As a trader there is nothing more frustrating than a slow dull market environment. Unfortunately, that's exactly what we have been stuck in so far in 2017. This is why we have to make sure our trading toolbox is equipped to handle all types of market conditions. As an options trader, there are strategies that we can use that allow us to make money in the low volatility grind that we are stuck in. In this article, I will show you how you can use one of my favorite options strategies to produce some really great returns in slow markets.

If you are only trading long call and put options in today's markets you will probably find yourself getting hurt by the slow market conditions. The only way you can make money is if you get a quick directional move in your favor. Instead, we want to open our playbook to utilize strategies that give us better odds of making money.

One way to do that is by selling vertical spreads. By selling a spread, we put time in our favor as we can get paid each day we hold the trade. I like to utilize selling vertical spreads on stocks and ETF's that are either very overbought or oversold. The energy sector is one of the few areas that we have seen 2 way price action this year. As a result, we have had many oversold stocks showing up on our list. ***Just recently we took advantage of the oversold condition on Chevron (symbol: CVX).***

With the oversold condition on CVX, we were looking to place a trade that would benefit from either a bounce higher or at the very least a consolidation sideways. We have a few different ways of doing this. The first is to buy a call option. However, buying a call option only allows us to make money if the stock moves higher right away. In this market that isn't a great option.

Instead, we decided to sell a put vertical spread. Selling a put spread is still a bullish position but we have a few additional ways of making money. We can make money if CVX moves higher quickly. We can also make money if it moves sideways or even moves slightly lower. We like selling these spreads in the weekly options to take advantage of the increased time decay.

We went in and sold the 102/100 put spread for $.47 or $47 per spread. This had us selling the 102 put and buying the 100 put to make it a risk defined trade. We don't have to be intimidated by this trade since we know what our maximum loss would be on trade before pulling the trigger.

CVX Short Put Spread	
Option Sold:	102 July 21 Weekly Put
Option Bought:	100 July 21 Weekly Put
Date of Trade:	July 7
Days to Expiration:	14
Price:	$.47 or $47 per spread
Breakeven Stock Price:	$101.53
Max Profit:	$47 per spread
Max Risk:	$153 per spread

The $47 that we collected per spread is the most we can make on the trade. While this doesn't seem like a large profit it only tied up $153 of capital per spread to take the trade. We could put the trade on 10 times and only have $1530 of risk.

Our breakeven point on the trade was at $101.53. As long as CVX closed above $101.53 we got to keep the entire $47 per spread. We didn't need a big quick move higher on CVX to make money.

We had 5 different ways to make money on the trade. We made money if the price of CVX moved up, down, or sideways as long as it was above $101.53. We made money if volatility decreased and finally from time decay adding up.

5 Ways of making money on the CVX Short Put Spread
1. Stock moves higher as long as price above 101.53.
2. Stock moves lower as long as price above 101.53
3. Stock moves sideways as long as price above 101.53
4. Volatility decreases
5. Time decay adds up

The best part about this trade was it expired worthless and we got to keep the entire $47 profit per spread. *CVX didn't do much other than move sideways but that's all we needed to happen to make money.* We didn't have to pay a commission to close out of the trade either.

This is a perfect example of showing how we can make money from options in all types of market conditions. Don't get frustrated by the slow moving markets that we have seen this year. Expand your trading toolbox to include the vertical spreads so you can continue grinding out profits regardless of what the market is throwing our way.

Let's take a look at how you can utilize this strategy in your own trading.

5 Steps To Follow When Selling A Vertical Spread:

1. Look for an overbought or oversold market condition. You can use any number of indicators or pure price action to help find the best candidates. ***When overbought you will want to sell an out of the money call spread. When oversold you will want to sell and out of the money put spread.***

2. Make sure you are looking at stocks and ETF’s that have liquid options. Look for 50x the number of contracts you are looking to trade in the open interest numbers on the options of the stock/ETF you are going to trade.
3. Look to sell the weekly options with 7-21 days left to expiration.
4. Look to sell the option that has around a .35 delta (typically 1-3 strikes out of the money). You will also buy the option that is 2 strikes farther out of the money from the strike you are selling. This will produce a short vertical spread. You will always collect a credit for placing these trades.
5. Make sure you are taking trades with no worse than a 1:3 reward to risk ratio. We will be risking 2 or 3 to make one on these trades. We are willing to accept this ratio due to us having 5 different ways of making money on these trades. This will give us a higher probability of success.
6. Look to close the trade out when you can buy the spread back and keep 50-75% of what you collected when initiating the trade. You have the option of holding the trade to expiration as well and let the whole trade expire worthless. This will give you more profit potential but also require you to hold the risk on the trade longer.