Credit Vertical trading plan (sample)

What to look for:

- Stock price between $20-$200 dollars share with no earnings announcement in the next 14 days.
- Stock trend: all 3 trends agree; short, intermediate, and long term trends agree.
- Bid/ask is tight, no more that 5-10% bid /ask spread
- Enter the trade on a bounce or break entry (important) so you can tuck your strikes above the ceiling or below the floor.
- USE ETF'S are best, especially if they are very liquid with tight bid/ask

CREDITS SPREADS = higher probability (OTM stay OTM)

- Look to sell Deltas of .30 or less (credit spreads bull put or bear call) buy the next further OTM option with a lower price than the one you sold
- Sell around 30 days to expiration
- Look to receive .20 cent per dollar or greater i.e. on credit spreads (gain.20 cent loss.80 cents) MINIMUM $ 1.00 dollar wide spread
- Try and get both strikes above resistance for bearish spreads (bear call spread) or below support for bullish (bull put spread) CREDITS
- Sell 20-30 delta
- Buy 20-25 deltas

Manage the trade

- Stay in the trade if both strikes are OTM
- If the chart technically breaks, watch for exit when strikes become ITM
- If stock maintains intended direction, continue with trade
- Buy back vertical if trade goes against you or the week of expiry
- Goal to capture 80% of the intended profit

Things to remember

- This strategy is a low delta trade
- Trade is design to capture time decay
- Trade is high probability (credit spreads) with high risk to reward
- Steady less volatile charts are recommended
- Strong support or resistance is as important as trend
- Max loss should be avoided when possible
- Plan trade around max loss for number of contract (position sizing)
- Avoid uncertainty, like earnings announcement
- Exit when 80% profit is achieved or the week before expiration, exit trade