

# FRIDAY FORTUNES TRADING PLAN

## Account Details

- Custodian: TastyTrade
- Account Number:
- Initial Account Balance:
- Date Plan last adjusted:
- Account Balance at adjustment:
- Infinity Bucket: Income

## Universe

- **What universe of stocks/underlying positions are we working in?**
  - Primarily cash settled indices, such as XSP, SPX
    - We are looking to favor products that have European exercise versus American style
  - If directional opportunities present themselves, we may use other exchange traded funds with liquid options.
  - No individual stock positions

## Position Size

- **How much account size will we put into each trade**
  - We will be basing our position size per tranche on the VVIX to VIX ratio. The lower the ratio the higher the position sizing, the higher the ratio the lower the position sizing. The max size per tranche (trade) would be 7% of the accounts net liquidity.
- **How many positions will be held/traded?**
  - We will be doing one trade per week, which could include multiple units.
    - Some weeks, when market conditions are favorable, we may use multiple trading vehicles. As long as our position size of all trades don't exceed our max based on the net liquidity ratio.
  - We will keep idle cash while sizing up our account or in times of unfavorable trade conditions (smaller position size) in BIL or some cash equivalent.
  - Our goal is to keep our buying power usage to no more than 70% (net of cash position like BIL).
  - Goal will be to have 1 hedge (unit) on per 10 trades (units) of bullish delta (when opened).

## Position Entries

- **What types of trades will we be doing?**
  - Bullish
    - Put broken wing butterflies (or ratio spreads)

- Trades will be 90-120 days initially and when those expirations are full of tranches/trades, we will look at shorter term, 30-90 days until expiration.
    - We are looking for the credit received to be no less than 10% of the net risk of the position.
  - Long put condors (or ratio ladders)
    - Since these have a similar structure to the broken wing butterflies, there may be time periods for when these make sense over the butterflies.
  - Technical Entries:
    - We will use yearly pivots for support levels
    - We will only enter into trades when, on a Monthly chart, the 12 month Hull Moving Average is lower than the closing price of the underlying position.
- Bearish
  - Call broken wing butterflies (or ratio spreads)
    - Trades will be 90-120 days initially and when those expirations are full of tranches/trades, we will look at shorter term, 30-90 days until expiration.
    - We are looking for the credit received to be no less than 10% of the net risk of the position.
  - Long call condors (or ratio ladders)
    - Since these have a similar structure to the broken wing butterflies, there may be time periods for when these make sense over the butterflies.
  - Technical Entries:
    - We will use yearly pivots for resistance levels
    - We will only enter into trades when, on a Monthly chart, the 12 month Hull Moving Average is higher than the closing price of the underlying position.
- Neutral
  - We can combine both butterflies (or condors) or some combination of bullish and bearish delta trades to attempt to be delta neutral.
    - For example, we could combine a Put broken wing with a vertical call credit spread.
    - Generally speaking we are still going to stay in the credit spread/debit spread arena until our account size allows us to trade other types of trades
- Hedges
  - As mentioned above, we will have 1 hedge unit on for every 10 bullish units. For example, 10 put broken wing butterflies will likely need 1 hedge unit to help cover max loss on all 10 positions.
    - We can look to adjust this as needed.
    - Hedges may be debit spread combinations or put on for a credit.
    - The budget for any debit spread hedges or max loss on hedges should be coordinated in conjunction with the amount of dividends we are receiving from our cash positions.
      - Ultimately if we have to pay some insurance to protect all positions going to max loss, it would be a small price to pay.

## **Loss Management**

- Our trade architecture page outlines loss management and ways that we will manage the positions to reduce losses when possible.

## **Profit Taking**

- Our trade architecture page outlines profit taking strategies and ways that we will look to maximize our positions

## **Tracking & Goals**

- We will document the trades in our trading journal, as well as save the links for the trades in OptionStrat.
- We will also track our beta weighted delta (goal is to keep it slanted bullish BWD) and our portfolio theta ratio.