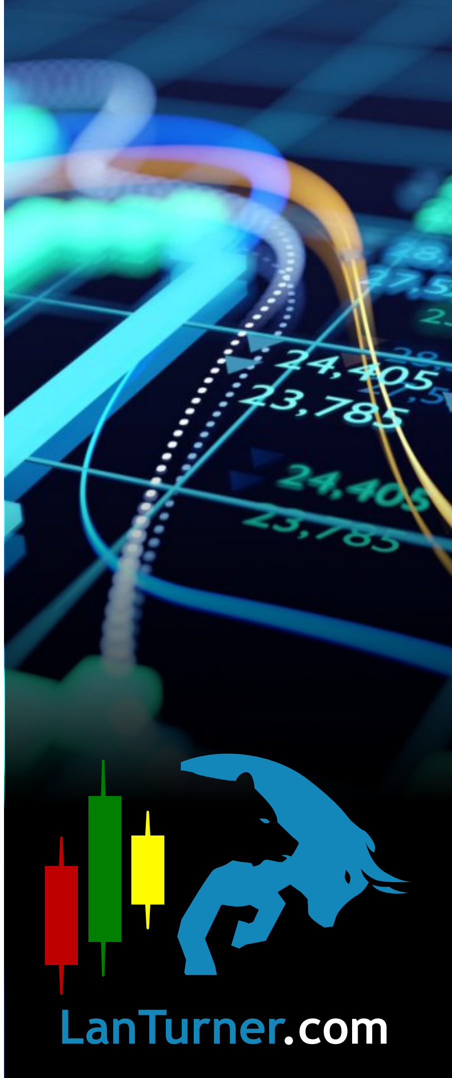
* Options are generally equal distance from market price



Iron Condor

What's the Strategy?

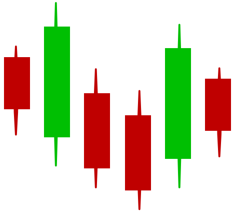
- Put on Iron Condors when:
  - The market is very quiet
  - When you do not expect a large move one direction or the other any time soon.



Iron Condor

Putting On an Iron Condor

1. Sell (Write) a Strangle: (1, 2 Strikes OTM)
2. Buy (Hold) a Strangle: (2, 3 or More OTM)



Buy 1 Call: 70 Strike

Sell 1 Call: 50 Strike

- - - - - - - - - - - - Market Price

Sell 1 Put: 40 Strike

Buy 1 Put: 20 Strike

* Options are generally equal distance from market price

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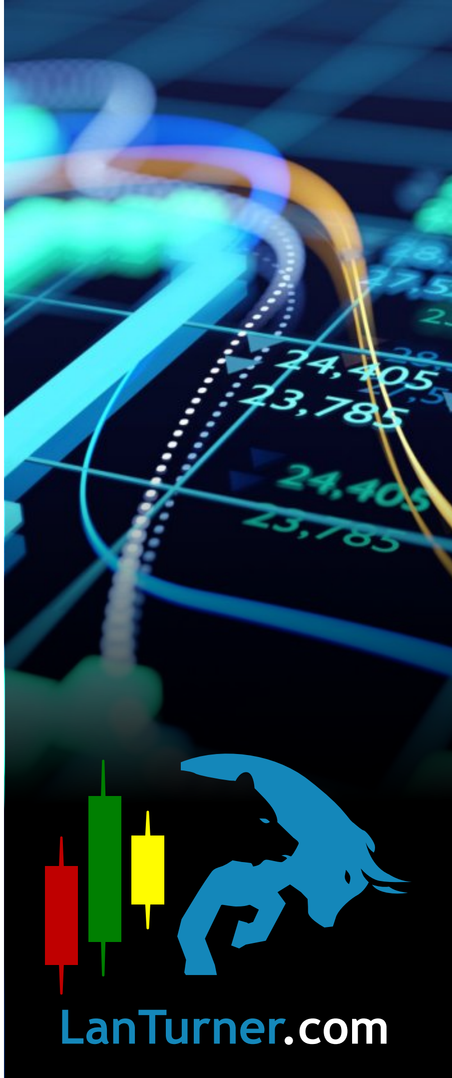
Iron Condor

What’s the Concept?

Pay for one Strangle by selling (writing) a second.

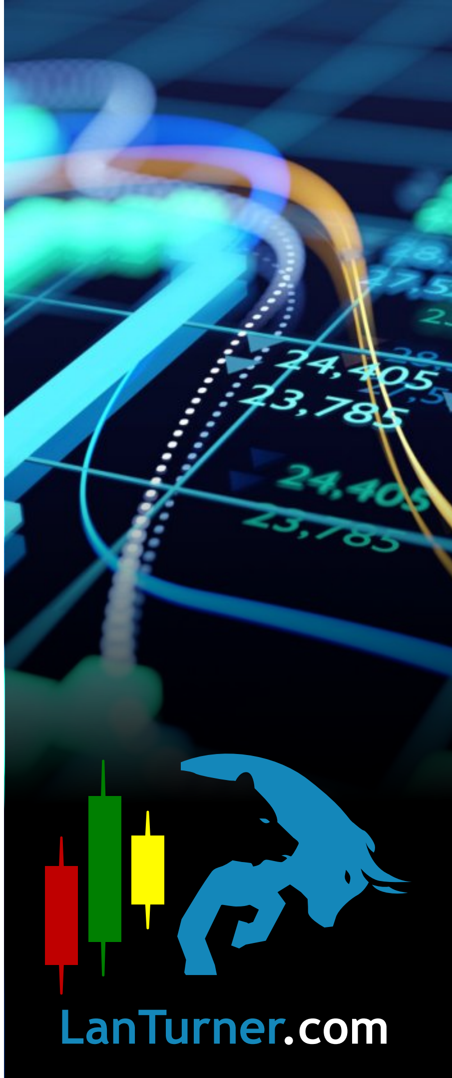
- If the expiration dates of the two Strangles are not the same, this would be a:
    - Iron Calendar Condor.
- If the wings of the Condor are not equal distance from each other, this would be a:
    - Iron Condor with a Broken Wing.



Reverse Iron Condor

What's the Strategy?

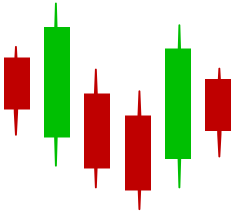
- Put on a Reverse Iron Condor when:
  - You expect a price correction, or a big burst in price action.
  - Great strategy for;
    - Earnings reports
    - Government reports
    - Weather events



Iron Condor (Courage Condor)

Putting On a Reverse Iron Condor

1. Buy (Hold) a Strangle: (1, 2 Strikes OTM)
2. Sell (Write) a Strangle: (2, 3 or More OTM)



Sell 1 Call: 70 Strike

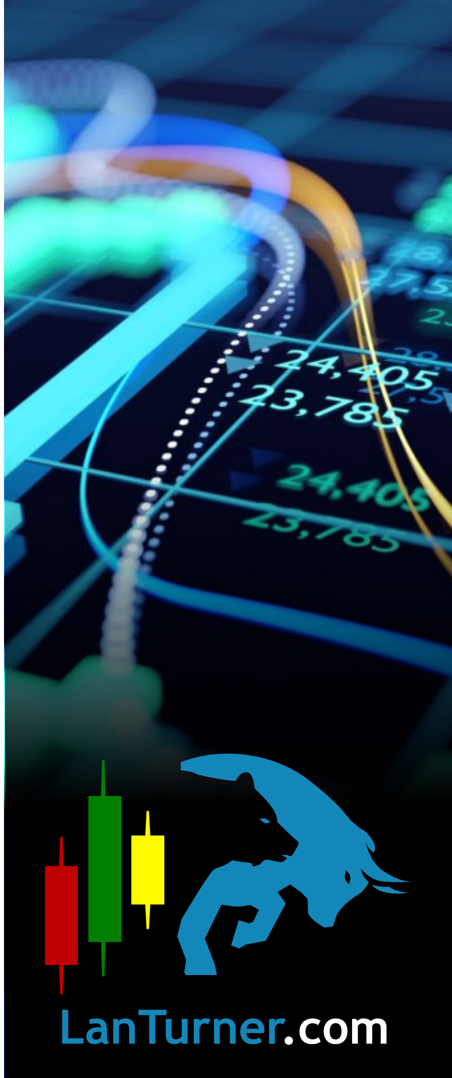
Buy 1 Call: 50 Strike

Market Price

Buy 1 Put: 40 Strike

Sell 1 Put: 20 Strike

* Options are generally equal distance from market price

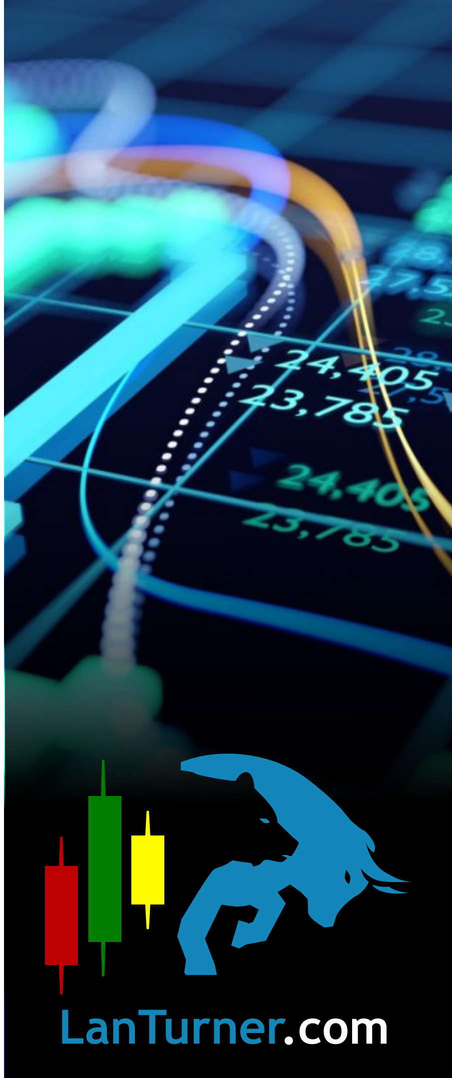


Reverse Iron Condor

What's the Concept?

Pay for one Strangle by selling (writing) a second.

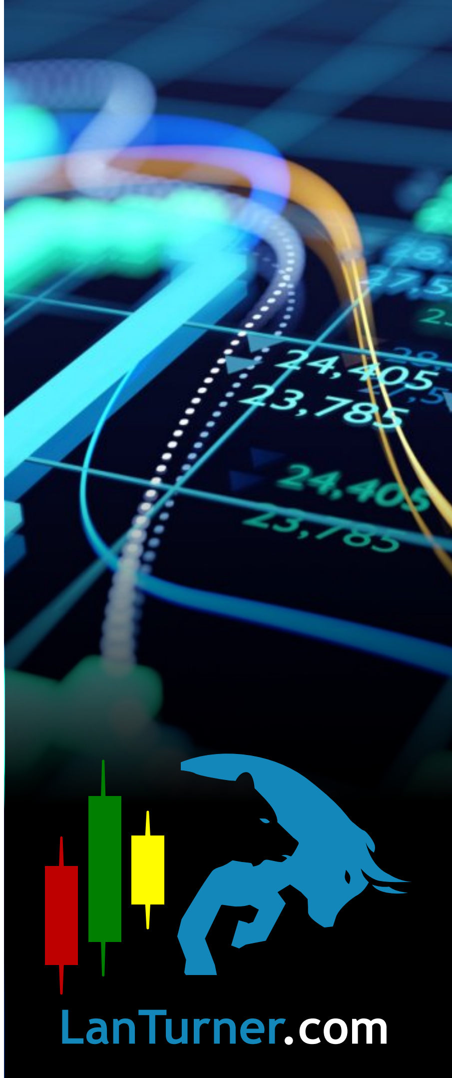
- If the expiration dates of the two Strangles are not the same, this would be a:
    - Reverse Iron Calendar Condor.
- If the wings of the Condor are not equal distance from each other, this would be a:
    - Reverse Iron Condor with a Broken Wing.



Iron Condor Savings Plan

What's the Strategy?

- Wide Iron Condors for monthly income.
  - Put on an Iron Condor every Monday.
    - 7 Day, 14 Day, 30 Day, 90 Day



Chapter 9

Favorite Option Strategies
Condors and Butterflies

Lan Turner's Crash Course In Options

Stocks * Futures * Forex

LanTurner.com

Famous Quote

Robert G. Allen

- One of the most influential investment advisors of all time, author of The One-Minute Millionaire.

"How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case."

-- Robert G. Allen

Queston & Answer Time

What's Easier?

Is it easier to trade by predicting…

1. Where a market is headed.
   - Where a market will be in 30-days

2. Where a market is NOT headed.
   - Where a market wont be in 30-days

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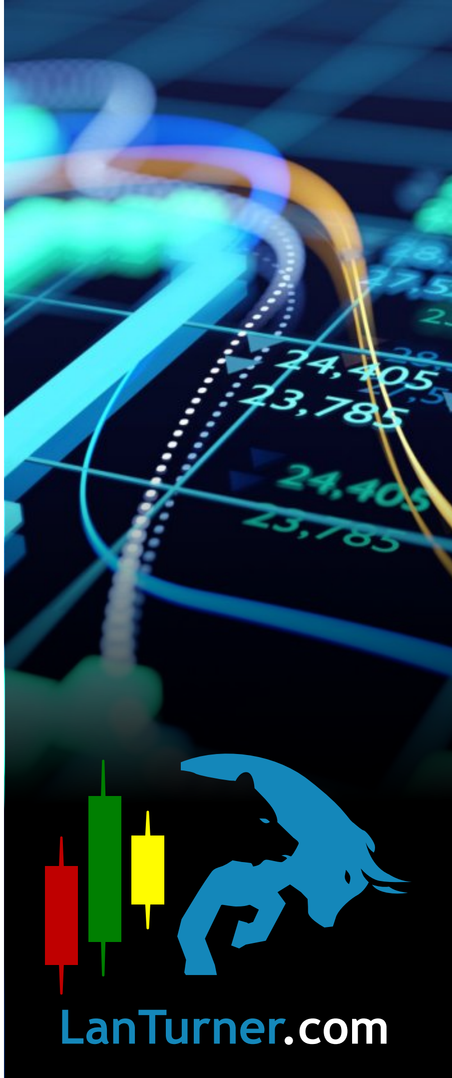
Long Straddle

Putting on a Long Straddle

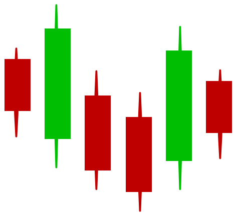
- A Long Straddle is when we purchases a call and put option with the same strike price and expiration date. (Generally at the money.)
- We use this strategy when we believe the price will break significantly from the current price, but are unsure of which direction.
- Long Straddles provide unlimited profit potential with losses limited to the combined premium of the purchased options.



Long Straddle Buy (Hold)

Putting on a Long Straddle

1. Buy (Hold) a Call: (At-The-Money)
2. Buy (Hold) a Put: (At-The-Money)

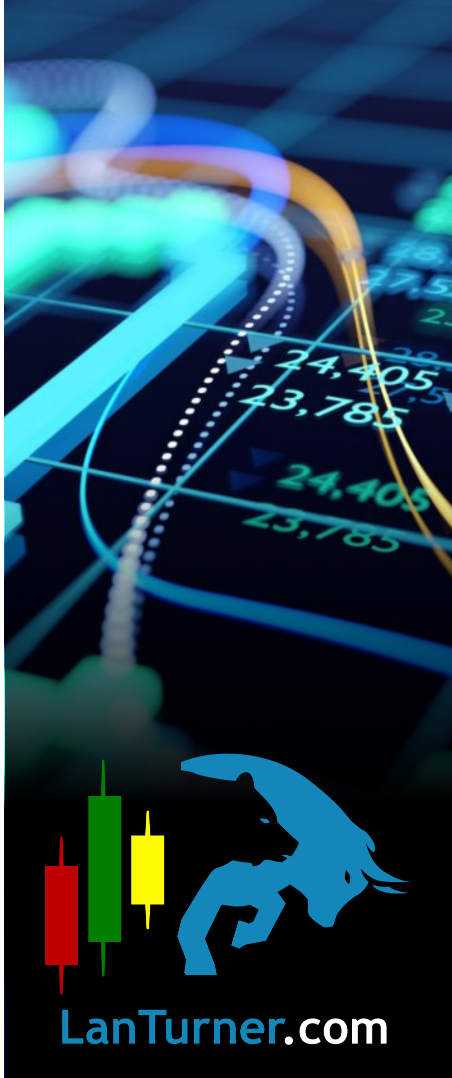


Buy 1 Call: 50 Strike

Market Price

Buy 1 Put: 50 Strike

* Options (Usually) have the same expiration date.
* Risk is limited to the premium paid for the two options.



Long Strangle

Putting on a Long Strangle

- A Long Strangle is when we purchases a call and put option with DIFFERENT strike prices and the same expiration date.
- We use this strategy when we believe the price will move significantly out of a specific range, (Darvas Box) but are unsure of which direction.
- Long Strangles provide unlimited profit potential with losses limited to the combined option premium.

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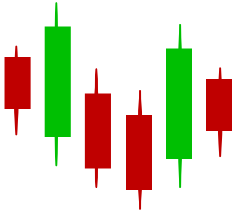
Long Strangle Buy (Hold)

Putting on a Strangle

1. Buy (Hold) a Call: (1, 2, 3 or More OTM)
2. Buy (Hold) a Put: (1, 2, 3 or More OTM)

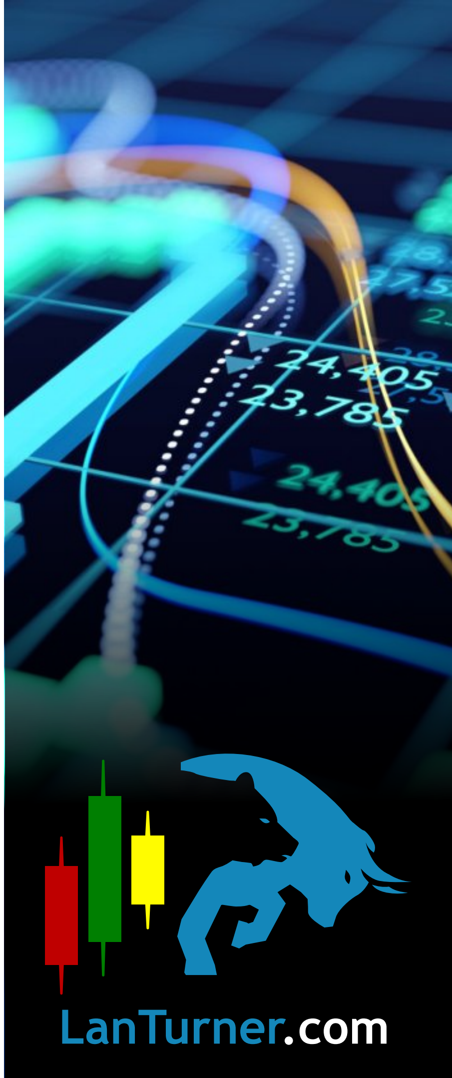


Buy 1 Call: 70 Strike

Market Price

Buy 1 Put: 30 Strike

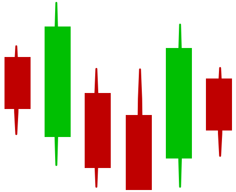
* Options (usually) have the same expiration date.
* Risk is limited to the premium paid for the two options.
* How to remember the difference? The names are backwards.



Strange (Calendar) Strangles

Putting on a Strange Strangle

1. Buy (Hold) a Call: (1, 2, 3 or More OTM)
2. Buy (Hold) a Put: (1, 2, 3 or More OTM)



Buy 1 Call: 70 Strike: Expires 30 Days

Market Price

Buy 1 Put: 30 Strike: Expires 7 Days

* Options (usually) have DIFFERENT expiration dates.
* Risk is limited to the premium paid for the two options.
* How to remember the difference? The names are backwards.

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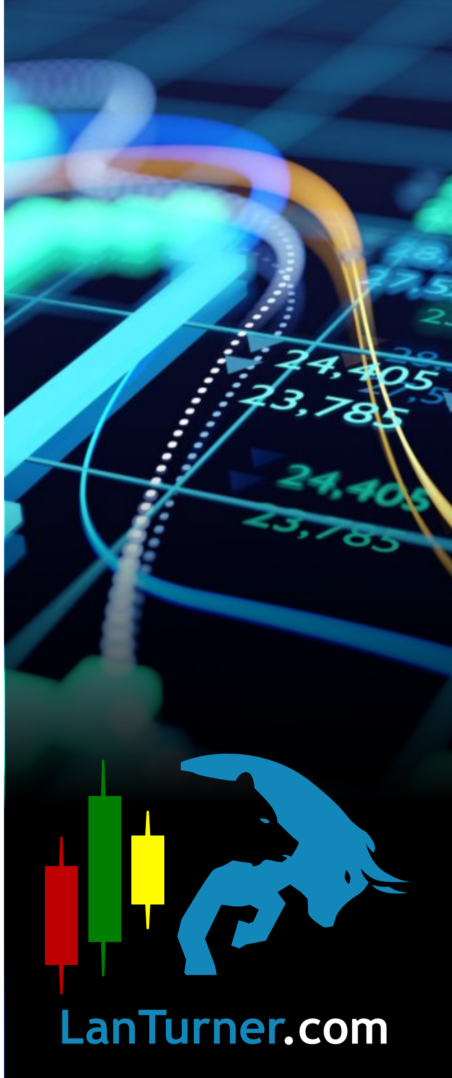
Long Strangle

Advantages and Disadvantages

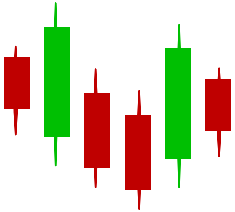
1. The advantage and disadvantages of Strangles and Straddles are basically the same.
2. We don't care which direction the stock moves, only that the move is greater than the total premium we paid for the options.
3. The disadvantage is that this strategy can require a rather large move to outperform iVol / Theta, time decay.



Iron Cowboy

Putting On an Iron Cowboy

1. Buy a Call: (At the money)
2. Sell a Put: (Out of the money)
3. Buy a Put: (Out of the money)



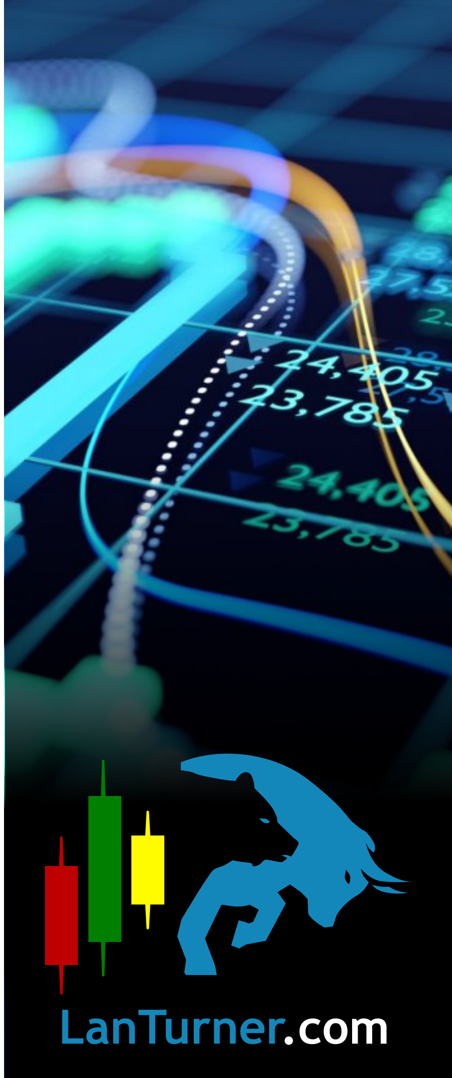
Buy 1 Call: 70 Strike

Market Price

Sell 1 Put: 40 Strike

Buy 1 Put: 20 Strike

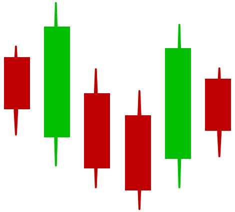
* Options generally have the same expiration dates



Synthetic Long

Putting On a Synthetic Long Position

1. Buy a Call: (At the money)
2. Sell a Put: (At the money)
3. Buy a Put: (Out of the money)



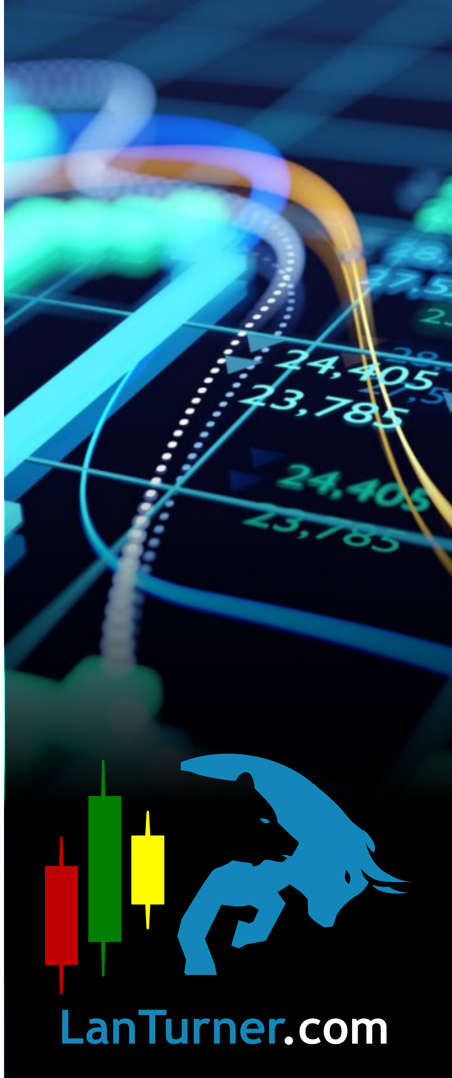
Buy 1 Call: 70 Strike

Market Price

Sell 1 Put: 70 Strike

Buy 1 Put: 20 Strike

* Options generally have the same expiration dates




HEDGEYE
B. Rich
MARKETS
YEAH, NOT MUCH HAPPENS...
...AT FIRST.

DISCLAIMER: THE DATA CONTAINED HEREIN IS BELIEVED TO BE RELIABLE BUT CANNOT BE GUARANTEED AS TO RELIABILITY, ACCURACY, OR COMPLETENESS; AND, AS SUCH ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE WILL NOT BE RESPONSIBLE FOR ANYTHING, WHICH MAY RESULT FROM RELIANCE ON THIS DATA OR THE OPINIONS EXPRESSED HERE IN.

DISCLOSURE OF RISK: THE RISK OF LOSS IN TRADING STOCKS, FUTURES, FOREX, AND OPTIONS CAN BE SUBSTANTIAL; THEREFORE, ONLY GENUINE RISK FUNDS SHOULD BE USED. STOCKS, FUTURES, FOREX, AND OPTIONS MAY NOT BE SUITABLE INVESTMENTS FOR ALL INDIVIDUALS, AND INDIVIDUALS SHOULD CAREFULLY CONSIDER THEIR FINANCIAL CONDITION IN DECIDING WHETHER TO TRADE. OPTION TRADERS SHOULD BE AWARE THAT THE EXERCISE OF A LONG OPTION WOULD RESULT IN A FUTURES OR FOREX POSITION.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

AS COSTS VARY AMONG TRADERS, INCLUDING COMMISSIONS AND FEES, HYPOTHETICAL TRADING EXAMPLES USUALLY DO NOT ALWAYS TAKE COMMISSIONS AND FEES INTO CONSIDERATION, PLEASE MAKE SURE YOU CONSIDER YOUR INDIVIDUAL COST OF DOING BUSINESS IN THE FORM OF COMMISSIONS AND FEES.