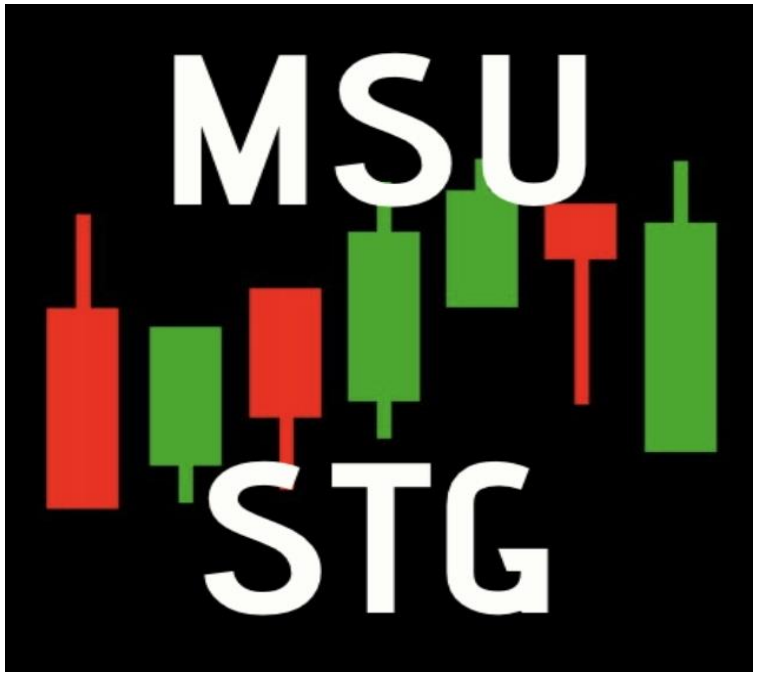
Student Trading Group
Options Strategies

February 15, 2024



Agenda

- Market update
- Open Discussion
- Options Strategies
- Video
- MW Investing Competition
- Q&A

Market Update

- $LYFT mis reports earnings, shares rise ~64%, fall back to only ~12%
- $NVDA earnings will be released the upcoming week, big implications for tech
- $COIN beats earnings, shares rise ~13%
- Goldman Sachs to Discontinue partnership with Apple and it's Apple Cards.
- Berkshire Hathaway has trimmed huge stake in apple but has also boosted its stake in oil company Chevron (CVX.N), , one of its biggest holdings, and reduced its stakes in computer and printer maker HP (HPQ.N), and media company Paramount Global (PARA.O).

Open Discussion

- Recent Trades?
- News?
- Predictions?
- Economic Data?
- Earnings?
- Etc.

Technical Analysis

- Method of evaluating securities by analyzing statistical trends gathered from trading activity, such as price movement and trading volume. It involves studying historical price charts, identifying patterns and trends, and using various technical indicators to make predictions about future price movements.
- The core premise of technical analysis is that historical price movements tend to repeat themselves, and patterns observed in past price data can help forecast future price direction.
- Technical analysts believe that by understanding market psychology and investor behavior reflected in price action, they can gain insights into potential opportunities for buying or selling stock

Support/Resistance

- Support: A price level at which a stock has historically had difficulty falling below.
  - Level where buying interest typically increases, preventing the stock from declining further.
  - Support levels are often considered potential entry points for investors looking to buy, as they believe that the stock's price is likely to rebound from that level.
- Resistance: A price level at which a stock has historically struggled to rise above.
  - It represents a point where selling pressure typically increases, halting the stock's upward momentum.
  - Resistance levels are viewed as potential selling opportunities for investors, as they anticipate that the stock's price may reverse or consolidate near that level.


Tesla, Inc. · 1h · NASDAQ
O198.81 H200.88 L198.81 C200.49 +1.68 (+0.85%)
202.06
0.06
202.12
Vol 1.454M
360.00
340.00
320.00
313.09
300.00
280.00
260.00
240.00
222.87
Post
202.08
200.49
180.00
160.00
369.847K
120.00
TradingView

Spreads

- An options spread is a strategy involving the simultaneous purchase and sale of options contracts on the same underlying security but with different strike prices, expiration dates, or both.
- The purpose of using a spread strategy is typically to hedge risk, generate income, or profit from the expected price movement of the underlying asset.

Vertical Spread

- This involves buying and selling options of the same type (either both calls or both puts) with the same expiration date but different strike prices.
- Examples include bull call spreads and bear put spreads.
- Lowers risk

Horizontal Spread (Calendar Spread)

- In this strategy, options with the same strike prices are bought and sold, but with different expiration dates.
- This can be used to profit from differences in implied volatility between short-term and long-term options.
- Trading sideways/High IV

Diagonal Spread

- This involves combining elements of both vertical and horizontal spreads by using options with different strike prices and expiration dates.
- It's a more complex strategy that can be used for various purposes, such as leveraging time decay or adjusting the risk-reward profile.
- Minimizes effects of time

Butterfly Spread

- This strategy involves three different strike prices, where an investor buys…
- One option at the lowest strike price
- Sells two options at a higher strike price
- Buys one more option at an even higher strike price.
- It's named for the shape of its profit and loss graph.
- Used when IV is “high”

Condor Spread

- Similar to a butterfly spread, but with four different strike prices. It involves…
- Buying one option at the lowest and highest strike prices.
- Selling two options at intermediate strike prices.
- Selling one option at an even higher strike price.
- Trading sideways

Straddle/Strangle

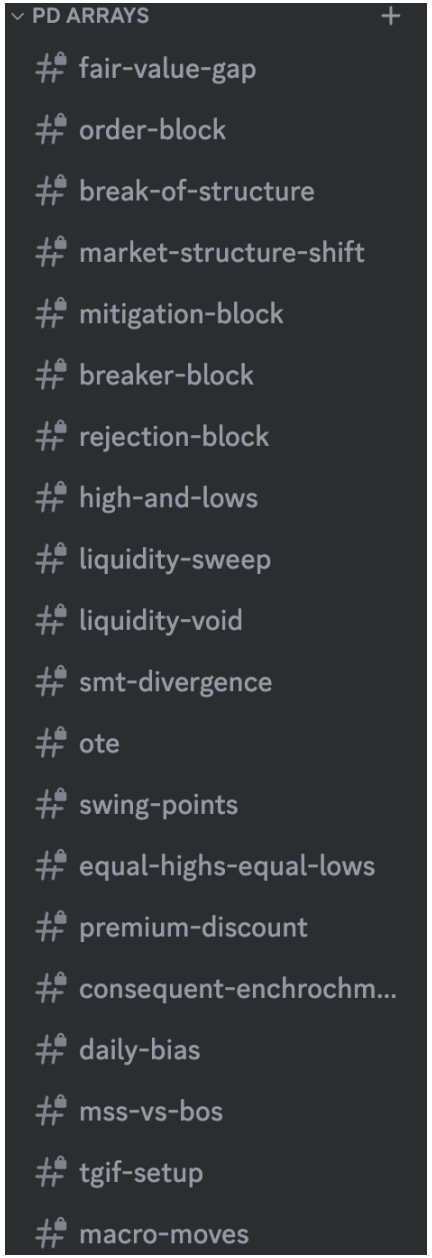
- An investor buys a call option and a put option with the same strike price and expiration date.
- Profits if the price of the underlying asset moves significantly in either direction.

Arya's Strategy

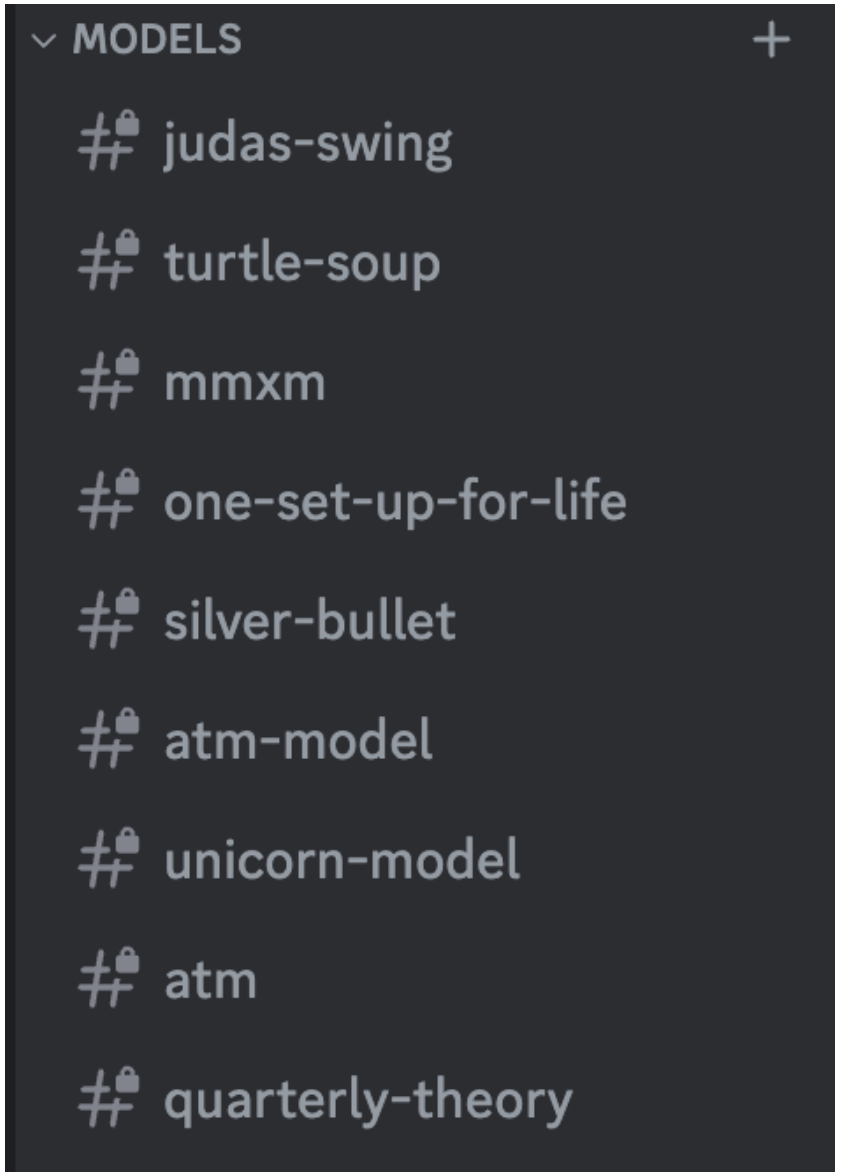
- I trade concepts called ICT (inner circle trader)
- This man has been trading for 30+ years
- He has a free course on youtube where he teaches how he trades and why he believes the market moves.

- Very complex compared to support and resistance
- I've been learning from him for almost 1+ years and theres still a lot to learn.

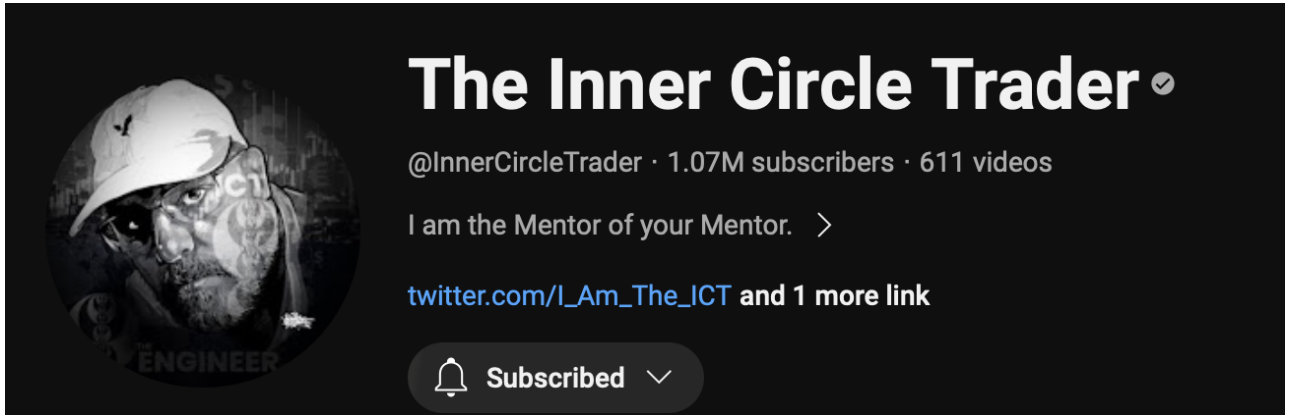
Concepts I use for technical analysis

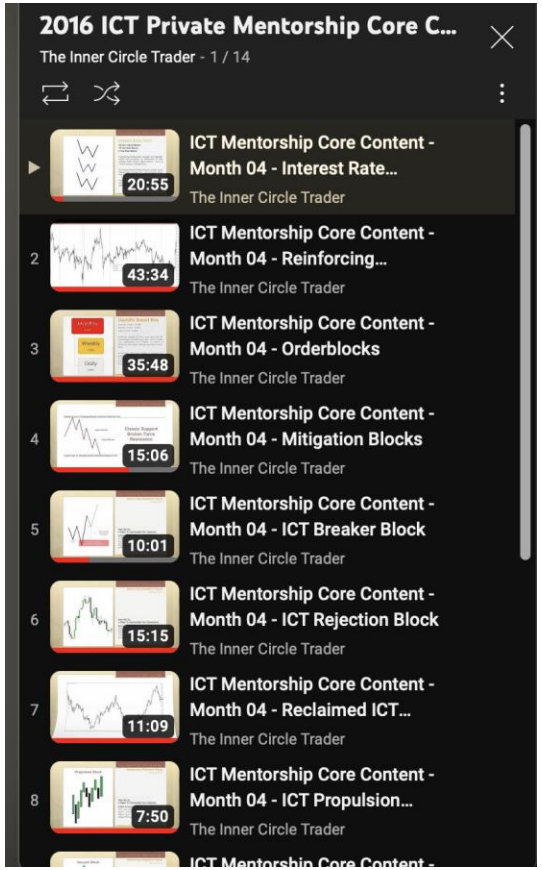


Methods I use to trade



Where you can learn ICT





ICT videos are all organized

- A different approach to trading
- Huge on technical analysis

- Analyzing charts
- Trades through Time and Price

- Very very complex compared to many other strategies.

Selling Options

- Selling (writing)options is similar to buying options in the sense that it is an agreement to have the ability to sell or buy an asset at an agreed upon price at an agreed upon time
- However, as the seller you are the one who is providing the buyer with the speculative instrument.
- By selling options you create income in the form of premium (the price of the option contract) therefore profiting a predictable and consistent amount.

Selling Calls

- Covered Call
  - Selling a call with the underlying stock as collateral
- Naked Call
  - Selling a call with no collateral
- To sell a covered call you must first own 100 shares (at least) of a stock. Then locate a date and price on the option chain that you would like to sell your call at, I typically look for 30-45 DTE (Days to Expiration) and a strike price ~10% OTM (Out of the Money).

Selling Calls

- If the stock trades sideways you keep your shares, any capital gains, and the premium from selling the contract.
- If the stock falls you may lose money on your shares, but you keep the premium to hopefully offset this loss.
- If the stock rises beyond your strike price your contract will be executed and you will have to sell your shares at the strike price but will profit from the capital gain of 10% as well as the premium.
- This strategy has essentially no risk if you would be holding these shares regardless, but can limit your upside if your shares rapidly increase in value in a short time span.

Selling Puts

- Cash Secured Puts
  - Selling a put while having the necessary cash to exercise the option
- To sell a cash secured put you must first have the required capital for an execution of this contract stashed in your brokerage. Then you have to find a stock you are long term bullish on that you would be comfortable buying at the strike price of the contract you sell.

Selling Puts

- If the stock trades sideways or rises you keep the cash you used as collateral and profit the premium from selling the contract.
- If the stock falls below your strike price your contract will be executed and you will have to buy these shares at the strike price and will generally face an unrealized loss.
- This strategy has the potential to leave you with an unrealized loss, but you get to keep the premium from selling the contract to potentially offset a loss and since you were already bullish on this stock gaining these shares would not be seen as a “bad” thing.

Selling Covered Calls Example

A trader sells 7, 30DTE Covered Calls on SPY with a strike price of $510 for a premium of $2.00 per share.

If SPY closes at $511 on the expiration date what will the trader's profit be? Will this option be executed?

Total Revenue (Premium) = 7 * ($2.00 * 100) = $1,400

Total Cost = $0

Profit = Revenue – Cost = $1,400

This option will be executed therefore, the trader…

Missed out on (($511 - $510)*100) * 7 = $700 of **potential gains**

Selling Covered Calls Example

A trader sells 7, 30DTE Covered Calls on SPY with a strike price of $510 for a premium of $2.00 per share.

If SPY closes at $508 on the expiration date what will the trader's profit be? Will this option be executed?

Total Revenue (Premium) = 7 * ($2.00 * 100) = $1,400

Total Cost = $0

Profit = Revenue – Cost = $1,400

This option will not be executed therefore, the trader…

Keeps all shares involved in the covered call

Selling Naked Calls Example

A trader sells 3, 30DTE Calls on SPY with a strike price of $510 for a premium of $2.25 per share.

If SPY closes at $514 on the expiration date what will the trader's profit be? Will this option be executed?

Total Revenue (Premium) = 3 * ($2.25 * 100) = $675

Total Cost = 3 * (($514 - $510) *100) = $1,200

Profit = Revenue – Cost = $-525

This option will be executed therefore, the trader…

Will be forced to buy the shares to cover the contract, and will **lose** $525

Selling Naked Calls Example

A trader sells 3, 30DTE Calls on SPY with a strike price of $510 for a premium of $2.25 per share.

If SPY closes at $507 on the expiration date what will the trader's profit be? Will this option be executed?

Total Revenue (Premium) = 3 * ($2.25 * 100) = $675

Total Cost = $0 (This option will not be exercised)

Profit = Revenue – Cost = $675

This option will not be executed therefore, the trader…

Keeps all shares involved in the covered call

Selling Puts Example

A trader sells 10, 30DTE Puts on SPY with a strike price of $490 for a premium of $2.50 per share.

If SPY closes at $492 on the expiration date what will the trader's profit be? Will this option be executed?

Total Revenue (Premium) = 10 * ($2.50 * 100) = $2,500

Total Cost = $0 (This option will not be exercised)

Profit = Revenue – Cost = $2,500

This option will not be executed therefore, the trader…

Will not be forced to buy the shares

Selling Puts Example

A trader sells 5, 30DTE Puts on SPY with a strike price of $495 for a premium of $3.00 per share.

If SPY closes at $489 on the expiration date what will the trader's profit be? Will this option be executed?

Total Revenue (Premium) = 5 * ($3.00 * 100) = $1,500

Total Cost = 5 * (($495 - $489) * 100) = $3,000

Profit = Revenue – Cost = $-1,500

This option will be executed therefore, the trader…

Will be forced to buy the shares and experience an **unrealized** loss of $1,500

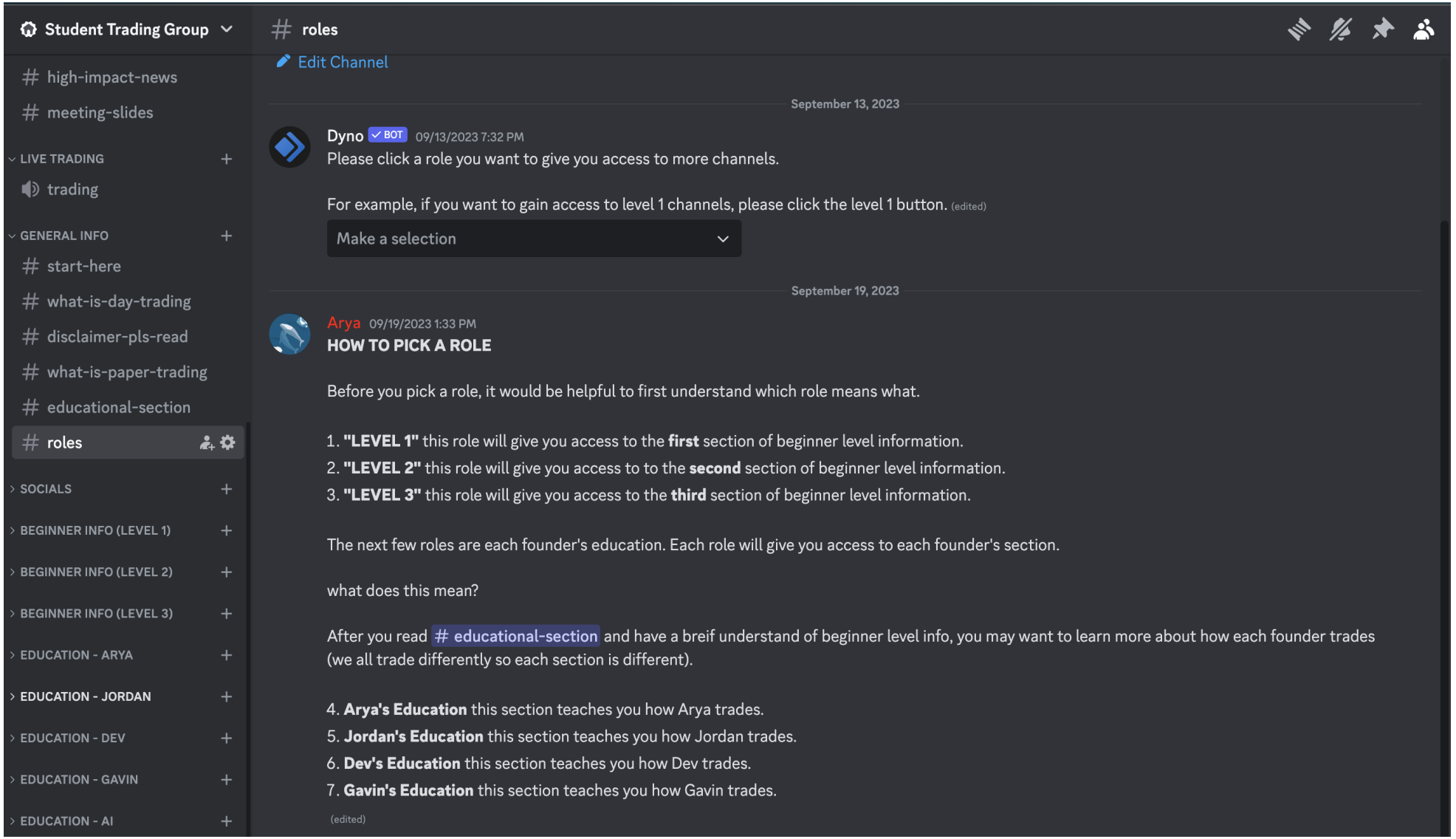
Video

- https://youtu.be/K-wbjSU-k_I?si=gQsn9EB-PJo9G_1k

MarketWatch Investing Competition

- https://www.marketwatch.com/games/msu-stg-ss24
- ID: MSU STG SS24
- Password: msustg

Discord


Student Trading Group
high-impact-news
meeting-slides
LIVE TRADING
trading
GENERAL INFO
start-here
what-is-day-trading
disclaimer-pls-read
what-is-paper-trading
educational-section
roles
SOCIALS
BEGINNER INFO (LEVEL 1)
BEGINNER INFO (LEVEL 2)
BEGINNER INFO (LEVEL 3)
EDUCATION - ARYA
EDUCATION - JORDAN
EDUCATION - DEV
EDUCATION - GAVIN
EDUCATION - AI
roles
Edit Channel
September 13, 2023
Dyno BOT 09/13/2023 7:32 PM
Please click a role you want to give you access to more channels.
For example, if you want to gain access to level 1 channels, please click the level 1 button. (edited)
Make a selection
September 19, 2023
Arya 09/19/2023 1:33 PM
HOW TO PICK A ROLE
Before you pick a role, it would be helpful to first understand which role means what.
1. "LEVEL 1" this role will give you access to the first section of beginner level information.
2. "LEVEL 2" this role will give you access to to the second section of beginner level information.
3. "LEVEL 3" this role will give you access to the third section of beginner level information.
The next few roles are each founder's education. Each role will give you access to each founder's section.
what does this mean?
After you read # educational-section and have a breif understand of beginner level info, you may want to learn more about how each founder trades (we all trade differently so each section is different).
4. Arya's Education this section teaches you how Arya trades.
5. Jordan's Education this section teaches you how Jordan trades.
6. Dev's Education this section teaches you how Dev trades.
7. Gavin's Education this section teaches you how Gavin trades.
(edited)

Q & A