



TOP 12

NASDAQ OPTIONS

SUPERSTARS

Learn how you can trade these stocks for big profits in 10 minutes a day

M I K E R Y K S E

Hello Traders!

My name is Mike Rykse and I am the Options Specialist at NetPicks. I have been an active trader in the markets since 2002 and have traded just about every market available (stock, options, futures, forex, bonds). Without a doubt, my favorite area of the market is trading options and that is where I have seen the most success in my own trading.

I have personally developed numerous options trading systems and educational courses which are designed to provide retail traders the tools that they need to be successful in the options markets. These programs have been used by thousands of traders in over 100 countries over the last 13 years.



In working with thousands of traders over the years, I have learned some tricks of the trade that I want to share with you that can make a big difference in your trading results over time. Trading can be difficult but having a specific tool set in place can help you become a successful trader right away.

Like any successful business, the traders that see the most success are the ones that stay disciplined to a plan. Whether you are trading full time or part time you need to treat this as a business. This means having a plan in place that will guide you every day. A big part of that plan is knowing the markets that you trade like the back of your hand.

In this eBook I will share my favorite Nasdaq stocks that I use on a weekly basis to make a full-time income. These are stocks that I have used for years to generate

consistent returns in many different market conditions. This list will both simplify things for you and put you on the path to big profits.



If you have any questions that I can help with as you work through this training, please feel free to contact me directly. You will find my direct contact info below. We look forward to hearing from you.

Happy Trading!

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Introduction

Does it ever seem like you are missing out on all the big stock moves that make it into the news each week?

Are you looking for a way to create a consistent source of income from the markets with minimal risk and minimal time commitment?

If either one of these describe you as a trader, then this eBook is a perfect resource. As traders, we are all looking for big gains in our accounts on a regular basis. The goal of any trader is to make money. It could be you are looking for a supplemental source of income. Or maybe you are to the point you are now looking for a full-time replacement income. Supplementing retirement, buying the vacation home, getting the kids through college. Bottom line there are many different reasons for trading, but the goal is always the same: ***We all want to make money!***

I bring this up as it will drive everything we do as traders. If you lose sight of this goal, it's easy to get caught up on trying to catch every move in the market because if you don't, it feels like you are missing out. You can get caught up in the emotions of trading and next thing you know your account is losing money and you don't know how to fix it.

With my goal being to make money and grow my account size over time, I have established rules for myself that guide my trading throughout the year. I don't care what markets I'm trading, how many trades I'm taking, or if I'm catching every big move the market is making. I care about making money and want to focus on a plan that will help me accomplish that goal.



We are going to focus on a key component of my trade plan that has allowed me to generate my full-time income from the markets for the last 10 years. I'm going to show you how to focus in on a small universe of stocks that are going to help you experience

the big returns in just minutes each day. I will share the exact names that I focus on every week in my own trading. You will see why I choose the names for my watch list, how I trade them, and why it's important to not get caught up with how any other stock not on our list is trading.

Are you ready to take the next step in your trading to make sure you are making money on a regular basis? Are you ready for the big returns in just minutes each day? If that's you then let's dive in and get a plan of attack in place that you can use immediately regardless of account size and in all market conditions.

Why trade the Nasdaq Superstars?

One of the hardest parts about being a trader is fighting the hindsight game. It's really easy to go back and say I would have taken this trade, or I would have closed out of my winning trades at the exact high or low of the latest market move. However, in reality trading is much more difficult than that.



Identifying the best entry and exit points on the best stocks in real time can be extremely difficult. The best advice I can give is to keep things simple. It's crucial to realize you aren't going to catch every big market move. You aren't going to be able to pick market tops and bottoms on a consistent basis.

We teach our students to instead focus on trading a small list of stocks and ETF's week in and week out. This will allow you to get to know the names on your list really well. We love to trade the Nasdaq names because they offer the best movement back and forth over time as well as the best liquidity in the options.

What makes a Nasdaq Superstar?

If you look at stocks like Apple (Symbol: AAPL) and Amazon (Symbol: AMZN) you will see that they don't stay quiet for long. They typically have good range in both directions. This will open up our playbook to use a wider variety of options strategies and allow us to react to different types of market conditions.



As options traders it's crucial that we trade stocks that have good volume and open interest. This will allow us to get in and out of trades quickly and at good prices. Since our goal is to take our trades in 10 minutes each day, we want to make sure we can quickly come in and place our trades and get filled right away. We don't want to get stuck tracking trades throughout the day due to a lack of liquidity.

Volume and open interest in the weekly options shows good liquidity across multiple different strike prices. This will make it easier to get in and out of trades quickly and at good prices.

Volume and open interest in the monthly options shows good liquidity across multiple different strike prices. This will make it easier to get in and out of trades quickly and at good prices.

Finally, don't overcomplicate things. I see so many traders looking for that new secret hot stock that no one knows about. I would much rather be looking at markets that everyone is trading on a regular basis. Let's go where the action is at. As you will see in our watch list below it doesn't take a huge list of stocks and ETF's to generate big returns from your trading. A list of 12 products will keep you plenty active and will also allow you to hit our goal of getting done with our trading in 10 minutes each day.

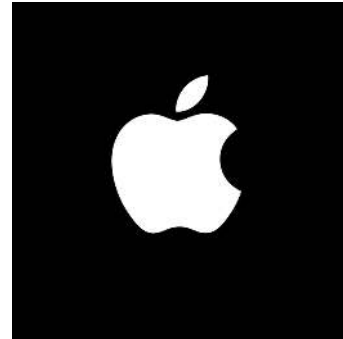
Let's dive in and take a close look at our Top 12 Nasdaq Options Superstars.

Top 12 Nasdaq Options Superstars



1. Apple (Symbol: AAPL)

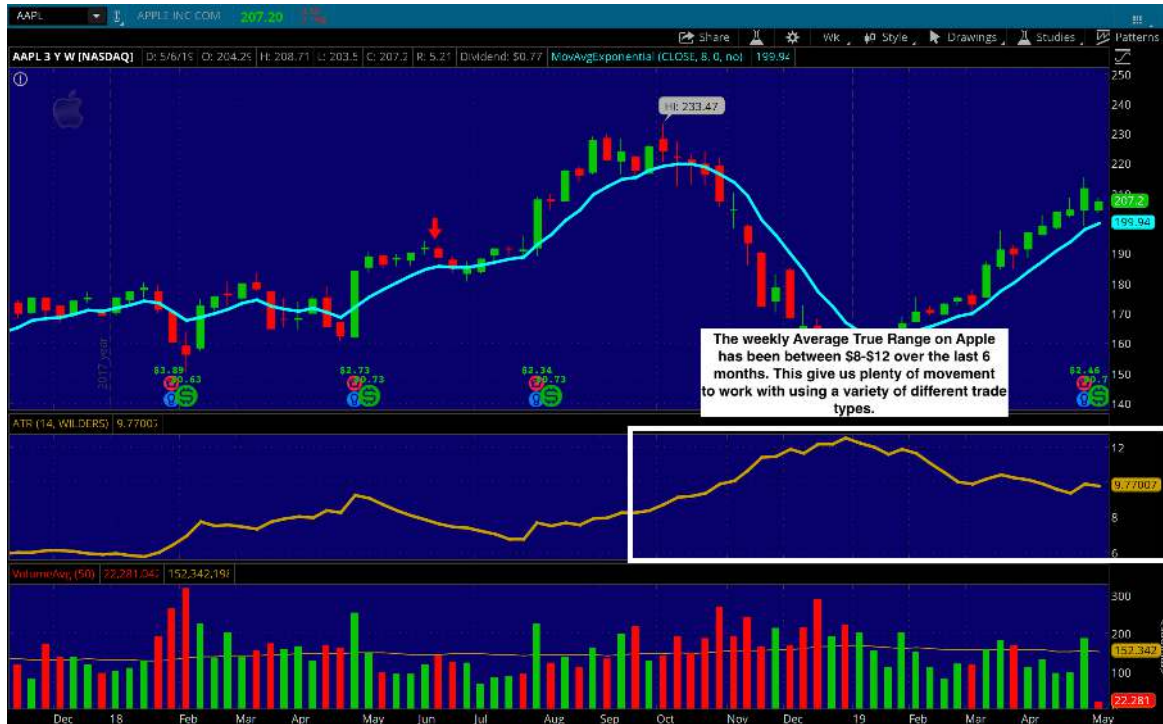
Overview: Anytime you start talking about the best Nasdaq names to trade, Apple is always at the top of the list. Not only do their products have a cult following, but their stock has all of the features that we look for as options traders. The stock consistently has some of the best range in the market. We see great movement in both directions on a regular basis.



When you combine the great range in the stock price with the phenomenal liquidity in the options, it makes for a powerful product. Our options playbook is wide open when trading Apple. We can keep it simple with long calls and puts only or go more complex with the vertical spreads as well. This gives us tremendous flexibility in how we react to different market conditions.

I typically look to have 1-2 different types of trades going on Apple at all times. This can be a combination of long options and vertical spreads. It can also be a combination of monthly and weekly options as Apple has good liquidity across many different expiration cycles.

Price Movement - AAPL:



Options Liquidity - AAPL:

Options Chain for AAPL (Underlying: AAPL INC COM, 207.158, +2.87%)

Trade Grid Summary:

Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
AAPL	207.158 D	-4.599	207.14 Z	207.16 C	2 x 2	22,469,171	204.25	208.71	203.50

Option Chain Summary (Calls and Puts):

Expiration	Delta	Open Int.	Volume	Prob...	Last X	Ask X	Delta	Open Int.	Volume	Prob...	Last X
10 MAY 19 (4)	100	100									27.41% (+5.219)
17 MAY 19 (11)	100	100									24.89% (+7.415)
24 MAY 19 (18)	100	100									24.08% (+9.052)
31 MAY 19 (25)	100	100									23.23% (+10.229)
7 JUN 19 (32)	100	100									23.22% (+11.531)
14 JUN 19 (39)	100	100									23.08% (+12.628)
21 JUN 19 (46)	100	100									23.18% (+13.757)
19 JUL 19 (74)	100	100									22.74% (+17.08)
16 AUG 19 (102)	100	100									25.01% (+22.072)
20 SEP 19 (137)	100	100									24.56% (+25.137)
18 OCT 19 (165)	100	100									24.45% (+27.489)
17 JAN 20 (258)	100	100									25.22% (+35.497)
19 JUN 20 (410)	100	100									25.81% (+46.409)
18 SEP 21 (741)	100	100									25.58% (+51.091)

Callout boxes highlight liquidity in weekly and monthly options:

- Weekly Options:** Volume and open interest in the weekly options shows good liquidity across multiple different strike prices. This will make it easier to get in and out of trades quickly and at good prices.
- Monthly Options:** Volume and open interest in the monthly options shows good liquidity across multiple different strike prices. This will make it easier to get in and out of trades quickly and at good prices.

2. Amazon (Symbol: AMZN)

Overview: Amazon has expanded into a global powerhouse over the last 10 years. It's hard to find someone these days that doesn't use Amazon in some capacity on a regular basis. From that point of view, it's hard not to like this stock for the long haul.

As a trading vehicle, AMZN can provide really powerful movement making it an ideal candidate for directional trading. While it can be intimidating given the high price of the stock, using options to trade this one will make it much easier to control your risk.

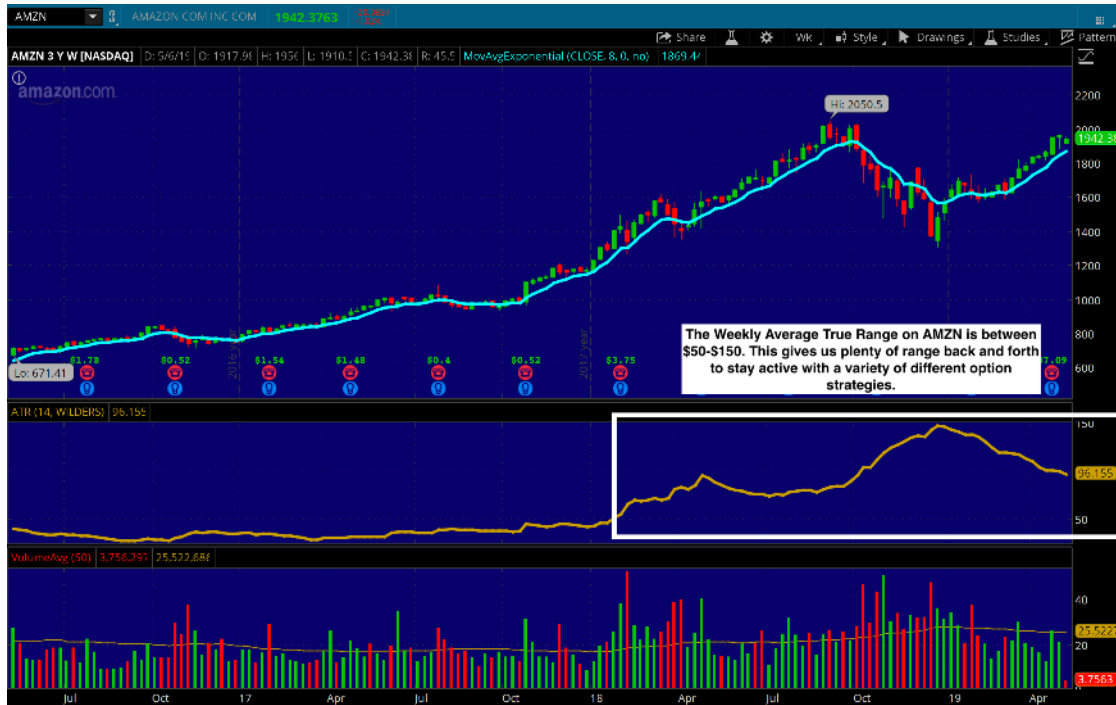
I trade AMZN exclusively with vertical spreads as it allows me to manage my risk easier. I do this using a mix of debit and credit spreads. The debit spreads will allow me to reduce my risk by 30-50% or more when compared to buying the individual calls and puts.

The credit spreads allow me to place trades with as little as \$300 on AMZN. Not only does this drastically reduce the cost of the trades, but the credit spreads also allow me to make money in 5 different scenarios. As a result, I typically see a much higher winner percentage when trading them. They also allow me to make money in many types of market conditions.

I also like to use a combination of monthly and weekly options as Amazon has good liquidity across many different expiration cycles.



Price Movement:



Options Liquidity:

Options Chain for AMZN (NASDAQ) showing Calls and Puts. The table includes columns for Delta, Open Interest, Volume, Probability, Last Price, Bid, Ask, Strike, and Delta. Red arrows highlight liquidity in the weekly and monthly options.

Expiration	Delta	Open Int.	Volume	Prob.	Last X	Bid X	Ask X	Strike	Delta	Open Int.	Volume	Prob.	Last X		
12 MAY 19 (4)	00(Weeklys)												25.88% (-48.18)		
17 MAY 19 (11)	100												27.54% (-71.324)		
24 MAY 19 (18)	100(Weeklys)												25.80% (-190.219)		
24 MAY 19	57	285	199	45.45%	78.45 D	79.10 Z	79.80 P	1925	55.30 Q	55.80 Z	43	123	32	53.70%	50.75 Q
24 MAY 19	55	219	194	47.62%	75.17 A	75.35 Z	76.95 P	1930	57.45 Q	58.00 Z	42	175	89	52.52%	58.50 P
24 MAY 19	55	166	45	48.79%	73.53 Q	73.85 P	74.15 N	1935	58.70 N	60.20 D	45	54	32	51.33%	59.41 B
24 MAY 19	54	831	166	45.3%	71.20 W	70.90 Z	71.65 N	1940	6.95 Z	62.55 Z	47	286	101	50.13%	62.78 E
24 MAY 19	52	333	92	51.12%	69.40 B	68.11 Z	68.80 N	1945	64.30 N	64.80 Z	48	217	12	48.93%	65.00 X
24 MAY 19	51	712	737	52.30%	65.10 H	65.95 Z	66.25 P	1950	66.65 N	67.30 N	49	309	162	47.73%	65.00 X
24 MAY 19	50	631	30	52.47%	64.08 C	63.05 Z	63.70 P	1955	69.15 Q	69.90 D	50	94	17	46.53%	65.20 Z
24 MAY 19	49	685	211	54.65%	62.35 Q	60.60 Z	61.20 N	1960	N/A	N/A	53	N/A	N/A	44.82%	N/A

Both the weekly and monthly options have decent liquidity across many different strike prices. This will allow us to trade vertical spreads which we prefer as they allow us to lower the cost of the trades.

3. Google (Symbol: GOOGL)

Overview: As you can see so far with our Top 12 list, we want to trade the high fliers. Apple, Amazon, and now Google are 3 of the biggest market movers out there. We like to trade Google for many of the reasons mentioned in the first 2 names. It provides a product that everyone uses on a weekly if not daily basis. It is also a stock that likes to stay active in both directions. It's not uncommon to see big bullish and bearish trends develop throughout the year.

I talk to many retail traders on a regular basis that shy away from stocks like Amazon and Google due to the high prices of the stock. In fact, many retail traders will go to the cheap penny stocks thinking that's all they can afford. However, following the criteria that we teach our students it's entirely possible to trade these stocks with as little as a few hundred dollars of capital.

We are able to lower the cost of the trades through the use of vertical spreads. The credit spreads allow me to place trades on Google with as little as a few hundred dollars of capital. Not only does this drastically reduce the cost of the trades but the credit spreads also allow me to make money in 5 different scenarios. As a result, I typically see a much higher winner percentage when trading the credit spreads. They also allow me to make money in many types of market conditions.

I like to use a combination of debit and credit spreads but also a combination of monthly and weekly options as Google has good liquidity across many different expiration cycles.



Price Movement - GOOGL:



Options Liquidity - GOOGL:

Trade Grid

Option Chain

Filter: Off | Spread: Single | Layout: Delta, Open Interest, Volume, Probabil...

Strikes: 8

Expiry	Delta	Open Int.	Volume	Prob...	Last X	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Delta	Open Int.	Volume	Prob...	Last X
> 10 MAY 19 (4)	100 (Weeklys)															19.54% (+21.305)
> 17 MAY 19 (11)	100															19.58% (+33.402)
> 24 MAY 19 (18)	100 (Weeklys)															20.25% (+43.597)
	5	14	3	42.86%	26.28	25.50	26.90	24 MAY 19	1177.5	15.90	15.90	-4	4	1	57.31%	19.48
	5	60	41	44.71%	23.00	25.00	25.00	24 MAY 19	1180	16.50	16.80	-4	173	8	55.44%	14.90
	5	21	6	46.57%	21.00	22.00	22.00	24 MAY 19	1182.5	17.00	17.30	-4	18	6	53.53%	18.60
	5	48	42	48.47%	21.00	22.10	22.50	24 MAY 19	1185	18.40	19.00	-4	97	23	51.61%	20.00
	5	9	5	50.38%	19.50	20.70	21.10	24 MAY 19	1187.5	19.70	20.20	-4	14	15	49.64%	20.90
	4	49	14	52.31%	18.70	19.40	19.80	24 MAY 19	1190	20.90	21.30	-5	39	22	47.68%	23.20
	4	11	11	54.25%	18.80	18.20	18.50	24 MAY 19	1192.5	22.10	22.60	-5	3	1	45.70%	30.10
	4	56	4	56.19%	16.10	16.90	17.40	24 MAY 19	1195	23.40	23.90	-5	17	1	43.72%	22.70
> 31 MAY 19 (25)	100 (Weeklys)															20.11% (+50.71)
> 7 JUN 19 (32)	100 (Weeklys)															20.45% (+58.153)
> 14 JUN 19 (39)	100 (Weeklys)															20.88% (+64.792)
> 21 JUN 19 (46)	100															20.91% (+71.058)
	5	190	94	41.98%	43.20	44.30	45.10	21 JUN 19	1170	23.70	24.30	-4	490	49	58.23%	74.30
	5	163	33	44.26%	42.90	41.30	42.00	21 JUN 19	1175	25.60	26.30	-4	210	27	55.00%	25.10
	5	766	39	46.60%	40.40	38.40	39.20	21 JUN 19	1180	27.70	28.40	-4	708	63	53.53%	78.50
	5	305	115	48.93%	34.40	35.50	36.30	21 JUN 19	1185	20.00	20.40	-4	641	19	51.14%	31.50
	5	577	287	51.31%	32.10	32.90	33.60	21 JUN 19	1190	32.10	32.70	-4	613	35	48.77%	34.70
	4	182	27	53.70%	29.20	30.20	31.00	21 JUN 19	1195	24.50	25.30	-5	124	17	46.28%	32.80
	4	2,073	130	56.11%	27.10	27.70	28.40	21 JUN 19	1200	37.00	37.90	-5	1,891	35	43.83%	38.40
	4	354	2	58.50%	27.70	25.40	26.20	21 JUN 19	1205	39.70	40.60	-5	72	1	41.30%	41.10
> 19 JUL 19 (74)	100															21.14% (+90.916)
> 16 AUG 19 (102)	100															23.22% (+117.297)
> 20 SEP 19 (137)	100															23.40% (+137.102)
> 15 NOV 19 (193)	100															23.77% (+165.688)
> 20 DEC 19 (228)	100															23.78% (+178.099)
> 17 JAN 20 (258)	100															23.81% (+191.671)
> 20 MAR 20 (19)	100															23.93% (+215.692)

Both the weekly and monthly options have enough liquidity spread across many different strike prices. This will allow us to get in and out of trades quickly and at good prices.

4. Tesla (Symbol: TSLA)

Overview: Tesla has been one of my favorite stocks to trade over the last few years. It's hard to find a week over the last year where Tesla was not in the headlines. I am not a big fundamental trader, so I don't try and predict sales and future product lines. All I care about is whether a stock has good volatility and liquid options. Tesla has both of those and has led to big profits from trading it.

Like the first 3 names on the list, Tesla can seem expensive to some traders depending on account size. This is why I love to have a bigger options playbook to use. If we were just trading Tesla using long calls and puts it might be more difficult to keep the risk at a manageable level for small account sizes.

However, I do like to use a mix of options strategies. There will be times that I use long calls and puts but more often than not I use vertical spreads. We are able to lower the cost of the trades through the use of vertical spreads. The credit spreads allow me to place trades on Tesla with as little as a few hundred dollars of capital. Not only does this drastically reduce the cost of the trades but they also allow me to make money in 5 different scenarios. As a result, I typically see a much higher winner percentage when trading the credit spreads. They also allow me to make money in many types of market conditions.

I like to use a combination of debit and credit spreads. It can also be a combination of monthly and weekly options as Google has good liquidity across many different expiration cycles.



Price Movement:



Options Liquidity:

Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
TESLA INC COM	255.82	+8.0	255.75	255.82	4 x 1	7,560,710	250.02	258.3495	248.50

Option Chain	Delta	Open Int	Volume	Prob	Last X	Bid X	Ask X	Strike	Exp	Delta	Open Int	Volume	Prob	Last X
10 MAY 19 (4)	100	(Weeklys)												
17 MAY 19 (11)	100	(Weeklys)												
24 MAY 19 (18)	100	(Weeklys)												
31 MAY 19 (25)	100	(Weeklys)												
7 JUN 19 (32)	100	(Weeklys)												
14 JUN 19 (39)	100	(Weeklys)												
21 JUN 19 (46)	100	(Weeklys)												
28 JUN 19 (53)	100	(Weeklys)												
5 JUL 19 (60)	100	(Weeklys)												
12 JUL 19 (67)	100	(Weeklys)												
19 JUL 19 (74)	100	(Weeklys)												
26 JUL 19 (81)	100	(Weeklys)												
2 AUG 19 (88)	100	(Weeklys)												
9 AUG 19 (95)	100	(Weeklys)												
16 AUG 19 (102)	100	(Weeklys)												
20 SEP 19 (137)	100	(Monthlys)												
18 OCT 19 (165)	100	(Monthlys)												
15 NOV 19 (193)	100	(Monthlys)												
20 DEC 19 (228)	100	(Monthlys)												
17 JAN 20 (260)	100	(Monthlys)												

Tesla has plenty of volume and open interest in the weekly and monthly options spread across many different strike prices. This will allow us to get in and out of trades quickly and at good prices.

5. Twitter (Symbol: TWTR)

Overview: With social media being a big part of the daily lives of so many people these days, it's important to have access to a social media stock on our watch list. Most traders will lean towards using Facebook stock for their trading. I actually like to trade Facebook stock, but Twitter is the stock that is quickly passing Facebook as my preferred social media stock.

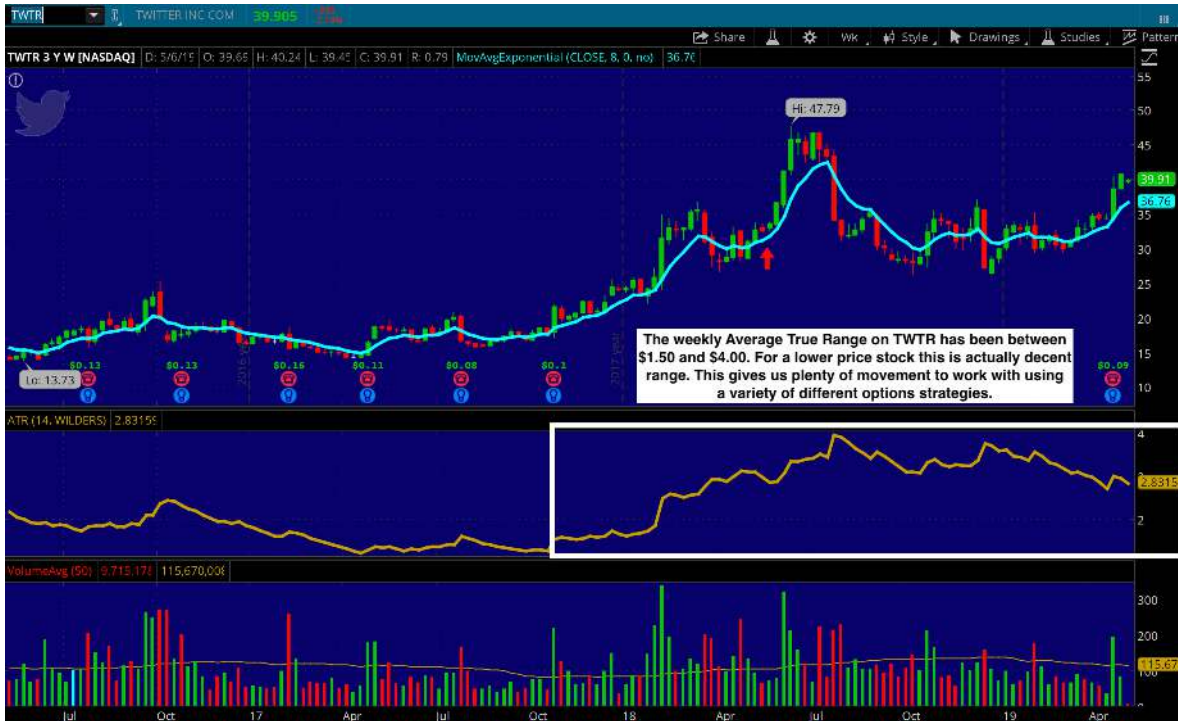
There are a few features that I like about Twitter. First, it's a lower price stock making it more tradeable for a bigger range of account sizes. It does offer weekly and monthly options which are very liquid. Due to the lower cost of the stock, the options have very attractive strike prices. It's not uncommon to see \$.50 - \$1.00 wide strike prices. When you have these types of strike prices, it makes it easier to structure trades especially if using vertical spreads.

I will use a wide range of options strategies on Twitter. There are times I will place a pure directional trade using long calls and puts and other times I will use vertical spreads. We are able to lower the cost of the trades through the use of vertical spreads.

The credit spreads allow me to place trades on Twitter with as little as a \$60 of capital. Not only does this drastically reduce the cost of the trades but they also allow me to make money in 5 different scenarios. As a result, I typically see a much higher winner percentage when trading the credit spreads. They also allow me to make money in many types of market conditions.



Price Movement:



Options Liquidity:

Trade Grid

Option Chain

Expiration	Delta	Open Int.	Volume	Prob.	Last X	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Delta	Open Int.	Volume	Prob.	Last X
10 MAY 19 (4)																36.93% (-1.354)
17 MAY 19 (11)																37.24% (-2.138)
24 MAY 19 (18)																38.11% (-2.763)
	.7	58	21	29.60%	2.44 C	2.51 Z	2.55 Q	24 MAY 19	38	.55 H	.55 H	-.26	77	13	70.70%	58 Q
	.6	55	6	34.85%	2.44 C	2.44 C	2.44 C	24 MAY 19	39.5	.90 H	.90 H	-.32	217	27	65.43%	69 Q
	.6	452	57	40.46%	2.06 C	1.84 W	1.87 Z	24 MAY 19	39	.87 H	.91 M	-.37	101	21	56.74%	82 B
	.5	333	10	48.32%	1.54 I	1.54 Z	1.54 Z	24 MAY 19	39.5	1.09 Z	1.11 M	-.43	89	89	52.73%	115 Q
	.5	2,000	217	52.30%	1.23 A	1.26 Z	1.32 H	24 MAY 19	40	1.22 Z	1.35 H	-.46	288	241	47.72%	138 C
	.4	111	279	58.23%	1.04 X	1.05 W	1.08 H	24 MAY 19	40.5	1.59 W	1.61 N	-.55	33	10	41.71%	1.60 A
	.3	1,602	103	63.07%	.84 X	.85 Z	.85 W	24 MAY 19	41	1.80 Z	1.92 W	-.6	60	10	35.91%	1.90 H
	.3	520	331	69.31%	.65 Z	.68 M	.72 X	24 MAY 19	41.5	2.19 M	2.26 C	-.67	106	16	30.32%	2.14 C
31 MAY 19 (25)																37.03% (-3.147)
7 JUN 19 (32)																36.28% (-3.478)
14 JUN 19 (39)																36.07% (-3.812)
21 JUN 19 (46)																38.44% (-4.412)
	.7	2,975	78	74.80%	4.60 P	4.65 H	4.75 M	21 JUN 19	36	.67 W	.69 P	-.20	1,487	11	75.47%	66 F
	.7	5,517	78	30.94%	3.89 C	3.90 C	4.00 X	21 JUN 19	37	.91 H	.92 P	-.26	2,292	105	58.42%	93 C
	.6	3,122	37	37.63%	3.25 Z	3.20 X	3.30 M	21 JUN 19	38	1.22 P	1.23 P	-.33	1,957	146	62.51%	1.24 I
	.6	5,438	177	44.99%	2.80 Q	2.83 Q	2.85 Z	21 JUN 19	39	1.60 Z	1.61 P	-.40	1,503	127	55.14%	1.63 I
	.5	26,989	2,265	52.52%	2.11 M	2.11 N	2.12 H	21 JUN 19	40	2.06 Q	2.06 H	-.47	5,034	315	47.52%	2.05 I
	.4	2,454	410	59.81%	1.67 H	1.69 P	1.66 Z	21 JUN 19	41	2.61 P	2.63 Q	-.55	684	31	40.04%	2.68 I
	.3	6,345	674	66.85%	1.28 N	1.28 P	1.29 Z	21 JUN 19	42	3.20 C	3.30 X	-.62	263	98	33.03%	3.15 Q
	.3	3,123	699	73.11%	.98 X	.98 W	.99 P	21 JUN 19	43	3.90 X	4.00 X	-.69	180	4	26.70%	3.90 C
20 SEP 19 (137)																45.90% (-9.222)
20 DEC 19 (228)																45.95% (-12.109)
17 JAN 20 (256)																46.66% (-13.118)
15 JAN 21 (620)																43.61% (-20.192)

Today's Options Statistics

6. Netflix (Symbol: NFLX)

Overview: With cable cord cutters picking up steam by the week, I like to have access to other media companies. Netflix is taking over the media-services industry with the numbers of subscribers exploding over the last number of years.

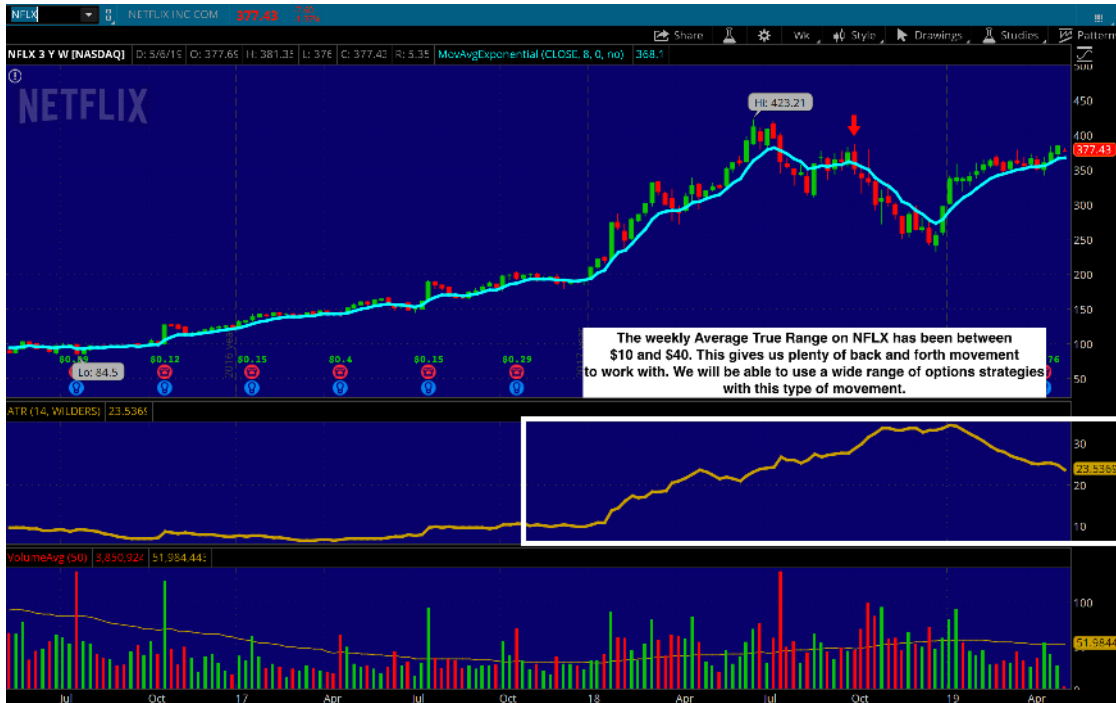
As a trading vehicle, Netflix is towards the top of my list of favorites. Like many of the other tech names, it has a history of big price movement back and forth. As an options trader, I don't mind if stocks trend in one direction or the other. However, I much prefer stocks that show volatility over time. Netflix is one of those stocks that doesn't like to stay quiet for long which makes it attractive to active traders.

Not only is the stock active in both directions, but it also has great liquidity in its options. Both the weekly and the monthly options provide opportunity on a regular basis. In fact, I use a combination of the weekly and monthly options to take advantage of the short term moves back and forth.

I do like to use a combination of debit and credit spreads on Netflix. We are able to lower the cost of the trades through the use of vertical spreads. The credit spreads allow me to place trades on Netflix with as little as a few hundred dollars of capital. Not only does this drastically reduce the cost of the trades but they also allow me to make money in 5 different scenarios. As a result, I typically see a much higher winner percentage when trading the credit spreads. They also allow me to make money in many types of market conditions.



Price Movement:



Options Liquidity:

Options Chain for NFLX (Calls):

Expiration	Delta	Open Int.	Volume	Prob.	Last X	Bid X	Ask X	Strike	Bid X	Ask X	Delta	Open Int.	Volume	Prob.	Last X
> 10 MAY 19 (4)															
> 17 MAY 19 (11)															
> 24 MAY 19 (18)															
48	79	12	37.12%	17.10 A	16.65 Z	16.90 Z	24 MAY 19	367.5	6.50 Z	6.65 Z	-3	140	41	61.05%	6.55 Z
49	131	3	40.48%	16.78 P	15.00 Z	15.25 Y	24 MAY 19	370	7.40 C	7.50 Z	-3	232	105	58.67%	7.50 Q
50	67	19	44.01%	15.70 Z	13.50 Z	13.70 Z	24 MAY 19	372.5	8.35 W	8.50 P	4	8	9	50.06%	8.45 Q
55	229	100	47.61%	12.25 W	12.05 Z	12.25 Z	24 MAY 19	375	9.40 Z	9.55 Z	4	106	173	52.43%	9.50 N
52	358	56	51.27%	10.85 A	10.70 Z	10.85 H	24 MAY 19	377.5	10.50 Z	10.70 Z	4	58	40	46.74%	10.65 N
46	341	301	54.97%	9.57 C	9.45 N	9.60 Z	24 MAY 19	380	11.70 Z	11.95 Z	5	162	29	45.02%	11.40 N
44	71	68	58.66%	8.80 Q	8.25 C	8.45 Z	24 MAY 19	382.5	13.10 Z	13.25 N	5	76	12	41.29%	12.60 N
40	456	43	62.32%	7.33 I	7.20 Z	7.30 Z	24 MAY 19	385	14.50 Z	14.70 Z	6	61	119	37.61%	14.20 Z
> 31 MAY 19 (25)															
> 7 JUN 19 (32)															
> 14 JUN 19 (39)															
> 21 JUN 19 (46)															
48	3080	120	36.50%	28.25 C	28.30 Z	28.25 P	21 JUN 19	360	10.00 P	10.10 P	-3	2297	190	63.70%	10.10 S
49	1541	18	40.05%	25.30 Z	25.05 I	25.25 P	21 JUN 19	365	11.60 P	11.80 P	-3	89	103	59.53%	11.25 P
46	3975	179	44.97%	22.20 X	21.90 W	22.20 M	21 JUN 19	370	13.50 F	13.70 P	4	3139	76	55.17%	13.50 Q
55	1360	84	49.38%	19.85 C	19.10 C	19.45 Z	21 JUN 19	375	15.70 H	15.90 P	4	1278	633	50.66%	15.80 C
51	6871	699	53.89%	16.50 Q	16.40 C	16.60 Q	21 JUN 19	380	18.00 P	18.20 P	4	3760	473	46.12%	18.20 Z
49	2286	296	58.40%	14.30 Z	14.00 Q	14.30 Z	21 JUN 19	385	20.60 P	20.85 M	5	1400	30	41.50%	19.50 Q
47	3829	277	62.86%	11.90 P	11.90 Z	12.00 Z	21 JUN 19	390	23.40 A	23.70 E	5	69	29	37.05%	23.30 Q
37	850	78	67.21%	10.00 C	9.95 P	10.00 Z	21 JUN 19	395	26.50 N	26.75 F	6	114	14	32.68%	26.80 N
> 19 JUL 19 (74)															
> 16 AUG 19 (102)															
> 20 SEP 19 (137)															
> 18 OCT 19 (165)															
> 20 DEC 19 (228)															
> 17 JAN 20 (256)															
> 19 JUN 21 (10)															

Both the weekly and monthly NFLX options have good volume and open interest spread across many different strike prices. This makes it easy for us to use many different options strategies. It also makes it easy to get in and out of trades quickly and at good prices.

7. Nvidia (Symbol: NVDA)

Overview: The semiconductor stocks have been a huge driver of market movement for years now. I don't see that changing anytime soon. With so much of the world dependent on technology for every area of daily life, the semiconductor sector is an area that we need to take advantage of as traders. There are many different routes we could go here. I have traded AMD and NVDA with really nice success. However, my preferred name is NVDA.

Certainly, it is one of the bigger names in the space and that helps us out as options traders. With liquidity being so important to us, we need to go where the action is at. You have probably noticed at this point in the list that I like to focus on stocks that give us flexibility. I want to trade stocks that have both weekly and monthly options. This allows to take both shorter-term scalp trades as well as longer term swing trades if we want to.

I will use a mix of different options strategies. This includes long calls and puts, debit spreads, and credit spreads. Having this flexibility allows me to react to different types of market conditions. While we all love to see the explosive returns that long calls and puts can provide, we also know the market isn't always going to be making those big directional moves. Mixing in the vertical spreads can provide a great source of consistent income even in slower markets.



Price Movement:



Options Liquidity:

Options Chain for NVDA (Underlying: NVDA, Price: 178.07, Bid: 178.04, Ask: 178.05, Volume: 7,108,884)

Expiration	Strike	Delta	Open Int.	Volume	Last X	Bid X	Ask X	Delta	Open Int.	Volume	Last X
10 MAY 19 (4)	100 (Weekly)										
	17 MAY 19 (7)										
	24 MAY 19 (18)										
	31 MAY 19 (25)										
	7 JUN 19 (32)										
21 JUN 19 (40)	100 (Weekly)										
	105 (Weekly)										
	110 (Weekly)										
	115 (Weekly)										
	120 (Weekly)										
19 JUL 19 (74)	100 (Weekly)										
	105 (Weekly)										
	110 (Weekly)										
	115 (Weekly)										
	120 (Weekly)										

NVDA has plenty of volume and open interest in both the weekly and monthly options. The liquidity is also spread across many different strike prices. This makes it easy to get in and out of trades quickly and at good prices.

8. Microsoft (Symbol: MSFT)

Overview: It's easy as traders to get so focused on the new sexy stock that starts trading. Or focus on the volatile names like TSLA and NFLX that seem to be all over the news on a weekly basis. As a result, it can be easy to overlook the mainstays like Microsoft. If you are a long-term investor Microsoft can be that Old Faithful name that continues to produce returns over many years.

However, MSFT can also be a great vehicle for active traders as well. I have found that some of these bigger names (MSFT is approaching a 1 trillion-dollar market cap) can provide really nice opportunities for longer term swing trades. This can be attractive if you have a busy schedule and can only check your charts 1-2 times each day. When trading MSFT it can certainly feel like a set it and forget it approach. Get your trades on and just let the stock do its thing.

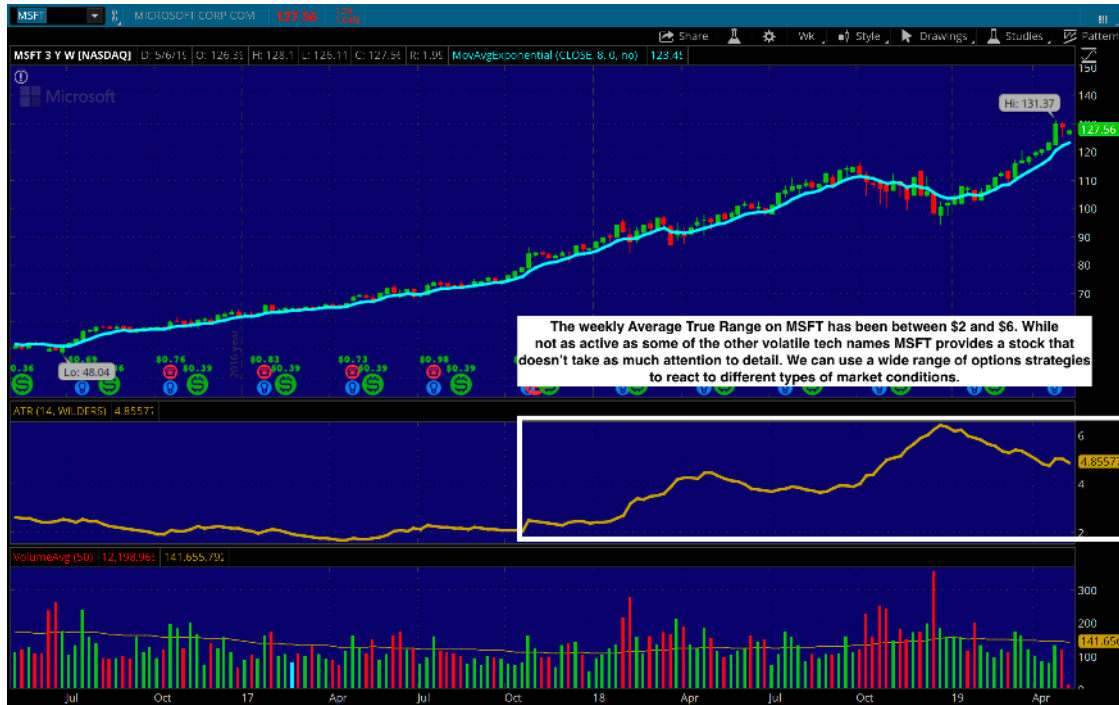
The key with MSFT is to temper your expectations. You won't see the volatile moves like you will see on NFLX and AMZN. However, as a trader that likes to layer in diversification MSFT can be a great complement to some of the other active names on our list.

I will use a mix of different options strategies. This includes long calls and puts, debit spreads, and credit spreads. Having this flexibility allows me to react to different types of market conditions. While we all love to see the explosive returns that long calls and puts can provide, we also know the market isn't always going to be making those big directional moves. Mixing in the vertical spreads can provide a great source of consistent income even in slower markets.

While I will use a combination of weekly and monthly options, I tend to use far more monthly options on MSFT.



Price Movement:



Options Liquidity:

Both the weekly and monthly options on MSFT have good volume and open interest. This makes it an easy product to get in and out of trades on quickly and at good prices. This is really ideal if you like to trade vertical spreads especially credit spreads.

Delta	Open Int.	Volume	prob...	Last X	Bid X	Ask X	exp.	Strike	Bid X	Ask X	Delta	Open Int.	Volume	prob...	Last X	
74	333	19	26.37%	4.76 C	4.35 C	4.45 C	24 MAY 19	124	1.05M	1.13 X	-26	256	34	70.67%	1.12 Q	
69	988	79	32.33%	3.80 Z	3.60 A	3.70 M	24 MAY 19	125	1.38M	1.40 W	-33	354	403	65.13%	1.33 P	
64	253	112	39.35%	2.95 S	2.87 S	2.93 S	24 MAY 19	126	1.15M	1.23 W	-39	2,952	88	59.18%	1.72 Z	
59	1,036	1,208	46.56%	2.05 I	2.37 C	2.41 M	24 MAY 19	127	2.15 H	2.16 H	-49	296	44	52.76%	1.94 C	
47	771	866	54.15%	1.91 F	1.87 W	1.88 Z	24 MAY 19	128	2.62 H	2.66 W	-59	99	69	26.75%	2.58 S	
40	1,030	330	61.70%	1.43 M	1.41 A	1.44 Z	24 MAY 19	129	3.15 X	3.25 X	-68	100	35	36.71%	3.10 F	
33	1,512	262	68.86%	1.08 Z	1.05 H	1.08 M	24 MAY 19	130	3.80 X	3.90 C	-69	171	32	33.66%	3.51 X	
24	692	71	75.36%	.79 I	.77 H	.79 M	24 MAY 19	131	4.55 C	4.69 C	-78	26	21	28.28%	4.52 Z	
19	26,577	71	4.78%	17.82 C	17.70 C	17.85 X	21 JUN 19	110	32 H	.33 H	-06	20,151	192	92.91%	30 S	
91	19,123	229	10.43%	13.01 I	13.00 M	13.10 A	21 JUN 19	115	.61 H	.62 H	-11	13,856	1,698	87.30%	10 I	
81	35,156	248	21.24%	8.70 Q	8.60 C	8.70 M	21 JUN 19	120	1.21 Z	1.22 P	-21	8,059	1,987	77.06%	1.21 I	
63	52,075	1,263	39.34%	4.88 M	4.80 W	4.95 I	21 JUN 19	125	2.47 Q	2.48 I	-37	40,532	1,170	59.95%	2.47 M	
40	18,596	4,110	62.36%	2.27 N	2.27 Z	2.28 S	21 JUN 19	130	4.80 A	4.90 X	-59	4,948	245	38.24%	4.75 M	
20	18,239	2,496	82.14%	.85 W	.84 H	.85 N	21 JUN 19	135	8.45 W	8.50 W	-78	292	61	20.32%	8.30 Q	
08	11,546	883	95.15%	.28 N	.27 W	.28 Z	21 JUN 19	140	17.95 Q	18.05 W	-87	245	5	11.54%	17.95 Q	
02	3,776	75	97.45%	.10 W	.09 N	.10 I	21 JUN 19	145	17.85 Q	17.95 Q	-89	73	0	8.56%	15.15 Q	
19	19 JUL 19	(74)	100												22.50%	(110.587)
20	20 SEP 19	(137)	100												21.23%	(114.623)
18	18 OCT 19	(165)	100												23.07%	(115.939)
17	17 JAN 20	(256)	100												24.07%	(120.825)
19	19 JUN 20	(410)	100												24.73%	(127.383)
18	18 SEP 20	(501)	100												24.85%	(130.496)
15	15 JAN 21	(720)	100												25.67%	(135.463)

9. Lyft (Symbol: LYFT)

Overview: I tend to be a trader that is very slow to change. When new stocks IPO, I don't like to add those stocks to my watch list right away. One of the few exceptions to that approach is Lyft. As soon as Lyft started offering options, I started to trade it.

With ride sharing apps becoming more popular by the day I want to make sure I have access to this area. For the time being I am trading Lyft but would also consider adding Uber once it starts trading.

I see Lyft trading similar to how Facebook traded early on. Is it overvalued for a company that is not profitable? Yes, it is. However, as a trader that is looking to take trades for a few days on out to a few weeks I'm not concerned with long term fundamentals.

As we have talked about a few times already, we want to be where the action is at. The liquidity in Lyft options has been really good so far since it started trading. I'm not necessarily looking for big directional moves on Lyft, as there is just not enough historical price action to know what a typical trading range will look like. This is a stock that I will be open to using both long calls and puts as well as credit spreads. Collecting premium and benefiting from time decay will give us a good winning percentage long term and will also provide more consistency in our results across many different types of market conditions.

I am also open to using weekly and monthly options when trading LYFT. However, I have found myself using more monthly options at this point due to the monthly options having better volume and open interest.



Price Movement:



Options Liquidity:

LYFT LYFT INC COM CL A 60.43 1.1% 1.43% 1.7M NASDAQ +5.227

Delta	Open Int.	Volume	Prob...	Last X	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Delta	Open Int.	Volume	Prob...	Last X
>	10	100	(Weeklys)				24 MAY 19	98.5	3.00 X	3.20 M	-58	38	5	54.28%	3.10 P
>	17	100	(Weeklys)				24 MAY 19	59	3.90 M	3.55 Z	-6	11	0	52.16%	6.20 C
>	24	100	(Weeklys)				24 MAY 19	29.5	3.30 X	3.50 Z	-62	25	4	30.31%	3.60 Z
>	31	100	(Weeklys)				24 MAY 19	60	3.80 Z	4.30 Z	-62	238	27	48.37%	3.90 N
>	7	100	(Weeklys)				24 MAY 19	61	4.30 M	4.80 X	-62	48	5	44.36%	4.50 Z
>	14	100	(Weeklys)				24 MAY 19	62	4.80 X	5.10 Z	-52	49	3	40.83%	5.00 N
>	21	100	(Weeklys)				24 MAY 19	69	5.30 X	5.70 Z	-58	55	5	37.20%	5.30 N
>	28	100	(Weeklys)				24 MAY 19	69	5.80 X	6.20 Z	-60	55	5	33.87%	6.05 C
>	31	100	(Weeklys)				24 MAY 19				-60	55	5	33.87%	6.05 C
>	7	100	(Weeklys)				21 JUN 19	57.5	3.80 X	4.15 X	-63	323	81	54.56%	4.10 Z
>	14	100	(Weeklys)				21 JUN 19	60	3.30 X	3.65 Z	-64	567	98	47.10%	5.15 F
>	21	100	(Weeklys)				21 JUN 19	62.5	4.40 X	4.75 M	-65	91	5	40.08%	6.30 C
>	28	100	(Weeklys)				21 JUN 19	65	4.90 X	5.25 M	-65	1,329	6	33.65%	8.15 F
>	7	100	(Weeklys)				21 JUN 19	67.5	9.80 X	10.30 X	-6	38	1	28.13%	9.90 F
>	14	100	(Weeklys)				21 JUN 19	70	11.80 X	12.20 X	-8	560	0	23.13%	11.81 F
>	19	100	(Weeklys)				21 JUN 19				-8				
>	18	100	(Weeklys)				18 OCT 19				-8				
>	17	100	(Weeklys)				17 JAN 20				-8				
>	15	100	(Weeklys)				15 JAN 21				-8				

Both the weekly and monthly options have decent liquidity considering it's a new stock. I haven't had any issues getting filled on LYFT positions. You have to be a little nimble with price but I have not had any issues using a variety of different options strategies.

10. Costco (Symbol: COST)

Overview: When you hear people talk about trading the Nasdaq stocks it's natural to think the Nasdaq is all about tech sector. While the tech names are a big part of our Nasdaq Superstars list, it's not the only area of focus.

I like to mix up the stocks that I'm trading as much as possible to make sure I have a diversified list of products that covers many different sectors and price points. One of the names that gives me that diversification is Costco. It gives me a retail stock on my list that is very different than the names that we have covered so far on our Superstars list.

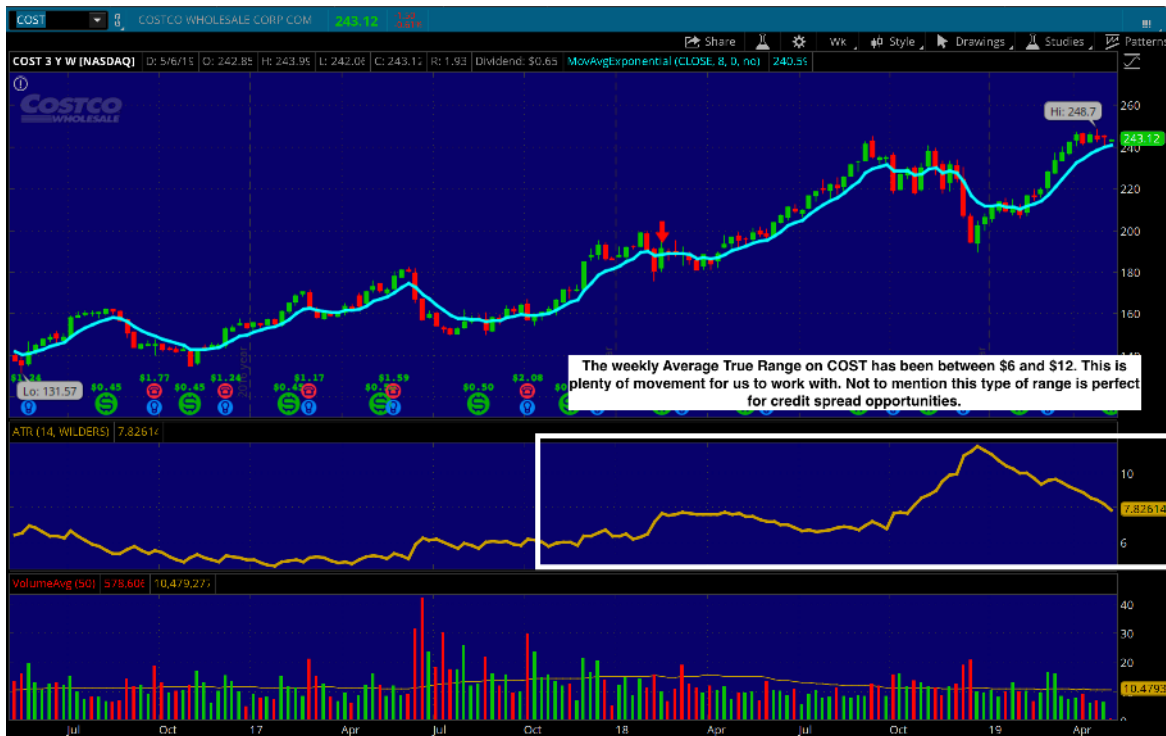
Costco will never be that volatile name like AMZN or GOOGL. However, what it does offer us is a name that does like to trend. I like to trade COST for many of the same reasons that we talked about on MSFT. It gives me a stock that I can stay active with in just minutes each day. I don't have to worry about babysitting this one like some of the other names on our list.

I do like to use a wide range of different options strategies when trading COST. I prefer trading it using credit spreads but that doesn't mean I'm opposed to using long calls and puts or debit spreads as well. I like to stay open to taking what the market is giving us.

Using a combination of weekly and monthly options has worked really well over the last 2 years.



Price Movement:



Options Liquidity:

The monthly options have better liquidity than the weekly options on COST. I tend to trade more monthly options. COST is perfect for selling premium as it likes to trend for longer stretches of time when compared to some of the volatile tech names.

Expiration	Strike	Delta	Open Interest	Volume	Last Price
10 MAY 19	100	0.2040	24,558	137	242.85
17 MAY 19	100	0.1905	16,658	104	243.12
24 MAY 19	100	0.1838	8,083	111	243.95
31 MAY 19	100	0.2398	112,984	1,009	242.06
7 JUN 19	100	0.2309	113,457	389	243.12
14 JUN 19	100	0.2305	114,286	277	243.12
21 JUN 19	100	0.2226	115,474	575	243.12
19 JUL 19	100	0.2037	117,945	176	243.12
18 OCT 19	100	0.2031	127,525	9	243.12
17 JAN 20	100	0.2190	136,046	27	243.12
19 JUN 20	100	0.2130	143,894	1	243.12
15 JAN 21	100	0.2254	158,702	37	243.12

11. PayPal (Symbol: PYPL)

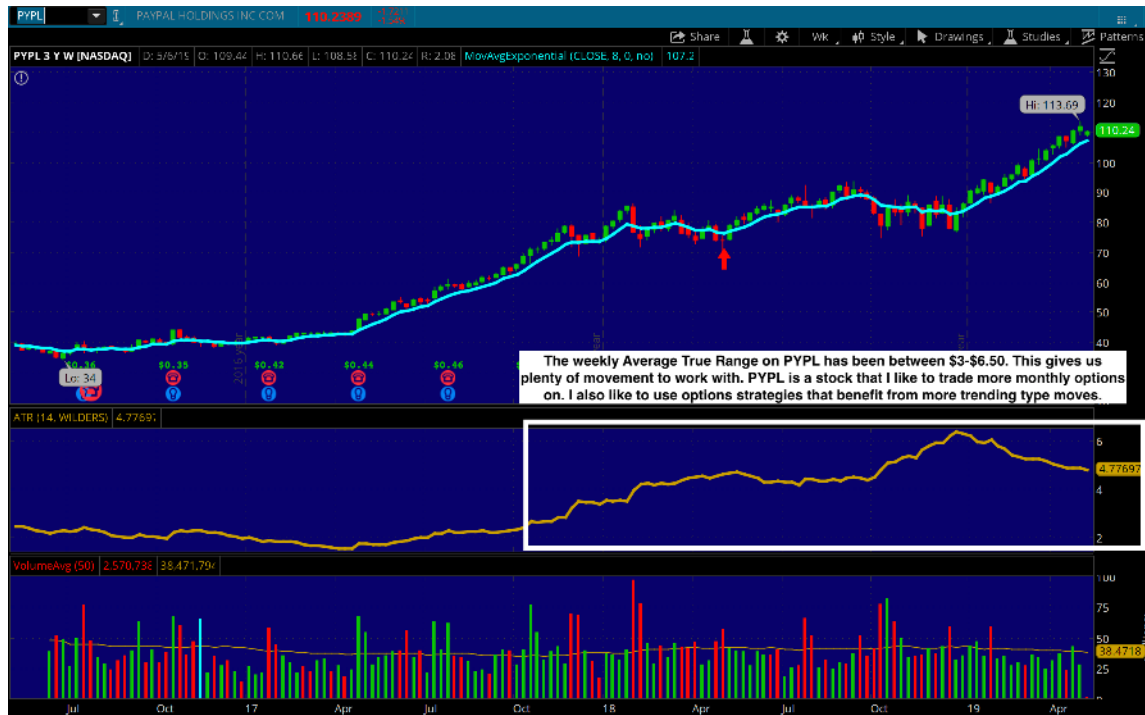
Overview: With online payment processing such a big part of any business, it's no surprise that payment processors like PayPal have taken off. While it might seem like many of our names are correlated on our Superstars list, you will notice that we do have different areas of focus.

PayPal gives us a stock that has exposure to the tech sector but at the same time is different enough that it provides another layer of diversification. With so many of our names having higher stock prices, it's good to have another lower priced stock that we can use on the list.

I do use a mix of different options strategies on PayPal. I do trade a lot of long calls and puts but also a fair amount of credit spreads as well. It's also nice that PayPal is another product that gives us flexibility with monthly and weekly options available.



Price Movement:



Options Liquidity:

Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
PYPL	110.19	-1.77	110.15	110.20	3 x 4	2,603,835	109.44	110.65	108.56

Option Chain	Filter	Spread	Layout	Delta	Open Interest	Volume	Probabil...	Last X
10 MAY 19 (4)	100 (Weekly)							26.60% (12.693)
17 MAY 19 (11)	100							25.44% (14.931)
24 MAY 19 (18)	100 (Weekly)							24.94% (14.987)
31 MAY 19 (25)	100 (Weekly)							24.16% (15.659)
7 JUN 19 (32)	100 (Weekly)							24.14% (16.377)
14 JUN 19 (39)	100 (Weekly)							22.73% (15.615)
21 JUN 19 (46)	100							25.41% (18.025)

Strike	Bid X	Ask X	Delta	Open Int.	Volume	Probabil...	Last X
107	1.06 Z	1.13 Z	0.35	64	35	69.84%	1.18 N
109	1.67 M	1.76 Z	-0.40	112	27	64.16%	1.46 Z
110	2.08 F	2.17 Z	-0.44	66	7	51.19%	2.22 C
111	2.58 Z	2.65 Z	-0.51	74	22	64.20%	2.72 Z
112	3.11 F	3.20 Z	-0.56	11	6	37.12%	3.13 Z
113	3.71 M	3.85 C	-0.63	46	0	30.27%	2.70 I
114	4.40 M	4.55 Z	-0.73	80	0	23.90%	4.86 C

The monthly options have better volume and open interest than the weeklys. I tend to trade more monthly options on PYPL to take advantage of the better liquidity. I like to use a variety of different options strategies including a large number of credit spreads.

12. Nasdaq ETF (Symbol: QQQ)

Overview: 11 out of the 12 names on our Nasdaq Superstars list are individual stocks. The last one on our list is actually the Nasdaq ETF (Symbol: QQQ). I love to trade the individual stocks with this watch list as I want to trade where the action is at. The individual stocks on our list don't tend to stay quiet for very long which is exactly what we are looking for.

However, there are times where I would rather be in an ETF as it provides me instant diversification. QQQ is one of the most liquid products in the world on a daily basis. The volume and open interest make QQQ one of the easiest names on our list to get in and out of trades quickly and at good prices.

I also find it very beneficial to have an ETF on the list during earnings season when I don't like to trade individual stocks as much. Or around different holidays when price action can get a little less predictable.

QQQ gives us the ability to trade weekly and monthly options with no problem. It also allows to use any type of options strategy. I will use long calls and puts as well as vertical spreads (both debit and credit spreads) depending on market conditions.



Price Movement:



Options Liquidity:

QQQ | INVSQO QQQ TRUST UNIT SER 1 ETF | 188.74 | 1.11% | 2.1437 | 2.3524 | ETP | 11.19 | EXTO Eligible

Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
QQQ	188.74 K	-0.37	188.71 N	188.74 Q	37 x 6	24,378,335	187.1C	189.45	186.76

Option Chain	Delta	Open Int.	Volume	Last X	Bid X	Ask X	Strike	Bid X	Ask X	Delta	Open Int.	Volume	Last X
> 10 MAY 19 (4)		90(Weekly)											20.81% (+3.809)
> 17 MAY 19 (11)		100											20.13% (+3.452)
> 24 MAY 19 (18)		100(Weekly)											19.63% (+6.727)
> 31 MAY 19 (25)		100(Weekly)											18.72% (+7.507)
> 7 JUN 19 (32)		100(Weekly)											18.38% (+8.311)
> 14 JUN 19 (39)		100(Weekly)											18.09% (+9.056)
> 21 JUN 19 (46)		100(Weekly)											19.15% (+10.365)
> 28 JUN 19 (53)		100(Quarterlys)											19.36% (+11.218)
> 15 JUL 19 (74)		100											19.37% (+13.242)
> 16 AUG 19 (102)		100											19.88% (+15.785)
> 20 SEP 19 (137)		100											19.79% (+18.405)
> 30 SEP 19 (167)		100(Quarterlys)											19.65% (+18.951)
> 20 DEC 19 (228)		100											19.65% (+23.623)
> 31 DEC 19 (299)		100(Quarterlys)											19.57% (+23.844)

QQQ is one of the most liquid products in the world on a daily basis. You can trade weekly and monthly options with no problem. I also like to trade QQQ using any options strategy in our playbook. This allows us to react to many types of markets.

How do we trade these Nasdaq Superstars?

Now that we have covered our favorite Nasdaq stocks to trade, the next logical question becomes how do we know which type of options trade to take? As I mentioned in the watch list outline, I like to use a variety of different options strategies when trading these stocks. Options give us tremendous flexibility to control our risk in many types of market conditions.

If you are just starting out with options, there is nothing wrong with sticking to long calls and long puts only. They will give you big profit potential while also limiting your risk. The problem with this approach is trading long calls and puts only allows you to make money if a stock makes a big move in your favor and it does so quickly. If the move isn't big enough or doesn't happen fast enough then you will not make money.

“Options give us tremendous flexibility to control our risk in many types of market conditions.”

We all know markets don't always make the big quick moves like we want them to. So, we really need to make sure our options strategy playbook includes other trade types that will allow us to make money in different types of market conditions. This is where the vertical spreads come in. Even if you are newer to trading options, it should be a goal to add the vertical spreads to your toolbox as quickly as possible.

Following our vertical spread criteria for a debit spread, you will often times see a 30-50% cost savings when compare to buying a long call or put. When using a credit spread you can cut the cost of the trade down to a few hundred dollars or less. The credit spreads will also produce much higher winning percentages as they give you 5 different ways of making money on each trade.

While this eBook is not designed to be a comprehensive options training course, I do want to leave you with an options playbook that you can use to guide you on how to structure each one of these trade types.

Let's take a look at the criteria that we use for long calls and puts, debit spreads, and credit spreads.

Long Call and Long Put Criteria

Step 1: Wait for our system to produce a valid setup that fits our trade plan.

This is true whether you are using any one of the NetPicks trading systems or if you've got your own system in place. While this seems very basic, it is a big road block that many traders run into. They start placing trades without a plan of attack. We don't want to trade off emotion. I can't buy a call option unless the system gives me an actual setup. I've got to have the entry point, the targets, and the stop right there on the chart in real time. Otherwise, I can't go ahead and enter the position.

Step 2: Make sure the options on the stock have an open interest of at least 30x the number of contracts that you're looking to trade.

I've put 30x in here as our minimum requirement. However, I'd like to have that number closer to 100x. What I'm saying is if I'm looking to trade 10 contracts, I want to have at least 300 contracts of open interest.

If the options don't meet that criteria and I try to get filled on 10 contracts, it's going to be very difficult for me to execute the trade. The higher the volume and open interest, the easier it will be to execute the trade quickly and at good prices.

Step 3: Make sure we have target and exit points before entering the position.

This step is very similar to step one that we just discussed. If we don't have these levels in place, it's too easy to act off emotion. If we buy a call option and if we don't have a target or a stop in place, the minute that the trade starts to move against us, it's going to be instinct to just get out right away. I don't know too many traders that are very good at trading off emotion. The nice part about NetPicks is you've got systems in place that do give you the targets and the stops ahead of time. That takes a lot of the guesswork out of the equation and it allows us to have a rule set in place that we can stay disciplined to.

The only time I will exit out of a trade is when a target or stop level is touched on the chart. Until that happens, I must stay patient and trust the odds that the system will give us.

Step 4: Form an opinion on how long we feel the move in the stock is going to take.

With most of the NetPicks systems, our typical holding time is three to five days. The reason this is important is we want to make sure that there's enough time left before expiration for that stock move to happen in our favor.

Now, how do I do that?

When determining how much time we expect the stock move to take, we can use a few key tools. First, we like to use the same watch list over time as it will allow us to get familiar with how those products trade. I've traded names like Apple, Facebook, and SPY for years. I also like to keep a detailed trade journal where I document all the trades that I take. This allows me to track stats like P/L and average holding time. This can be beneficial when deciding which stocks and ETF's are moving well and also when deciding how long I expect a trade to take. I have a trade journal of literally hundreds of trades from each stock and ETF on my watch list. It's very easy for me to go back and see what my average holding time been on Apple or Facebook.

If you haven't traded those products or maybe you're newer to our systems, how do you get those numbers? You need a starting point. This is where your back test comes into play. It's crucial to go back and test the last three, four, or five months to look at the system trades to get a feel for the key statistics that we mentioned a few moments ago. We want to know our winning %, P/L, and average holding time. These can be very beneficial statistics to have when structuring your trade.

What you don't want to do is take a trade on a stock or ETF on our list with a weekly option when it has an average holding time of two weeks. That approach doesn't match up. You might like that weekly option with only four days left because it's cheap. The problem is it's cheap for a reason. There just isn't much time left before expiration. You're not going to have enough time for that trade to work out in your favor based on how that product trades historically.

Step 5: Make sure the options being traded have at least 2x the expected holding time left before expiration.

We then take our average holding time and make sure we have at least two times that expected holding time left before expiration. For example, if I know that my average holding time is three to five days, I want to make sure I have at least six to 10 days left to expiration on any option that I trade. I want to give myself a little bit of a cushion in case we get an outlier mover where the trade takes longer than anticipated. I might have a trade that completes in 24 hours or I might have a trade that takes three weeks. You don't know when you're going to get that outlier move so it's good to have a little buffer in there so the time decay doesn't hurt us too badly.

Step 6: Determine which option strike price is best for our trade.

In the training room, we really simplify Step 6. In most cases, we are going to be using the options that are 1-2 strikes In the Money. We can also use the Delta to identify the best option to take the trade with. We're looking for the option with a Delta between 0.6 and 0.65.

The benefit of going farther In the Money is we can start to limit the effect of the time decay. The Gamma is also not as significant the farther In the Money that we go. This way, we start to build in a few layers of safety. We can use the options pricing model that we talked about earlier to put better odds in our favor.

Why do I say one or two strikes In the Money? We will look at an example in just a second. The reason is to leave a little wiggle room there to account for liquidity. We want to make sure the option we are trading meets the criteria outlined in Step 2.

When deciding whether to go one or two strikes In the Money, in the grand scheme of things, it's not going to have a big impact on the P&L if you decide to go with one over the other. The difference there is one might clearly have better liquidity. It might have way more volume and open interest and if that's the case, that makes my decision easy. I always want to be trading the option contract that has the additional liquidity. That's going to allow me to get filled much faster and at better prices.

Step 7: Manage the trade according to the system's trade plan.

Notice, how when I outlined these criteria three of the seven steps are very similar and that's by design. When working with newer traders, one common issue that comes up is not being able to stay disciplined to their system or to their trade plan. The entry, stop, and target levels are there for a reason. They will guide us on where to get in and out of trades, but they will only work if we stay discipline to our system on every trade.

Long Call & Put Strategy Criteria



1. Wait for your system to produce a valid setup that fits your trade plan.
2. Make sure the options on your stock have an open interest of at least 30 times the number of contracts that you are looking to trade.
3. Make sure you have target points and exit points before entering the position.
4. You need to form an opinion on how long you feel the move in the stock is going to take.
 - Backtest
 - Get to know the stocks that you are trading

Long Call & Put Strategy Criteria



5. Time Left to Expiration

- **Options Fast Track Trades: 20-40 days**
 - If VIX is above 15 then you can also look at the shorter term weekly options with 7-20 days left
- **SPT Trades: 35-60 days**
 - If VIX is above 15 then you can also look at the shorter term options with 20-35 days left

6. Length of trade:

- 1 week or less: delta of .50 (ATM) or .60-.65(1 strike ITM)
- 1-3 weeks: delta of .60-.65 (1 strike ITM) or 1-2 strikes in the money. If one option clearly has more volume and open interest us that one.
- More than a month: delta of .70-.75 (2 strikes ITM)

7. Manage the trade according to your trade plan.

Vertical Spreads

Why would we trade a spread?

Because a spread is going to allow you to reduce the cost of the trade, which in return is going to allow us to reduce the risk on the trade. In many cases, utilizing the spread with our criteria, we're able to reduce our cost by 30% to 50%. ***The definition of a vertical spread is purchasing one call or a put at a given strike, within a given expiration cycle, and selling a different strike call or put with the same expiration cycle.***

If you're using the October monthly options for a Vertical Spread, you will use the same October monthly options for both options. You're not going to mix up the expiration cycles.

Let's go ahead and talk about the strategy criteria in more detail. The easiest way to start talking about a Vertical Spread is to look at a trade example. We will go back to XYZ stock for this example. Let's say XYZ stock is trading at \$40 per share. We expect the stock to move higher and want to put on a bullish trade.

Looking at the trade page we see the 40-call trading for \$3. In seeing the \$3 price per contract, I don't mind paying \$300 to buy the call option but would love to reduce the cost if possible. I also see there is a 45 call that's selling for \$1. I can sell that call option and collect a dollar. By buying the 40 call for \$3 and selling the 45 call for \$1 I'm able to lower my total cost to \$2. I'm putting this trade on all at once using the same monthly expiration cycle for both contracts.

In this case, we have the right to buy 100 shares at 40, but we're also selling the 45 call. We would be obligated to sell 100 shares at 45. Our maximum profit is limited to the difference between the long and the short strikes minus the debit paid. In our example here, we had a \$5 wide difference between the strike prices (difference between the 45 call and 40 call). We paid \$2 to put this trade on. So, we take that \$5 wide difference, subtract the \$2 which leaves our maximum risk on the trade at \$3 per spread.

Isn't selling options too risky?

This is a question that I get all the time from newer traders. When selling options as part of a Vertical Spread it leaves you with an extremely safe position. It's just like buying a call or a put. We can't lose any more than what we paid for that position. This is why the Vertical Spread is a popular strategy for many experienced options traders.

The main difference between buying a Call Spread and buying a Long Call, is that I give up my unlimited profit potential when using the Call Spread. If I buy a Long Call as long as that stock moves higher, I can make money. When I buy a Call Spread, my maximum profit is realized right at my short strike. So, if I sell the 45 call and the stock goes all the way up to \$60, once it reaches \$45, I really can't make any more money on the trade. I'm realizing as much profit as possible on that trade at that point.

In many cases, that's a fair trade off. I'm giving up the unlimited profit potential, but in return, I get lower risk. That's why I love this strategy. There are times when I don't want to be as aggressive. I don't want to just buy the Call or the Put. I've been utilizing the Long Call Spreads a lot this year due to the extreme overbought conditions that we have seen. I don't want to get aggressive buying Calls because this move is already extended. I want to be more conservative and the Call Spreads allow me to do that. I can still trade the move to the upside, but in doing so, I'm able to keep the lower risk on my trades.

The max loss again is limited to whatever we paid for the trade. Our breakeven point on the trade is the long strike, plus the \$2 debit that we paid to put the trade on. This puts our breakeven point at \$42.

When do we use this trade? When we're bullish and we want to lower the cost, when we want to define risk position, or when we feel the volatility is low. If we're not expecting a quick move, then the spread is a good way to go.

Where do we want that stock or ETF to finish? We want the stock or ETF to be right at or above the short strike. Since we sold the 45 call, ideally, I would love to have that stock or ETF go right to 45 and just settle in right there. That's where I would make the most money on the trade.

How does volatility impact the Vertical Spread? As we mentioned earlier, volatility is a huge input in the pricing model of an option. Anytime that you buy an option, whether it be buying a call or a put or buying a vertical spread, you want the volatility to go higher, or at the very least, not go lower. When we're long on option and the volatility decreases, it will hurt our position. If the volatility increases, it's going to help us make more money quicker.

Can we use a Vertical Spread for a bearish trade?

Let's also talk about how we can use a Vertical Spread to trade the market moving lower. We can place a bearish Vertical Spread utilizing the put options. If XYZ is trading at \$40, we could come in and buy the 40 put for \$3. At the same time, we could also sell

the 35 put for \$1. That would bring our cost down to \$2 for the Vertical Spread. If all I did was buy the Long Put, I would be paying \$3 per contract. However, by using the Put Spread, I'm able to lower my cost to \$2. That's a 33% decrease in my cost which is a nice little savings.

Our profit when buying a Vertical Put Spread is limited to the difference between the strikes minus the debit being paid to buy the trade. In our case, there's a \$5 wide difference between the strikes. We're paying \$2 to put this trade on. So, we subtract the \$2 that we paid to buy the spread which leaves us with a maximum profit of \$3. We still have a nice profit potential on the trade if this stock moves to the downside, but we do give up the unlimited profit potential that we would have if we only bought the Long Put.

If XYZ stock makes a big move lower, I don't get to profit on any price action lower than my short strike. In our case, we sold the 35 put option as part of the spread. Let's say the stock goes down to \$20 per share. I don't get to profit from any price action below \$35. In return, I have a trade with limited risk which is a fair trade off in many cases.

When do we want to use the Long Put Spread? When we're bearish on a stock or ETF and we want to lower the cost of the trade. Keep in mind, we are limiting our profit potential, but we are also defining our risk.

Where do we want that stock or ETF to finish? We want the stock or ETF to be right at or below the short strike. Since we sold the 35 put, ideally, I would love to have that stock or ETF go right to 35 and just settle in right there. That's where I would make the most money on the trade.

How does volatility impact the Vertical Spread? As we mentioned earlier, volatility is a huge input in the pricing model of an option. Anytime that you buy an option, whether it be buying a call or a put or buying a vertical spread, you want the volatility to go higher, or at the very least, not go lower. When we're long on option and the volatility decreases, it will hurt our position. If the volatility increases, it's going to help us make more money quicker. There's another P&L graph just showing you the limited profit potential with the defined risk as well.

When should I use the Credit Spread vs the Debit Spread?

Debit Spreads are ideal strategies to use when you have a strong directional opinion on that stock or ETF. They will give you a higher profit potential if you get that big move quickly. The Debit Spread is one of my favorite strategies as they can produce some nice results while leaving me with much less risk.

You'll typically buy the Debit Spread when the volatility is low. When the volatility is low, we know that the prices of the options are cheap. It goes back to the buy low, sell high mentality. If I buy an option when it's cheap, it will leave us with more profit potential while tying up less capital when buying placing the trade.

It's ideal to have high volatility when selling a Credit Spread because when volatility is high, the prices of the options are more expensive. Anytime you sell a product, whether it be a car, a house, a stock, or an option, we always want to collect as much money upfront as possible, right?

The same goes for a spread. When the volatility is high and the prices of the options are expensive, that's going to allow us to collect more money up front. This can leave us with more profit potential. We can certainly sell spreads when volatility is low, but as you will see in a minute that you won't have as many factors lining up in your favor.

Do we have to have high volatility to sell a premium?

You can certainly sell spreads in low volatility. Just realize that you don't get the benefit of the volatility contracting. In this case, we're betting strictly on the time decay and the potential directional move. If we sell an option or if we sell a spread in low volatility, we essentially go from having five ways of making money down to four. We give up one way of making money.



It's not the end of the world. It's just it's not the perfect scenario where everything is lining up in our favor. When selling low volatility, you won't have as much wiggle room if the trade moves against you. The breakeven point will be closer to the current stock price. When the volatility is low like it is now, we can still sell options, but in order to collect enough premium, we will have to move our short strike closer to the current stock price. When we do that, we don't have as much room to be wrong and still make money. Selling high volatility is ideal for us because we can get that breakeven point far away from the current stock price. That just improves our odds of success long-term.

When selling a Credit Spread, we are looking for a higher probability of success which also comes with a lower profit potential. This scenario is ideal if you're a little less certain on the overall direction move and would like multiple ways of making money on the trade. They can be great trades for grinding out a profit in a slow market environment.

Debit Spread Criteria

The nice part about having a defined rule set that we use for each strategy is that we can use that rule set on any stock or ETF that we are trading. Whenever I buy a Vertical Spread, whether it be a Call Spread or a Put Spread, the criteria is the same. ***We will always buy the option that is 1 strike In the Money from the entry point on the chart and sell the option that has a strike price closest to the second target on our chart.*** That's the criteria that we use every time.

How much time do we look for before expiration? Ideally, we'd like to see between 20 and 40 days left to expiration, but even more so than that, I'm ok if we have 2x our average holding time left before expiration. Let's talk about this in more detail by looking at an example.

Debit Spread Criteria



1. Ideally we want to see implied volatility lower than the 50th percentile (using TOS)
 2. Use the front month if there is at least 20 days left to expiration. If not then go to the next month out.
 3. We will buy the option one strike ITM. This will allow us to get in by paying as little extrinsic value as possible. We will then look to sell the strike that is closest to our target price for that stock.
 - 3a. You have the option of selling a strike that is closer to the strike you bought which would give you a tighter spread. This will lower the cost of the trade which means lower risk. It also means a lower return which is the trade off.
 4. We are targeting 40-60% returns on this trade. We will also look to exit the trade no later than Wednesday of expiration week if we are still in the trade.
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Credit Spread Criteria

When selling a Vertical Spread, the whole goal of the trade is for it to expire worthless. If it does, we will be left with a full profit. With this in mind, we like to use Out of the Money options that have a low probability of closing In the Money. **We want to sell a spread where we can collect between 30-40% of the width of the strikes.** For example, if we are looking at a \$1 wide spread we would like to sell the spread for between \$.30-\$.40.

Credit Spread Criteria



1. Use the front month if there is at least 20 days left to expiration. If not then go to the next month out.
 2. We will select the spread where we can collect around 30-40% of the width of the spread.
 - \$10 wide spread: Want to collect between \$3.00 and \$4.00.
 - \$1 wide spread: \$.35
 3. Once in the trade we will look to exit when we can keep 50-75% of the potential gain. Exit the trade no later than Wednesday of expiration week if still in the position at that time.
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Which Strategy should you use?



What strategy is best?

<u>Most Conservative</u>	<u>More Conservative</u>	<u>Most Aggressive</u>
<ul style="list-style-type: none">-Credit Spreads-Lowest risk-Lowest reward-Highest probability of success-5 ways of making money	<ul style="list-style-type: none">-Debit Spreads-Lower cost by 30-50%-Lower reward potential	<ul style="list-style-type: none">-Long Calls and Puts-Most profit potential-Most Risk-1 way of making money

Conclusion:

Is this list that magical formula to instant riches? No, it's not. However, it is a way for us to stay active on a daily basis in less than 10 minutes a day. We could add in a dozen other names to this list but that doesn't necessarily make it more powerful. It's a huge advantage for us to get to know the stocks on our list really well. This allows us to trade with much more confidence.

The key to utilizing a smaller watch list of stocks like the Nasdaq Superstars list is to be open to using different options strategies. Being open to using long calls and puts as well as debit and credit spreads will allow you to react to different types of market conditions. This will lead to better consistency with your results.

