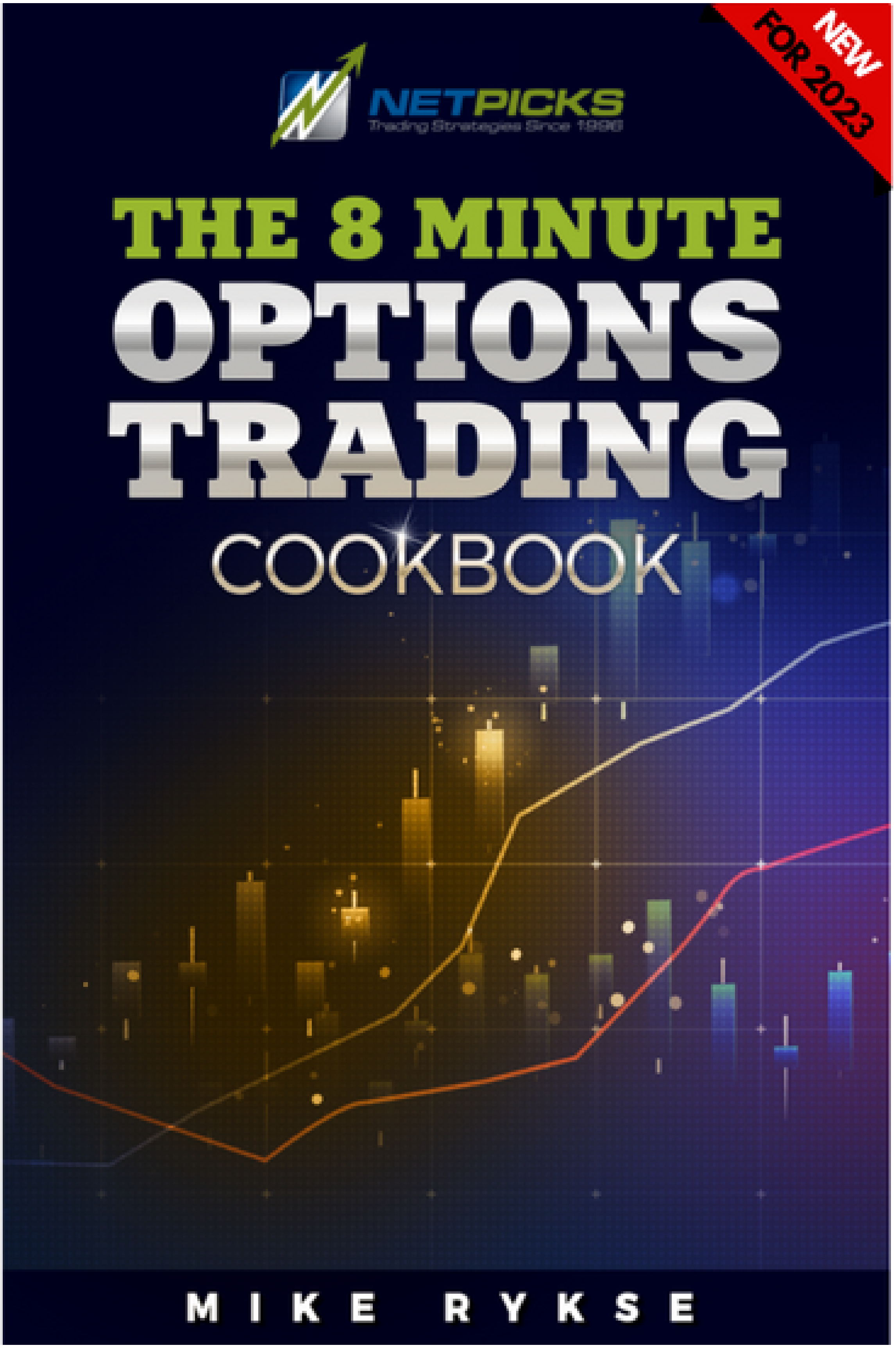
NETPICKS
Trading Strategies Since 1996
NEW FOR 2023
THE 8 MINUTE
OPTIONS
TRADING
COOKBOOK
MIKE RYKSE

Risk Disclosure:

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Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any trading account will or is likely to achieve profits or losses similar to those shown, in fact, there are frequently sharp differences between hypothetical trading performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical trading performance results is that they are generally prepared the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical forex trading performance results, and all of which can adversely affect actual forex trading results.

Past results of NetPicks are not indicative of future performance.

The monthly and composite annual results should be viewed as hypothetical.

In reality, the results do not represent the track record of the methodology originator or subscribers. This also means there is no guarantee that one applying these methodologies would have the same results as posted. Since trading successfully depends on many elements including but not limited to a trading methodology and trader!" psychology, our website does not make any representation whatsoever that the above mentioned trading systems might be or is suitable or profitable for you.

In addition, it#s important to understand and accept that there can be data outages and server failures. The brokers system might not be functional, the auto trading servers might have technical difficulties and there may be times where communication between accounts, the broker and the auto-trade program are not functioning properly. This can lead to greater risk. Markets also do not always guarantee exact fills. Periods of fast markets can cause greater degrees of slippage and less than ideal fills. There can be no guarantee that your account will always be able to enter and exit the programs ideal entry or exit point.

They carry a high degree of risk.

Options

There are many different types of options with different characteristics subject to the following conditions. Buying options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, investors can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if investors buy a call option on a futures contract and investors later exercise the option, they will acquire the future. This will expose investors to the risks described under $futures# and $contingent liability investment transactions#.

Writing options: If investors write an option, the risk involved is considerably greater than buying options. Investors may be liable for margin to maintain their position and a loss may be sustained well in excess of the premium received. By writing an option, investors accept a legal obligation to purchase or sell the underlying asset if the option is exercised against them however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as $covered call options#) the risk is reduced. If you do not own the underlying asset ($uncovered call options#) the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Traditional options: Certain member firms under special exchange rules write a particular type of option called a $traditional option#. These may involve greater risk than other options.

Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to affect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk. Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position

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.

With market uncertainty due to the Fed raising interest rates, inflation numbers having a bigger impact on consumers, global conflict in multiple different areas of the world we are now seeing a much different trading environment than what we have seen in recent years. The good news is that as options traders, we have the ability to generate profitable returns while controlling our risk in many types of market conditions.

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 one of my favorite income generating strategies that you can use in just 8 minutes each day and with as little as $60 of capital per trade.

We will also share the best stocks and ETF's that we are trading each and every week. That way you can get active in these volatile markets right away with this powerful strategy.

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!

Mike Rykse
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269-978-0971
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Why are we all attracted to trading the options markets?

While we could all come up with a dozen reasons that drive us on a personal basis, the bottom line for all traders is ***we want to make money*****!**

The good news is trading options can lead to very large profits, using very little capital, and in just minutes each day.

How do we do it?

In this eBook I am going to outline one of my favorite strategies that I use to create a consistent source of income from the options markets regardless of what the Fed is doing with interest rates or what inflation numbers are doing to the economy. You will walk away with an exact action plan that you can use immediately.

The key to successful trading is to have a defined system in place that guides all of your decisions. Without a system in place, you are left trading off of emotion and hoping the trades work out.

At NetPicks we are big believers in having a rule set for our entry and exits on every trade that we take ahead of time. This way we are basing our trading decisions off numbers and statistics. That doesn't mean we won't ever have losing trades. With any system you will always have winners, losers, and break-even trades. However, knowing that the numbers are in our favor long term if we execute the system correctly allows us to trade with way more confidence.

To help you get a system in place, we are going to share one of our favorite options strategies that has produced really consistent returns for us over the years.

Let's dive in to take a look at how it works.

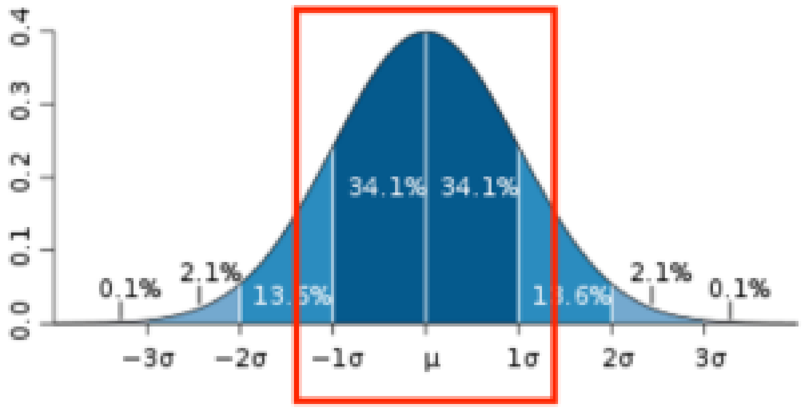
How do we identify price extremes?

Before we jump into the criteria of this powerful strategy, we need to talk about how price action is the basis for this trade type. You will find that stocks like to move in a stair step fashion. Price will move higher, lower, and sideways over time. This can lead to trending markets at times that will result in overbought and oversold conditions.

The million-dollar question for options traders is knowing when a market is hitting an overbought or oversold extreme which could lead to a change in market direction. As we will show next, there are ways that we can identify these extremes using statistics.

One of the secret weapons that many options traders overlook is the Bell Curve. If you have ever taken a statistics class in the past, you have heard the Bell Curve being discussed. While it can be applied in many different areas, the Bell Curve can be especially helpful in the trading world. It will tell us the probability of an event outcome falling within a certain range. Essentially it will tell us how often the movement of a stock or ETF will stay inside of a defined range and how often we will see the big directional moves.

Standard Deviation - Bell Curve



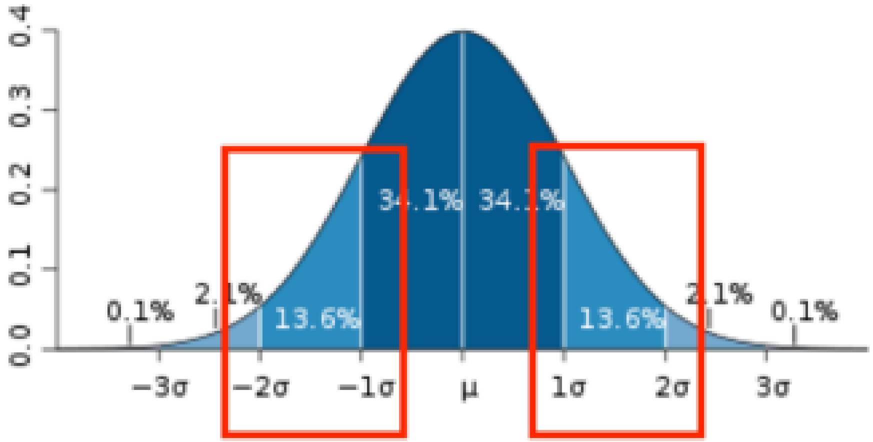
68.2% of all occurrences will fall between the midline and the 1 standard deviation lines on the upside and downside.

When looking at the Bell Curve above you will see the dark blue center section of the curve. This section is telling us 68.2% of all occurrences are going to fall inside of this range around the midline. 34.1% of all occurrences will fall between the midline and the 1 Standard Deviation line on the upside and 34.1% of all occurrences between the midline and the 1 standard deviation line on the downside. ***When applied to stocks and ETF's we will see that price will fall inside of this dark blue range 68.2% of the time.***

As we start to go farther out on the curve to one standard deviation, two standard deviations, three standard deviations, that's telling us that we still have the tail risk of a big directional move happening. There's still a chance of an outlier move happening, either on the upside or the downside.

If we go out 1 standard deviation on the upside or downside you will find that only 13.6% of all occurrences fall between the 1 and 2 standard deviation lines. This is more interesting to me because once we see a stock price hit a 1 standard deviation move (on the upside or downside) then I know the chances of that move continuing are getting slim. That doesn't mean price has to stall out, but it does favor either a slowdown or even a reversal in the opposite direction.

Standard Deviation - Bell Curve

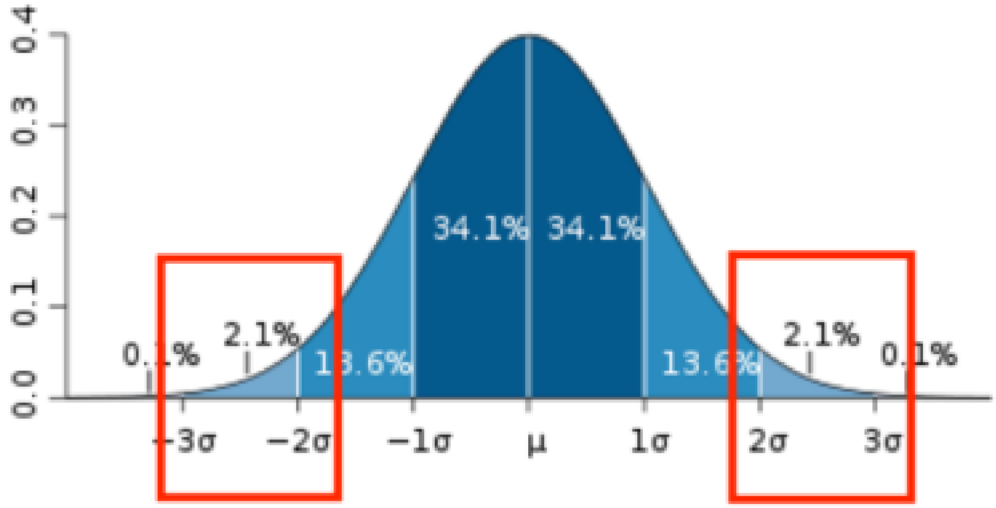


13.6% of all occurrences will fall between the 1 and 2 standard deviation lines on the upside and downside.

If we go out 2 standard deviation on the upside or downside, you will find that only 2.1% of all occurrences fall in these ranges (see screen shot below). This is even more interesting to me as once we see a stock price hit a 2 standard deviation move (on the upside or downside) then we know that only 2.1% of all occurrences fall outside of this range.

While it’s possible that the stock continues to move in that direction, the odds favor a slow down or even a reversal in the other direction. Using the right options strategy, which we will talk about later in this book, will allow us to take advantage of this extreme.

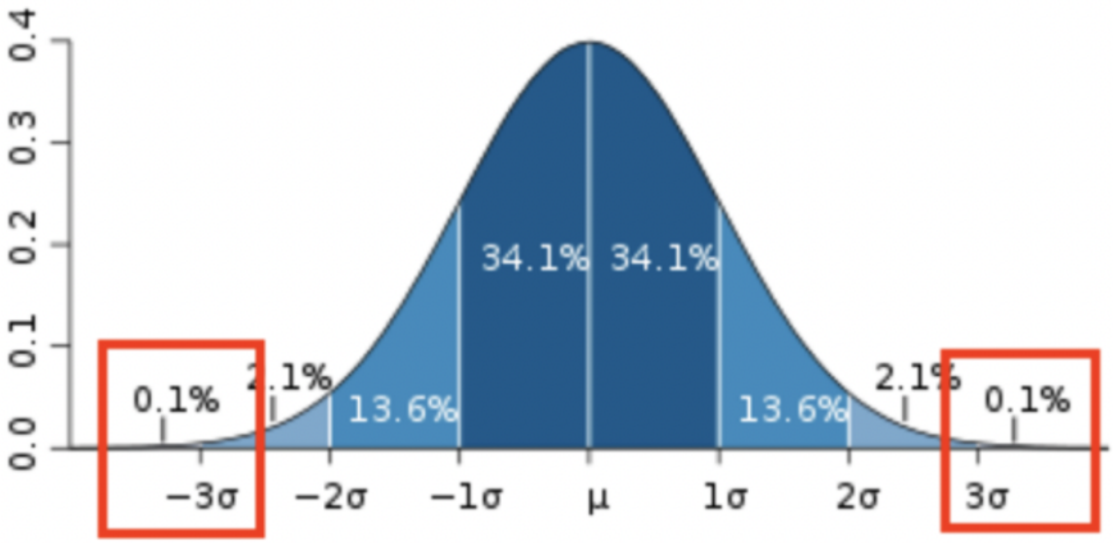
Standard Deviation - Bell Curve



2.1% of all occurrences will fall between the 2 and 3 standard deviation lines on the upside and downside.

If we go out 3 standard deviations on the upside or downside you will find that only 0.1% of all occurrences fall outside of this range (see screen shot below). This price extreme grabs my attention as once we see a stock price hit a 3 standard deviation move (on the upside or downside) then we know that only 0.1% of all occurrences fall outside of this range. While it’s possible that the stock continues to move in that direction, you will typically see a stock reverse pretty quickly from this extreme. Using the right options strategy, which we will talk about later in this book, will allow us to take advantage of this extreme.

Standard Deviation - Bell Curve



0.1% of all occurrences will fall past the 3 standard deviation line on the upside and the downside.

In the current market that we are working with, where this market moving higher every day, there are many stocks and ETF's that are at two or three standard deviation moves on the upside. What that's telling me is if we start to go out two or three standard deviations, there's only a 2% chance or less, of that event happening. When we see that type of price action it can influence what type of options strategies we use going forward with our trades. We can use the statistics to increase our results over time.

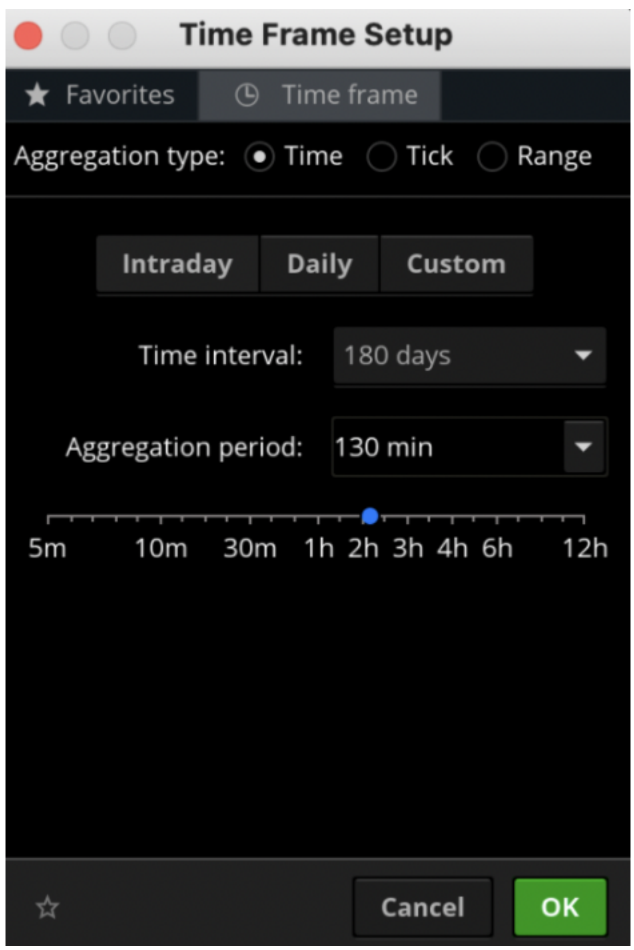
Standard Deviation Channels

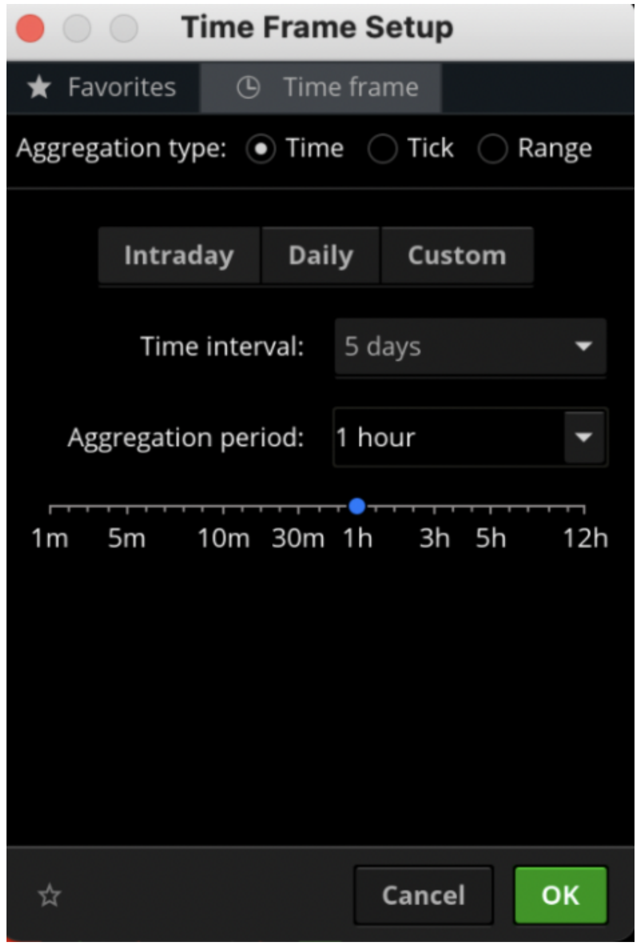
Now that we have laid the groundwork for how Standard Deviation works, is there an easy way to apply this on a stock chart? One of my favorite indicators to use on my stock/ETF charts is the ***Standard Deviation Channel***. We can take the extreme levels from the previous section and let the Standard Deviation Channels quickly identify the extremes for us.

Most broker platforms will offer the Standard Deviation Channels as a default indicator. I'm going to show you how to set it up in the Thinkorswim platform.

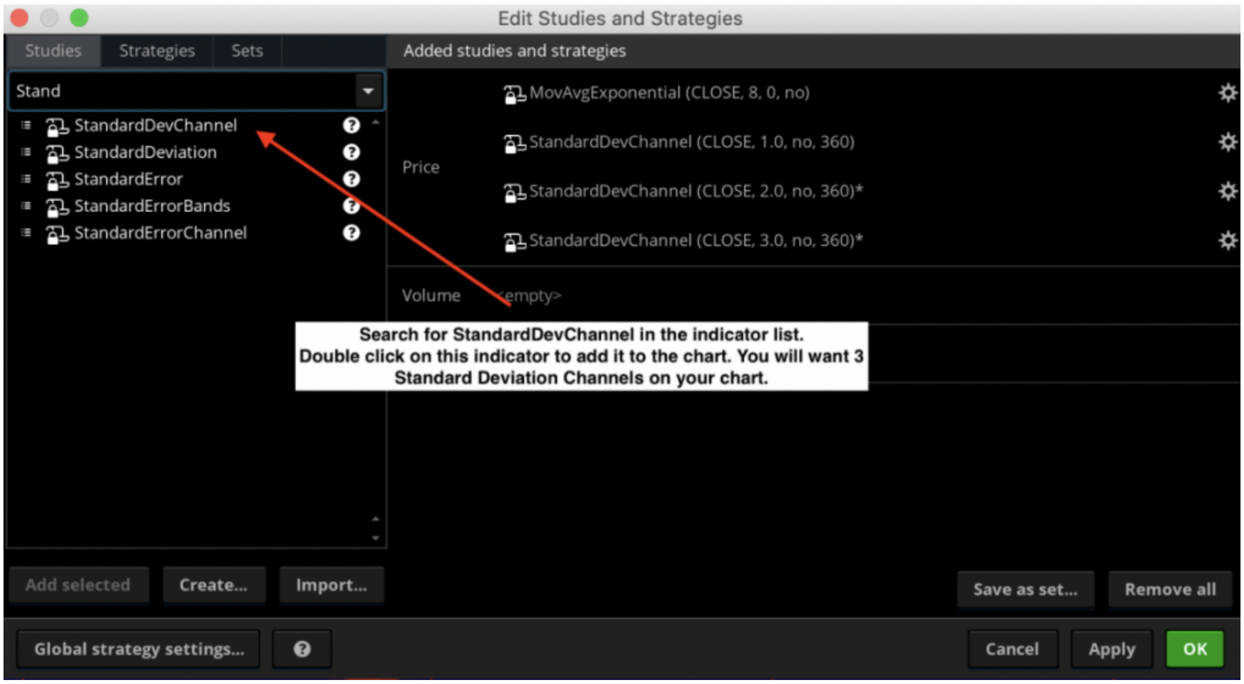
Chart Setup Process

1. This strategy can be used on any time frame, but I like to use it on either the 130-minute chart or 60-minute chart.



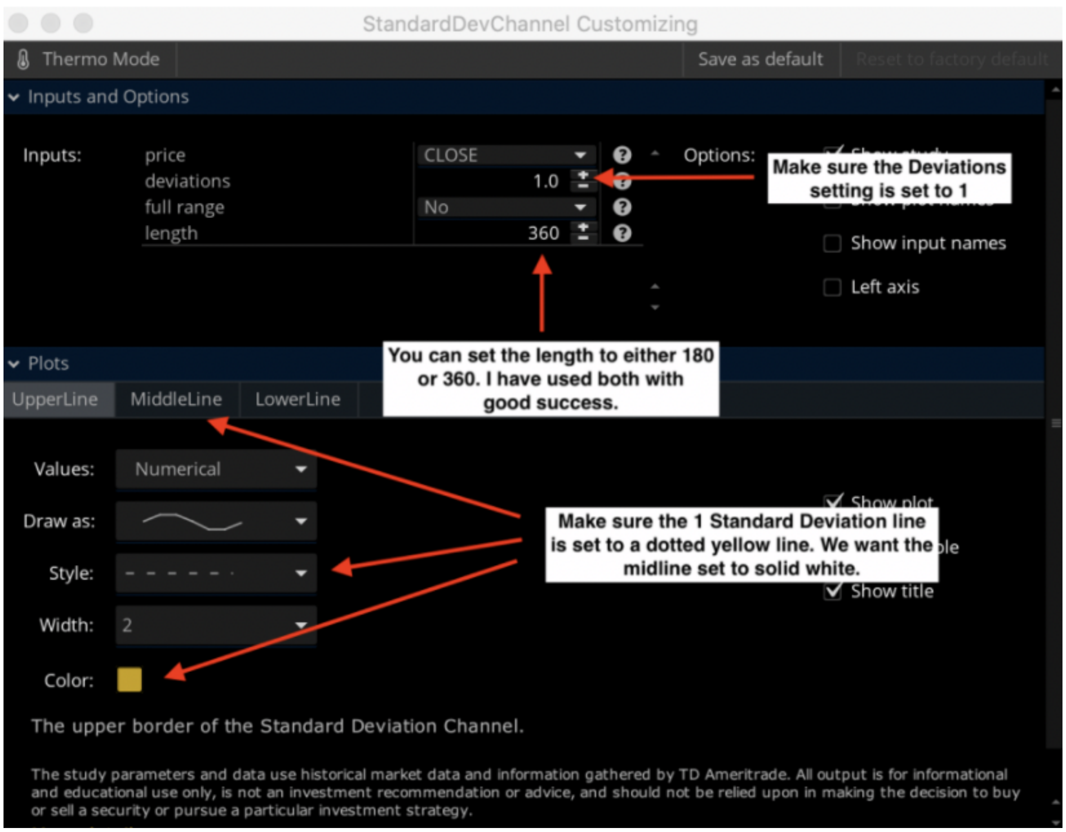

Time Frame Setup
Favorites
Time frame
Aggregation type: Time Tick Range
Intraday
Daily
Custom
Time interval:
5 days
Aggregation period:
1 hour
1m 5m 10m 30m 1h 3h 5h 12h
Cancel
OK

2. Place 3 Standard Deviation Channels on your chart.

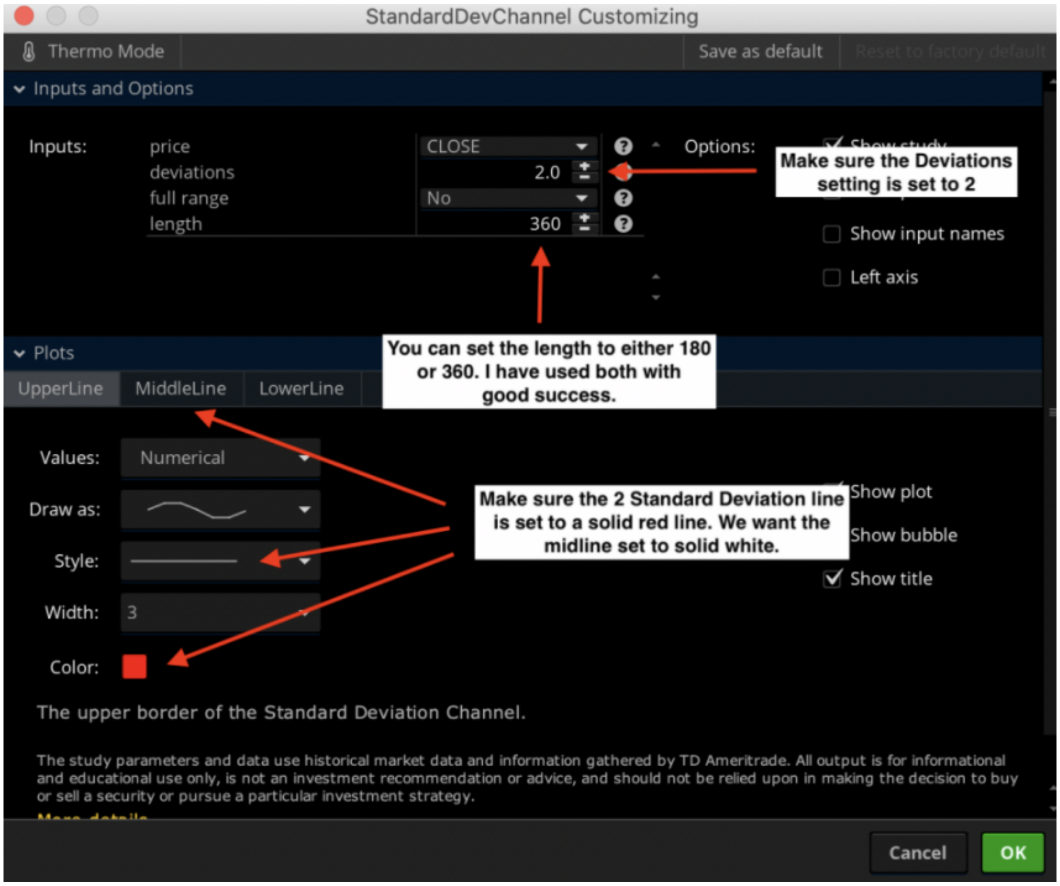


3. Settings for the 3 Standard Deviation Channels

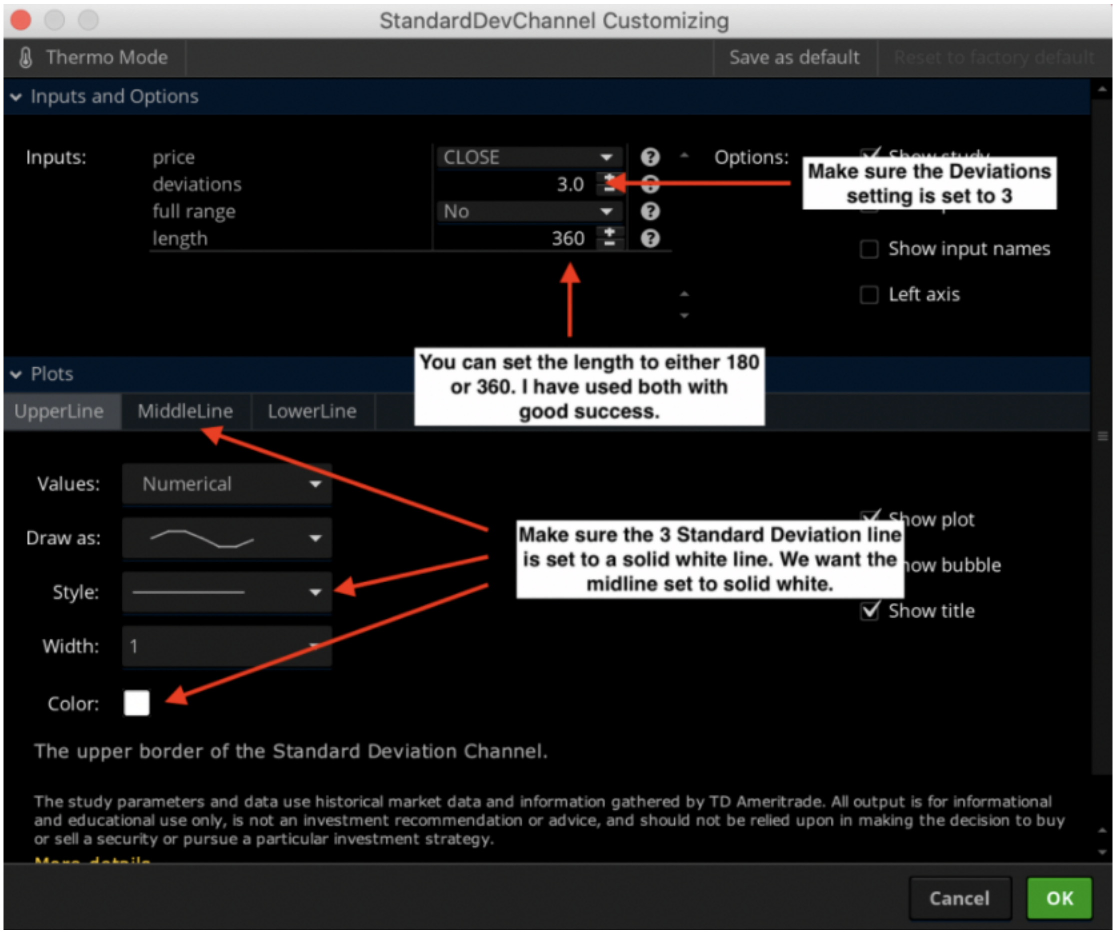
a. First channel should be set to a 1 Standard Deviation move. The Length input should be set to 180 if using a 130 min chart 90 if using a 60 min chart. I like to set this channel to a dotted yellow line. Make sure the Middle Line is set to a solid white line.



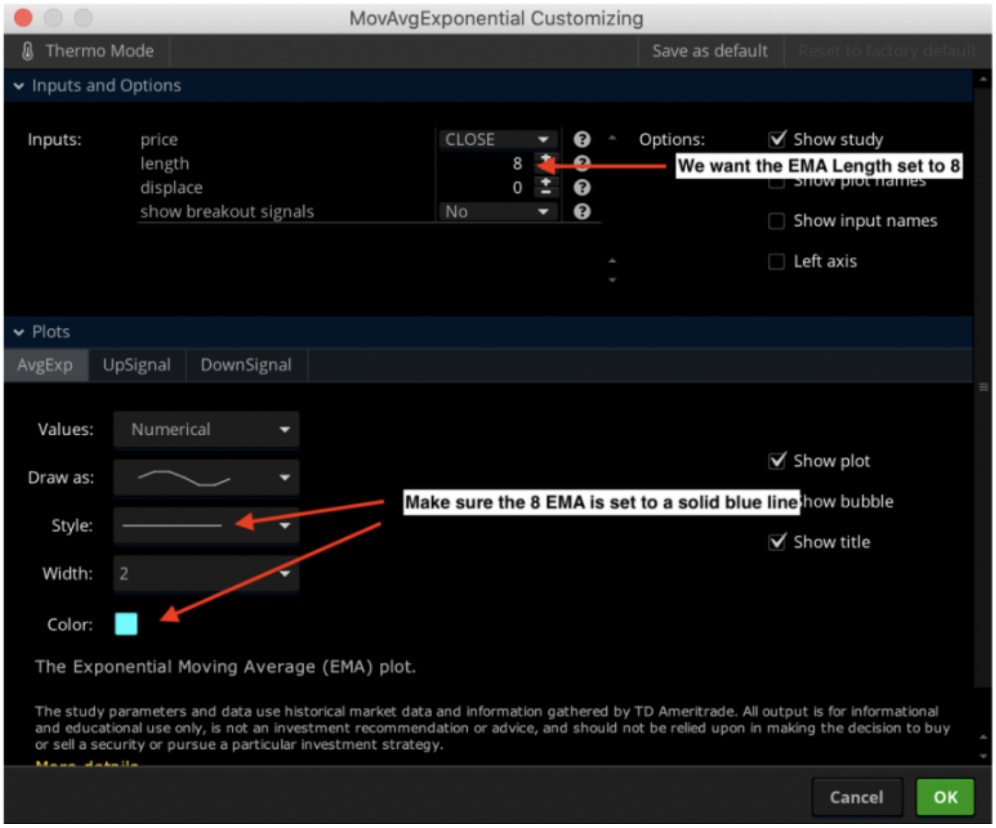
b. Second channel should be set to a 2 Standard Deviation move. The Length input should be set to 180 if using a 130 min chart 90 if using a 60 min chart. I like to set this channel to a solid red line. Make sure the Middle Line is set to a solid white line.



c. Third channel should be set to a 3 Standard Deviation move. The Length input should be set to 180 if using a 130 min chart 90 if using a 60 min chart. I like to set this channel to a solid white line. Make sure the Middle Line is set to a solid white line.



4. Add the 8 period Exponential Moving Average to the chart.



Final Chart Setup Example:

Now that we have the chart setup with the indicators mentioned above, we can start to talk about how we use this chart to identify the trades.

Trade Setup Criteria

As mentioned earlier, with this strategy we are looking to identify overbought and oversold extremes. There are very specific criteria that I look for when identifying these trades. There are 2 key areas that I look for as opportunities for new trades.

I want to look for stocks or ETF's that are either between a 1-2 Standard Deviation Channel move (Between the dotted yellow channel and the sold red channel) or between a 2-3 Standard Deviation Channel move (Between the solid red channel and the solid white channel).

Trade Setup Criteria – Cont.

1-2 Standard Deviation Setup

Let’s talk about the 1-2 Standard Deviation channel move first. The minimum criteria that I need to see for a valid trade is for 3 out of the past 5 price candles closing between the 1 and 2 Standard Deviation Channels.

Once I see this happen, it identifies a price extreme forming. This doesn’t mean price has to stall out and reverse immediately, but it does mean a continuation move in that direction will become more difficult. This is due to the fact that only 13.6% of all occurrences fall outside of a 1 Standard Deviation move (See earlier discussion on the Bell Curve).

These extremes can happen on the upside or the downside.

When we see these overbought extremes on the upside, I'm looking to place a neutral to bearish trade that would benefit from either a period of sideways consolidation or a reversal to the downside.

When we see these oversold extremes on the downside, I'm looking to place a neutral to bullish trade that would benefit from either a period of sideways consolidation or a reversal to the upside.

With the 1-2 Standard Deviation Extremes, we like to use options that have 20-40 days left to expiration.

2-3 Standard Deviation Setup

Next let's talk about the 2-3 Standard Deviation channel moves. The minimum criteria that I need to see for a valid trade is for at least 1 candle closing between the 2 and 3 Standard Deviation Channels. If you get more than 1 candle closing between the 2 and 3 Standard Deviation Channels that is even a stronger signal.

Once I see this happen, it identifies a price extreme forming. This doesn't mean price has to stall our and reverse immediately but it does mean a continuation move in that direction will become more difficult. This is due to the fact that only 2.1% of all occurrences fall outside of a 2 Standard Deviation move (See earlier discussion on the Bell Curve).

These extremes can happen on the upside or the downside.

When we see these overbought extremes on the upside, I'm looking to place a neutral to bearish trade that would benefit from either a period of sideways consolidation or a reversal to the downside.

When we see these oversold extremes on the downside, I'm looking to place a neutral to bullish trade that would benefit from either a period of sideways consolidation or a reversal to the upside.

With the 2-3 Standard Deviation Extremes you have the option to use short term weekly options that have less than 20 days left to expiration.

How do we take these setups with options?

This chart pattern is ideal for using a vertical spread as our desired options strategy. Specifically, we are looking to sell a credit spread.

Why not just buy a long call or long put?

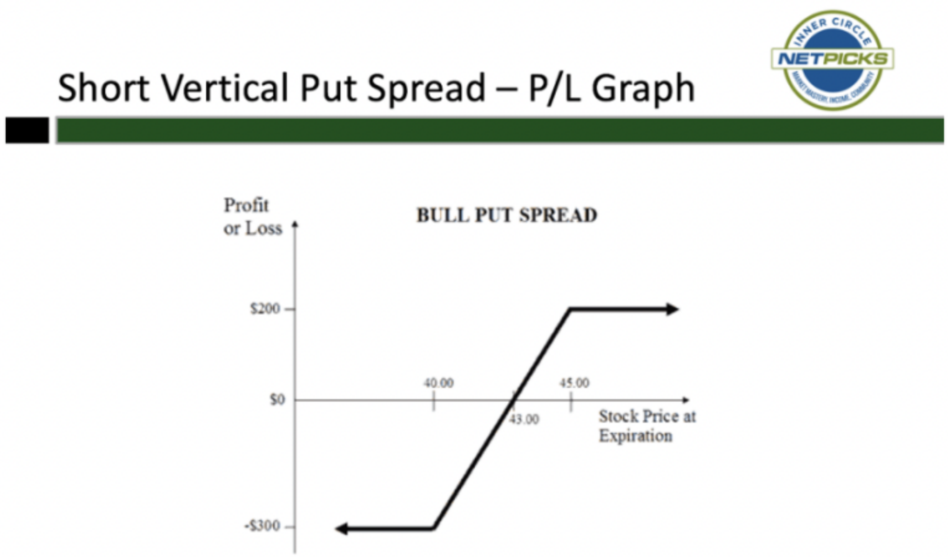
While offering big profit potential, buying long calls and puts only gives you 1 way of making money on the trade. You have to see the stock move in your favor, and it has to do so quickly in order to make money. I love using long calls and puts in certain cases, but it has to be a very active market where we are seeing quick moves back and forth.

On the other hand, if we take a look at selling a credit spread, we can put ourselves in a trade where we have 5 ways of making money on the trade. It will give us a lower profit potential but also a much higher chance of success when compared to buying a call or put option. With multiple ways of making money on a credit spread, we don't need everything to like up perfectly like we do when we buy an option.

Credit spreads can be used for both bullish and bearish trades. Let's talk about a neutral to bullish trade first. We are going to place the trade by selling a put vertical spread.

Bullish: Selling A Put Spread

In many cases, using Put Options means we are looking for a move to the downside. In this case, selling a Put Spread will actually leave us with a bullish position. We will still have profit potential to the upside but with defined profit potential and defined risk.



Instead of being the buyer of an option, we're becoming the seller of an option. Once we walk through an example, you'll see why that can be so powerful.

For our example, we will use Apple (Symbol: AAPL). Looking at the chart of AAPL below, we can see 3 out of 5 candles close between the 1 and 2 standard deviation channels. In addition, we also had numerous candles close between the 2 and 3 standard deviation channels. This had us looking at an oversold extreme where only 2.1% of all occurrences fall outside of this range on the downside.

We were looking for a period of sideways consolidation or even a reversal higher. Once price moved above the 8 EMA we saw the chop kick in. This was enough for us to make money on our short call spread.

In most cases, we like to use the options that have 20-40 days left to expiration as they typically have more volume and open interest. This will make it easier for us to get in and out of the trades quickly and at good prices and will also give us enough time for our outlook to play out.

If the stock is between a 2-3 standard deviation move, you have the option to use weekly options that have less than 20 days left to expiration.

In this example, we used the April 14 monthly options that had 30 days left to expiration.

When selling a Vertical Spread, the whole goal of the trade is for the options to get as cheap as possible. The cheaper the options get the more profit we will have since we will be able to buy the spread back cheaper than what we sold it for to open the trade.

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 $5 wide-spread we would like to sell the spread for between $1.50-$2.00.

Looking at the AAPL trade page, we decided to sell the 150/145 put spread. This had us selling the 150 put for $4.55 and at the same time we bought the 145 put for

$3.05 to make sure we are in a risk defined trade. In total, we will collect $1.50 or $150 per spread ($4.55-$3.05).

The $1.50 we collect when selling the spread was the most we could have made on the trade. We were risking $3.50 per spread to put the trade on. The max risk is calculated by taking the difference between the strikes ($5) minus the $1.50 credit that we received for selling the spread.

This left us with a risk to reward ratio of between 2:1 and 3:1. While this doesn't seem attractive initially, we are ok with the ratio since we have 5 different ways of making money on the trade.

Our breakeven point on this trade was at $148.50. This was calculated by taking our short strike (150 put) and subtracting the $1.50 credit that we received for putting on the trade.

We didn't care if AAPL moved up, down, or sideways as long as price closed above $148.50 over the next 30 days, we made money on the trade. We also made money for each day that we hold the trade from the time decay adding up as well as from volatility decreasing. ***This gave us 5 different ways of making money on the trade.***

Even though we were bullish on AAPL, price could have moved $6.00 lower against us, and we would still have made money on the Short Put Spread. This takes much of the pressure off needing to be perfect on the timing and the direction of the trade. We can be dead wrong on direction and still make money. When we start to put all these factors in our favor, it is why we are willing to risk two to make one.

Make sure when you sell vertical spreads, that you are trading liquid products as it can have a big impact on our P/L. For example, if we couldn't get filled on AAPL at $1.50 and adjusted the order price down to $1.25 it would have cost us $.25. We go from having $1.50 of potential profit down to $1.25. That's a big difference. Giving up $.25 per trade can add up to big number after dozens of trades over the course of a year. Whenever we're selling a spread, we want to collect as much as we can right up front.

Credit Spread Criteria – Vertical Spreads

1. Ideally, we like to use this strategy when implied volatility is higher than the 30th percentile (using TOS). We can use this strategy in low volatility environments, but the odds are not as great as they would be if we are in a high volatility environment.
2. Use a weekly or monthly expiration cycle that has 20-40 days left to expiration.
3. We will select the spread where we can collect between 30-40% of the width of the spread.
    - $10 wide-spread: Want to collect between $3.00 and $4.00.
    - $1 wide-spread: $.35
4. 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.

Bearish: Selling A Call Spread

Now let's take a look at selling a Call Spread. For our example, we will use the Nasdaq ETF (Symbol: QQQ). Looking at the chart of QQQ below, we can see 3 out of 5 candles close between the 1 and 2 standard deviation channels. This had us looking at an overbought extreme where only 13.6% of all occurrences fall outside of this range on the upside. This was enough for us to make money on our short call spread.

In most cases, we like to use the options that have 20-40 days left to expiration as they typically have more volume and open interest. This will make it easier for us to get in and out of the trades quickly and at good prices and will also give us enough time for our outlook to play out.

In this example, we used the April 20 weekly options that have 22 days left to expiration.

When selling a Vertical Spread, the whole goal of the trade is for the options to get as cheap as possible. The cheaper the options get, the more profit we will have since we will be able to buy the spread back cheaper than what we sold it for to open the trade.

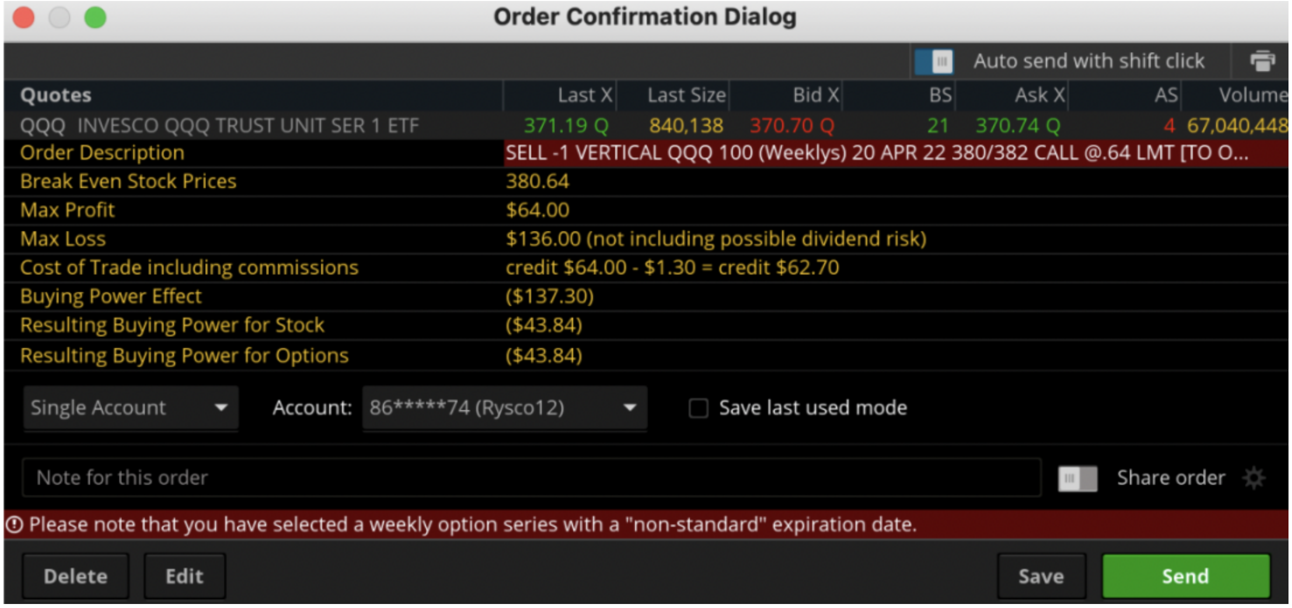
With this in mind, we like to use Out of the Money options that have a low probability of closing In the Money. ***We want to sell a spread where we can collect between***

30-40% of the width of the strikes. For example, if we are looking at a $2 wide-spread we would like to sell the spread for between $.60-$.80.

Looking at the QQQ trade page, we decided to sell the 380/382 call spread. This had us selling the 380 call for $3.48 and at the same time we bought the 382 call for $2.84 to make sure we are in a risk defined trade. In total, we will collect $.64 or $64 per spread ($3.48-$2.84).

The $64 we collect when selling the spread was the most we could have made on the trade. We were risking $136 per spread to put the trade on. The max risk is calculated by taking the difference between the strikes ($2) minus the $.64 credit that we received for selling the spread.

This left us with a risk to reward ration of between 2:1 and 3:1. While this doesn't seem attractive initially, we are ok with the ratio since we have 5 different ways of making money on the trade.



Our breakeven point on this trade was at $380.64. This was calculated by taking our short strike (380 call) and adding the $.64 credit that we received for putting on the trade. We didn't care if QQQ moved up, down, or sideways as long as price closed below $380.64 over the next 22 days, we made money on the trade. We also made money for each day that we hold the trade from the time decay adding up as well as from volatility decreasing. ***This gave us 5 different ways of making money on the trade.***

Even though we were bearish on QQQ, price could have moved $9.00 higher against us, and we would still have made money on the Short Call Spread. This takes much of the pressure off needing to be perfect on the timing and the direction of the trade. We can be dead wrong on direction and still make money. When we start to put all these factors in our favor, it is why we are willing to risk two to make one.

Make sure when you sell vertical spreads, that you are trading liquid products as it can have a big impact on our P/L. For example, if we couldn't get filled on QQQ at $.64 and adjusted the order price down to $.54 it would have cost us $.10. We go from having $64 of potential profit down to $54. That's a big difference. Giving up $.10 per trade can add up to big number after dozens of trades over the course of a year. Whenever we're selling a spread, we want to collect as much as we can right up front.

Credit Spread Criteria – Vertical Spreads

1. Ideally, we like to use this strategy when implied volatility is higher than the 30th percentile (using TOS). We can use this strategy in low volatility environments, but the odds are not as great as they would be if we are in a high volatility environment.
2. Use a weekly or monthly expiration cycle that has 20-40 days left to expiration.
3. We will select the spread where we can collect between 30-40% of the width of the spread.
   - $10 wide-spread: Want to collect between $3.00 and $4.00.
   - $1 wide-spread: $.35
4. 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.

Vertical Spread Trade Management

When selling Vertical Spreads using our criteria, we don't have a defined stop and target stock price in place ahead of time. We have rules that guide how we manage the trades from start to finish but they are rules based on the value of the options and not the stock price.

First, we have the option to hold these trades to expiration. If it goes to expiration and stays above or below our breakeven point (above our breakeven point on the short put spreads and below our breakeven point on the short call spreads), then we can then keep the entire premium that was collected and take the full profit.

Credit Spread Trade Management Options

1. ***Hold the trade to expiration. If the options close out of the money you get to keep the full profit.***

2. ***Close the trade out when you can buy the spread back and keep 50-75% of what you collected when opening the trade. This is our preferred method.***

However, our initial target is between 50% and 75% of our maximum profit potential. For example, if I collect $1.50 to sell the AAPL put spread then I will look to close it out when I can buy it back for .37-.75. That would allow me to keep between 50% and 75% of the premium collected to put the trade on.

The thought process behind closing the trade out with 50-75% of max profit is we can book that profit ahead of time and avoid the increased Gamma the closer we get to expiration. Gamma refers to how quickly the options will react to changes in stock price.

We don't want to have a trade that's moving well in our favor for the first 20 days of the trade and then 5 days before expiration it turns around and moves against us. We could potentially go from a nice profit to an immediate loss. Instead, I would rather book the partial profit and free up the capital for the next trade.

Daily Routine

At the start of the book I mentioned this is a strategy that can be used in 8 minutes each day. ***Here is a snapshot of how we do this on a daily basis.***

Ideally, I like to do my prep work before the market opens at 9:30 a.m. eastern. I typically will do this early in the morning before my day gets too busy. Since we are swing trading, the market doesn't need to be open to do our prep work.

1. I start by going through my entire watch list of stocks/ETF's that I like to trade. This is typically 40-60 markets that I have found have good volatility and good liquidity in the options (See sample Watch List at the end of the book). I use the same chart setup that we discussed earlier in the book on each stock and ETF on my list.

   When analyzing the charts, I look for the overbought or oversold conditions identified by the Standard Deviation Channels on the charts. I will go through my watch list and write down each name that is at an extreme. This doesn't guarantee that I will find a trade on these overbought/oversold markets. I next have to go over to the trade page to see of the options meet my entry criteria.

2. Next, I take the list of stocks and ETF's that are showing overbought and oversold extremes with the Standard Deviation channels and I go over to the trade page in my broker platform to see if I can structure a credit spread that meets my criteria.

Earlier in the book, we talked about structuring the trade using options that have 20-40 days left to expiration. This could mean we are using weekly or monthly options depending on market conditions.

We will take a look at selling an out of the money vertical spread where I can collect between 30-40% of the width of the strikes. For example, if I'm selling a 100/102 call spread then I want to collect between $.60-$.80 when placing the trade. If I can't find a trade that will allow me to collect between 30-40% of the width of the strikes, then I will pass on the trade.

3. Once I put a trade on, I can immediately place a closing order to buy the spread back when I can keep 50-75% of my max profit potential (the premium collected when placing the trade). For example, If I sell the spread for $.80 then I would create my closing order to buy the spread back for $.20. The $.20 would give me 75% of my max profit potential on the trade.

   Placing the closing orders ahead of time will reduce the amount of time that it takes to track and manage the trades on a daily basis.

4. I do need to come back at some point during the trading day after the market opens to place my new trade orders and also make any adjustments to my closing orders. The nice part about most brokers having mobile apps is we can place and manage our trades from anywhere we have a cell phone/internet connection.

The reason we are able to do the routine in 8 minutes a day is in most cases 75% of your watch list will not be at overbought or oversold extremes. Don't try and force a trade if it's not there on the chart. I typically look for between 5-10 new trades each week if possible. You can certainly adjust that number to fit your account size.

Watch List

The strategy talked about in this book can be used on any stock or ETF. The chart patterns and options criteria are universal. However, we have found a specific list of stocks and ETF's that have worked really well for us. These names have proven track records of good movement back and forth along with good liquidity in the options making it easy for us to get in and out of trades at good prices. I have included those names below.

Keep in mind you don't need to go through each of these stocks and ETF's on a daily basis. You will notice there are a number of correlated markets on the list. In most cases having a list of 40-60 stocks/ETF's to look at on a daily basis will keep you plenty busy.

NetPicks Options Watch List 2022 - Individual Stocks

Symbol	Stock	Symbol	Stock	Symbol	Stock	Symbol	Stock	Symbol	Stock
AAL	American Airlines	CMG	ChipotleCo	LULU	Lululemon	PYPL	Paypal	X	US Steel
AAPL	Apple	CMCSA	Comcast	LUV	Southwest Airlines	QCOM	Qualcomm	XLNX	Xilinx
ADBE	Adobe	COST	Costco	LVS	Las Vegas Sands	QQQ	Invesco QQQ Trust	XOM	Exon Mobile
ADSK	Autodesk	CRWD	Crowdstrike	LYFT	Lyft	ROKU	Roku	YETI	Yeti
AMAT	Applied Materials	CTXS	Citrix	MA	Mastercard	SBUX	Starbucks	ZM	Zoom
AMD	Advanced Micro Devices	CVX	Chevron	MAR	Marriot	SHOP	Shopify	DOCU	Docusign
AMGN	Amgen	DE	John Deere	MDLZ	Mondelez	SNAP	Snapchat	SFIX	Stitch Fix
AMZN	Amazon	DIS	Disney	MGM	MGM	SPOT	Spotify		
ASHR	Xtrkr Harvest CSI 300	DKNG	Draftkings	MNST	Monster	SQ	Square		
ATVI	Activision Blizzard	DLTR	Dollar Tree	MRVL	Marvel	T	AT&T		
BA	Boeing	EA	Electronic Arts	MSFT	Microsoft	TGT	Target		
BABA	Alibaba	EBAY	Ebay	MU	Micron	TQQQ	ProShs UltraPro QQQ		
BAC	Bank Of America	ETSY	Etsy	NCLH	Norwegian Cruise	TSLA	Tesla		
BIDU	BIDU	EXPE	Expedia	NFLX	Netflix	TSN	Tyson Foods		
BIIB	Biogen	FB	Facebook	NKE	Nike	TWTR	Twiter		
BKNG	Booking.com	FSLR	First Solar	NKLA	Nikola	UAL	United Airlines		
BYND	Beyond Meat	GOOGL	Google	NTAP	Netapp	UBER	Uber		
C	Citigroup	GS	Goldman Sachs	NVDA	Nvidia	ULTA	Ulta		
CAT	Caterpillar	HAL	Halliburton	ORCL	Oracle	V	Visa		
CCL	Carnival	HD	Home Depot	OXY	Occidental Patroleum	VRSN	Verisign		
CSCO	Cisco	INTC	Intel	PEP	Pepsico	WDAY	Workday		
CELG	Celgene	JD	JD.com	PFE	Pfizer	WMT	Walmart		
CHWY	Chewy	JPM	JP Morgan	PINS	Pinterest	WORK	Slack		
		LLY	Eli Lilly	PTON	Peleton	WYNN	Wynn Resorts		

NetPicks Options Watch List 2022 - ETF's			
Symbol	Stock	Symbol	Stock
ASHR	Xtrkr Harvest CSI 300	SMH	VanEck Vctrs Semiconductor ETF
DIA	SPDR DJ Industrial Avg ETf	SPY	SPDR S&P 500 ETF
EEM	iShs MSCI Emerging Markets ETF	SQQQ	ProShs Ultra Pro Short QQQ
EFA	iShs MSCI EAFE ETF	TBT	UltraShort Lhman 20+ Yr Treasury
EWH	iShs MSCI Hong Kong ETF	TLT	iShs 20+ Yr Treasury BD ETF
EWW	iShs MSCI Mexico ETF	TNA	DX SmCap Bull 3x Shs
EWZ	iShs MSCI Brazil ETF	TQQQ	ProShs UltraPro QQQ
FAS	Financial Bull 3x	UNG	United States Natural Gas Fund
FAZ	Financial Bear 3x	UPRO	ProShs UltraPro S&P 500
FEZ	SPDR Idx DJ Euro STOXX 50	USO	United States Oil Fund
FXE	Invesc CurrShs Euro Trust	UUP	Invesco DB US Dollar Bull
FXI	iShs China Large Cap ETF	UVXY	ProShs Ultra VIX Short-Term
GDX	VanEck Vctrs Gold Miners ETF	VXX	ipath Ser B S&P 500 VIX
GDXJ	VanEck Vctrs Jr Gold Miners ETF	XBI	SPDR S&P Biotech
GLD	SPDR Gold Trust	XLB	S&P Sel Materials
HYG	iShs iBoxx $ Hgh Yd Cor Bd ETF	XLE	S&P Sel Energy
IBB	iShs Nasdaq Biotech ETF	XLF	S&P Sel Financial
IWM	iShs Russell 2000 ETF	XLK	S&P Tech SPDR
IYR	iShs US Real Estate ETF	XLP	S&P Sel Consumer Staples
KRE	SPDR S&P Regional Bank	XLU	S&P Sel Utilities
LQD	iShs iBoxx $ Inv Gd Cor Bond ETF	XLV	S&P Sel Health Care
MDY	S&P Midcap Dep Receipts	XLY	S&P Sel Consumer Discretionary
NUGT	Direxion Dly Gold Miners 3x BL	XME	SPDR S&P Metals & Mining
QID	UltraShort QQQ ProShs	XOP	SPDR S&P Oil & Gas Exploration
QQQ	Invesco QQQ Trust	XRT	SPDR S&P Retail
SDS	UltraShort S&P 500	JETS	Airline ETF
SLV	IShs Silver Trust		

Conclusion

Whether you have been trading options for years, or brand new to options all together, there is tremendous opportunity in these markets as long as you stay disciplined to a trading system. In this book, we have outlined one of my favorite strategies that has allowed me trade for a living for the last dozen years.

Review the material and follow the criteria that was laid out for finding and managing the trades and you will be well on your way to generating a great source of income. If you have any questions, feel free to contact me directly. We look forward to hearing from you. Happy Trading!

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