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CME Group

Intraday Range Plays for Equity Futures Options

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Intraday Range Plays for Equity Futures Options



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Agenda

1. Introductions
2. Planning
 - TradingView
 - Defining Intraday Ranges
3. Executing
 - TWS
 - Selecting an Options Strategy
 - Order Placement
4. Questions & Answers

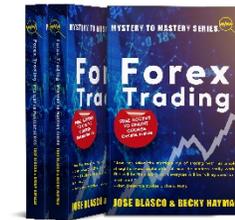
Introduction

Traddictiv Pte. Ltd.

is a trading technology company that provides intelligent tools for traders, investors and hedgers. They also offer education for everyone from the hobbyist to the professional, always along with their patented and easy-to-use trading technology.

Jose Blasco

is a versatile multi-asset trader with expertise in options, equities, futures, and currencies. As the Principal of Traddictiv PTE. LTD., he develops advanced trading technology and implements diverse strategies across global markets. With accolades as an award-winning instructor, published author, and former engineering professor, Jose regularly appears in in-person and online events, sharing his knowledge, experience, and passion for trading and technology with others. His multilingual skills keep him connected to international markets, providing a global perspective for his trading endeavors.



Mystery To Mastery Series

#1 New Release in:

- Online Trading
- Risk Management
- Foreign Exchange

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Before, During and After

- **Before**
 - Planning
 - Executing
- **During**
 - Trade Management
- **After**
 - Logging
 - Review

In this session we will focus on **Planning & Executing**

2 Steps

- **Planning** trades is a critical aspect of trading, tailored to suit individual backgrounds and interests. It involves thorough analysis, risk assessment, and clear entry and exit points. By adopting a well-structured approach, traders can maintain discipline and make informed decisions aligned with their financial goals
- **Executing** trades with the right tools is equally crucial. Modern platforms offer real-time data and advanced analysis, empowering traders with valuable insights. Seamless order execution and risk management features ensure precision and capital preservation. By leveraging these tools, traders can stay competitive, make well-informed decisions, and achieve their desired outcomes

Planning

- **Suit individual backgrounds and interests:**
 - Active, Passive, anywhere in between
 - Numerous assets with different characteristics
 - Use of the timeframes
- **Thorough analysis, risk assessment, and clear entry and exit points:**
 - Several ways on how to trade
 - Vast amount of options strategies
 - Different schools of thought to define entries and exits
- **Well-structured approach:**
 - Systematic/Mechanical
 - Controlling trading emotions



Planning

Interest Assumption:

Being somehow active using leveraged assets and willing to avoid any PDT* restrictions with a non-directional approach to options trading

Market Selected:

Options on E-mini S&P 500 Futures**
or Options on Micro E-Mini S&P 500 Stock Price Index Futures

Tools for Planning:

TradingView Charts connected to IBKR

* <https://www.interactivebrokers.com/lib/cstools/faq/#/content/377201219>

** <https://contract.ibkr.info/v3.10/index.php?action=Details&site=GEN&conid=637533641>

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Why Options on ES Futures

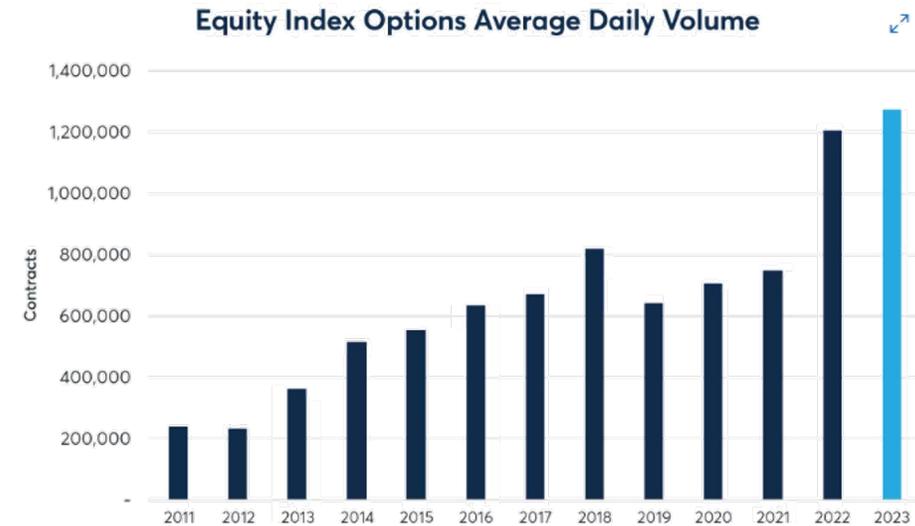
Equity Index options offer more choices, more liquidity than ever

Market participants are increasingly turning to the expanded product choice and liquidity that CME Group's Equity Index options suite offers with Q2 2023 ADV of 1.24M contracts, up 4% vs. Q2 2022.

- E-mini S&P 500 (ES) options ADV reached 1.14M contracts, up 4% vs. Q2 2022.
- During Asian and European trading hours, CME Group is the leading venue for risk transfer for S&P 500 options, with Q2 ADV reaching over 170K contracts.

Participation in ES options blocks continues to grow, allowing participants to execute large trades with more efficiency.

- Nearly 35M ES options blocks have traded to date, with Q2 ADV at a record 87K contracts.
- E-mini Nasdaq-100 options blocks traded over 39K contracts since their January 2022 launch.



Source: www.cmegroup.com/newsletters/options-newsletter/q3-2023-options-update.html

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Non-Directional Approach

Employing strategies that focus on factors such as volatility, time decay, or the range within which the underlying asset is expected to move (instead of betting on whether an asset's price will go up or down).

Typical Options Strategies:

Debit Strategies	Credit Strategies
Calendar Spread/Double Diagonal Spread	Bull Put Spread/Bear Call Spread
Butterfly	Iron Condor/Butterfly
Long Straddle/Strangle	Short Straddle/Strangle

(these are popular strategies commonly used by options traders)

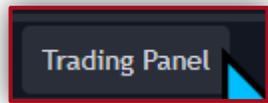
In this session we will focus on **Iron Condors**

Charts

We will use TradingView connected to IBKR

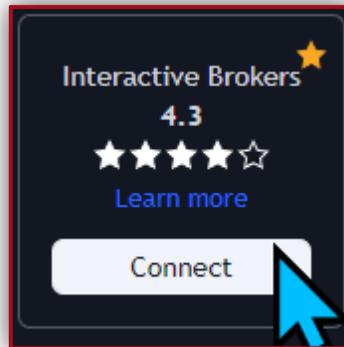
1.

Click on the TradingView Trading Panel



2.

Select Interactive Brokers



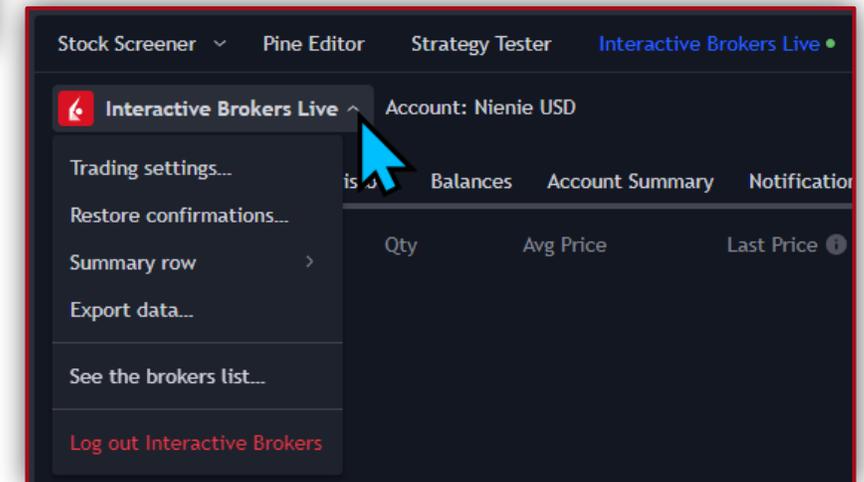
3.

Enter your Credentials and Verify your Identity



4.

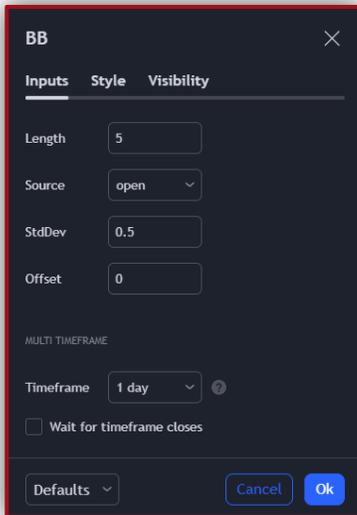
The Trading Panel has now changed to Interactive Brokers Live



Defining the Intraday Range

We will define the trading range by using 5 Bollinger Bands® combined in a specific manner creating 9 regions we will use to define the intraday range

Inner Bollinger Bands® Settings



BB

Inputs Style Visibility

Length 5

Source open

StdDev 0.5

Offset 0

MULTI TIMEFRAME

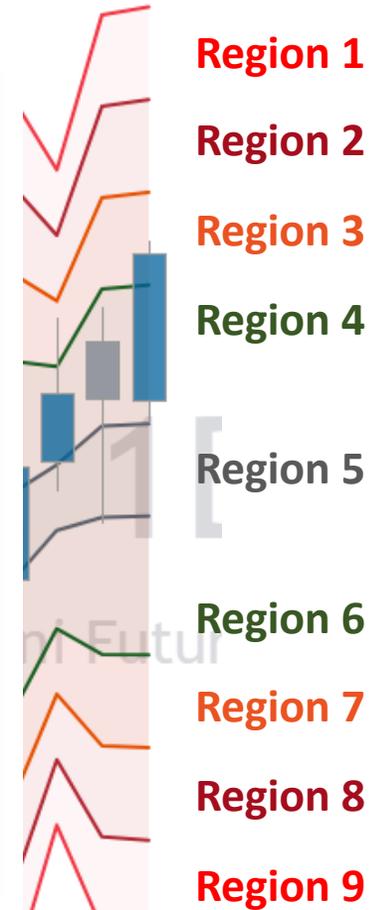
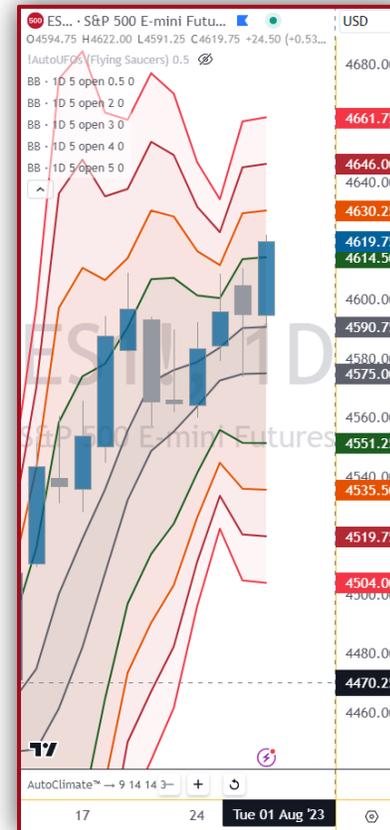
Timeframe 1 day

Wait for timeframe closes

Defaults Cancel Ok

Outer Bollinger Bands® Settings:

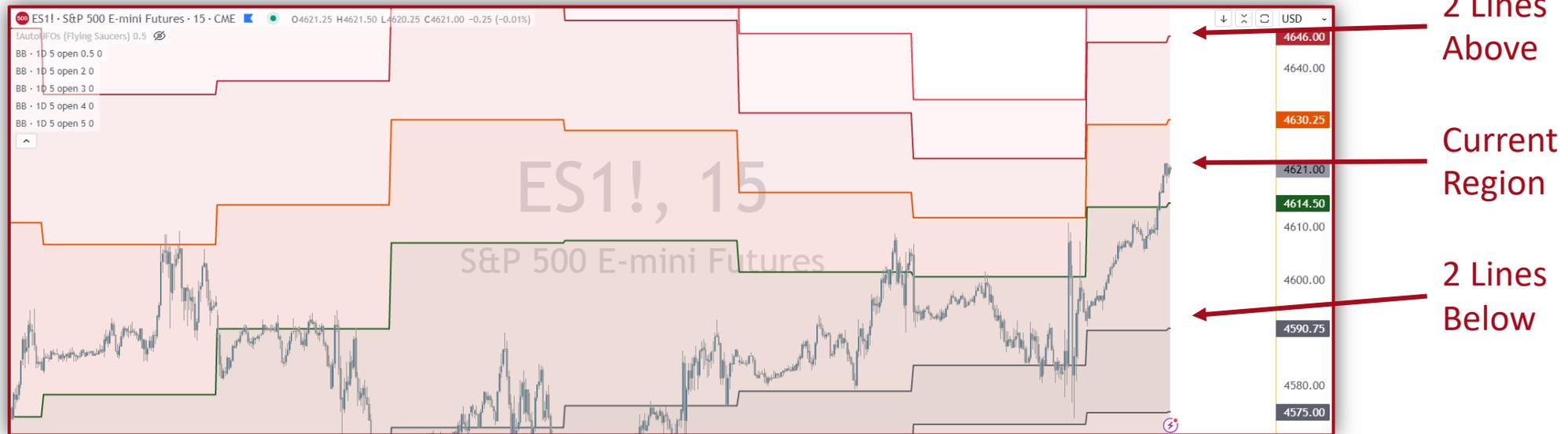
- 2 SDev
- 3 SDev
- 4 SDev
- 5 SDev



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Steps to Define the Range

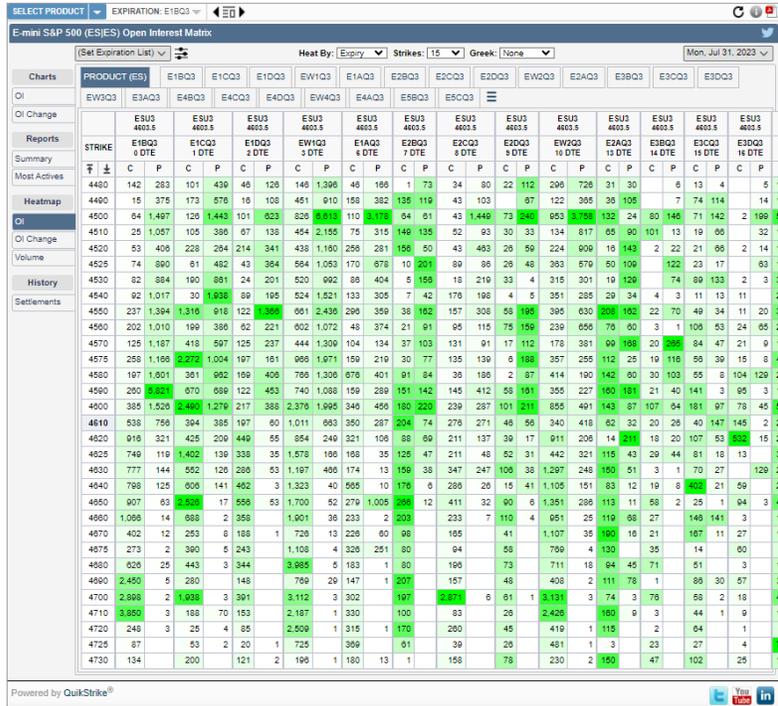
1. Identify the region in which the E-mini S&P 500 Futures is trading at
2. Pick 2 lines above and 2 lines below to define the expected intraday range for that day
3. Optionally, use Support or Resistance levels above and below such lines



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Open Interest & Volatility

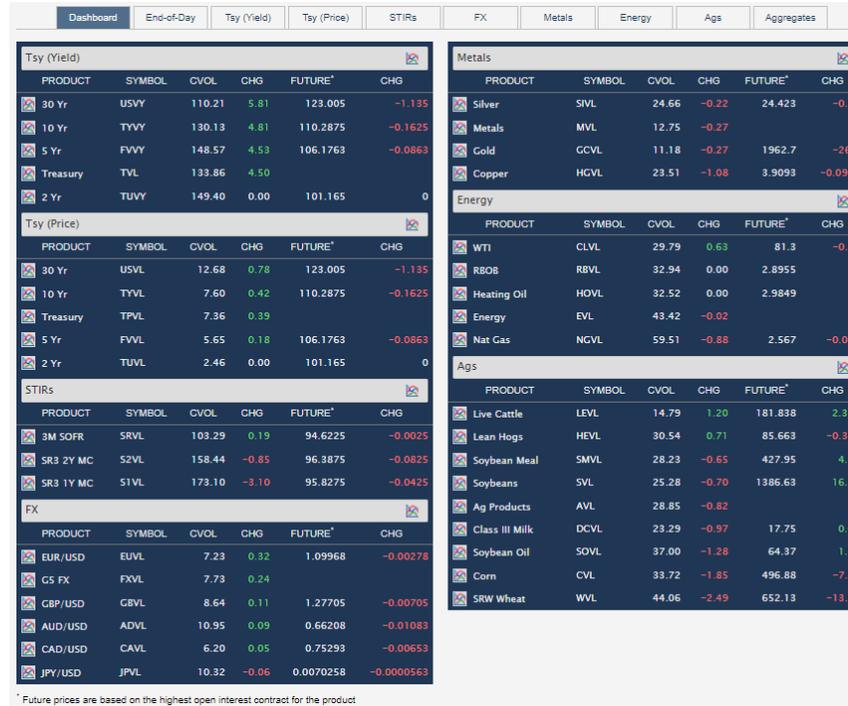
Open Interest Heat Map



Source:

- www.cmegroup.com/tools-information/quikstrike/open-interest-heatmap.html

CVOL™



Source:

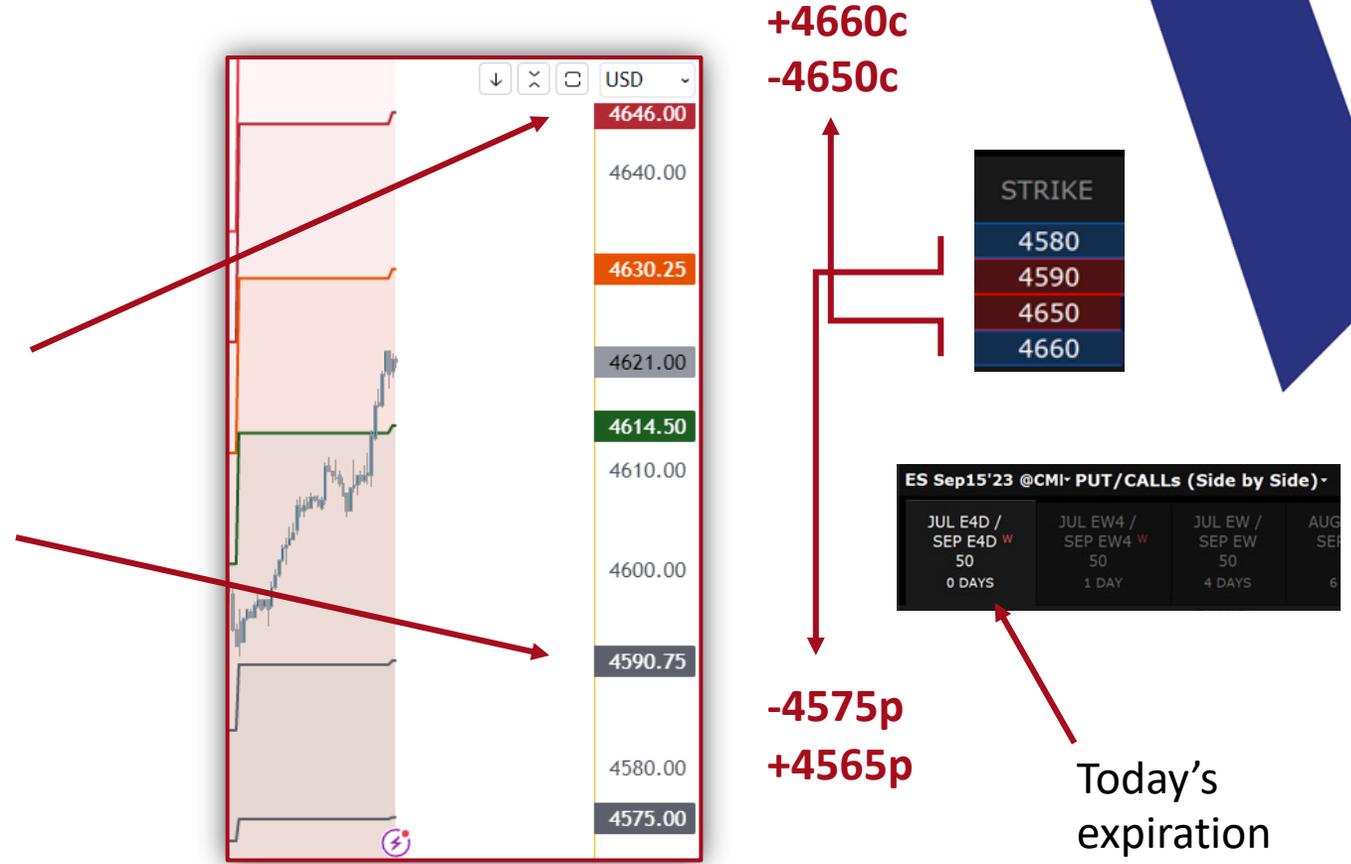
- www.cmegroup.com/education/articles-and-reports/introduction-to-the-cme-group-volatility-index-cvol.html & www.cmegroup.com/market-data/cme-group-benchmark-administration/cme-group-volatility-indexes.html

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Defining the Options Play

- An Iron Condor is made of Selling a Bear Call Spread and Selling a Bull Put Spread as a combination
- The application implies:
 - Selling the Bear Call Spread above 4646.00
 - Selling the Bull Put Spread below 4590.75
- Using Short-Dated Options that expire on the same day



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Executing

- **Order execution and risk management features:**
 - IBKR TWS Platform
 - TWS Strategy Builder built-in the Options Chain
 - Assess risk and margin before Transmitting Orders
 - Entry and Exit Orders residing in IBKR servers

Order Placement

ES Sep15'23 @CMI PUT/CALLS (Side by Side) 4622.00 +26.75 (+0.58%)

CALLS				PUTS								
OPTN OP...	VOLUME	BID SIZE	BID	ASK	ASK SIZE	STRIKE	OPTN OP...	VOLUME	BID SIZE	BID	ASK	ASK SIZE
609	82	27	-42.25	43.00	27	4580	793	794	45	0.60	0.65	254
1.01K	175	22	-33.00	33.75	28	4590	489	1.17K	93	1.20	1.30	98
1.20K	343	274	-1.35	1.50	252	4650	17		40	29.00	29.75	24
499	181	139	-0.55	0.60	1	4660	5	1	27	38.25	39.00	28

Strategy Builder

ACTN	RT	LST TRD DAY	STRIKE	TYP	DELTA	THETA	BID/ASK	SIZE
Leg 1	Buy	1 JUL 27 '23	4660	...	0.057	-0.576	0.55x0.60	139x1
Leg 2	Sell	1 JUL 27 '23	4650	...	0.122	-1.416	1.35x1.50	274x252
Leg 3	Sell	1 JUL 27 '23	4590	Put	-0.102	-1.223	1.20x1.30	93x98
Leg 4	Buy	1 JUL 27 '23	4580	Put	-0.053	-0.581	0.60x0.65	45x254

Order Entry: LMT QTY 1 LMT -1.30 Credit DAY advanced Margin Impact: 425 USD

Strikes

Expiration Date

Order Type & Price

Margin

Send Order

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Order Filled

ACTIVITY	Live	+							
			Ky Action	Type	Details	TIF	Quantity	Aux. Px	Fill Px
▼	ES Iron Condor		BUY	LMT	LMT -1.30	▼ DAY	1		-1.30
	+1FOP (E4D) Jul27'23 4660 CALL								
	-1FOP (E4D) Jul27'23 4650 CALL								
	-1FOP (E4D) Jul27'23 4590 PUT								
	+1FOP (E4D) Jul27'23 4580 PUT								

Iron
Condor

Credit
Collected
(- sign)

Quantity

Filled @

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Live

- Let's go over the process with real-time data
- Let's see what the market has ready for us today
- Let's plan and execute an Iron Condor using Options on E-mini S&P 500 Futures
- Prepare your questions and ask while building the trade
- Additional Q&A will be after

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Your turn

Any questions?

 www.tradewithufos.com/questions

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