

## Debit 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

DEBITS SPREADS = directional trade (ITM stay ITM)

- Look to buy first ITM, and sell ATM .50 deltas (closest to current price of the stock) bull call or bear put
- Buy around 30 days to expiration
- Buy 60-50 delta
- Sell 45-55 delta

Manage the trade

- Stay in the trade if both strikes are 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