

4XL

LONG CALLS // LONG PUTS



- ✓ LEGS:
 - Buy deep ITM calls for bullish
 - Buy deep ITM puts for bearish
- ✓ OUTLOOK:
 - Bullish for calls, bearish for puts
- ✓ TIME DECAY:
 - Unhelpful but mitigated because deep ITM means little time value
- ✓ VOLATILITY:
 - Helpful but mitigated because of the little time value
- ✓ TRADE PLAN:
 - Calls: bullish trend / breakout / retracement reversal setups
 - Puts: bearish trend / breakout / retracement reversal setups
- ✓ TIPS:
 - User stock price for entry, stop, P1 and P2
- ✓ ADVANCED:
 - Call leverage alternative: long synthetic
 - Put leverage alternative: short synthetic*



*Use only with great caution

VOL-2-CASH // STRADDLES



- ✓ LEGS:
 - Buy ATM calls + buy ATM put
- ✓ OUTLOOK:
 - Anticipating higher volatility and a large price move
- ✓ TIME DECAY:
 - Unhelpful
- ✓ VOLATILITY:
 - Helpful
- ✓ CRITERIA:
 - 5 - 20 days before news event
 - Previous price jump at news
 - Cheap straddle cost with various metrics
 - Reversal or consolidation chart setup
- ✓ TIPS:
 - Aim for 3 months to expiration, otherwise 4 or 2 months
- ✓ ADVANCED:
 - If losing, then exit 10 days after earnings
 - If big win, then use dynamic trailing stop for winning side
 - If small win, then use dynamic trailing stop for winning side and exit losing side



POST-EARNINGS // LONG CALLS // LONG PUTS



- ✓ SUMMARY:
 - Use stocks, deep ITM options, or synthetics
 - With options, as per '4XL' with long calls or long puts
- ✓ TIMING:
 - After earnings where there has been a gap and consolidation, with the OVI persistently in favour of the dominant trend
 - Trade entry conditional on a breakout from the consolidation

PRE-EARNINGS // LONG CALLS // LONG PUTS



- ✓ SUMMARY:
 - User stocks or deep ITM options
- ✓ TIMING:
 - 2 - 10 days before earnings
- ✓ CRITERIA:
 - Bullish: stock up 5% within 10 days after prior earnings
 - Bearish: stock down 5% within 10 days after prior earnings
- ✓ OVI:
 - Persistently positive for bullish trades
 - Persistently negative for bearish trades
- ✓ ENTRY:
 - Criteria met, or a breakout in the appropriate direction
- ✓ EXIT:
 - Dynamic trailing stop or de-risk before earnings

SYNTHETIC STOCK LONG // SHORT

- ✓ LONG:
 - Sell ATM put + buy ATM call
- ✓ SHORT:
 - Buy ATM put + sell ATM call
- ✓ MARGIN:
 - Required for any uncovered short leg
 - Greater of: 25% of underlying - OTM amount + premium received OR 10% of underlying + premium received



COVERED CALL



- ✓ **LEGS:**
 - Buy / own stock + sell OTM call
- ✓ **OUTLOOK:**
 - Neutral to bullish
- ✓ **TIME DECAY:**
 - Helpful
- ✓ **VOLATILITY:**
 - Unhelpful
- ✓ **TRADE PLAN:**
 - Bullish trend / breakout / retracement reversal setups
 - Standard P1 and P2 exits can apply unless looking to hold
- ✓ **TIPS:**
 - Blue chip, long term buy and hold, dividend stocks
- ✓ **ADVANCED:**
 - Look to leg into the strategy after going long on the stocks
 - Time the short leg for when the stock looks like retracing
 - Roll the short call if you want to retain the long position
 - Substitute the stock leg with a long ATM synthetic for significantly greater yield (but no dividend)



BULL PUT SPREAD



- ✓ **LEGS:**
 - Buy OTM put + sell OTM higher strike put
- ✓ **OUTLOOK:**
 - Neutral to bullish
- ✓ **TIME DECAY:**
 - Helpful when winning. Unhelpful when losing.
- ✓ **VOLATILITY:**
 - Helpful when losing. Unhelpful when winning.
- ✓ **TRADE PLAN:**
 - Bullish trend / breakout / strong support
- ✓ **TIPS:**
 - Aim for stock to remain above the higher strike for maximum profit
- ✓ **ADVANCED:**
 - Look for the optimal balance between yield and risk
 - More cushion means lower yield but safer
 - Try to enter with less than one month to expiration



DIAGONAL CALL



- ✓ **LEGS:**
 - Buy / own deep ITM call + sell OTM call
- ✓ **OUTLOOK:**
 - Neutral to bullish
- ✓ **TIME DECAY:**
 - Helpful with respect to the short call
- ✓ **VOLATILITY:**
 - Helpful with respect to the long call
- ✓ **TRADE PLAN:**
 - Bullish trend / breakout / retracement reversal setups
 - Standard P1 and P2 exits unless looking to hold
- ✓ **TIPS:**
 - Go deep ITM with the long call and OTM with the short call
- ✓ **ADVANCED:**
 - Leg into the strategy after going long on the DITM call
 - Time the short leg for when the stock looks like retracing
 - Roll the short call if you want to retain the long position
 - Buy minimum 3 months for the long call, preferably longer



BEAR CALL SPREAD



- ✓ **LEGS:**
 - Sell OTM call + buy OTM higher strike call
- ✓ **OUTLOOK:**
 - Neutral to bearish
- ✓ **TIME DECAY:**
 - Helpful when winning. Unhelpful when losing.
- ✓ **VOLATILITY:**
 - Helpful when losing. Unhelpful when winning.
- ✓ **TRADE PLAN:**
 - Bearish trend / breakout / strong overhead resistance
- ✓ **TIPS:**
 - Aim for stock to remain below the lower strike for maximum profit
- ✓ **ADVANCED:**
 - Look for the optimal balance between yield and risk
 - More cushion means lower yield but safer
 - Try to enter with less than one month to expiration

