Trading the 'tos' Method
With
Tyler Bellis

Session #6 Review

Tmdb412@yahoo.com

This course will be:
Six sessions
Every other Thursday, one hour long

- 2 sessions on Entry/Greeks
- 2 sessions on Management
- 2 sessions on Exit

Every session will be structured:

- 30-40 minute presentation
- 20-30 minute Q & A

***please mute your phones to minimize background noise.

Objective: the objective of this six week course is make you more knowledgeable and proficient in the 'tos' trading method. This is not the only way to trade the 'tos' method and is not the Holy Grail. It is just my interpretation based on my instruction, study, and experience trading in this manner.
Bottom line: to become a more consistently profitable trader.

Options involve risk and are not suitable for all investors. Every investor who deals with options should read and understand the publication "Characteristics and Risks of Standardized Options."

There are inherent risks involved in the stock market and these risks should be considered prior to any decision.

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This document is for educational purposes and is intended to describe how tos system is used. Nothing written is to be taken as advice, please consult with your broker or financial advisor before placing any trade.

CFTC RULE 4.41 Hypothetical or simulated performance results have certain inherent limitations unlike actual performance record: simulated results do no not represent actual trading. Also, since the trades have not actually been executed, the results may have under- or overcompensated of the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No presentation is being made that any account will or is likely to achieve profits or losses similar to those predicted or shown.

All examples are for educational purposes only.

Session #6 Review

Objective: to give a brief review of the 5 sessions.

Things to remember:

- We don't 'know' what the market is going to do.
- We trade market neutral as much as we can.
- Trade with as many greeks working in our favor as possible (or neutralize them as much as possible).
- Be a seller of time premium whenever possible.
- Highly liquid index type products are a good thing (SPY, DIA, IWM, QQQQ)

Guideline to the TOS Style of Trading

What:
Iron Condors
Calendar spreads
Broken Wing Butterflies
Butterflies

When:
Entry: 4-8 weeks away from expiration
Exit: 4-10 days from expiration

Where:
- iron condors short option sold at 30%-35% probability of expiring in the money or regular for a 1:1 risk to reward ratio.
- Calendar spread short option sold at 35%-45% probability of expiring in the money.
- Broken Wing Butterflies, as a bullish hedge, short sold at 35% probability of expiring in the money.
- Butterflies are used as a hedge and placed where the portfolio's risk is.
- Verticals are sold 4-2 weeks out and when the first long of the ic position hits 35%.

How (much):
- Iron condors are sold when price is falling and VIX is rising for a credit of 1.00.
- Calendar spreads are bought when price is rising and VIX is falling with one embedded roll.
- Skewed Butterflies would be put on as a hedge when first putting iron condors after calendars have been placed for a small credit.
- Butterflies are place as soon as possible in the expiry cycle far OTM where the portfolio's risk is at.
- Sell enough verticals at .35 per strike to embed short positions at that strike.
- 30% risk allocation per month.
- 3% per position.

- Position would be routed one contract at a time at varying one penny price increments around the mid price for price discovery.

Why:
Positions are placed in such a way as to gain the most theta decay with minimal risk (exposure in the market), neutralize gamma risk, manage delta, and utilize vega.

Entry (4-8 weeks to build inventory for the month)
Sell Iron Condors
Buy put calendars

Week 5 (Initial Hedging)
Place butterflies (bullish and bearish)
Place calendar hedge (bullish or bearish)
Place Broken Wing Butterfly (bullish)

Management (4weeks -10days)
Add to initial hedges
Sell verticals into strength
Buy back close ATM or ITM vertical
Close any position with a short strike of 10% of the width of the strike increments.

Exit (10-4 days)
Roll calendars
Clear off all verticals 35% or greater and buy back short strike when .05.
Let Butterflies expire worthless

Collect big profits!