

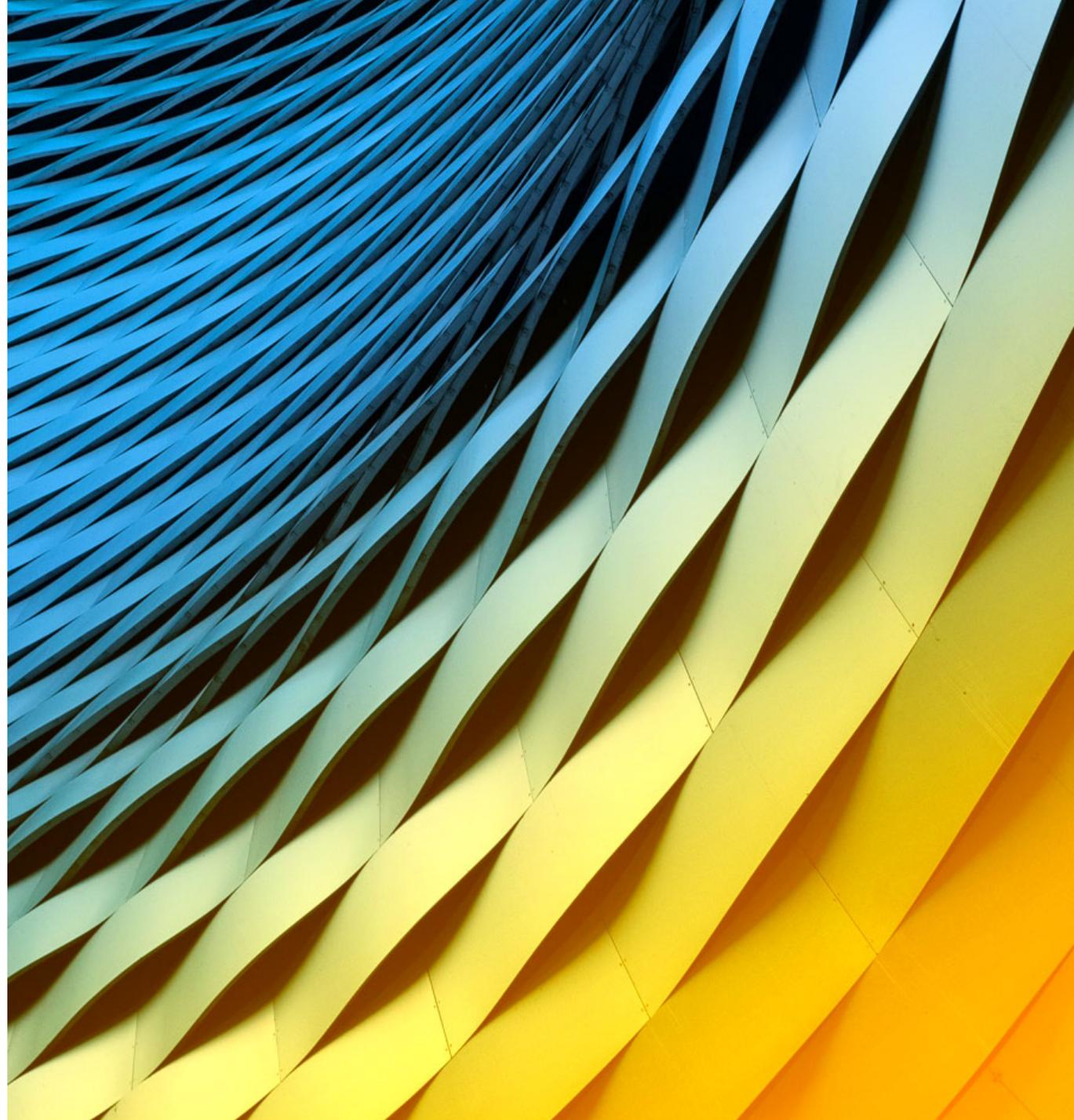
Market Chameleon – Trading Credit Put Spreads

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Options Analytics

- **Probabilities**
- **Estimated Value vs Price**
- **Risk vs Reward Analysis**

Financial Modeling

Exact Odds

Coin Flip

vs

Estimated Odds

Team A vs Team B

Who will win Team A or B

Data

Team A record 12-0

Team B record 6-6

The data suggest Team A has a better chance of winning

Real Estate Developer Wants to Build Condos

Analysis of Local Area vs The Rest of the Country (Handicap Your Odds)

- **Are incomes growing?**
- **Is population growing?**
- **Other metrics, real estate appreciation, supply homes etc...**

Examples for Stock Analysis

Relative Strength

Seasonality

Order Flow

Fundamentals

Etc..

These do not help us with statistical odds but can be used to help handicap a potential outlook

Logical Conclusions

If x is happening, I think y is the most likely thing to happen next.

Check News, Events, financial indicators etc..

Real Estate Expected Value

Historical Prices

215,000

200,000

225,000

195,000

220,000

210,000

Current Price: **\$200,000**

Average Sold: **\$210,000**

Edge: **\$10,000 (or 5%)**

Win Rate: **66%**

What is the Expected Value of This Option?

Stock \$100

Strike \$110

14 days to go

Current Market Price is \$1.00

How to Estimate the Expected Value

4 Years of Historical Data (14 Day Holding Period)			
Observation	Price Change (%)	Price at Expiration	Option Value
1	+5%	105	\$0
2	+15%	115	\$5
3	-5%	95	\$0
...			

Option Description

Stock: \$100

Strike: \$110

14 Days to Expiration

Current Price: \$1.00

Stock finishes $< +10\%$ = **70%**

(Option will be worthless)

Stock finished $> +10\%$ = **30%**

(Option avg value of \$5)

Estimated Value of the option = **\$1.50**

($70\% \times 0 + 30\% \times \5)

Payout Diagram

Options returns are not linear like a stock. Options, especially spread or combinations have different profits and losses depending on the stock outcome.

Example of a Vertical Spread

Stock goes up you make 38.0%

Stock stays same you make 38%

Stock goes down 0.5% you make 38%

Bull Put Spread

Report

Stock Uptrend + Theo Edge

0.55

Market Price
[Credit]

vs

0.27

Theoretical
Value

19.2%

Edge



Hist. Win Rate

Expiration	Strike	Action
28-May-21	413	Buy PUT
28-May-21	415	Sell PUT

Option
Chain 

Spot Price: \$417.06

Trading Days to Expiration: 17

Potential Reward: \$.55

Risk: \$1.45

Potential Return: 38%

Cushion: 0.6%

Option Strategy Leg Inputs							Latest Option Data	
Action	Expiration	Opt Type	Strike	Ratio	IV	Add/Remove	Price	IV
Buy <input type="button" value="v"/>	28-May-21 <input type="button" value="v"/>	Put <input type="button" value="v"/>	413 <input type="button" value="v"/>	1	15.7	<input type="button" value="+"/> <input type="button" value="-"/>	4.70	15.7
Sell <input type="button" value="v"/>	28-May-21 <input type="button" value="v"/>	Put <input type="button" value="v"/>	415 <input type="button" value="v"/>	1	15.0	<input type="button" value="+"/> <input type="button" value="-"/>	5.24	15.0
Adjust All Rows		Strikes: <input type="button" value="▲"/> <input type="button" value="▼"/>		IVs: <input type="button" value="+1"/> <input type="button" value="-1"/>				

Stock Shares Input		
Action	Shares	Price
Buy <input type="button" value="v"/>	0 <input type="text"/>	417.36

Load Strategy

• Payout Diagram

Distribution Theo Value

IV Theo Value

Historical Charts

Strategy Pricing			Strategy Greeks				
Credit	Bid-Ask	Midpoint	Delta	Gamma	Vega	Theta	Rho
0.54	0.54 - 0.60	0.57	4.5	-0.2	-0.1	-0.4	1.2

Chart Display Settings

Compare Payout on Date

Stock Range

Std Dev

