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O P T I O N S M E N T O R I N G



Long Diagonals: Cheaper Alternative to Covered Writes

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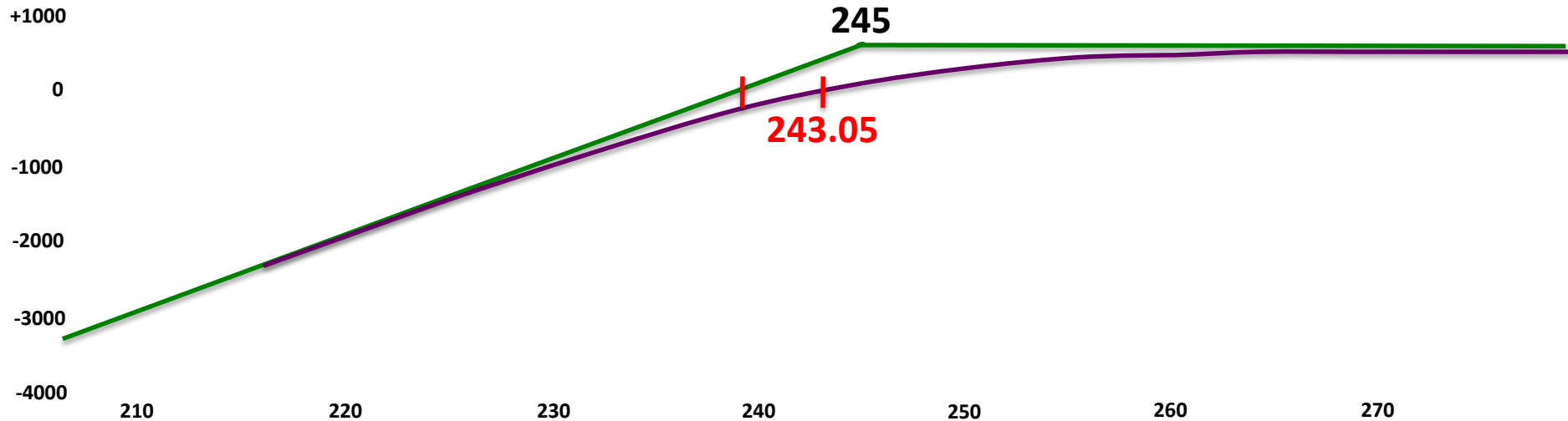
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Outline for Long Diagonals

- Covered Write example
- Long Diagonal Example
- Contrast Covered Writes VS Long Diagonals
- Best Candidates?
- Best Strikes and Duration?
- Greeks of Long Diagonals?
- Risk Management on the Downside?

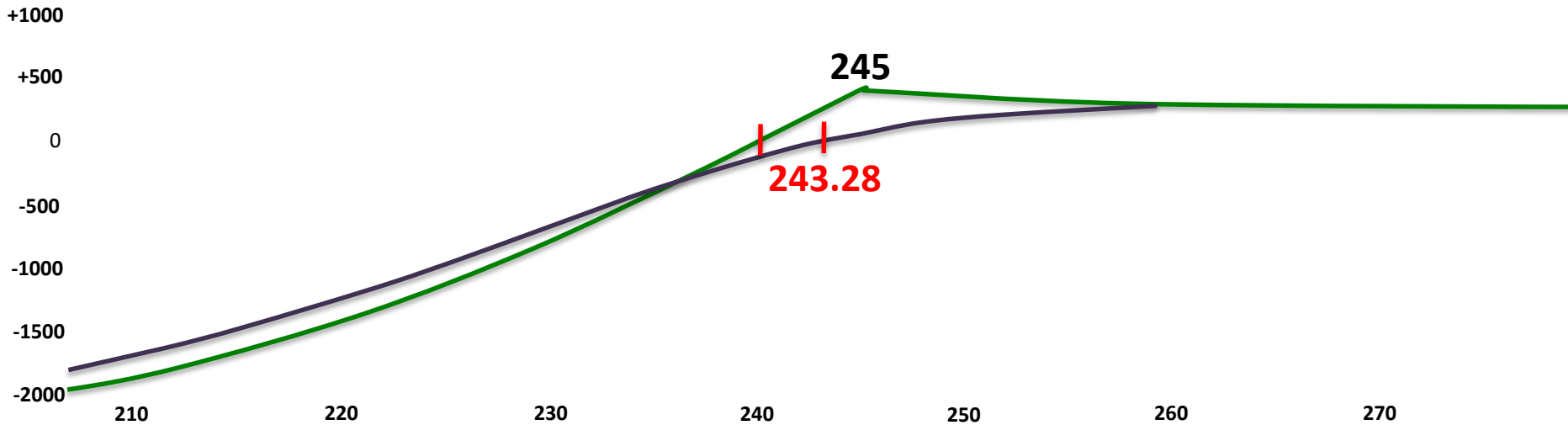
COST Covered Write



April 1
COST 243
Deltas 54.64
Gamma -3.34
Theta 7.42
Vega -28.93

B 100 Stock 243.20
S 1 May 3 245 C \$4 Delta 46
239.20 Debit
Margin \$23,920
Max Yield at Expiration above
Short strike 2.4%

COST Long Diagonal



Apr 1
COST 243.28
Deltas 36.89
Gamma -2.57
Theta 3.41
Vega 4.67

B 1 Jul 19 220 C \$26.90 Delta 83
S 1 May 3 245 C \$4 Delta 46
22.90 debit
Margin \$2290
Expiration Yield over short Strike
\$330-\$400, 15%

Greeks of Long Duration

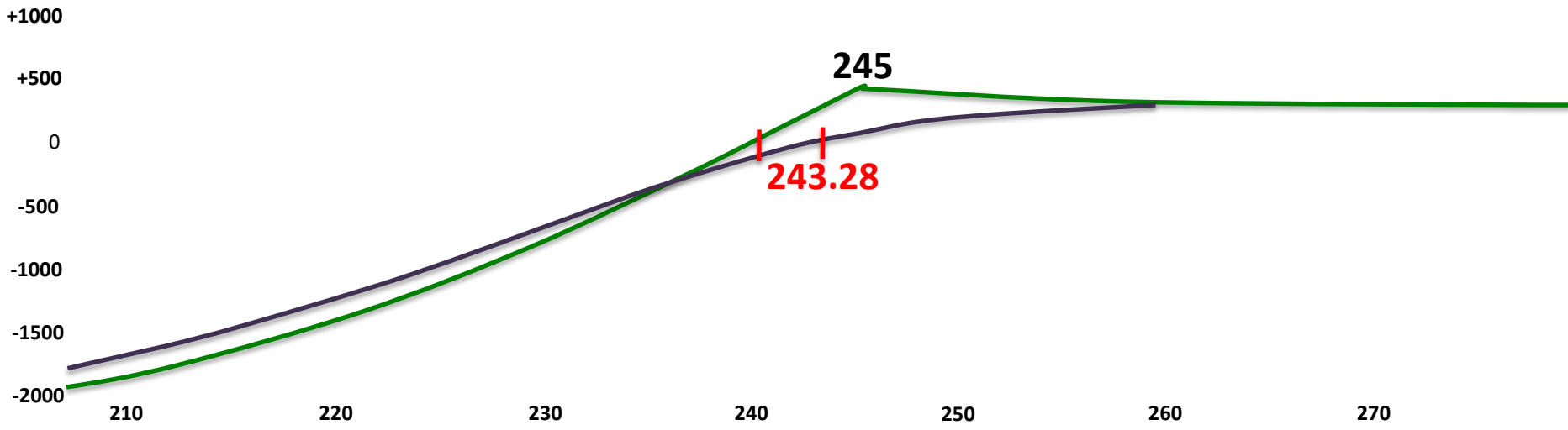
Best Long Diagonal Candidates

- Stocks you would own over next year
- Stocks with lower Beta than Market
- Stocks with good Option Liquidity
- Diversify Candidates (e.g. Fang Stock with good Dividend Yield Stock)

Best Strikes and Duration

- Long Strike: 80 Delta
- Short Strike: Short Term Bearish 60 Delta, Short Term Neutral 50 Delta, Short Term Bullish, 30-40 Delta.
- Duration: Longs 100 Days. Shorts Around 30 Days out.

Risk Management on Downside and Upside



Apr 1
COST 243.28
Deltas 36.89
Gamma -2.57
Theta 3.41
Vega 4.67

B 1 Jul 19 220 C \$26.90 Delta 83
S 1 May 3 245 C \$4 Delta 46
Time Premium of Short \$4
22.90 debit
Margin \$2290
Expiration Yield over short Strike
\$330-\$400, 15%

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