**Key Rule of Thumb:**

* Trade SPX, SPY, QQQ index only (may consider weeklies or 0dtes if for stocks)
* Trade at power hour only
* ~5% of portfolio

**How to choose the right options?**

We are looking to buy the cheapest contracts at the best technical possibilities for a bigger move. This way we are taking advantage of low implied volatility and the inherent gain of a big move.

When choosing which option contracts to trade, we are looking for the most liquid expirations. This will usually be open date which is the 3rd Friday of the month. Most brokers will mark which date is open, but you can easily tell by the higher OI on all options contracts for that expiration. You can trade non open expirations if your strike ends up meeting below the criteria.

We are looking for OI to be 500> and volume to be at least 100> that way we have enough liquidity to enter and exit without having too big of a spread.

Now for picking the strike, we are looking to go right out o the money but not too far. If we buy a contract that has low IV and right out of the money, the moment we get a bug move and the contracts get in the money, the inherent value jumps higher and the implied value also jumps higher.

We can go farther out the money if we have higher confidence in the position. However, the closer you are to the money, the safer it is and also the longer you can hold your contracts because there is less time decay on them.

Choose something above 0.25 delta

Account for the time decay by looking at the Theta when we first buy our options to determine the final value and the stop loss we are gonna set. The standard rule of thumb will be to use 5-10% buffer on the option price.

**Trading System**

1.55RR as our take profit. This means we maintain 20% losses and at least 50% return.

Always trim and take profit. Don’t chase trades

**Trading Execution:**

Use the 15min and 1 hour time frame for execution of trades

**Setting conditional Orders:**

This allows us to set the target price of the underlying stock which will execute the selling of the option at the corresponding price. (See Pinned message). However, this will expose the stocks to theta decay.

FVG and FIB confluence

**Hedging Strategy:**

Hedge long dated calls with short dated puts.