

# NO-HYPE OPTIONS TRADING



MYTHS,  
REALITIES,  
& STRATEGIES  
THAT REALLY WORK

KERRY W. GIVEN, PhD



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# No-Hype Options Trading

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*Myths, Realities, and  
Strategies that  
Really Work*

**KERRY W. GIVEN, PhD (DR. DUKE)**  
*Founder and Managing Director,  
Parkwood Capital, LLC*



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*To Charlotte, my best friend, confidante, and adviser.*

*In memory of our son and fellow option trader, Sean (1975–2007).*

*I miss our discussions of Google.*





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# Introduction

**D**oes the world need another options trading book? Before writing this book, I looked at all of the options books available on Amazon and it was daunting. But this book brings a different perspective to options trading. The existing options trading books fall broadly into two categories: (1) how to become financially independent in two weeks, and (2) how I made a fortune trading on the exchange floor. In the first case, it is largely marketing hype, and the second case describes trading options from a perspective that isn't realistic for the retail options trader. I admit this generalization does a disservice to several excellent options trading books, but exceptions do not invalidate generalizations.

My experience learning to trade options was lengthy and often painful. Trial and error characterized much of my learning curve. I spent large amounts of time and energy debunking many of the options trading myths. For those of you new to options trading, we will debunk those myths in the first few chapters of this book. But if you have some familiarity with options trading, you have probably heard or read the adage, *When implied volatility is high, sell credit spreads, and when implied volatility is low, buy debit spreads*. This is a classic example of a commonly taught rule for options trading that is absolutely false. The truth is that the credit spread and the debit spread at the same strike prices will always have the same risk/reward characteristics. Another instructor confidently assured me that out-of-the-money debit spreads would be successful 80% of the time and were “low risk.” The truth is that those types of spreads have a very low probability of success—more like 25% than 80%. His options education firm likes to advertise those trades as low-risk trades because they require only a small investment. Lottery tickets are inexpensive as well.

Unfortunately, options education is infamous for outrageous marketing claims and sales pitches; for example, the following was a header on a web site for options education: “When was the last time you made 300% in three weeks?” In the overhyped world of trading education, it is exceedingly difficult to discern reasonable expectations for your returns with