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Cboe Global Markets

Options Tactics (Part 1) – Simplifying Entries and Strike Selection for Directional Traders

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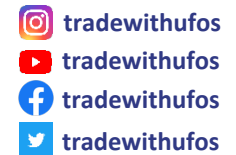
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Options Tactics – Part 1/3

Simplifying Entries & Strike Selection for Directional Traders



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Agenda

1. Introductions
2. The 3-Part Series
3. Directional Trading
4. Adjusting Directionality
5. Simplifying Strike/Expiration Selection
6. Real-Time Examples & Applications
7. Executing with TWS
8. Bonus
9. The Certificate of Attendance
10. Q&A



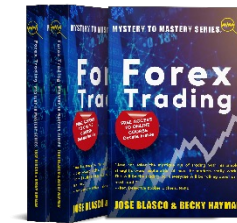
Introduction

Traddictiv Pte. Ltd.

is a trading technology company that provides intelligent tools for traders, investors and hedgers. They also offer education for everyone from the hobbyist to the professional, always along with their patented and easy-to-use trading technology.

Jose Blasco

is a versatile multi-asset trader with expertise in options, equities, futures, and currencies. As the Principal of Traddictiv PTE. LTD., he develops advanced trading technology and implements diverse strategies across global markets. With accolades as an award-winning instructor, published author, and former engineering professor, Jose regularly appears in in-person and online events, sharing his knowledge, experience, and passion for trading and technology with others. His multilingual skills keep him connected to international markets, providing a global perspective for his trading endeavors.



Mystery To Mastery Series

#1 New Release in:

- Online Trading
- Risk Management
- Foreign Exchange

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3 Parts

Options Tactics: 3 Webinars leading to a **Certificate of Attendance**

1. Simplifying Entries & Strike Selection for Directional Traders
2. Recurring Non-Directional Plays for Active Traders
3. Optimal Exits and Efficient Management

Tools (replaceable based on trader's preferences):

- Cboe **SPX**[®] and **XSP**SM (Mini-SPX) & Cboe **VIX**[®] Cash-Settled Options
- TradingView for Charts & TWS for Options Data and Execution
- AutoClimate[™] to define market conditions (directional vs. non-directional) and AutoUFOs[®] to define entries, exits and ranges

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3 Webinars

Attend the 3 Webinars part of this Cboe/IBKR Webinar Series and enjoy unique bonus benefits such as:

- Certificate of Attendance
- Traddictiv® Tools
- Additional Education
- Live Coaching

Let's begin!



Directional Outlook

- We will be approaching trading as a 2-step process:
 1. Should I be a Buyer or a Seller? Is it time to trade directionally?
 2. What is potentially an ideal Buying Price or Selling Price?
- The timeframes used should depend on the trader's preferences where short-term trades could use intraday timeframes and longer-term trades could use up to daily, weekly or monthly timeframes
- We will use SPX/XSP in all demonstrations throughout this training
- We will use AutoClimate™ and AutoUFOs® to answer the above questions 1 and 2
- We will use TradingView and TWS to analyze and execute

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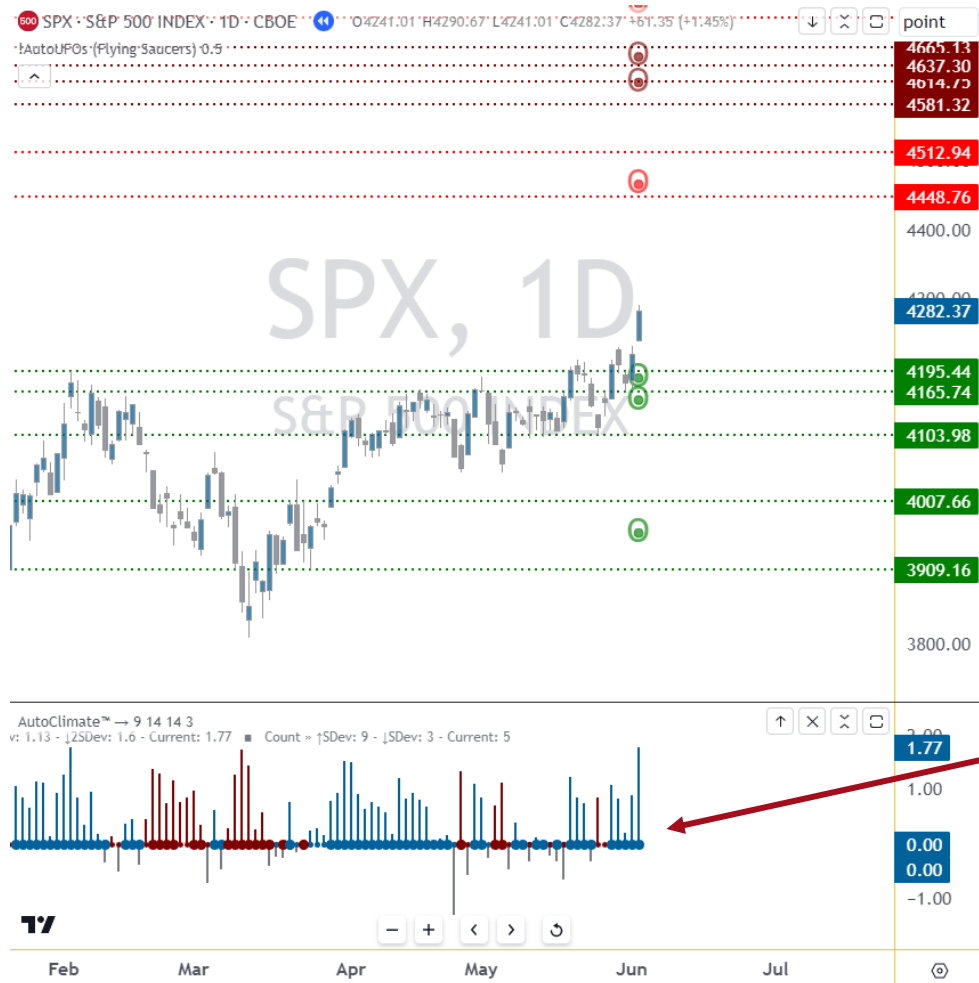


Entries & Exits

Setting entries and exits is critical as this will help us:

- To be more precise when it comes to timing and to avoid hope when concluding the trade worked or failed
- To manage risk and have a specific way on how to calculate size
- To approve or reject trades based on their R:R ratio
- To choose the optimal expiration dates
- To select the highest performing options strikes

We are looking for...



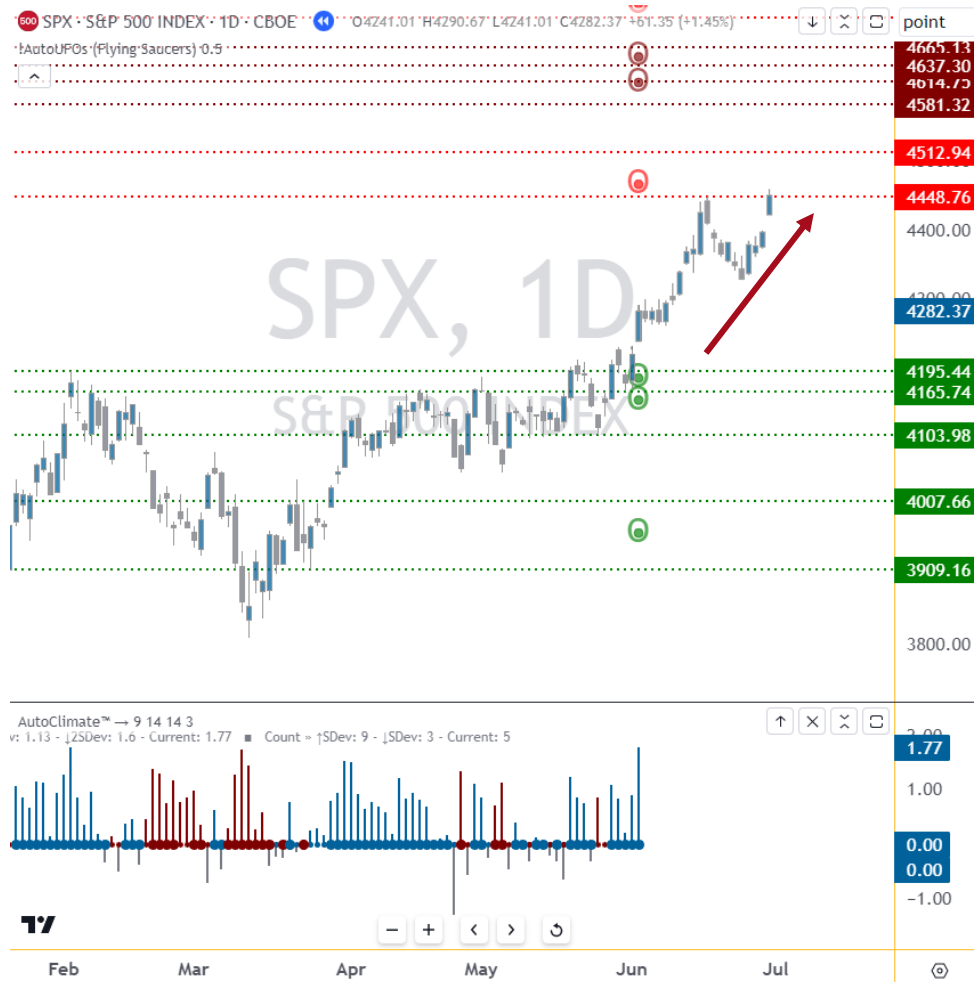
Ample
Profit
Margin

Climate:

- Confirmed
- Statistically Sustainable ($5 < 9$)

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Desired outcome...



- There are many different types of trade setups that would qualify as directional opportunities
- Later we will use options strategies to make the technical setup to be more or less directional depending on the trader's plan
- Remember, in this case we have used a 2-step approach to planning this trade with 1. AutoClimate™ and 2. AutoUFOs®
- Steps 1 and 2 can be replicated by using any other trading technique (Fibs, MACD, TA, etc.)

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Observations

- This first example uses a daily timeframe, but the same application could be implemented intraday for active traders. Later, we will use real-time intraday timeframes to set an intraday opportunity...
- In order to build the options strategy that will take advantage of this setup we need to decide:
 - Type of options strategy
 - Expiration date
 - Strikes

Options Strategies

Delta is a very useful Options Greek that can be used to measure how directional (more, less, neutral) an Options trade is. In this webinar we will focus on:

- 2 CREDIT combinations (**Less Directional**):
Bullish & Bearish Vertical Credit Spreads:

CREDIT ∴ Bull Put Spreads
CREDIT ∴ Bear Call Spreads

- 2 DEBIT combinations (**More Directional**):
Bullish & Bearish Vertical Debit Spreads:

DEBIT ∴ Bull Call Spreads
DEBIT ∴ Bear Put Spreads

Verticals for a Credit

- We create a **Bullish** CREDIT when we...
 - SELL a **Put** of a higher dollar value (higher strike) and BUY a **Put** of a lesser dollar value (lower strike)
 - The commanding unit is the **Put** being sold, therefore:
→ **Bullish** → **Bull Put Spread**
- We create a **Bearish** CREDIT when we...
 - SELL a **Call** of a higher dollar value (lower strike) and BUY a **Call** of a lesser dollar value (higher strike)
 - The commanding unit is the **Call** being sold, therefore:
→ **Bearish** → **Bear Call Spread**

Credit Spreads - Concept

CREDIT ∴ **Bull Puts** use 2 **Puts** that belong to the same expiration series that are bought and sold using different strikes:

Type	Expiry	Strikes	Role	Action	Syntax
Puts	Same	Higher	Commanding	Sell	-p
		Lower	Auxiliary	Buy	+p

CREDIT ∴ **Bear Calls** use 2 **Calls** that belong to the same expiration series that are bought and sold using different strikes:

Type	Expiry	Strikes	Role	Action	Syntax
Calls	Same	Higher	Auxiliary	Buy	+c
		Lower	Commanding	Sell	-c

SPX Bull Put Spread (Credit)

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Expiration Date: Using 1 time "↑SDev" value (rounding up the amount of days)

-SELL 4195 PUT
+BUY 4165 PUT

Locate the strikes beyond the location where the SPX is not expected to go before the expiration date

The math:

With 10 days to Expiration

-SELL 4195 PUT_ receive 4.90

+BUY 4165 PUT_ pay 3.50

Net Credit collected = \$1.40 per contract

Net Delta exposure = $0.13 - 0.08 = +0.05$

(close to Non-Directional)



Credit Outcome

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- SPX went up and therefore the full profit was realized 10 days later (expiration)
- Being Less Directional implies that:
 - Less money was made = \$140 per contract (vs. a greater profit with more deltas)
 - The trade had a greater probability of profitability since going up, going sideways or even going down would have generated a profit unless SPX had surpassed 4195 to the downside (vs. a lesser theoretical chance of profit with more deltas)
- The maximum Risk = Required Margin
- Further Trade Management techniques will be discussed in Webinar #3, which will be devoted to reduce the maximum Risk amount

Verticals for a Debit

- We create a **Bullish** DEBIT when we...
 - BUY a **Call** of a higher dollar value (lower strike)
and SELL a **Call** of a lesser dollar value (higher strike)
 - The commanding unit is the **Call** being bought, therefore:
→ **Bullish** → **Bull Call** Spread
- We create a **Bearish** DEBIT when we...
 - BUY a **Put** of a higher dollar value (higher strike)
and SELL a **Put** of a lesser dollar value (lower strike)
 - The commanding unit is the **Put** being bought, therefore:
→ **Bearish** → **Bear Put** Spread

Bull Call Spread - Concept

DEBIT ∴ **Bull Calls** use 2 **Calls** that belong to the same expiration series that are bought and sold using different strikes:

Type	Expiry	Strikes	Role	Action	Syntax
Calls	Same	Higher	Auxiliary	Sell	-c
		Lower	Commanding	Buy	+c

DEBIT ∴ **Bear Puts** use 2 **Puts** that belong to the same expiration series that are bought and sold using different strikes:

Type	Expiry	Strikes	Role	Action	Syntax
Puts	Same	Higher	Commanding	Buy	+p
		Lower	Auxiliary	Sell	-p

SPX Bull Call Spread (Debit)

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Expiration Date: Using 3 times "↑SDev"
value (rounding up the amount of days)

-SELL 4450 CALL

+BUY 4280 CALL

Sell a Call using a strike located where SPX is wanted to go (Target) and Buy a Call using a strike located around the SPX current price

The math:

With 28 days to Expiration

-SELL 4450 CALL → receive 7.50

+BUY 4280 CALL → pay 65.40

Net Debit paid = \$57.90 per contract

Net Delta exposure = $0.56 - 0.17 = +0.39$

(quite Directional)

Debit Outcome

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- SPX went up and hit the target on the expiration day (28 days later)
- Being More Directional implies that:
 - More money was made = \$11,086 per contract (vs. a lesser profit with less deltas)
 - The trade had a lesser probability of profitability since the only positive outcome would take place only if SPX moved up (vs. a greater theoretical chance of profit with less deltas)
- The maximum Risk = Required Margin
- Further Trade Management techniques will be discussed in Webinar #3, which will be devoted to reduce the maximum Risk amount

Before going LIVE!

In order to get your special Webinar #1 bonus tools...

Scan the next slide QR Code and follow the steps!

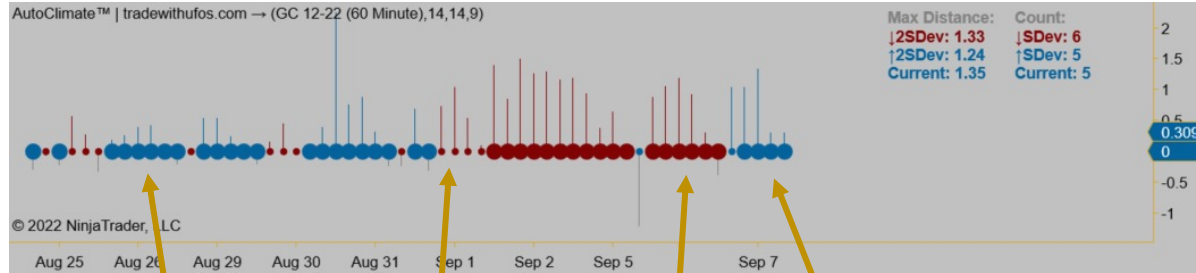
More training and more tools in Webinar #2 on Oct-18 2023...

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Bonus Resources



Thick dots represent confirmed climates

Thin dots represent unconfirmed climates

Ruby suggests a down-market

Sapphire suggests an up-market



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AutoClimate™ For TradingView



Use the **CODE**

CLAIM8

to make it

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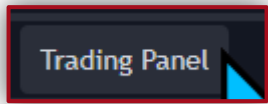
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Accessing Charts

We will use TradingView connected to IBKR

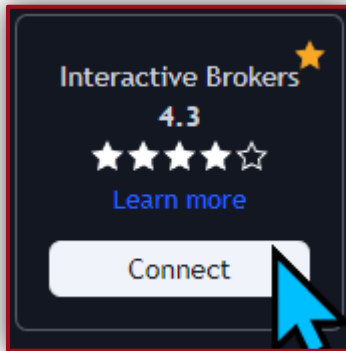
1.

Click on the TradingView Trading Panel



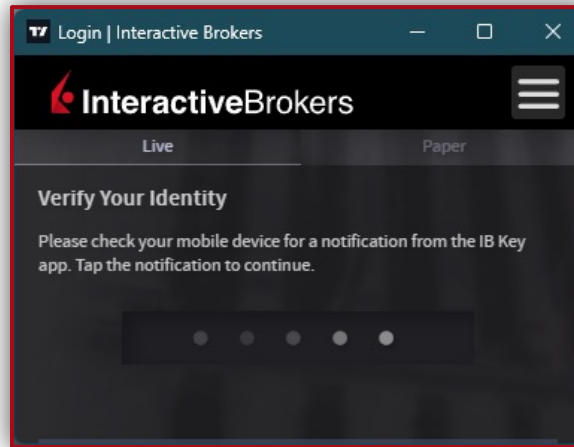
2.

Select Interactive Brokers



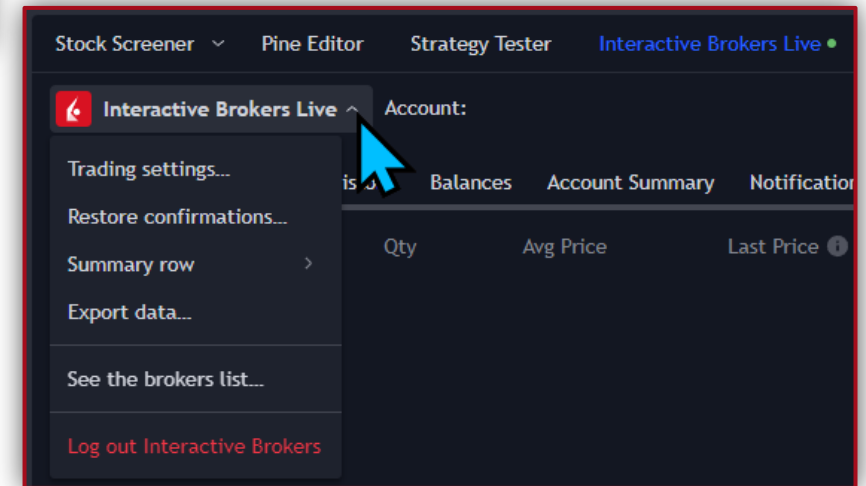
3.

Enter your Credentials and Verify your Identity



4.

The Trading Panel has now changed to Interactive Brokers Live



Executing

- **Order execution and risk management features:**
 - IBKR TWS Platform
 - TWS Strategy Builder built-in the Options Chain
 - Assess risk and margin before Transmitting Orders
 - Entry and Exit Orders residing in IBKR servers

Order Placement

SPX INDEX PUT/CALLS (Side by Side)

SEP 26 '23 100 14 DAYS SEP 27 '23 100 15 DAYS SEP 28 '23 100 16 DAYS MORE

TABBED VIEW ▾ PUT/CALL ▾ STRIKES ▾ SMART ▾ SPXW ▾ 100

CALLS							PUTS						
OPTN O...	VOLUME	BID	ASK	STRIKE	OPTN O...	VOLUME	BID	ASK	STRIKE				
8	7	41.10	41.60	4490	24	2	42.40	42.90	4490				
89	126	14	26.40	26.80	10	6	57.60	58.10	4520				

Option Tools (highlighted in red box)

- Option Chain
- Option Trader
- Option Analysis
- Advanced Option Tools

Strategy Builder (ON)

ACTN	RT	LST TRD DAY	STRIKE	TYP	DELTA	THETA	BID/ASK	SIZE
Sell	1	SEP 27 '23	4520	...	0.374	-1.486	26.40x26.80	14x10
Buy	1	SEP 27 '23	4490	...	0.490	-1.686	41.10x41.60	7x7
Sep27 4490/4520 Bull Call					0.117	-0.201	14.30x15.20	7x7

Order Entry: LMT QTY 1 LMT 15.10 Debit DAY advanced Margin Impact: 0 USD

Submit Order

Strikes

Expiration Date

Order Type & Price

Send Order

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Your turn

Any questions?

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