

Investing Plan for: Calls

Investing Rules

Watch List Criteria (searches, fundamentals, industry groups, market conditions, routines)

- 1) Use bullish searches to find call plays (pg 57)
- 2) Trade only if current market posture is bullish (define posture using Market Posture, Market Forecast, and Vix) (pg 46)
- 3) Uptrending stocks (pg 49)
- 4) Uptrending industry groups (pg 57)

Entry Rules (technical analysis, order types)

- 1) Verify that the stock is still uptrending (pg 49)
- 2) 3 green arrows (pg 49)
- 3) High volume (pg 49)
- 4) Choose an expiration month with enough time (purchase at least a month more than projected time for move)
- 5) Choose a strike price 1 or 2 strikes in the money (conservative)
- 6) Make sure Implied Volatility is not more than 20% higher than historical volatility (pg 42)
- 7) Make sure the ask price is not more than 20% higher than T-val (pg 42)

Position Size / Money Management

- 1) No more than 5% - 10% of portfolio in options trading (pg 35) (pg 8 *Stocks*)
- 2) Stop loss at 30% – 50% of option value (50% for ATM, 40% for 1 strike ITM, 30% for 2 strikes ITM) (pg 36)

Exit Rules (monitoring activities, technical analysis, order types)

- 1) Exit on hitting price target (pg 56 video: “Selling a Call Option”)
- 2) Exit on weakness in indicators (pg 56 video: “Selling a Call Option”)
- 3) Monitor trades on a daily basis (pg 56 video: “Selling a Call Option”)

Investing Rules Inspection

Definition of Success

- 1) Follow Rules
- 2) Outperform the S&P 500 (industry standard)

Periodic Review Activities

