

Candlestick Secrets for Profiting in Options Seminar

Nison Candlesticks to Guide Your Option Trades

Nison Candlestick Secrets For Profiting in Options



Presented by Steve Nison
President: candlecharts.com

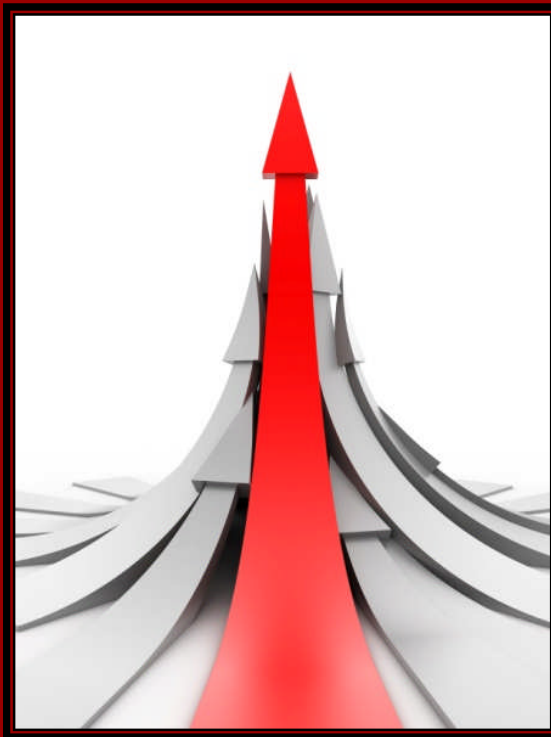


Quickly finding the best opportunities in the options markets

Candlestick Secrets for Profiting in Options Seminar

Nison Candlesticks to Guide Your Option Trades

Nison candlesticks for option strategies



Candlestick Secrets for Profiting in Options Seminar

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Nison candlesticks for option strategies

- **Assumptions**
- **Importance of trend**
- **Implied volatility compared to trend**
- **NCS for option trade set ups**
- **NCS to help overcome time value decay**
- **Nison candlesticks to guide your bear outright and spread option trades**
- **Nison candlesticks to guide your bull outright and spread option trades**
- **Nison candlesticks for portfolio protection**

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1

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Assumptions

Unless noted on the slide

- Focus is on long outights and vertical spreads
- 30-30 concept (30-days to expiration and 30% IV)
- When a position is closed out we do take into account days passed since trade placed (and assume IV is the same)
- Legging into spreads use the same expiration date as when original trade opened
- Use ATM
- When have “buy” or “sell” means to open a new trade.
- Close, cover, liquidate, exit means to exit (close out) the current trade.
- All reference to volatility mean it is implied volatility.
- Not dealing with bid/offer spreads
- Using one options contract
- Don't take into account volatility skew

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2

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Volatility Skew

IBM @ 163.56
46 Days to Exp

March 19 2011 Puts

Clear Selections

Bid	Ask	Strike	Bid	Ask	Last	Change	Vol	Open Int	Delta	IV
28.10	28.95	135.00	0.16	0.19	0.25	0.00	0	127	-0.001	28.55
23.25	23.90	140.00	0.22	0.27	0.28	0.05	5	303	0.00	25.44
18.45	18.60	145.00	0.36	0.39	0.38	-0.07	25	1,844	-0.026	22.61
13.60	13.75	150.00	0.64	0.66	0.66	-0.15	229	773	-0.081	20.25
9.10	9.20	155.00	1.23	1.26	1.24	-0.43	352	3,761	-0.192	18.41
5.30	5.40	160.00	2.12	2.21	2.23	0.00	352	1,007	0.00	17.20
2.60	2.66	165.00	4.70	4.80	4.79	-1.36	211	473	-0.551	16.62
1.04	1.08	170.00	8.10	8.25	8.10	-2.53	39	173	-0.728	16.92
0.35	0.41	175.00	12.45	12.60	12.35	-2.45	21	12	-0.857	18.69
0.12	0.14	180.00	16.75	17.70	0.00	0.00	0	0	-0.935	20.89
0.02	0.15	185.00	21.70	22.65	0.00	0.00	0	0	-0.974	24.52
0.00	0.14	190.00	26.70	27.60	0.00	0.00	0	0	-0.991	28.07

Clear Selections

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3

**What would be
the biggest
help for your
option trading
with technical
analysis?**



KNOWING IF MARKET IS CHANGING TREND

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Nison Candlesticks for Option Strategies

“I use Nison candlesticks as a tool to help me maximize my entry points on options.”

5

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Nison Candlesticks for Option Strategies

“I use some trading systems, but they all seem to lag the market. I need something that will give me direction earlier. Candles is that tool!”

6

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Nison Candlesticks for Option Strategies

“Before I make a decision to purchase puts and calls I want to know what the trend is showing. Thanks to Steve Nison for teaching me the correct use of candlesticks to help me know the truth about the trend of the market.”

7

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**“But Steve
- what
about
implied
volatility?”**



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8

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Direction blows away implied volatility



Candlesticks don't predict IV, but direction is the single most important thing you need to know to make money on any options trade. Let's check this out....

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Implied Volatility vs. Direction

AAPL

- 1) **Hold IV constant** at 26% and **price +20%** over 30 days

APPL @ 300: 60-day 300 call = \$12.70

APPL @ 360: 30-day 300 call = \$60.10

- 2) **Hold Price Constant** at \$300 and **IV +20%** over 30 days

300 strike 60-day call: Vol @26% = 12.70

300 strike 30-day call: Vol 31.2% = 10.70

Result:

20% change in price = +\$47.40 (374% gain)

20% change in Vol = -\$2.00 (15% loss)

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Nison candlesticks for options timing



“I wanted to buy a call option on a stock, but saw a shooting star and decided to wait for my entry. This proved to save me money.”

“When I see doji I begin to worry because I know a direction change is coming.”

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The Bull Candlestick Signals



- Hammer
- Bullish Engulfing Pattern
- Bull Sash
- Piercing Pattern
- Bull Harami
- Etc.

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11a

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Nison Candlesticks for long calls



Scenario 1 – buy at hammer
Mkt @ \$395: 400 call @ \$11.30

Exit at 2nd doji (13 days after hammer) mkt @ 447: 400 call @ \$47.50 (320 % return)

Scenario 2 – buy based on MACD
Mkt @ \$418 : 420 call @ \$13.45

Exit at doji (5 days later) mkt @ 447: 420 call @ \$31.20 (132% return)

Result: Nison candlesticks generated over 2x the profit!

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12

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Nison Candlesticks for long calls



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Nison Candle strategies for bull call (debit) spreads



Market @ 532:
Buy 530 call @ 19.20
Sell the 540 or 550 call?

Let's do the math:
S 540 call @ 14.70 so
debit= 4.50

Max profit: difference
in strikes less debit =
5.5

B.E: lower strike +
debit= 534.50

S 550 call @ 11.00 so
debit= 8.20
Max profit = 11.8
B.E = 538.20

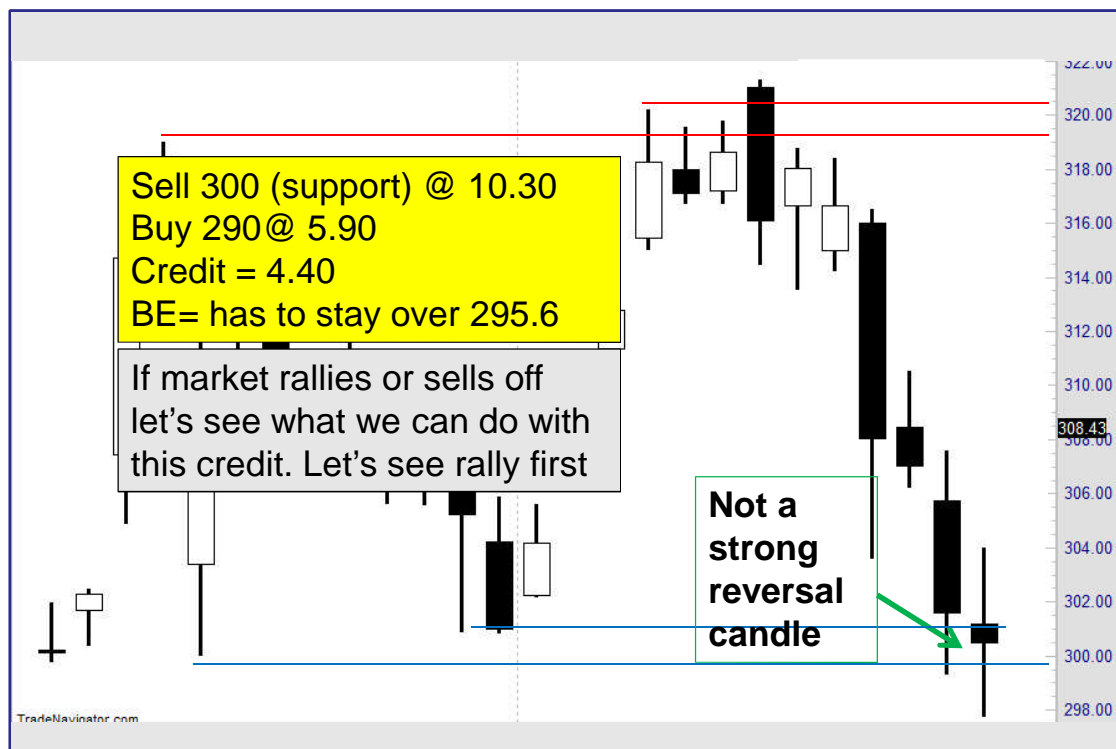
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14

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Nison Candle strategies for bull put (credit) spreads : 1 of 3



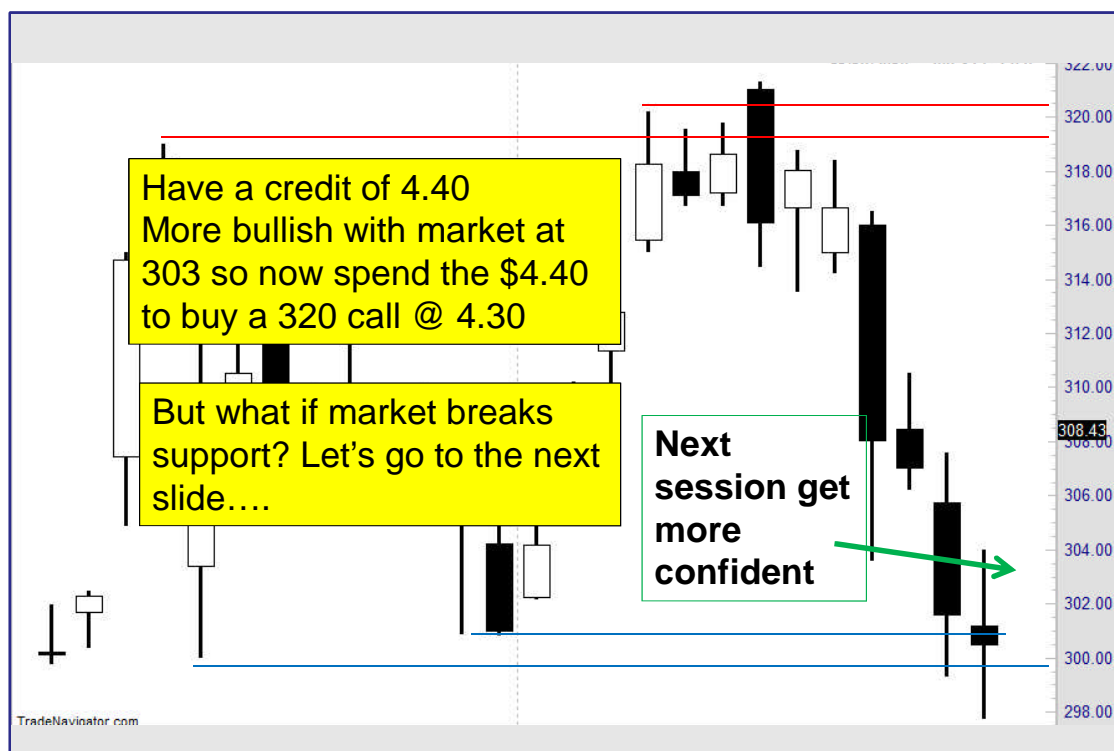
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15

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Nison Candle strategies for bull put (credit) spreads : 2 of 3



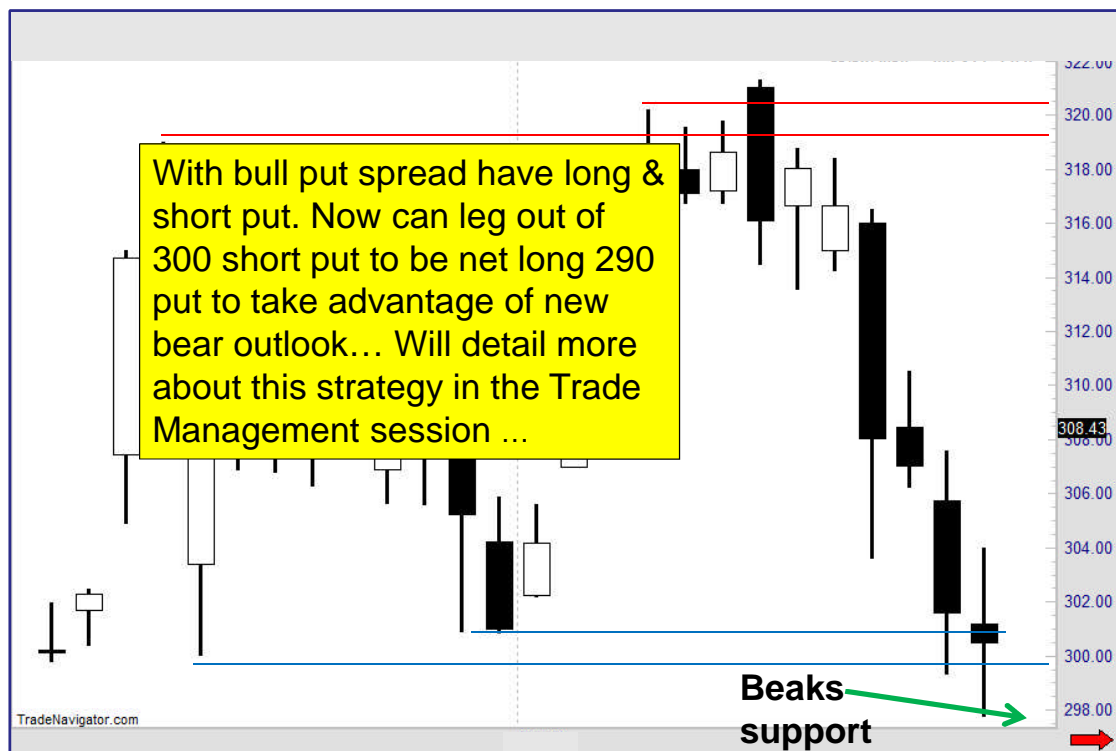
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16

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Nison Candle strategies for bull put (credit) spreads : 3 of 3



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17

The Bear Candlestick Signals

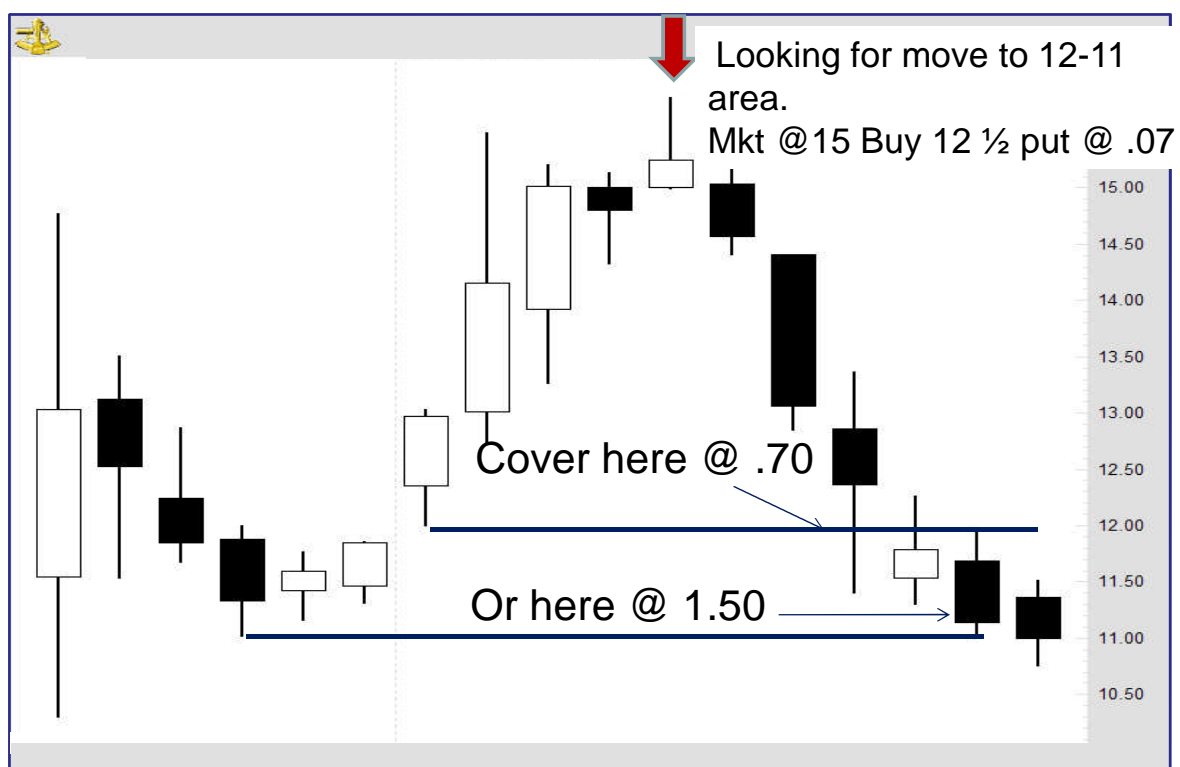


- Shooting Star
- Bearish Engulfing Pattern
- Bear Sash
- Dark Cloud Cover
- Bear Harami
- Etc.

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Nison Candlestick strategies for long puts



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19

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Nison Candle strategies day trading options



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20

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**With bear moves implied
vol. usually increases
(fear factor)**



**With bull moves
implied vol. usually
stays flat or decreases
(complacency factor)**

**Let's see what this means for our
candlestick option strategies...**

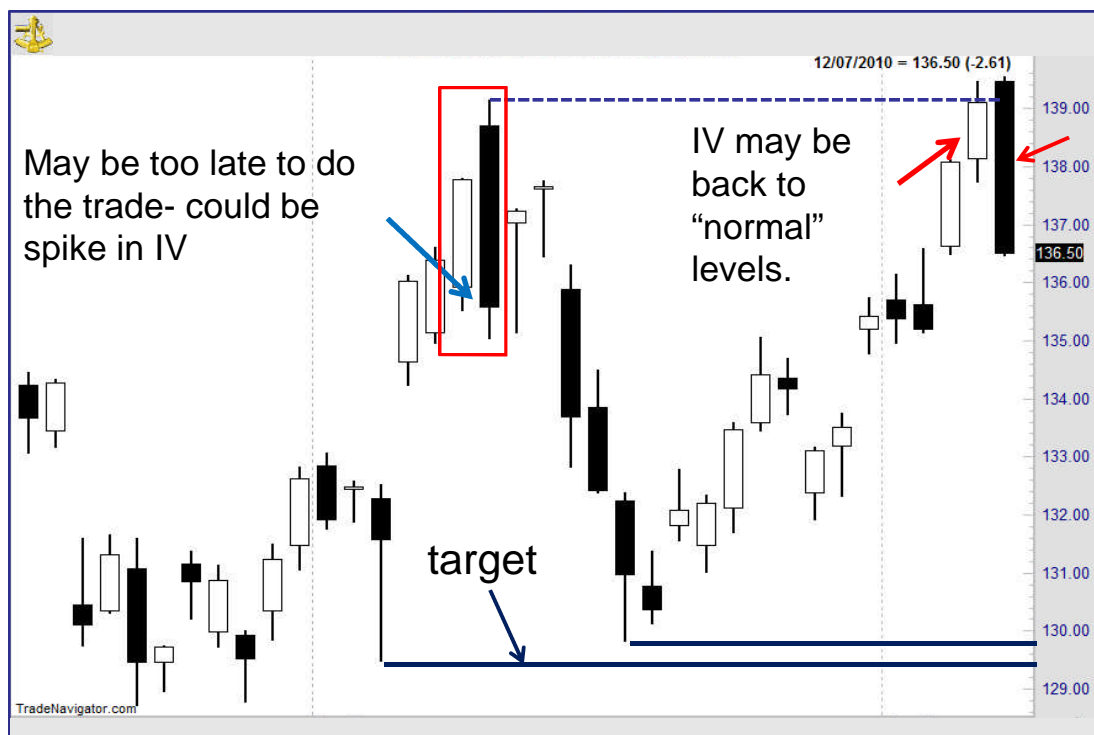
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21

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Nison Candlestick strategies for bear option trades



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22

Candlestick Secrets for Profiting in Options Seminar

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Nison Candlestick strategies for bull option trades

1) Aggressive: Mkt 1015: buy 1030

7-day call @10.30:

Exit 5 days: mkt 1045 call @ 18.50

2) Conservative: Mkt 1015: buy 1030

30-day call @27.36

Exit 5 days: mkt 1045 call @ 39.72



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23

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