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Smarter Directional Option Buying
With
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YouCanTrade.com



TWO ROADS

The logo for 'Two Roads' features the word 'TWO' in a large, white, sans-serif font above the word 'ROADS' in a similar font. The letter 'O' in 'TWO' is replaced by a white circle containing a stylized tree with a wide, spreading canopy and a road that splits into two paths leading towards its base. The entire logo is set against a solid teal background.

T R A D I N G

Disclosure

The following presentation is for educational purpose, there is no offer or recommendation to buy or sell any security and no information contained here should be interpreted or construed as investment advice. Trading Options, Futures, Options on Futures, and retail off-exchange foreign currency transactions involves substantial risk of loss and is not suitable for all investors. You should carefully consider whether trading is suitable for you in light of your circumstances, knowledge, and financial resources. You may lose all or more of your initial investment. The lower Day Trade margin the higher the leverage and riskier the trade. Leverage can work for you as well as against you; it magnifies gains as well as losses. Past performance is not necessarily indicative of future results.

Please visit The Options Clearing Corporation - www.optionsclearing.com to view the document titled Characteristics and Risks of Standardized Options.

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Smarter Directional Option Buying

Directional Options

There are dozens of options strategies to capture directional movement.

For this talk we'll focus on simple calls, puts, and debit spreads.

Three Things I Look For In An Option Play

- Underlying Chart That Shows Probability of Movement
- Liquidity
- “Big Money” sweeps, blocks in options and/or underlying

Underlying Chart

- Pattern In Play
 - SnapBack
 - 50 Bounce
 - Breakout / Breakdown
 - Wedge
 - etc
- Clearly Defined Support / Resistance
 - Horizontal
 - 8 / 21 EMA
 - 50 / 200 SMA



If You Are A TradeStation User And Want A Copy Of This Workspace, email me: Matt@youcantrade.com

In 'normal' trading conditions, I'm less concerned with the fundamentals / news of the underlying. The price action will tell me what I need to know. In current conditions, however, I have found it beneficial to keep a closer eye on my news feed.

Liquidity

- “Liquidity is King”
 - Small Spreads
 - Volume
 - Open Interest
 - Weeklies

Statistics



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Options Statistics

What to Trade?

- If I'm Expecting Upward Price Action, I will buy either a call or a call debit spread
- If the expected action is down, I'll buy a put or a put debit spread.

Which Strike?

- While I take each trade one at a time as far as strike and expiration, I will typically look for a call or put that is:
 - 2-3 weeks from expiration
 - Delta somewhere between 50-60
 - Ideally, I'll be out of the trade in 0-3 days to avoid significant theta decay

When Do I Trade A Debit Spread?

- I will sometimes opt for buying a debit spread instead of the call or put.
- Mainly, this is done to reduce costs and risk.
- This can be a way for someone with a smaller account to trade directionally on a higher priced underlying
- The trade off is your gains are capped.

Where Can You Find Me

- www.YouCanTrade.com under “Channels”
Two Roads Trading
- Twitter: @TwoRoadsTrading
- www.facebook.com/2roadstrading
- Live Trading Room (Free Two Week Trial)

Join me on my Facebook page tonight to see:

- How I construct a debit spread
- A recent trade example, walkthrough from chart setup to trade

7:00pm EST

www.facebook.com/2roadstrading

Questions?