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Sheridan Options Mentoring

Directional Calendars (Credit Spread Alternative When VIX Is Low)

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“Directional Calendar Spread”

(Credit Spread Alternative when VIX is Low)



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Non-Directional Calendar Spread Example with Stock at 100:

- Buy 1 September 100 Call \$4 and Sell 1 August 100 Call at \$2, for \$2 Debit.
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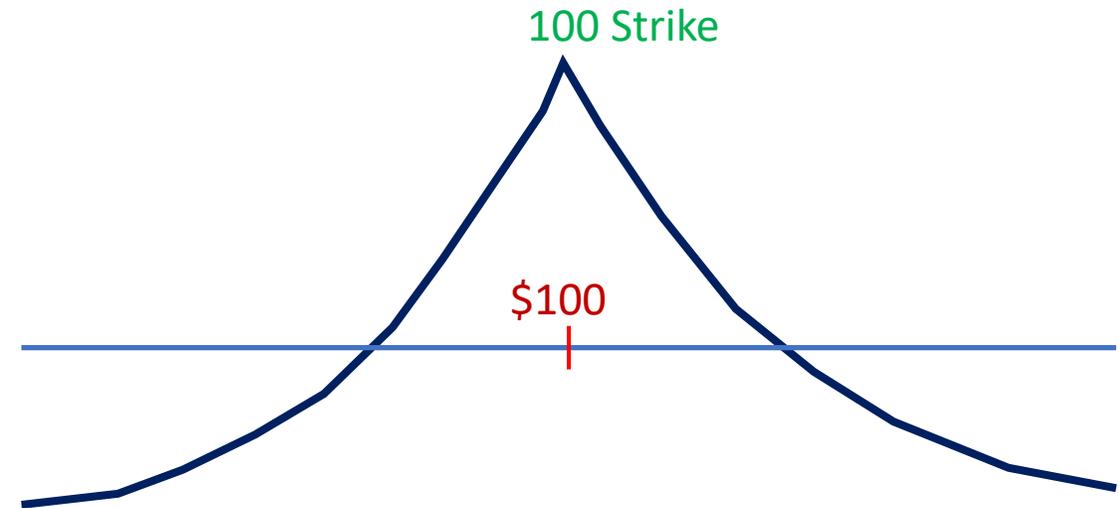
Directional Calendar Spread Example with Stock at 100:

- Buy 1 September 110 Call \$2.5 and Sell 1 August 110 Call for \$ 1.5, for \$1 Debit.

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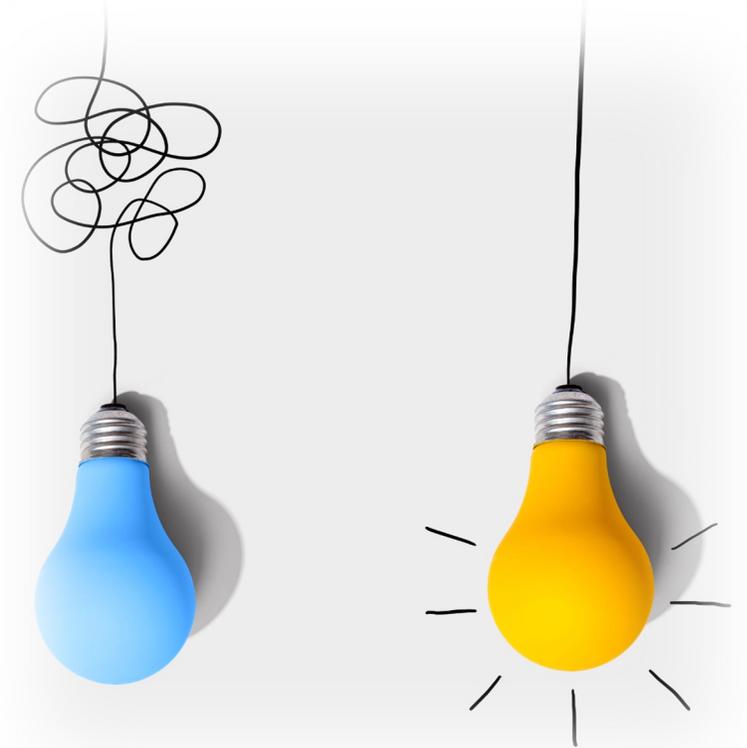
Calendar Spread Characteristics:

- Buying further out Duration, Selling closer in Duration
- Always a Debit Transaction
- Long and Short Strikes are the same
- Positive Theta Trades
- Long Vega Trades
- Risk of Trade is the Debit you pay
- You make the most Money at the Short Strike as you approach Expiration



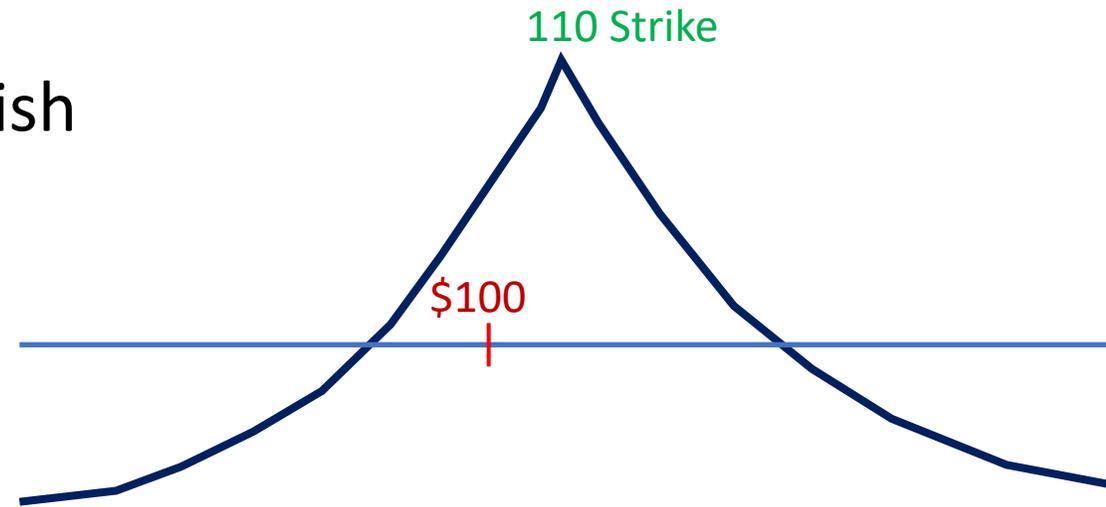
Credit Spread Problems in a Low Volatility Environment:

- You receive less credit
- You get much less room to your short strike



Directional Calendar Guidelines:

- Duration of Long Strike? 20 Days (18 Days for Beginners)
- Duration of Short Strike? 15 Days
- Calls or Puts? Calls if Bullish and Puts if Bearish
- Strike to Sell? 30 Deltas
- Strike to Buy? Same as your Short Strike
- Profit Target? 20%
- Max Loss ? 20%
- Vehicles to Trade? SPX or SPY
- What to do if Trade goes against you ? For example, in SPX, if SPX went against me 30-40 Points (3-4 Points in SPY) would add an At-the-Money Calendar.
- VIX Guidelines for doing Directional Calendars? 17 or Lower.



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