CHEAT SHEET

Selling Weekly Options

"An Extra Pay Day Every Week"

Weekly Options:

There are over 150 stocks and ETFs that carry weekly options (see list). All stocks and ETFs that carry option contracts are weekly options on the 3rd week of every month.

Why Sell Weekly Options:

Time Decay: Due to the short-holding period (2-3 days), the loss in value of a weekly option is ferocious…the best thing to happen for a seller of options.

Better Winning %: Barring a gigantic surprise, you have a far lower chance of having a stock "put" to you because of the short-time period in the trade (2-3 days).

One Commission: You are paying only one commission, when you sell your contracts, and since we are aiming to have the put expire worthless, there is no commission to close the position.

Low Maintenance Process: Sell the put and you are done. Collect the cash after the close on Friday.

More Income: Done right, 4 weekly options premiums equal MORE than double the premium of just 1 monthly option!

When to Sell Weekly Options:

Outlook: If you have a positive view on a stock (Slightly Bullish to Bullish).

Implied Volatility: **30** is the magic number—looking for Implied Volatility between 25 and 30.

Target Buy Back Price: The goal is to let weekly options expire worthless in just a few days, but in some cases you may end up buying back your put 25% to 50% of the original value.

Bid-Ask Spreads: You want options with narrow bid/ask spreads **--$.01 to $0.05.**

When to Sell: You can sell weekly options almost anytime during the week, but we recommend weekly options around midday on Wednesday. We find this to be a good midpoint between the possibility of the market or the real world hitting the position and still collecting good premiums and serious amounts of cash.

Entering and Exiting the Trade:

Enter Sell and Buy-Back Orders at Same Time: If you don't want to wait for the option contract to expire weekly, you can enter your "buy back" trade when you enter the "Sell position" with your target price.

Closing a Position: Although most weekly options expire worthless (good for the seller), don't equate buying back your calls with not having a successful position. You just put cash in your account by doing so.

Anatomy of a Weekly Options Trade:

Trade Date: March 14, 2012

Stock: JP Morgan (JPM)

Support for the Trade: JP Morgan has been moving up slow and steady with the market almost every week.

Step-by-Step Trade Recommendation: Sell the JPM March, Week 3, $43 puts for $.32 (thirty-two cents) or $32 per contract.

1. **Sell (not Buy)**
2. **JPM (stock ticker)**
3. **March, Week 3 (month and week in which the option contract expires)**
4. **$43 (Strike price of the stock (underlying stock) supporting the option.**
5. **Puts (we are selling puts)**
6. **$.32 (thirty-two cents)—price of each share in the contract**
7. **$32 per contract = $.32 x 100 (100 shares are in 1 contract) = $32.00 per contract.**

Result: When the market opened on the morning of March 16th, the price of the JPM March Week 3 $43 Put contract was $.02 (two cents). It expired worthless at the end of the day.

Cash in Hand: The seller of this trade kept $32 for every contract of JPM March Week 3 $43 puts sold that week.

Trade Return: .74%

Annualized Return: 38.7%