WALL ST BOOKIE

How to trade with odds comparable to what Casinos use to rake in billions.

BY JASON BOND

Introduction

Options trading firm blows up amid natural gas volatility
(source: FT)

One millennial options trader was killing it, then Facebook cost him $180,000 **(source: MarketWatch)**

Trader says he has "no money at risk," then promptly loses almost 2,000% **(source: MarketWatch)**

The headlines above are some of the reasons why financial advisors recommend that their clients stay away from options. Heck, for the majority of my trading career, I dabbled with them, with almost NO success.

However, that all changed once I decided to switch my approach. Instead of buying like the sucker… like those folks who play slot machines at the casino… I began taking the other side— in turn, becoming the HOUSE.

The ***casino strategy*** that I also call ***Weekly Windfalls*** puts you in the driver's seat, as you'll learn after reading this eBook.

After reading it, you'll learn:

- **How to easily position yourself for success on a week-to-week basis utilizing the *casino strategy.*** Even if you've never placed a single option trade in your life before.
- **The No. 1 reason why traders fail at options trading.** And how a switch in mindset can turn you from *ready to give up* to *consistently profitable*.
- **How to stack the odds in your favor.** Why put on a trade with one possible way to win when you can have THREE?
- **The ultimate *set it and forget it* strategy**. Decision fatigue is a real thing. I'll teach you how to take the stress out of options trading.

- **How to profit in any market condition.** *The casino strategy* isn't bearish or bullish. It takes advantage of the flaws embedded in the options pricing formula.
- **Why you don't need a lot of money to get started.** *The casino strategy* is small-account friendly.
- **Real money case studies.** So you can see the *casino strategy* in action, and replicate it for yourself.

I'm really excited to teach you all this, as I truly believe every trader should be using the options market to generate higher returns and produce consistent results.

Learning how to trade options is like trying to pick up a new language. That means you shouldn't get frustrated if it doesn't click right away. Re-read this eBook, go back to the lessons, and I promise you, it will eventually click.

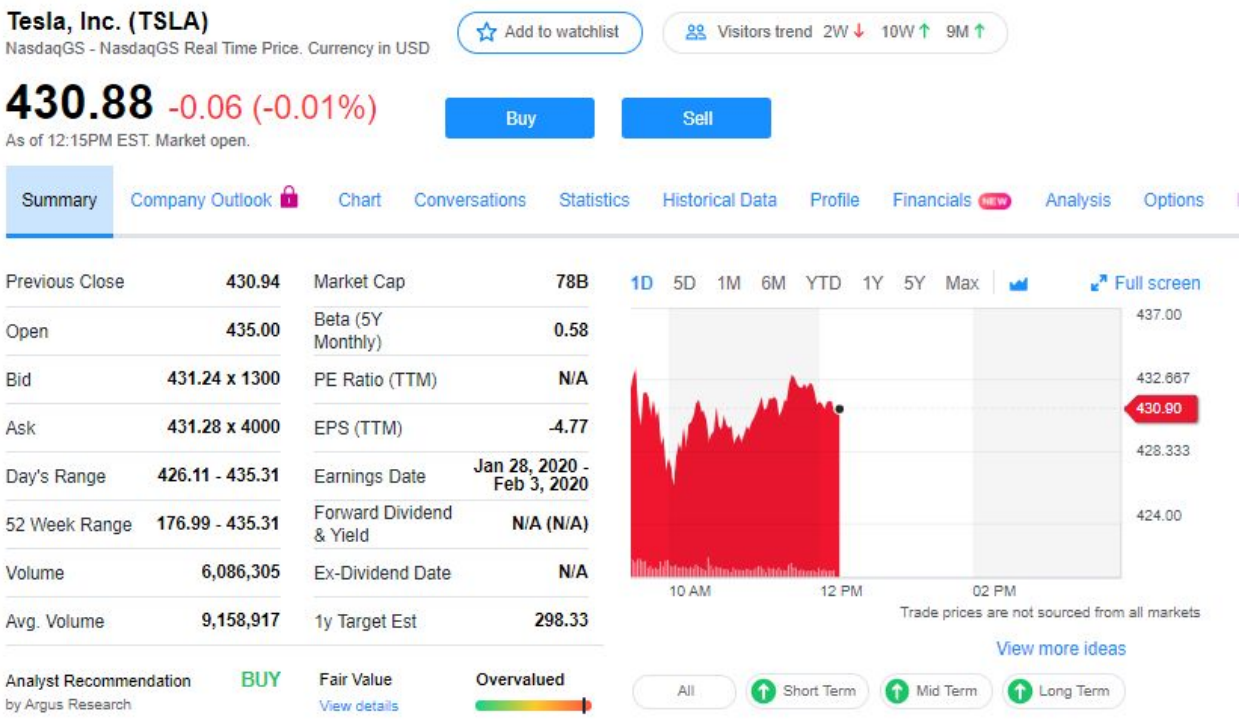
And when it does, you'll be armed with a strategy that has the potential to build generational wealth for you and your family.

Why Options

Ask any institutional trader around, and most of them will tell you that their weapon of choice is options.

Why?

Because of the incredible leverage they offer, and the ability they give the trader to manage risk.



The price of Tesla (TSLA) was trading around $430 when the screenshot above was taken.

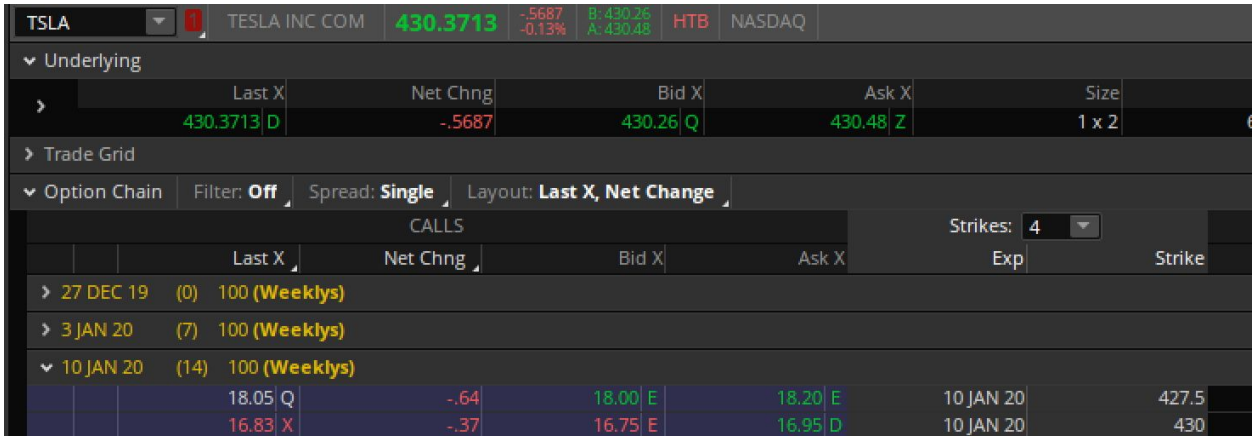
If you wanted to buy 100 shares of TSLA, it would have cost you a whopping $43K.

If TSLA shares rose $3 above your buy price, you'd make $300.

Not exactly life-changing money... and not exactly a return that you'd call home to mom about.

However, options give you a chance to play TSLA in a cheaper way, and an opportunity to earn more on your money.

Check it out:



The 430 calls expiring in 14 days could have been purchased for $16.95. Not a recommendation I would make… my *casino strategy* will teach you a more strategic way to play for a bullish move in a stock.

That said, the example above is for illustrative purposes to show you how options are able to bring down your cost.

One option contract allows you to control 100 shares.

For example, one contract at $16.95 would only cost you $1,695.

That's about 96% cheaper than it would cost you to buy 100 shares, and it gives you the same participation in further upside in TSLA stock.

And you know what?

If the stock were to rise three bucks, the trader would make about $200 on the trade. That's a return of 11%, compared to 0.7% if you'd purchased the shares outright -- and you didn't have to put $43K at risk to amp up your return. This benefit of greater percentage returns for smaller dollar investments is known as leverage.

Of course, leverage can be a double-edged sword, as we saw earlier when I shared the headlines in the introduction of this eBook. Abuse it, and you can potentially get wiped out for good.

But make no mistake about it, option leverage allows you to potentially generate greater returns than stocks, bonds, or mutual funds— while using less capital.

Sure, there is a downside to options when you compare it to owning stocks. For example, when you own an option, you do NOT have any shareholder rights. When a company votes on members of the board, or whether or not they should increase dividends—the option holder will not be able to vote on it.

However, if you're trading the *casino strategy*, it shouldn't matter much.

Why?

Because most of the trades have a holding period of 1-2 weeks (sometimes even less, if it works right away).

That said, here are some of the most notable benefits that options give traders.

- Cheaper than buying stock.
- Less capital at risk.
- The potential for larger percentage gains. *The casino strategy* focuses on large-cap stocks. The best outcome is a 100% return. When is the last time you saw a mega-cap stock return 100% in 1-2 weeks?
- Hedging. *The casino strategy* has a built-in hedge. Each trade has defined risk, as well as a best-case scenario.
- Certain strategies, aka *The casino strategy,* give you a higher probability of success. Instead of making money on only the directional move in the stock, you can also profit from time decay and volatility. In essence, you have 3 ways to win.

Of course, there are also risks that you should be aware of too.

- Easy to abuse leverage.
- The learning curve involved. More complex strategies can get you in trouble if you don't know how they work.
- Some strategies require you to be more active than a traditional buy-and-hold stock strategy

The Basics

Before I jump into the options pricing model and its mechanics—I just want to say that a few years ago this information was foreign to me. It's okay if it goes over your head the first time you read it.

Think of options trading like you would if you were to begin to learn a new language—focus on the essentials first and then slowly move your way ahead to more complex topics. If you're brand new, be patient, and understand that you won't have complete competence overnight.

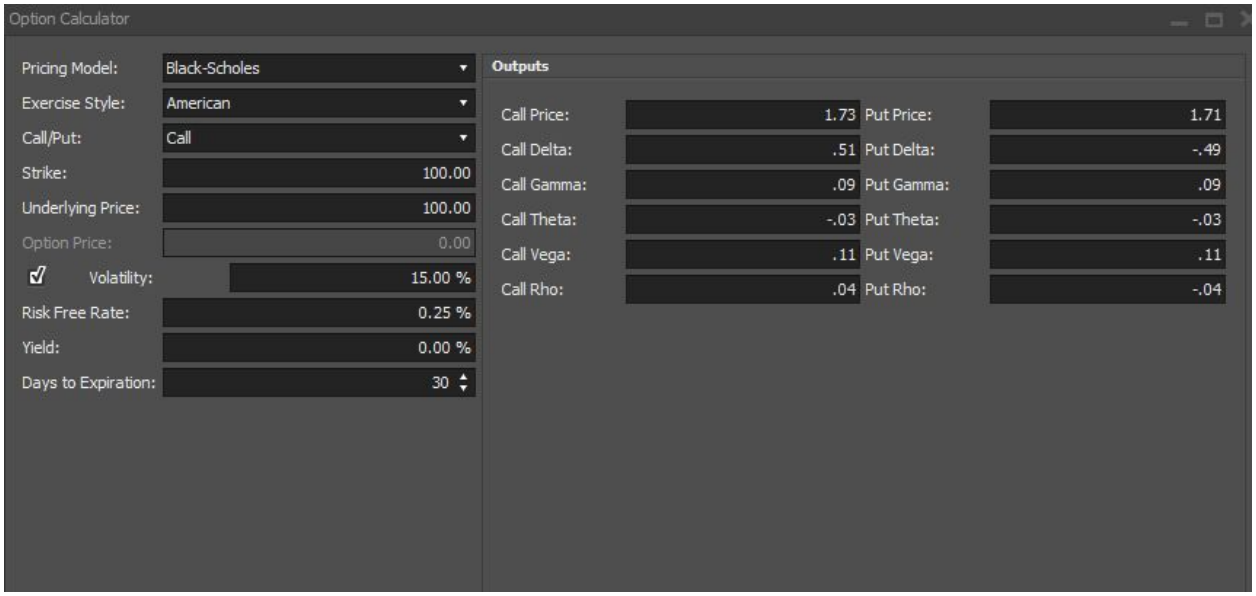
Now, when you trade a stock, the results on the trade are based on one factor—the price movement in that stock. If you buy 100 shares and the stock rises a dollar above your entry price, then you're looking at $100 in trading profits.

However, price movement is just one component used to the value of an option. In order to price an option correctly, you'll need to know the following:

- The current stock price
- Time to expiration
- Implied volatility
- Interest rates
- Cash dividends
- Strike price

The most commonly used options pricing model is the ***Black-Scholes,*** however, there are several different variations of it, which more or less give you the same values.

The image below is an example of an options calculator. Now, you'll never have to calculate the price of an option yourself (your broker's platform does that for you), but knowing this information will only make you a better options trader.



Current Stock Price: The way the price of a stock moves will greatly impact the price of an option. For example, if you are long a call, and the stock price rises, the value of that call option *should* increase. On the other hand, if you were long puts, and the stock price rose, the value of those put options *should* decrease in value.

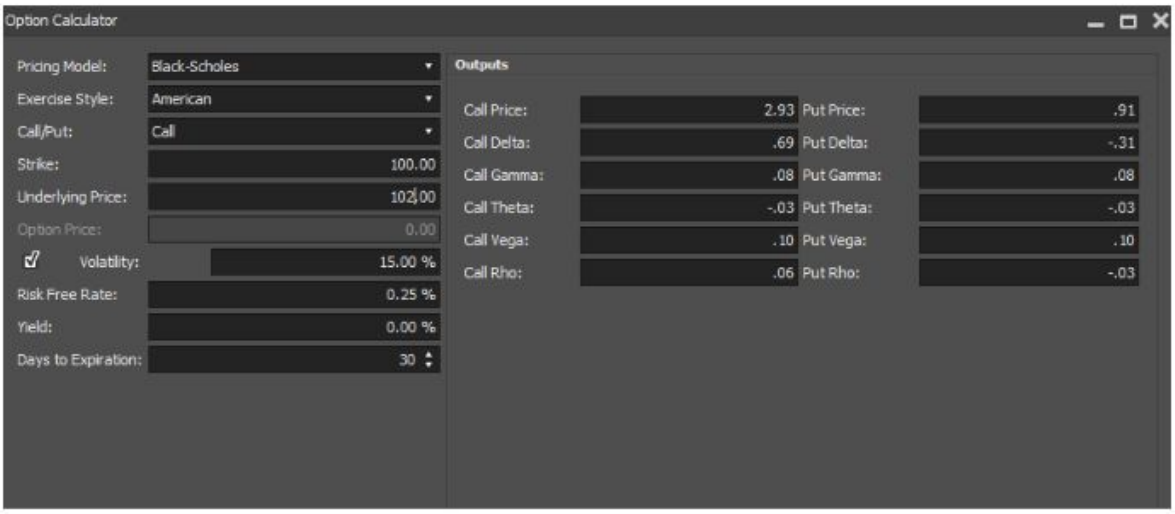
Why “should”?

Because knowing the stock price alone won’t be enough to determine the value of an options contract.

In the example above, the price of the stock is $100. The options strike price is $100, implied volatility is at 15%, and it has 30 days until expiration.

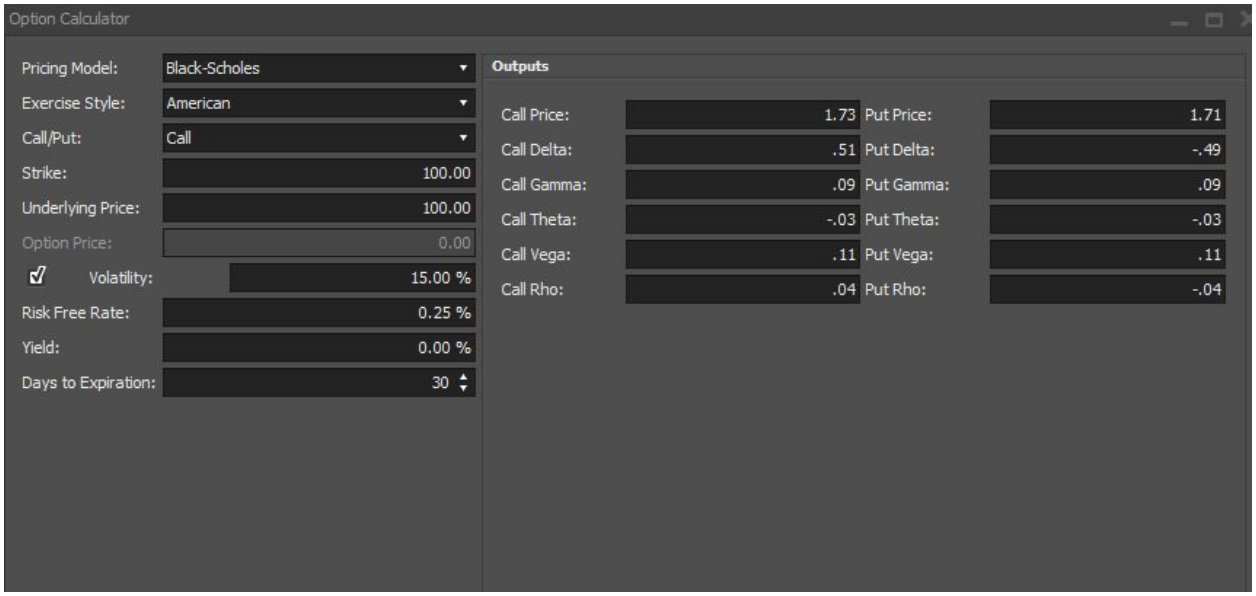
The value of the call option is $1.73 per contract. And the value of the put option is $1.71 per contract.

Check out what happens when the stock price rises from $100 to $102. The value of the call option increases and the value of the put option decreases.



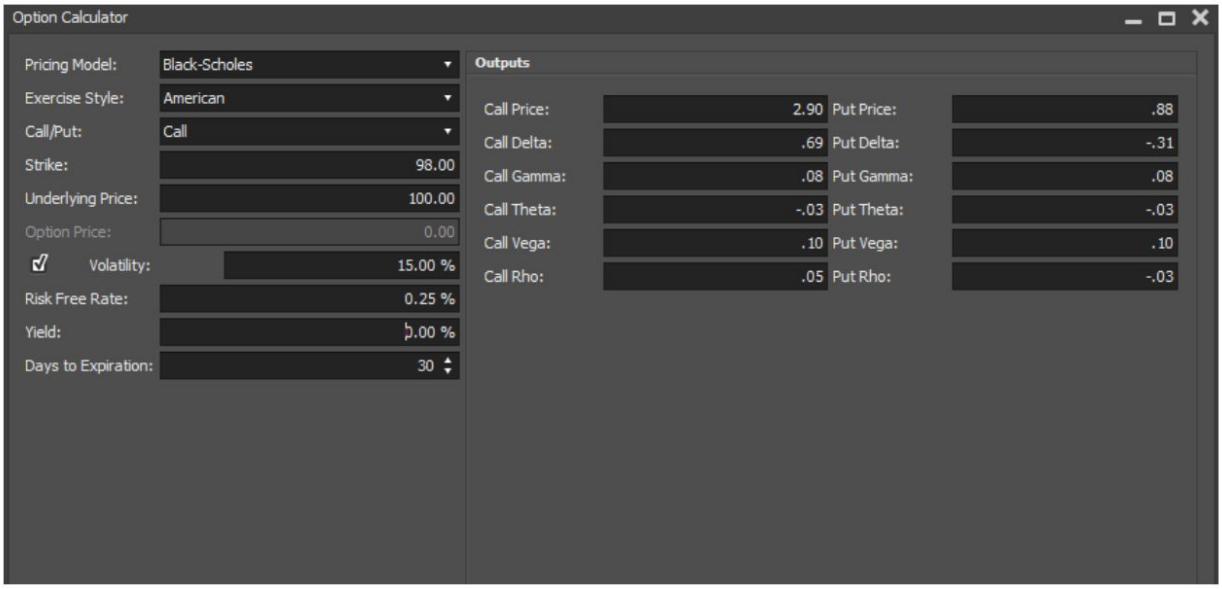
The value of the call option moves from $1.73 to $2.93. On the other hand, the value of the put option went from $1.71 to $0.91 per contract.

Strike Price: Options are often classified as out-the-money (OTM), in-the-money (ITM), and at-the-money (ATM).

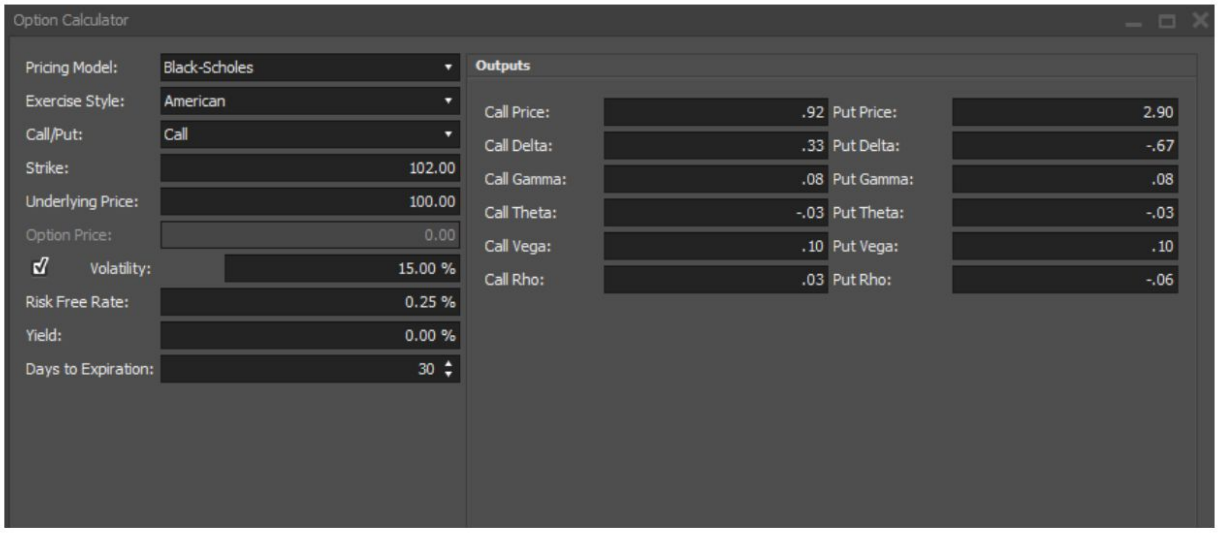


A call option that has a strike price lower than the stock price is referred to as ITM (in-the-money).

The image below shows the 98 strike when the underlying stock is trading at 100, an example of an ITM option.



A call option that has a strike price higher than the stock price is referred to as OTM (out-of-the-money). In our example, any call strikes trading above 100 would be considered OTM.



The $102 calls are an example of OTM options.

Some basic rules

Calls: The higher the strike price (OTM), the cheaper the options. The lower the strike price, the more expensive the options are (ITM). The (ATM) option has a similar value to the (ATM) put.

Puts: The higher the strike price, the more expensive the options are (ITM). The lower the strike price (OTM), the cheaper the options are.

Time to Expiration: An option contract is a wasting asset.

In general, the more time until expiration, the more expensive an option will be.

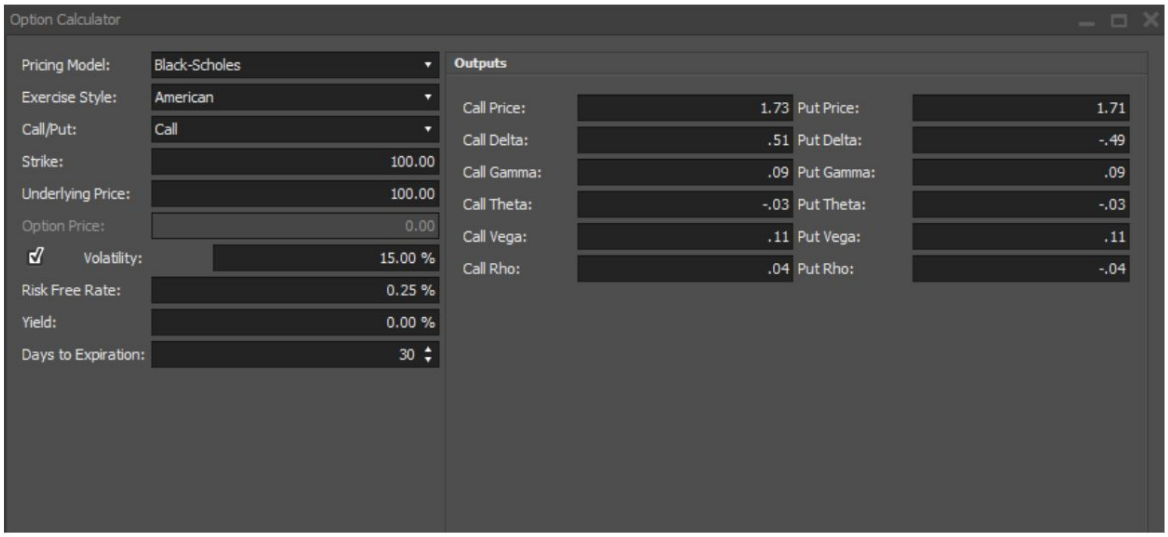
Why?

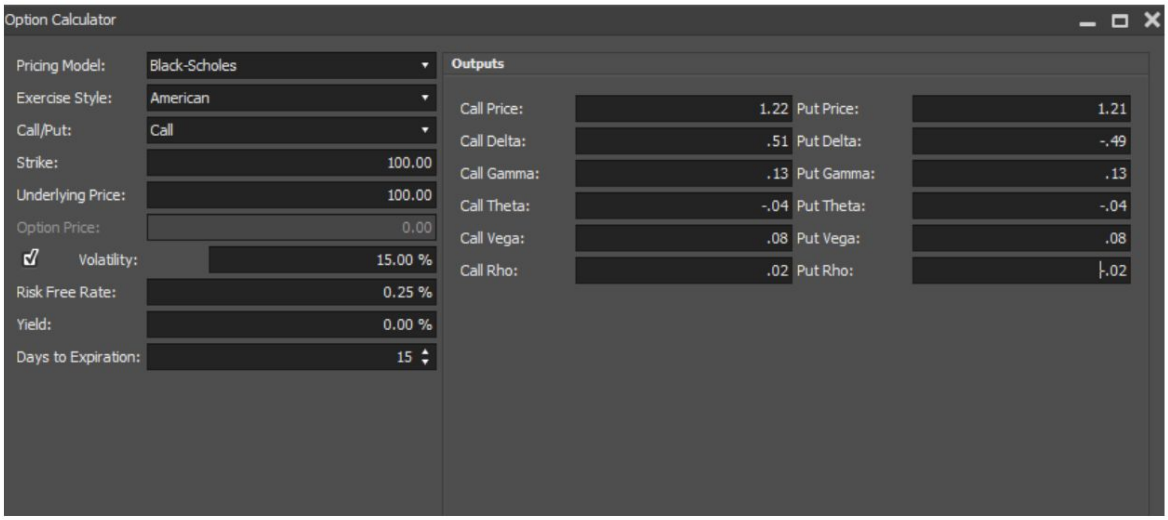
Well, think of terms of probability. What are the chances the SPY can move 5%?

On any given weekday, it's extremely unlikely. However, it's possible it could happen in a month, and even more likely within a year.

In the world of options, time is money, and that's something I try to exploit.

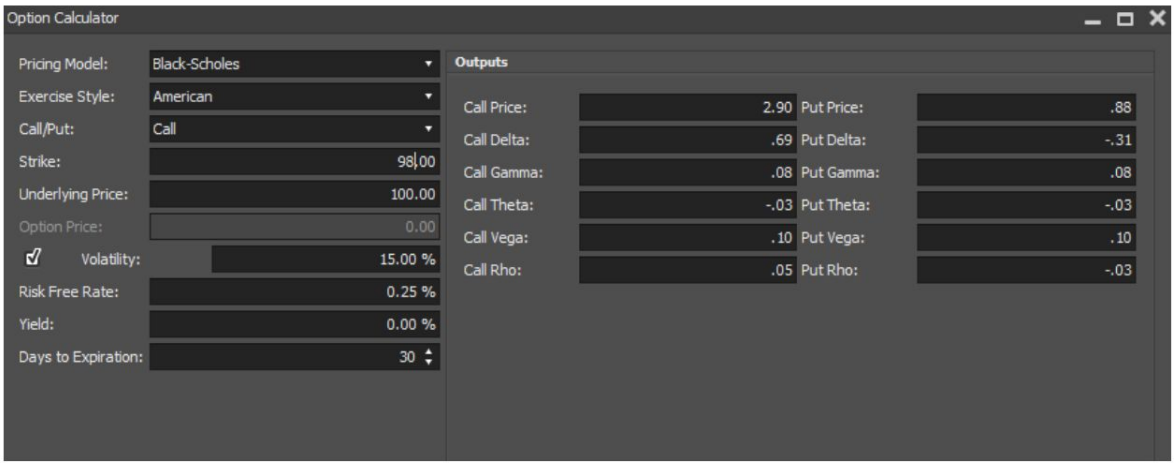
Generally speaking, the more time until expiration, the more expensive the options will cost.





On options expiration day, an option will either expire ITM or worthless.

During the life of the contract, an ATM and OTM option will have extrinsic value only. While an ITM option will have a combination of intrinsic and extrinsic value.



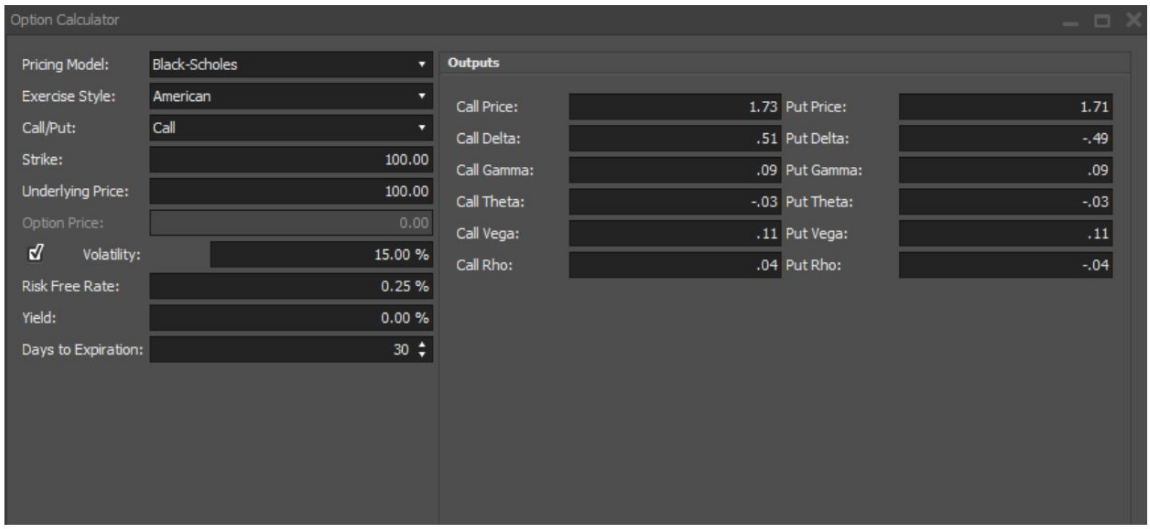
The example above has the $98 calls valued at $2.90. These options expire in 30 days. If the options were to expire, they would be valued at $2.

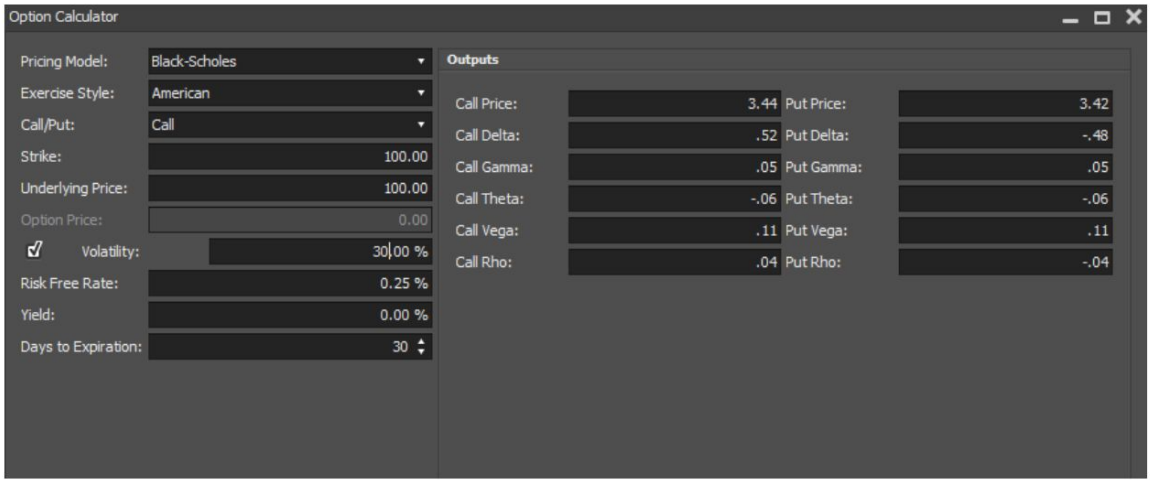
However, the probability and time element in the options pricing model gives the options an additional $0.90 in value.

The options have $2 of intrinsic value and $0.90 of extrinsic (or time) value. As it approaches expiration, the time value will get sucked out of the contract and eventually go to zero.

Stock Volatility: The higher the volatility, the more expensive options are. This goes for both calls and puts. The lower the volatility, the cheaper the options are. Higher volatility gives the options more extrinsic value; lower volatility gives the options less extrinsic value.

Traders toss around the word “volatility” quite a bit, but if you ask an options trader, they are most likely referring to an option’s implied volatility.





Check out the example above, look at what happens to the price of the options when the implied volatility jumps from 15% to 30%.

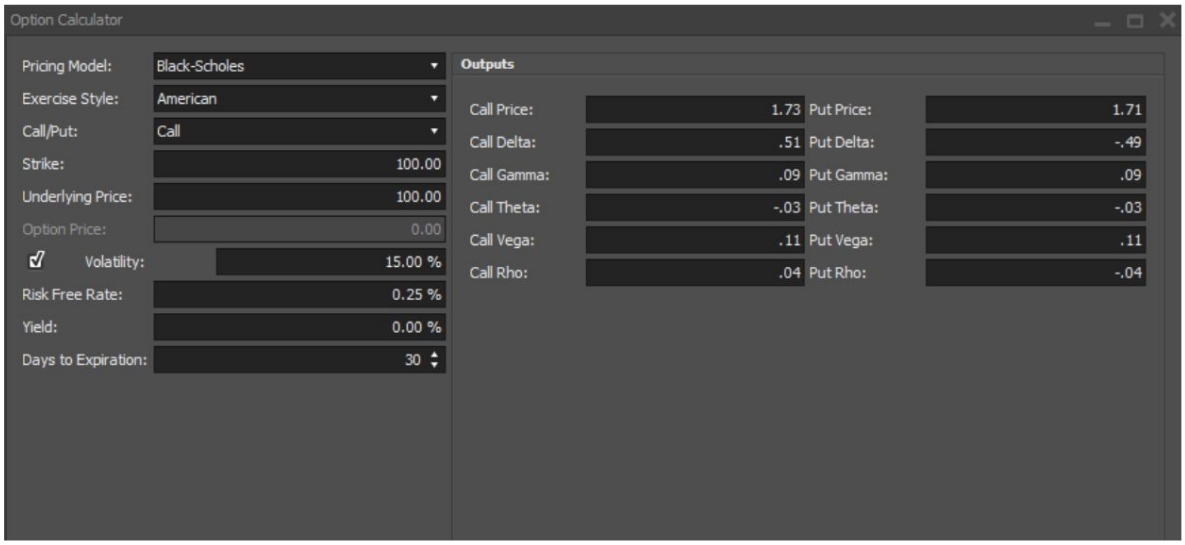
The $100 calls move from $1.73 to $3.44

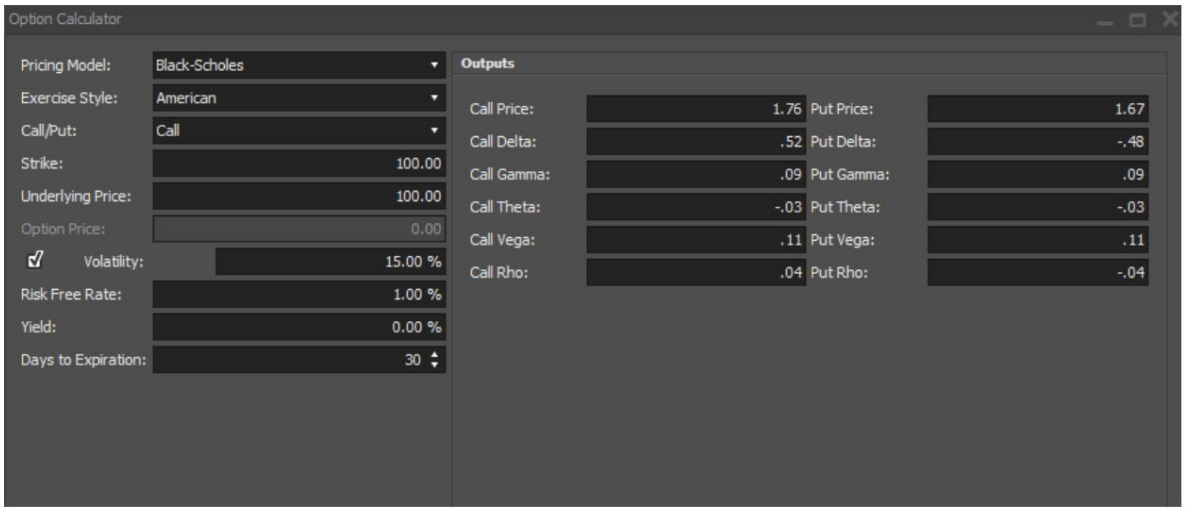
The $100 puts move from $1.71 to $3.42

Implied volatility generally rises during periods of uncertainty, market fear, and greed. It's during these periods when options become extremely rich, creating an opportunity for the option seller to clean up nicely.

Interest Rates: Now, we've been in a low-interest-rate environment for over a decade, and the type of options I trade expire in a short period. In other words, interest rates will

not play a factor in our trading decisions.





Cash Dividends: A factor in the options pricing model, but one we won't have to worry much about since we'll be trading near-dated options.

The Risk In Buying Options

At first glance, you'd think it would just be easier to buy a call option or a put option. Sure, it's much easier to understand buying vs. selling. That's why most traders tend to buy options when they first start trading.
Heck, even when I started to trade options, I was enticed by the "unlimited" profit potential. If you buy calls, theoretically, your profit potential is infinite because you don't know how far a stock could run up. On the other hand, with puts, your profits could be huge, but it's limited to the strike price (a stock could only fall to $0, although very unlikely).

Like most beginner options traders, I wanted to swing for the fences and hit home runs. Of course, it worked out great sometimes. However, the success was inconsistent. My gains would be wiped out on just a handful of trades.

Not only that, I didn't really understand how options worked. So I decided to bury my head in everything options related until I figured out exactly what I was doing wrong.

You see, the way people are typically taught to trade options is to buy because your risk is limited. What that means is you could only lose the amount you invested. But what we're not told is that you're at the mercy of time when you're a buyer of options.

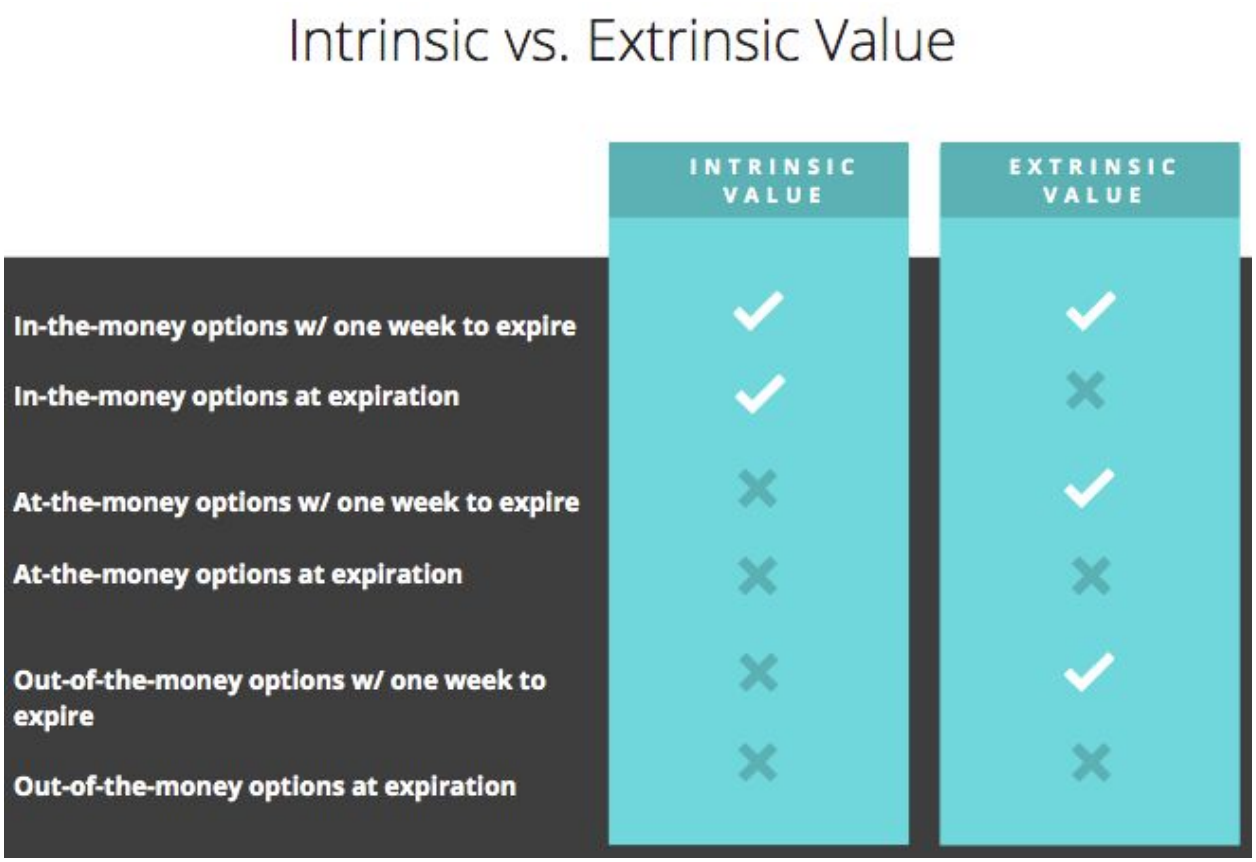
Why's that?

Well, an option's value is broken up into two parts: intrinsic value and extrinsic value.

Intrinsic value is simple to figure out. It's simply the difference between the strike price and the stock price, assuming the option is ITM.

- A call option is considered ITM when the stock price is above the strike price.
- A put option is considered ITM when the stock is trading below the strike price.

Extrinsic value is primarily comprised of time value. The further an option's expiration date, the more time value there is... and when there's more time value, the options get expensive.



No matter what options you're trading, they could have extrinsic value.

Think about it like this, when you buy options... as every day passes, your options actually lose value. That means time works against you when you're an options buyer.

Option Buyers Are At The Mercy Of Time

Let me break it down for you.

Let's say you purchase a brand new iPhone from the Apple store and they give you the option to insure it for about $10 per month.

That $10 is your monthly premium, and it will cover certain damages on your phone, as well as replace it if it ever gets lost or stolen. The plan protects you for up to one year, but after the expiration period, you cannot renew it, and the contract expires.

While some people will use their *AppleCare* — there will be plenty that won't. Apple accepts the risk, but in the end, their mathematicians have ensured them a profit.

Now, when you are buying an insurance product, you actually don't mind if you never use it.

I have never heard anyone complain because they don't get a chance to use their car insurance enough.

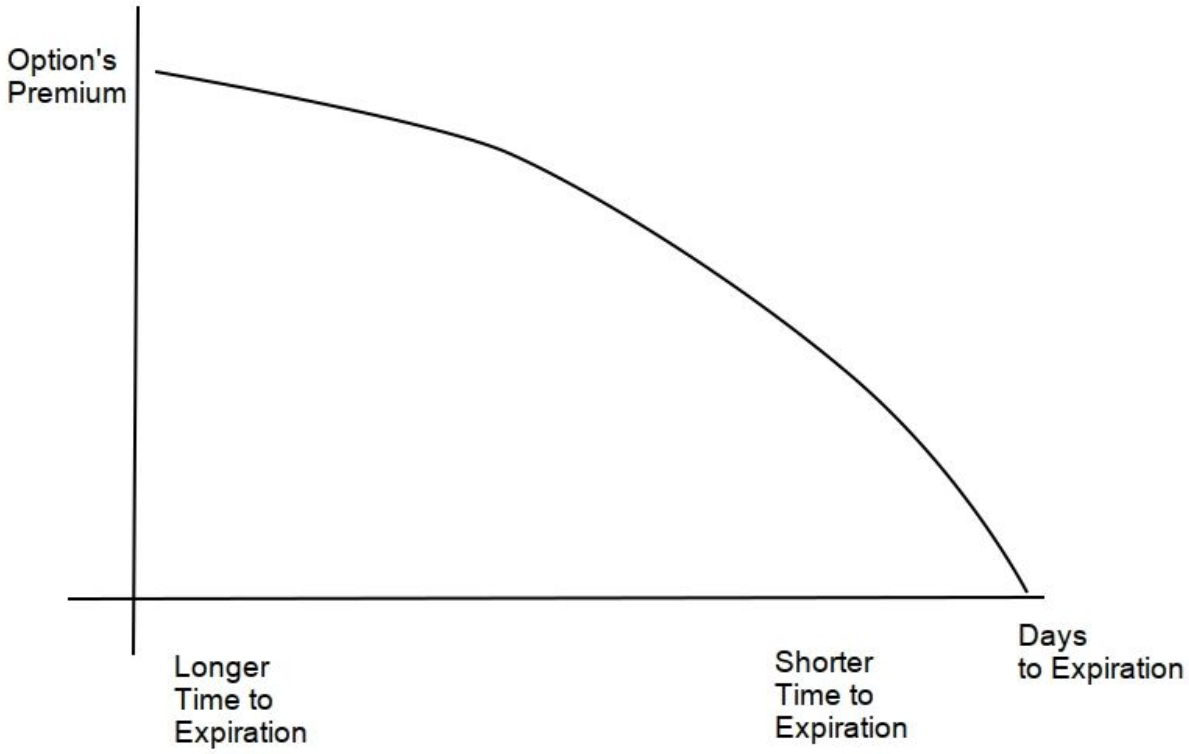
Who wants to be involved in a car accident?

And that's sort of how the options market started out. A way for producers of commodities to be able to hedge their crops and food against adverse weather conditions.

However, the options market is no longer just for people who want to hedge their assets. It's now host to a bevy of speculators on all sides of the trade.

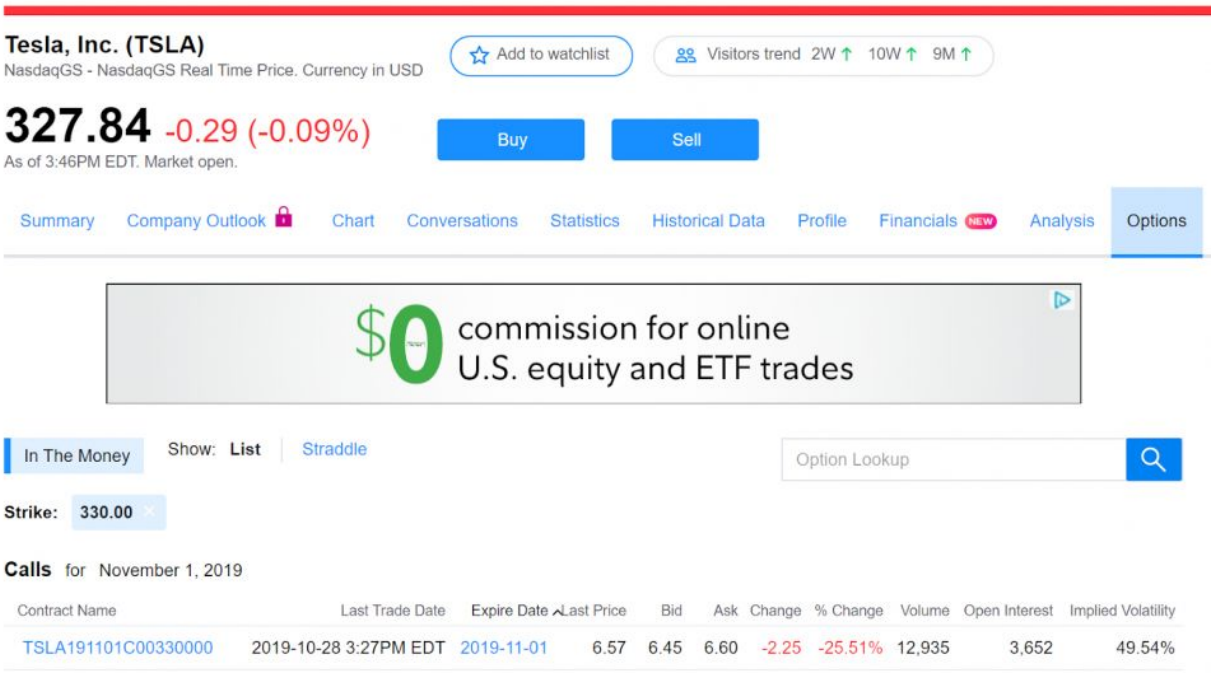
These speculators don't own the underlying asset. They are simply buying calls betting that a stock will trade higher or hammering into puts in anticipation for a stock sell-off.

Here's a look at how an option's premium changes in relation to time.



As you can see above, the life of an option is a race against time.

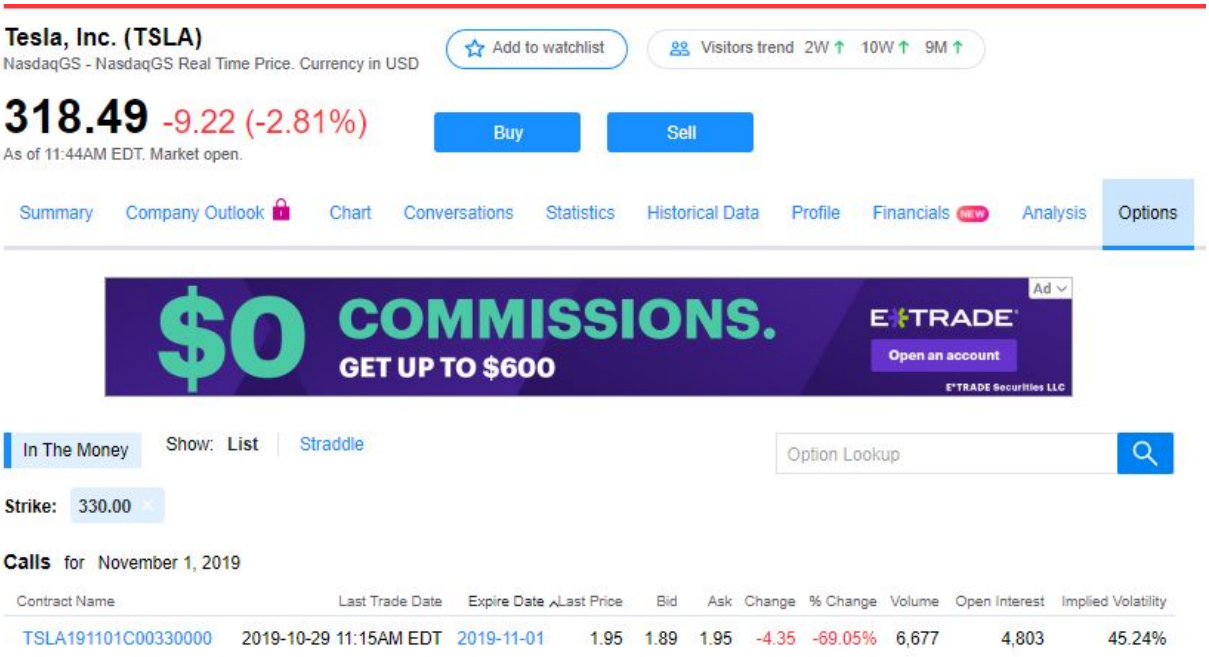
When you buy an option you must pay a premium — and are at the mercy of the clock. For example, take a look at what's facing a call buyer of near-dated Tesla options:



These options had just about three days until their expiration date.

Take a look above and you'll see that the stock is trading $2.16 below $330 a share. If you wanted to purchase the $330 calls expiring in three days, they'd cost you about $6.50, or $650 a contract.

Tesla actually sold off the following day… and those options lost a significant amount of their premium.



Think about it like this - those options were already out of the money... and they cost a whopping $650 per contract... and the following day, they were trading under $2. If you had bought those options, you would've lost nearly 70% of your money.

Imagine if this happened to you just a couple of times... you'd be in a world of pain. Just imagine if you had a bad streak of buying a bunch of options, and they didn't move your way. You would get eaten up by the time value and potentially blow up your account.

Not only are you susceptible to time, but you also need to be right on the money.

If you buy options, you need the stock to move in your direction. If you buy calls, you want the stock to run up above the strike price. On the other hand, if you buy puts, you want the stock to drop below the strike price.

In other words, you've just got a 50/50 chance to win. Either the stock moves in your direction, or it doesn't.

As you can see, the odds are stacked against you when you buy options.

That may lead you to believe that selling options premium is a better play. Well, yes and no, depending on how you sell options premium.

The Risk Of Selling Options Premium

When you sell naked options (selling calls or puts without hedging your position), it's a dangerous game. You see, when you sell naked call options, you don't know how far the underlying stock could explode. On the other hand, when you sell naked put options, your risk is comparatively limited, but the losses could still be substantial.

Basically, when you sell options premium, you act as the insurance company. If nothing goes wrong, you collect all the premium. If the options moves against you, you'll be on the hook.

Take James Cordier, for example. He was considered an options trading genius, and loved to naked short-sell commodity options.


How Tampa's James Cordier went from high roller to YouTube apology after losing $150 million

He made a bet that natural gas prices would drop, while crude prices would rise... but the exact opposite happened, and his clients were out $150M.

Naked selling options is something I'm not comfortable doing... because the risk-reward doesn't make a whole lot of sense. Imagine naked selling call options, and the company gets bought out at an offer well above your strike price. That could potentially destroy your trading account.

Why Most Options Traders Fail, But You Don't Have To Be A Statistic

You've probably heard someone tell you that trading options is a bad idea, and you'll most likely fail at it. The thing is, most options traders do fail, and that's because they typically don't have the right strategy in place.

Remember, when you buy options, you have a 50-50 chance of winning. On the other hand, when you naked sell options, the risk-reward is not favorable. Naked sellers use options strategies in which the odds are stacked against them, rather than using proven methods.

Not only that, but many options traders fail to focus on risk management. They simply buy options, then leave it on the table... holding it until expiration and thinking they would get paid. However, little do they know, the bulk of the options on the market expire worthless.

So the better bet would be to sell options, but also have an insurance policy in place. This is the one simple way to improve your odds of success.

You see, if you sell options premium the "right way", you know your risk-reward right off the bat... and there are actually pros.

Pros Of Selling Options	Cons of Selling Options
Achieve higher win rates - It's not rate to see your win rate at 70% or higher when you sell options premium the right way.	**Unlimited downside risk** - This is only true if you naked sell calls. However, there is a quick fix for that, so you can actually limit your potential losses.
Benefit from time decay - When you sell options, you make money from theta decay. Remember, options are wasting assets.	
You don't have to be perfect - When you sell options, you don't have to be right on the direction	
Limited downside risk - If you know how to sell options premium and purchase an "insurance policy", you can actually minimize your risk.	
Fast Returns - If the options are out of the money and the expiration date is near, the time decay will accelerate, and you can make money quick.	

If this is all unclear to you, let me show you how it works.

Instead of buying or naked selling options, I choose to sell options spreads.

Option Spread Basics

The beauty of options is the fact that you could create various combinations to establish your bullish, bearish, or neutral opinion on a stock or ETF. The easiest way to trade options in my opinion is by using spreads.

Option spreads come in two varieties: put spreads and call spreads.

To construct an options spread, it's really simple.

- Sell an option contract at a strike price
- Buy the same number of option contracts on the same symbol and expiration at a strike price further away from the current price. This hedges your short options position.

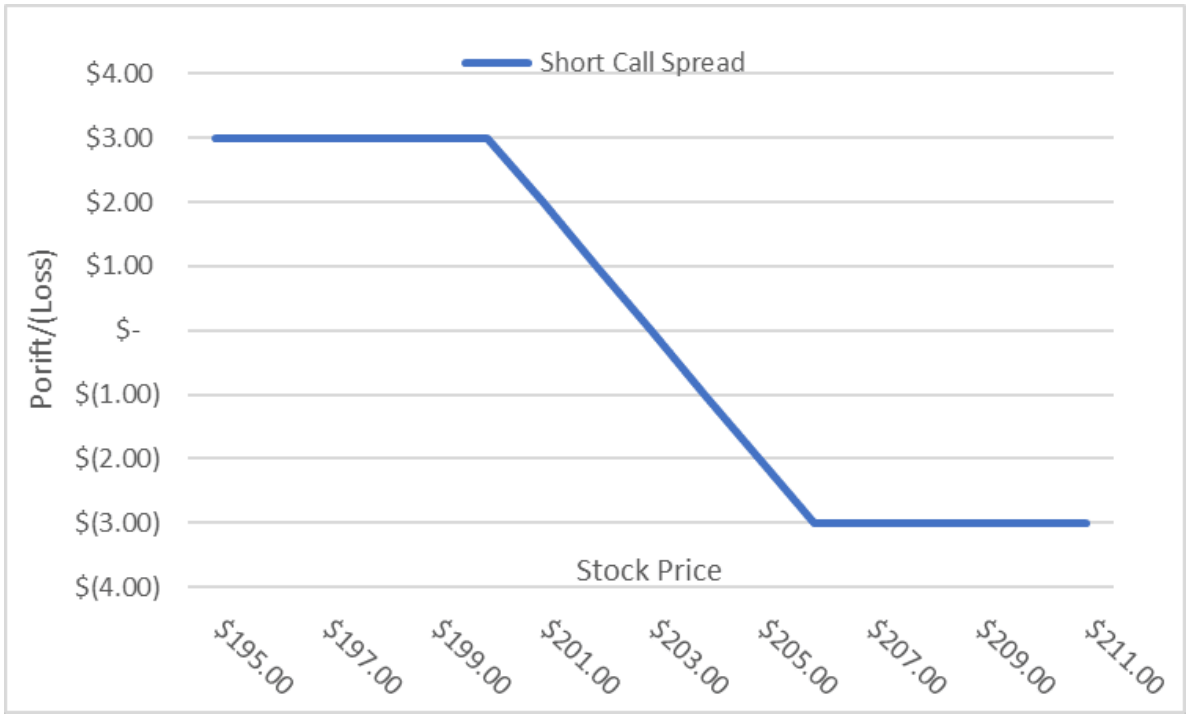
Here's an example of a short (bear) call spread trade.

- Let's say **The Trade Desk (TTD)** trades around $200.
- I sell 10 call contracts with a $200 strike price expiring in two weeks and receive $6.00.
- At the same time, I buy 10 call contracts with a $205 strike price expiring in two weeks and pay $3.00
- In total I received $6.00 – $3.00 = $3.00

$3.00 is the maximum amount I can make on the trade. My breakeven price is the lower call strike plus the premium – in this case, $203. Anything above $203 at expiration, and I lose money.

The maximum loss is the difference between the strike prices less the credit you receive. In this case it's $205 – $200 – $2 = $3.

The payoff diagram for a call spread at expiration shows the maximum profit anywhere at or below $200, and a maximum loss at $205.



Put spreads work the same, except you buy options at a strike lower than the initial sold strike. The payout diagram looks like a mirror image of the call spread.

We want the stock to close at or below the lower call strike for a call spread.

On the other hand, for a put spread, we want the stock to close at or above the upper strike price. That's where we achieve maximum profit.

You may think, *Jason, it doesn't look like your risk-reward is favorable.*

Sure, that may be the case… but the thing is, the win rate makes up for it. You see, right when you place a spread trade, you increase your chances of success.

Why?

You can profit in three scenarios:

- If the stock price rises (or falls), depending on whether you trade short put spreads or short call spreads.
- The stock price stays range bound.
- The stock price trades slightly lower (or higher), depending on which side of the trade you're on.

When you think about spread trades, it makes a whole lot of sense, right?

You're not at the mercy of time, you don't have to be 100% right on the direction, nor are you susceptible to unknown risk. Rather, your risk is defined right off the bad.

If this is all confusing to you, don't worry… I'm going to break it down for you with some real-money case studies, and prove to you why the casino strategy is so darn effective.

An Inside Look At How The "Casino Strategy" Works

As you all know by now, there are three ways for me to profit using the casino strategy:

- If the stock rises when I sell put spreads — or falls, if I sell call spreads — then I will be sitting on profits.
- If the stock stays within a range, then I could still profit.

- If there's no action and the stock stays right where it is, I'll collect options premium.

Sounds simple right?

Well, it is… all you need to do is pick a side and a level you think a stock can or cannot get above. The rest is just about executing.

Let me show you how this works in action.

Anti-Chasing Case Studies

Have you ever noticed a stock skyrocket… and think to yourself, *"I can't believe I missed out… but this thing could run higher and I want to be in."*

The problem with chasing stocks is the fact that when you buy shares… the stock could blow past your stop-loss and run higher. This is where using options come into play.

I think using examples is the best way for you to learn… so let's go through a few real-money case studies.

Take a look at the daily chart in Apple Inc. (AAPL).

At the time, Apple was on an absolute tear… based on the chart setup, there was a high probability AAPL could reclaim highs. Not only that, but there was a key support level that I thought it could stay above.

Instead of buying shares of the stock to establish my bullish opinion… I actually used options because it's a safer bet. However, I didn't buy calls because I would be at the mercy of pullbacks in implied volatility and time decay.

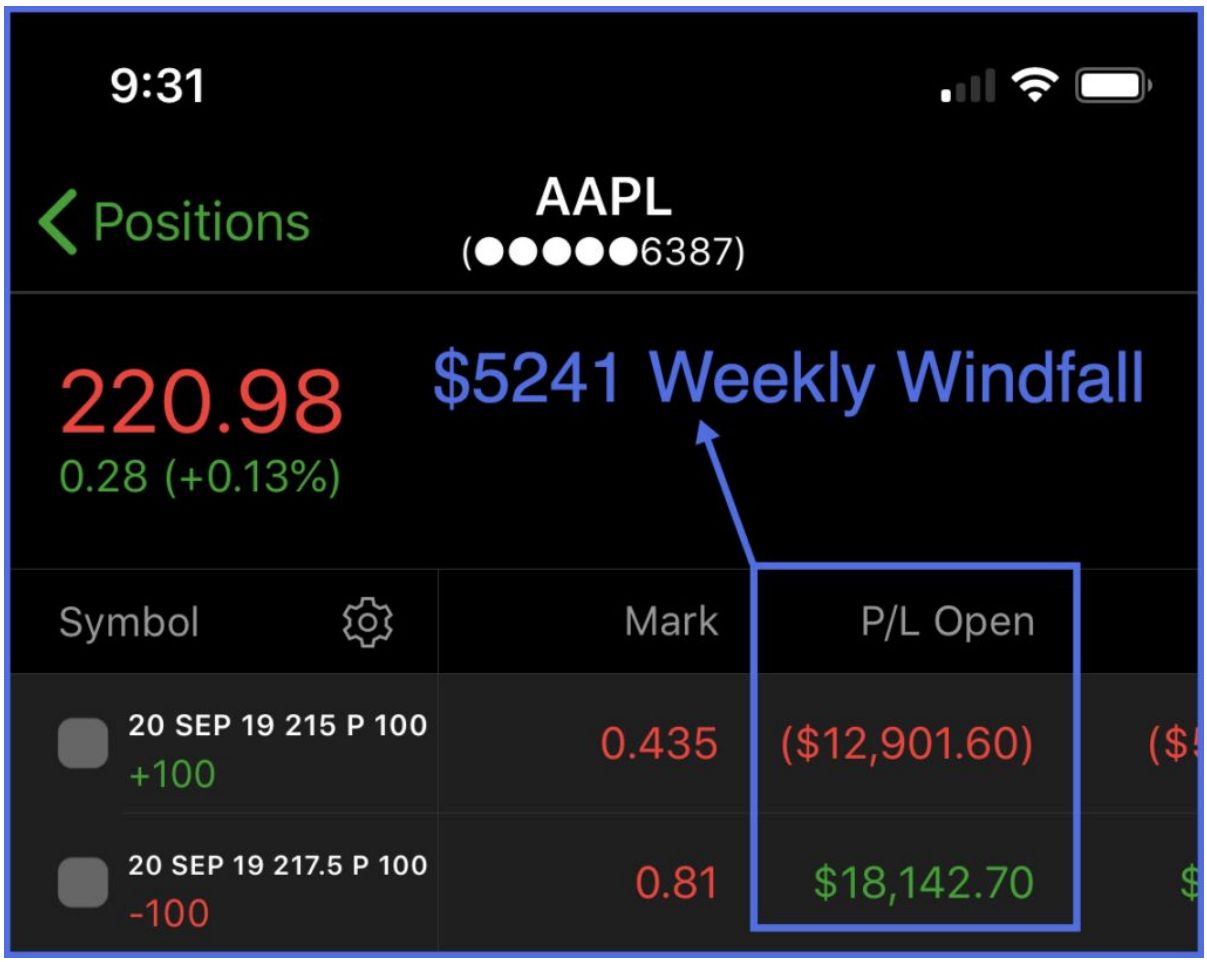
So what did I do?

I sold the $217.50 puts at $2.63... and I bought the $215 puts at $1.72.

So I received a credit for placing the trade. All I needed AAPL to do was stay at or above $217.50, at the expiration date... and I would collect the premium.

But the thing is... you're not locked into the trade once you place it... and you can take profits whenever you see fit.

For example, with this AAPL trade... it actually caught some momentum and ran up to $220 (what I expected)... and since I was sitting on a 50% winner — I decided to take my profits and move on.



Pretty easy, right?

Let's walk through another trade example.

Using Options to Find Quick Profits in Lululemon (LULU)

Check out the daily chart in Lululemon Athletica Inc. (LULU).

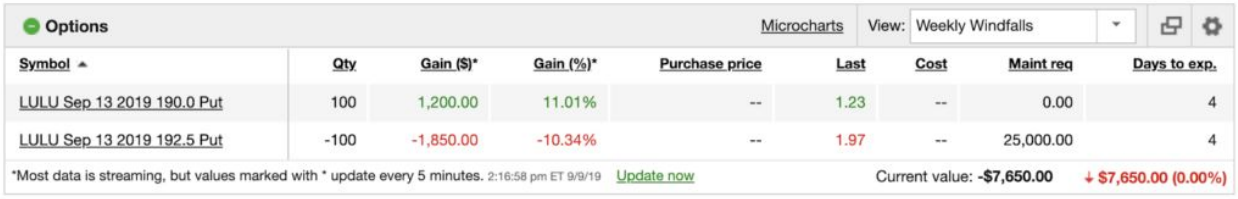
This is a perfect example of **how you could've used options to get in on this action.** At the time, LULU was a strong stock, and just trended higher. Momentum traders loved this stock.

The thing is, if you wanted to buy shares outright, a big capital suck... and if you looked at the call options, they were expensive because traders bid them up after LULU exploded higher.

So what was the alternative?

Well, you find a key level — where you think the stock could stay above.

The level that I liked in LULU was the $192.50 level — just above that breakout level. My thinking was the stock should settle around the $190s and make its march back to $200.



Options | Microcharts | View: Weekly Windfalls

Symbol	Qty	Gain ($)*	Gain (%)*	Purchase price	Last	Cost	Maint req	Days to exp.
LULU Sep 13 2019 190.0 Put	100	1,200.00	11.01%	--	1.23	--	0.00	4
LULU Sep 13 2019 192.5 Put	-100	-1,850.00	-10.34%	--	1.97	--	25,000.00	4

*Most data is streaming, but values marked with * update every 5 minutes. 2:16:58 pm ET 9/9/19 Update now Current value: -$7,650.00 ↓ $7,650.00 (0.00%)

So I sold the $192.50 puts, while simultaneously purchasing the $190 puts.

That meant just as long as LULU stayed above $192.50... I would make money. Well, if you look at what the stock did just a few days later...

... it did exactly what I expected. This pattern is actually called a breakout followed by gap recovery and go (trend)... and I spot this pattern all the time... and it makes trading with options so much more predictable.

You see, you don't have to chase stocks up to take advantage of a move higher... you could sell put spreads to establish your bullish opinion on a stock.

Let me show you another example.

Casino Strategy Rakes in $12,000 on Beyond Meat (BYND)

Beyond Meat (BYND) was one of the hottest stocks in the game at one point. Everyone and their brother wanted in on it.

This is one stock that a lot of traders wanted to get into for the potential squeeze higher... many thought it could reclaim its recent high of $239.71 (at the time).

However, as you can see, this stock bounced around and had massive moves to the upside and downside...

... and when a stock is as volatile and expensive as this... traders turn to the options market to place directional bets.

Now, if you don't know anything about options when a stock is moving fast... the implied volatility actually spikes – which directly influences your profit and loss (PnL) when you're trading options.

For example, here's a look at the options in BYND that were expiring in just a few days at the time.

Beyond Meat, Inc. (BYND)
NasdaqGS - NasdaqGS Real Time Price. Currency in USD

Add to watchlist | Visitors trend 2W ↓ 10W ↑ 9M ↑

164.50 +4.19 (+2.61%)
As of 11:23AM EDT. Market open.

Buy | Sell

Summary | Company Outlook NEW | Chart | Conversations | Statistics | Historical Data | Profile | Financials | Analysis | Options

September 6, 2019 | In The Money | Show: List | Straddle | Option Lookup

Calls for September 6, 2019

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
BYND190906C00165000	2019-08-29 11:07AM EDT	165.00	4.40	4.30	4.60	+1.45	+49.15%	610	863	46.09%
BYND190906C00167500	2019-08-29 11:06AM EDT	167.50	3.50	3.50	3.80	+1.20	+52.17%	168	201	48.90%
BYND190906C00175000	2019-08-29 11:06AM EDT	175.00	1.70	1.65	1.70	+0.55	+47.83%	222	939	50.00%
BYND190906C00170000	2019-08-29 11:06AM EDT	170.00	2.77	2.80	2.85	+1.02	+58.29%	586	1,289	48.40%
BYND190906C00180000	2019-08-29 11:06AM EDT	180.00	1.10	1.00	1.10	+0.23	+26.44%	269	269	53.08%
BYND190906C00160000	2019-08-29 11:06AM EDT	160.00	7.13	7.00	7.40	+2.33	+48.54%	444	865	46.17%
BYND190906C00162500	2019-08-29 11:06AM EDT	162.50	5.90	5.30	5.70	+2.20	+59.46%	268	645	44.18%
BYND190906C00177500	2019-08-29 11:06AM EDT	177.50	1.30	1.15	1.45	+0.40	+44.44%	70	398	51.20%
BYND190906C00182500	2019-08-29 11:06AM EDT	182.50	0.85	0.70	0.95	+0.11	+14.86%	75	471	54.39%

Just take a look at the implied volatility on the first line for the $165 strike price calls expiring on Sept. 6.

Those options traded for over $4 when the stock was at $164.50… and when you look at the implied volatility (IV), it's 46.09% – that's why those options were so expensive.

This comes into play especially when you're trading volatile stocks.

You're probably wondering, *Jason, what the heck is implied volatility and should I take that into account when I'm trading options?*

Of course, but it's not too complicated… and I'm going to break it down for you real quick.

An Alternative Approach to Buying High-IV Options

Implied volatility is an important concept you need to understand if you're going to be trading options spreads... and quite simply, it's how volatile traders think a stock could be in the future.

The higher the IV... the more expensive the option.

Here's how it works when you're long calls... if IV rises (more traders buying that strike price)... your PnL benefits... but if IV gets crushed (more traders selling that strike price), your PnL suffers.

That's really all it is.

If traders think a stock will move a lot... then you'll see IV extremely high, like we're seeing in BYND.

However, the last thing you want to do is buy when IV is high.

Why?

Well, that means the premiums are expensive... and if the implied volatility drops, then your position can suffer because you paid up for those options.

That's what I mean when I say you shouldn't chase stocks, as well as options.

Just take a look at the options in BYND again...

Beyond Meat, Inc. (BYND)
NasdaqGS - NasdaqGS Real Time Price. Currency in USD

Add to watchlist | Visitors trend 2W ↓ 10W ↑ 9M ↑

164.50 +4.19 (+2.61%)
As of 11:23AM EDT. Market open.

Buy | Sell

Summary | Company Outlook NEW | Chart | Conversations | Statistics | Historical Data | Profile | Financials | Analysis | Options

September 6, 2019 | In The Money | Show: List | Straddle | Option Lookup

Calls for September 6, 2019

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
BYND190906C00165000	2019-08-29 11:07AM EDT	165.00	4.40	4.30	4.60	+1.45	+49.15%	610	863	46.09%
BYND190906C00167500	2019-08-29 11:06AM EDT	167.50	3.50	3.50	3.80	+1.20	+52.17%	168	201	48.90%
BYND190906C00175000	2019-08-29 11:06AM EDT	175.00	1.70	1.65	1.70	+0.55	+47.83%	222	939	50.00%
BYND190906C00170000	2019-08-29 11:06AM EDT	170.00	2.77	2.80	2.85	+1.02	+58.29%	586	1,289	48.40%
BYND190906C00180000	2019-08-29 11:06AM EDT	180.00	1.10	1.00	1.10	+0.23	+26.44%	269	269	53.08%
BYND190906C00160000	2019-08-29 11:06AM EDT	160.00	7.13	7.00	7.40	+2.33	+48.54%	444	865	46.17%
BYND190906C00162500	2019-08-29 11:06AM EDT	162.50	5.90	5.30	5.70	+2.20	+59.46%	268	645	44.18%
BYND190906C00177500	2019-08-29 11:06AM EDT	177.50	1.30	1.15	1.45	+0.40	+44.44%	70	398	51.20%
BYND190906C00182500	2019-08-29 11:06AM EDT	182.50	0.85	0.70	0.95	+0.11	+14.86%	75	471	54.39%

If you bought BYND $165 calls expiring next week (at the time) for $4.40... that means the stock would've needed to move to $169.40 for you to break even on the expiration date.

With the IV at 46.09%, that means the options market was expecting it to move 2.90% in either direction. If implied volatility drops before then, well, you're out of luck... and you'll probably end up in losses. If the stock drops... then those calls would depreciate in value, as well.

You see, when you buy call options with a high IV, you're essentially putting yourself at a disadvantage. Not only do you need the stock to move in your favor, but you also need IV to rise.

So what happens if you know you want in on a stock and the implied volatility is high?

Use options.

Again, with options spreads, it allows you to still profit off a stock move... without exposing yourself to the risks that buying calls or puts outright have... and it's a better alternative than buying juiced-up options and being susceptible to large drops in volatility.

For example, I thought BYND could run higher… but I didn't buy those juiced-up calls because I knew I could lose a lot of money if the IV dropped.

I actually placed a bet that BYND would stay above $152.50.

Specifically, I sold the $152.50 puts and bought the $150 puts expiring in just a few days.

Basically, what's going on here is that as long as BYND stays above $152.50 – I would be at my max profit… but even if BYND drops – my risk is limited.

That means I improve my odds of success. In other words, even if the IV drops substantially, I won't be affected. In fact, if the stock stays above that level and the IV drops… I actually get to my max profit faster.

Well, the premium actually got sucked out of BYND… and I was actually very close to my max profit.

150.00	0.10	-0.40	-80.00%	2,728	5,312
152.50	0.12	-0.78	-86.67%	2,582	4,172

You see, since I established a bull put spread (also known as a short put spread), I actually wanted those to lose value…

… and once that happened… I was locking in a 90% winner.

Let's circle back. If you want to place bullish bets on a stock, you could use bull put spreads. In other words, you would simultaneously buy and sell puts with the same expiration date. All you have to do is pick a level you think the stock could stay above.

Hint: the strike price of the options you sell is the level you want the stock to remain above.

But what happens if you want to place bearish bets?

For me, shorting stocks is a little too risky... you never really know where they could run up to.

So what's a less-risky alternative to shorting stock?

Selling call spreads.

Case Studies: The Alternative to Shorting Stock

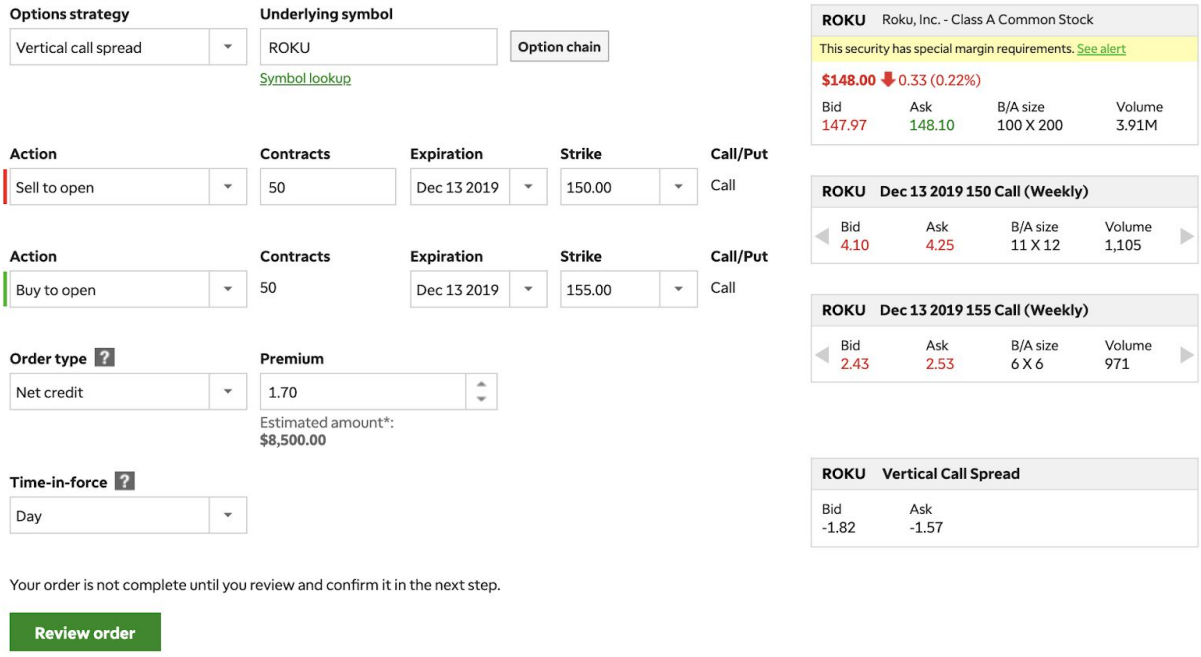
Check out this daily chart in Roku Inc. (ROKU).

If you check out ROKU above, not only did the stock have a big gap resistance above it, but it stalled the day I traded it. Moreover, the market was raging that day, yet ROKU did not participate in the rally.

My goal is to try to win every trade I get into, so with this specific trade… I went with a higher-probability setup by selling $150 calls instead of at the money. I collected $1.70 premium per contract on this.

With this setup, all I needed ROKU to do was stay below $150.

Here's a look at the trade setup.



Basically, I was expecting ROKU to remain sideways or turn bearish and thought it could actually unravel at some point giving me a quick win.

The same day I got into ROKU... it actually sold off... and I ended up locking in a quick profit.

> Nice trade here. Perfect timing on the late day fade crack. Taking the $3000ish win to finish a near perfect week. Live webinar session coming detailing how I've adjusted my strategy this week to get back to winning as many trades as possible, goal is winning every trade and I proved this week it's possible. Now I aim to do it again next week.
>
> Sincerely,
>
> Jason Bond
>
> Jason Bond
> JasonBondPicks.com

$8,500 Winner in Bearish GOOG Trade

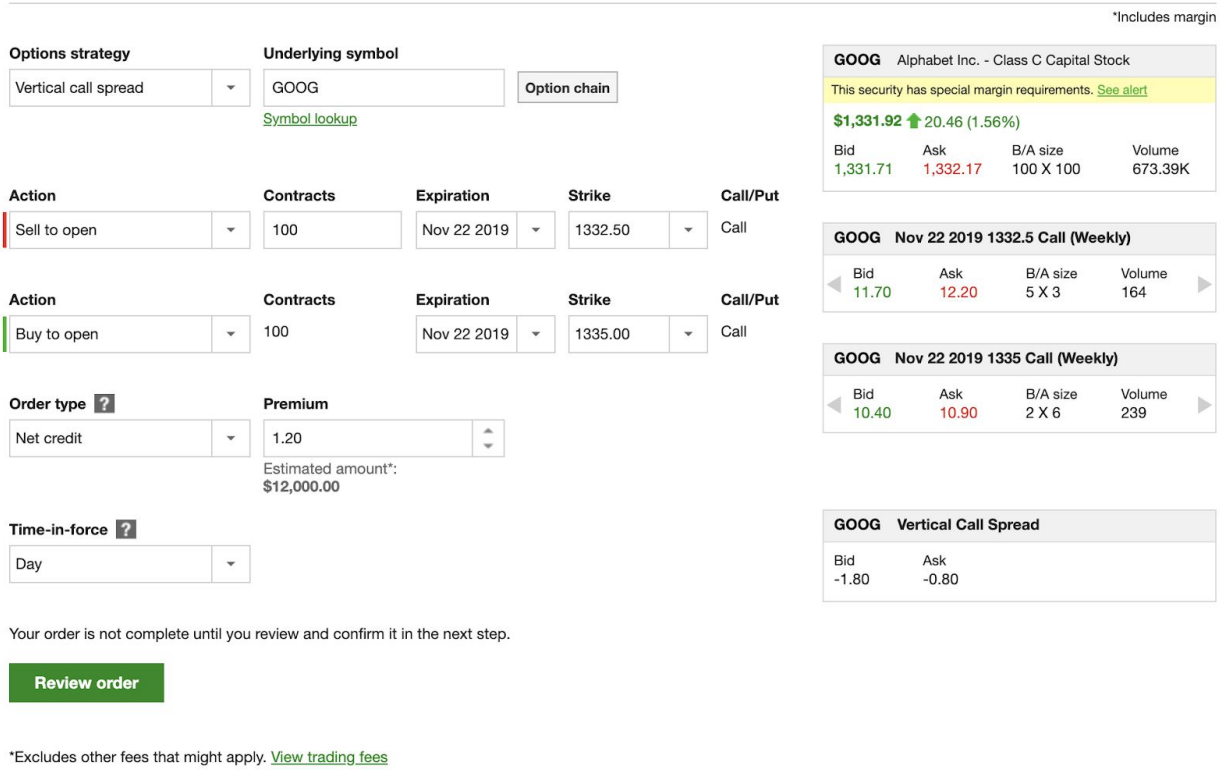
Let's take a look at another example of a way to bet against stocks.

We all know how Alphabet Inc. (GOOG) is an expensive stock... and if you short 100 shares, it would eat away at your capital. Not only that, but with massive stocks like that... the spreads are wide and you can get chopped up easily.

Check out this chart of GOOG.

There was anti-trust news the previous night that knocked the stock down, but the China news lifted everything back up. I figured that could circle back on GOOG and knock it down sometime the following week. It was also a few days into a breakout, which I often like to sell into, in anticipation of profit-taking and consolidation as shares retreat.

Here's a look at the trade setup.



Here's what happened with the trade, as I updated my clients just a few days later.

Taking the win here on GOOG.

Total premium was $12,400 and I got about $8,500 of it.

AMZN sure is lagging the market, I'm watching the $1,770 strike to sell Calls today.

Unsure if I'll book ROKU, dip buyers thwarted my 80-90% of premium plan but with 50% I might just take the win and be grateful.

BABA sure looks weak too, considering selling Calls there as well.

Stay tuned,

Jason Bond

Jason Bond

Let's circle back with short call spreads.

With this strategy, you can profit in three different scenarios:

- If the stock sells off.
- The stock bounces around and trades within a range.
- If the stock goes nowhere.

The only thing that needs to happen to profit is the stock needs to stay below a specific level.

Let's continue with another example.

$16,100 Windfall in AMZN put spreads

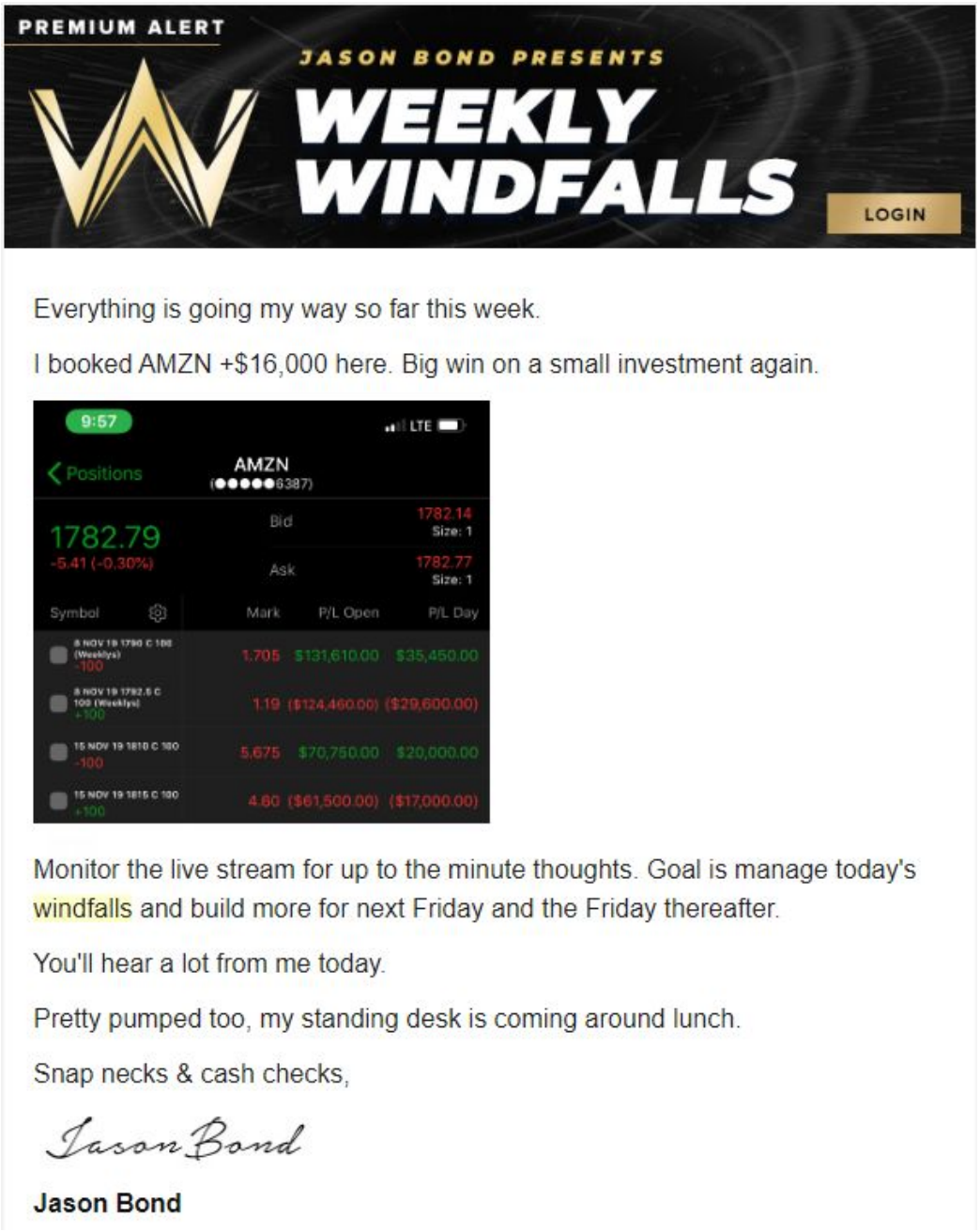
Take a look at the daily chart on Amazon.com Inc (AMZN).

Now, compare this chart to the Invesco QQQ Trust (QQQ) — the tech-tracking exchange-traded fund (ETF).

As you can see, AMZN didn't participate in the market rally... since the market was pretty extended at the time, I figured the odds favored the QQQ stalling or dropping, which would likely pull AMZN down with it.

So I sold the Nov 15 vertical Call spread (vCs) at $1,810 / $1,815 for $2 premium. My typical 100 contracts, so the math is I'm using $30,000 to try and make $20,000.

I got pretty close to my profit target... so I decided to take my profits off the table.



The thing is… the stock didn't move a whole lot, and I was still able to generate some hefty profits.

Pretty easy to follow, right?

Let's look at one more trade example for good measure.

70% Winner With The Casino Strategy

The markets were ripping as earnings season kicked off and even though my overall thesis was bullish, I figured I could sell calls at those levels as my anchor trades (70/30

allocation bearish/bullish) at major breakout resistance levels (52-week high resistance) as the safest bet for me versus selling puts.

Take a look at the daily chart in QQQ.

Now, when I see price action like that in the market, I love to look for stocks weaker than the overall trend. So take a look at the chart in Shopify (SHOP).

See the stall in the price action that relative to the overall market being much, much higher that day?

INDICES			
DJIA	S&P 500	NASDAQ 100	RUSSELL 2000
27019.00	2996.00	7944.25	1526.00
H 27037.00 +273.00	H 2998.75 +30.50	H 7949.25 +86.75	H 1527.50 +19.40
L 26750.00 (+1.02%)	L 2966.50 (+1.03%)	L 7859.75 (+1.10%)	L 1506.80 (+1.29%)

So what did I decide to do?

I placed a bearish bet on SHOP using a vertical call spread.

Options | Microcharts | View: Weekly Windfalls

Symbol	Qty	Gain ($)*	Gain (%)*	Purchase price	Last	Cost	Maint req	Days to exp.
FB Oct 18 2019 190 Call	-100	4,043.80	25.36%	1.59438	1.15	-15,943.80	25,000.00	2
FB Oct 18 2019 192.5 Call	100	-2,497.70	-35.44%	0.70477	0.44	7,047.70	0.00	2
SHOP Oct 25 2019 347.5 Call (Weekly)	-100	9,826.10	9.99%	9.83261	8.31	-98,326.10	25,000.00	9
SHOP Oct 25 2019 350 Call (Weekly)	100	-8,431.70	-9.76%	8.64317	7.52	86,431.70	0.00	9

*Most data is streaming, but values marked with * update every 5 minutes. 8:16:48 am ET 10/16/19 Update now Current value: -$17,850.00 ↑ $652.00 (3.52%)

I had a position in SHOP, betting it would stay below $347.50.

If you take a look at the chart again in SHOP, the stock hit resistance and had a pullback.

That was good for a quick 70% winner in SHOP.

By now, you should have a good understanding of how the casino strategy works in action.

You can place high-probability trades to express your bullish or bearish opinions on a stock... and trade with peace of mind.

If all of this doesn't click for you right away, don't worry. You can always go back to the lessons and re-read them, and things will eventually click. Once they do, you'll be armed with an options strategy that provides you with the ability to build generational wealth.