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Market Chameleon

How to Use an Iron Condor Option Strategy

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Iron Condor Option Spread

Outlook

Payout diagram

Theoretical Value

Screeener

Actual Examples

Outlook

Low Volatility- small price swings in the underlying security

You can structure the spread to be non-directional or give it a directional bias by adjusting the strikes

Strategy has 4 option legs

It is a combination of a call spread and put spread

Payout diagram

Risk/Reward Analysis

The payout diagram helps evaluate the potential profit and losses of the iron condor spread across a different range of stock prices

Theoretical Value

We can evaluate the price of the spread with different methods

Using historical stock moves to estimate a theoretical value

Using historical implied volatility to estimate the spread value

You would need to have an outlook of the potential range of outcomes for the stock price at expiration

Screeener

Create a scan to find potential trade setups

Since there are many different potential iron condor opportunities, a screener helps narrow down the possible candidates

It is a starting point for further analysis