

Credit Spreads Trading Plan

Account Details

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

Universe

- **Using ThinkOrSwim for scans**
- **Base criteria for underlying positions**
 - Closing price $\geq$ \$5.00 per share
 - $\geq$ 50% IV Percentile reading
 - No earnings in the next 15 days
 - Weekly options available (no monthly only options)

Position Size

- **Using liquidity calculator trade size**
 - Based on overall market volatility reading no more than 7% of options buying power in any one trade
- **Using liquidity calculator net liquidity review**
 - Keep overall margin requirement relative to net liquidity in a range of 40% to no more than 70%

Position Entries

- **Base criteria for option selection**
 - Technical analysis described in position entries below
 - Typically +/- .20 to .30 delta
 - Can also use pivot point as strike price if it lines up with preferred delta
 - 30 - 60 DTE
- **Bullish (vertical put credit spread) criteria**
 - Monthly close of price $\geq$ 12 month hull moving average
 - Weekly bullish awesome oscillator setup
 - Above major point of control on volume shelf (using a visible range $\geq$ 1 year)
 - Above a major yearly and/or quarterly pivot point
- **Bearish (vertical call credit spread) criteria**
 - Monthly close of price $\leq$ 12 month hull moving average
 - Weekly bearish awesome oscillator setup
 - Below major point of control on volume shelf (using a visible range $\geq$ 1 year)
 - Below a major yearly and/or quarterly pivot point

Loss Management

- **At or around (approx +/- .50 delta) the short strike I will analyze and do one of the following:**
 - Cut losses
 - Roll the spread to a later date (for a credit)
 - Turn the spread into an Iron Condor
 - Turn the spread into an Iron Butterfly
 - In order to potentially get “tricked” into an unnecessary trade, I will wait until the end of the trading week in which the signal occurs to see if the price actually closes at the short strike.

Profit Taking

- **I can let the trade go until expiration.**
 - Unless there is an earnings event before the option expires.
 - If there is an earnings event before the option expires, and I can close for a profit, I will take the profit (regardless of size of profit)
- **I will take profits at a range between 25% to 75% of the initial credit(s)**
 - The percentage will be based on how quickly the spread accelerates to the percentage

Tracking & Goals

- Document our trades in ledgers and snapshots of charts.
 - Also note reasoning for trade (journal).
- Purpose of account is to generate additional income for the income bucket