

Trade the tide, not the waves

In The **MONEY**

Compare Option Strategies

**How to choose options and
strategies that work for you**

Textbook & Workbook
Heather Cullen

Compare Option Strategies

*How To Compare Options and Choose Option
Strategies That Work For You*

Heather Cullen



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To Kim and Simon, my wonderful children.

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Reader Reviews

For Heather Cullen: In The Money Series

Loved your book - read it straight through to 2AM!

Thank you so much for writing this wonderful book, really life changing.

I am so glad I found your book!

The best investment book I have read in 30 years!

The ITM investment system is the most robust one compared to those I have learned from dozens of other investment books.

This book takes you on a journey to learn about stock options in a light and humorous way. Definitely worth recommending.

Why has it taken such a long time for such a book to appear?

Many examples from the school of hard knocks so that she can spare you the same experiences she suffered.

Easy to read, method and examples well explained, engaging and clear.

Absolutely fascinating how you have made trading options so much simpler.

It's refreshing to know that someone has made all the mistakes for us!

Your book has given me renewed inspiration. I thought it was excellent.

Easy read and very understandable even for someone like me who is new to the options trading game.

Author does an excellent job explaining the strategy and makes it very simple to understand.

An effective options strategy I had not before considered, nor of which I was even aware.

My sincere gratitude for sharing your refreshing perspective of the stock market, and your enlightening strategy.

Congratulations on your excellent book "In The Money" I enjoyed reading it immensely.

I've read many investing books over the last 20 years and this book makes the most sense.

Loved reading your book! Thank you for making it so clear and easy.

Easy straight-forward approach to option investing, an elegant and simple strategy.

Best ever easy to read book about investing – a fun book to read!

Great book, easy to read. It explains everything you need to know, making it easy even for beginners.

This is one of the best investment books I've ever read.

This is not a get rich quick book but a workable system to increase your money this is working for me. Thanks!

This is a great book. The author presents a well thought out strategy for investing. An easy to understand and follow book. Highly recommend.

Loved your book. I have read key parts of it multiple times

Loved your book. Exactly what I was looking for!

Disclaimer

The ideas and strategies in this book are simply describing what has worked - and what hasn't worked - for me. The information in this book is for educational purposes only and is not investment advice. I am not a financial advisor or investment adviser and recommend that you consult a licensed financial advisor to determine the suitability of any investment. While I have spent many hours checking and rechecking the figures in the book, I make no representation as to the accuracy or completeness of the information and will not be liable for any errors or omissions.

Options Q & A

Q1: Is it true that 80% of options expire worthless?

A1: Yes

Q2: WHY do 80% of options expire worthless?

A2: Because 80% of options are OTM. At expiry.

Q3: WHY are 80% of options OTM?

A4: Because that's what most traders write.

Q5. WHY do traders WRITE OTM options?

A5. Because they are hoping that they expire worthless, and they get to keep the premium.

Q6. WHY do traders BUY OTM options?

A6. Because they are hoping that they will be ITM by the expiry date.

Q7. WHEN are most OTM options traded?

A7. Near the expiry date, when the time value is decreasing exponentially.

Q8. WHY do traders trade OTM options THEN?

A8. If they get it right, they can win big in a short time, but we know the odds are stacked against them. See Q1.

Introduction

There's no doubt about it: options have a bad name. People say they are dangerous and risky. They will tell you, with relish, that 80% of options will expire worthless. That you can easily lose your money, your shirt, your retirement funds, your home.

Just google 'options dangerous' and you will get over eight billion results! You may wonder: who in their right mind would want to have anything to do with such scary things? Who wants to lose money?

But don't believe all you hear and read.

Options definitely get bad press, but only from people who don't understand them. Yes, some traders get wiped out quickly and often spectacularly, but that's because they did not know what they were doing and didn't consider the risks.

People who DO understand options know that they are a safe way to get leverage, and to avoid having to borrow money and deal with nasty margin calls. They know that they are a great way to limit your downside risk, and that's what keeps you in the 'game'. If you lose all your money then you can't keep on trading and will miss out on one of the few legal ways to make a lot of money!

Avoiding the dangers

To avoid the dangers and to be able to profit from options you need 2 things:

- To **know how options work**, how to use them and the pitfalls of not using them properly.
- **Practice** in how to do real time trades and see results without losing real money.

This book assumes that you already have a working knowledge of options. If you haven't already traded options, then before you start, I strongly recommend that you read the first book in this series. It's called [*In The Money: Bull Market Strategy*](#) and is available on Amazon.

To find it, google 'Heather Cullen' and follow the link to [HeatherCullen.com](#). [*In The Money: Bull Market Strategy*](#) is designed to make it easy for beginners to understand what options are about, and also to show how they work and what can happen when you don't use them properly. Many experienced options traders have written to me saying that they found the book invaluable in refining their thinking about options and showing them a safe and profitable way to trade.

If you have already been trading options (or have now read *In The Money*) but are wondering how to use them to make money, then this book, with its built-in workbook for you to practice trading with real pricing data, is for you.

We all trade the same market

Everyone trades the same market, but our results are vastly different. Some traders make money, some make lots of money, some traders bump along sometimes making money, sometimes losing it, and some – the temporary traders - lose their money and their shirt. What's the difference between a trader who makes money and a trader who doesn't?

Analysis of their decisions and trading patterns.

So many traders just barge right in without understanding what can go wrong and how to avoid it. Their trading plan is based on guesswork, without any framework to work out what was successful and what wasn't.

But we have very different results

That's where this book / workbook comes in. It enables you to see what works and what doesn't – *based on **your** input and your decisions.*

Anyone can look at a book or a log of trades that someone else has made, and follow what they did, but that's not really helping you to become a successful trader. You need to be able to test and hone your decision-making and you can't do that without your input and your decisions.

It's a bit like expecting to be able to be an ace at tennis or skiing simply from watching it on TV. We know that's not going to happen! What you need to do is actually decide what **you** would choose to trade and to see how the different strategies worked out ***for you.***

A common first reaction of traders is to make a spreadsheet to record all your trades. That's really a bit of a waste of time because your broker will have a list of all trades you have made, with detail you can drill down to. Most brokers also give you tools to work on this list of trades, so that you look your trades on different stocks and strategies. Some of these are really

excellent, but what is missing is comparing different options and strategies so that you can see what works and what doesn't.

Spreadsheets are really useful to calculate things, but that's where their usefulness ends. As a record of trades and for strategy comparisons they don't really hold up.

Of course, when using this book / workbook, you will probably be using Excel as well (unless you're really good with a calculator) but the important thing is the ***actual physical record*** of your trades (real and paper) enabling you to compare strategies and check your own decision-making.

Because of the workbook part of this book, it was designed as a physical book. It is available in paperback and hardback formats where you can actually fill in the workbook, which clearly isn't going to work in eBook format. To this end I have created the workbook section as a download so that you can print it off, fill it out and file it. When you come to the workbook section you will find the link to the download.

What this book is NOT

This book is not one of the 'low-content' template journals that are proliferating on Amazon at the moment. It's the latest craze; a new way to make money by fleecing the unsuspecting. You buy a standardized template, like, say, a lined page headed 'My Trading Log', duplicate it 120 times, whack a cover on it and voila! You publish it, and now have a low content book that will make you lots of money. Or not.

This book is not like that. It has not been thrown together in an hour using a generic template and aimed at beginners who don't know what they are doing. It's not a 'one-size-fits-all' notebook where you have to tick a box for stocks / options / futures / forex or crypto, and then use the same simple lined page to record all the different types of trades. There are plenty of these on the market, and they are no help whatsoever at all in improving your trading.

Compare Option Strategies is a tested, well-thought out, practical book and workbook created by a real trader. It has no filler pages like 'My Aims' or 'My Investment Plan' or 'Draw the Chart' or 'My Deposits' or 'Market Conditions' or 'Watchlists' or other such useless stuff which is there to bump up the page count. We all know that those kinds of journals don't work but are just a way of capturing beginners in the market who will quickly realize their mistake.

Instead, this book has been refined and tested to make sure that you capture ALL the information you need to analyze your option trades – and ONLY the information you need. You have more things to do than fill out pages with useless and irrelevant facts.

You need to concentrate on trading, not on trying to squash everything you want to record into one little line. This book, with its built-in workbook, will enable you to compare different types of options and work out which trades are going to be most profitable for **you**.

How To Use This Book

Trading options can be stressful because there's so much choice! You have to choose your instrument – an ETF or a stock? Then which stock? So many to choose from! And then which option? Are you going for ITM (In The Money), ATM (At The Money), or OTM (Out of The Money)? What expiry date? What strike? What's the premium? What's the risk? What's the payoff?

It's enough to make you want to have a quiet lie-down and think about it tomorrow . . . or next week . . . or maybe next year!

How many of you, with the best of intentions, have started an option spreadsheet? To help with working out what you should buy, how much money you will make, when you should sell. Probably almost everyone who has ever traded options has several iterations of that spreadsheet.

But you quickly realize that spreadsheets, while wonderful tools in many areas, are not at all helpful in making you a better trader.

There is only one way to do that – and that's by it writing things down and working out what works for you and what doesn't. It has been proven over and over again. Whether you are paper-trading or actually doing the real thing this book / workbook will keep you on track.

Look before you leap

This book helps you analyze trades **before** you jump in, so that you can see the risks and the rewards to help you make a decision on what strategy is the best. But – and here's the helpful bit – you can also record the trades you thought about but ***didn't*** get into, so that you can compare the outcome of the different option strategies and see which one made the most money, and why.

Option Strategies

There are many different options strategies, and between 30 and 40 are relatively well known. You may have heard of some of them: covered calls, calendar spreads, Iron condors, butterflies and so on. Some are simple, others quite complex, but they all based on different combinations of options.

A single option, like one call or one put, is called a 'leg'. Some options strategies have 1 'leg' – i.e., it is a single option, not a combination of options. Others have 2 legs, combining calls or puts of different dates and / or strikes, or combining calls and puts. Some have three legs, usually combining calls and puts. Some have 4 legs, also usually combining calls and puts. Some use a combination of stocks and options, like covered calls.

Some of the more common are:

- 1 Leg** - long call / put, short call / put, cash-secured put.
- 2 Leg** - call / put spreads, calendar spreads, straddles, and strangles.
- 3 Leg** - long & inverse butterfly spreads, collars.
- 4 Leg** - condors, iron condors, iron butterflies.

With so many different strategies, it is impossible to put them all in one book, so this book concentrates on the 1-Leg strategies: buying and selling a call or a put.

I am planning more books with incorporate workbooks on the more complex strategies, but all strategies depend on single options, so getting thoroughly familiar with the different options and how they behave is necessary before attempting the more complex strategies.

If you want to jump ahead and read more about the different types of complex options strategies Wikipedia is a good place to start. Just google 'Wikipedia Option Strategies.'

Tracking different options

In this book, for each ETF or stock we decide to trade, we track 4 types of options trade:

1. A straight stock trade
2. An ITM options trade
3. An ATM options trade
4. An OTM options trade

Before the trade, the workbook guides you to check what you are really paying and what profit is possible, and what loss you could incur.

You record the reason for getting into the trade, and your intended exit. Using an option calculator (explained later), you can pinpoint exactly what the trade will pay and when, so that you can make an informed decision rather than just buying and hoping!

After the trade we look at the results of each type of trade and compare the different strategies. We analyze why they performed as they did, and how we can use these results to make us a better trader.

What about ‘paper’ trading?

Most people, wisely, paper trade or use demo accounts until they work out how things work and get a feel for the options market. That’s smart; not blindly jumping in at the deep end is a good idea.

Most brokers have the option (yes, dreadful pun) of a demo account where they start you off with, say, \$100K of ‘play money’. You can actually trade with real time data on the real platform which is great experience – but none of your trades actually go through. You’ll get all the real pricing, and the positions will be visible in your demo account so you can keep track of how you are going.

I thoroughly recommend using a demo account because it is a great way to become familiar with planning and placing trades. But a word of warning: don't get too addicted to it. It's not the real world. Sooner or later, you have to jump in and start trading for real.

Use this workbook to record the trades you were thinking of making and painlessly find out whether they would have made you money or not. Then, when you're confident, jump in!

Real trading

If you are already trading options, then you'll know there was always the 'what if'. Should I have chosen a different strike? A different expiry? How would they have performed? Would I have made a better profit?

Use this workbook to record your actual trades and alternative trades that you were wondering about. See how they actually performed. Mix your real trade and paper trades so that you'll never be left wondering.

Bull trades? or Bear trades?

It doesn't matter whether you are bullish and using calls, or bearish and using puts, this workbook caters for it. However, If you are bearish and using puts, you may not be able to compare the outcome with a real short trade because most trading accounts don't allow shorting of stocks or ETFs. However, if you are able to trade options, brokers they are fine with them being either calls or puts.

When it comes to filling out the trading pages you can still enter the data and work out what it would have made if you had been able to short and put real data in the paper option trades.

Trading Signals

Having spent years researching and back testing many indicators and combinations of trading indicators I can tell you some good news: some of them work some of the time. That's the best news I can give you. ***Trading signals work some of the time, but not all, or even most of, the time.***

The bad news is there is no way of telling which indicator is going to work when and in what situation. Indicators are, necessarily, describing what has already happened not what is going to happen. But traders keep on using them, and this is something that gives us an advantage. If we know what people are going to do, based on the indicators, then we have a good indication of what the market is going to do.

For example, if we know that traders watch the 50-day moving average and we see the stock price fall through that then we know that further falls are likely because traders see this as an indication that it will continue to fall. In other words, it is a self-fulfilling prophecy. For those of you who have been following my blog (HeatherCullen.com/blog) you will know that in 2021 we were following the S&P 500 ETF SPY, and that one of the trading signals we follow was the 50 day SMA. SPY bounced off it no less than six times during the year!

As we said before, the best that can be said of trading signals is that most of them work some of the time. There is no fool-proof signal that always works, and we don't know under what circumstances which signals are going to work. You might wonder why anyone uses them if we don't know if and when its going to work, and that is a very good question. The answer is 'because traders trading signals think they are important and make decisions based on them.'

If we think of the stock market as millions of people all looking at the same stocks and the same data, we get a better idea of how to trade it. You can never predict what one person is going to do, but by looking at what has happened in the past you can make a reasonable prediction about what they are going to do in the future.

If we take a medical analogy, it becomes clearer. You can't predict whether an individual is going to get cancer over the next year, but if you take 100,000 people you can predict with reasonable certainty that around 500 will be affected. It's the same with the stock market; you can't predict what an individual trader will do, but you can often predict what a lot of them will do.

So, back to trading signals. Why are they important? ***Because traders THINK they are important.*** And when they think something is important then they act on it and so by watching the trading signals we can often predict what they are going to do.

So, let's go through some signals that you may want to use. Firstly, we will look at the signals that you don't have to calculate, you simply draw them on a stock chart.

Chart Drawing Tools

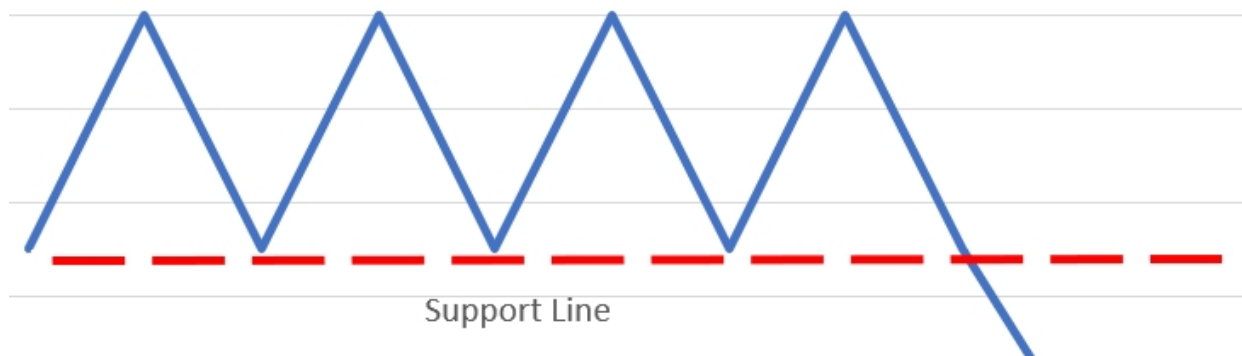
The drawing tools we are going to review are:

1. Support & Resistance
2. Support & Resistance Channels
3. Trend lines
4. Trading Channels

Support and Resistance

These are one of the most commonly used signals, both for individual stocks and ETFs. A Support Line is simply a horizontal line drawn on a chart which shows the price under which a stock is unlikely to fall. The stock price is 'supported' at this level, as every time it falls towards that level it moves back up again. What is happening is that as the price of the stock falls traders

notice and start to think that the stock is getting 'cheap' and good value, so they start to buy. This forces the price up away from the support line.



This human behavior can be seen in any buying situation, whether real estate, cars, clothes, whatever. There is always a price where the potential buyer thinks ‘that’s too good a bargain to miss out on’ and moves in to buy it. If the support line is broken and the stock starts to trade under it, this is a bearish sign. Traders have no idea when the price may stop falling, so they often dump the stocks, accelerating the falls. A ‘break in support’ means that traders think that it is time to sell the stock.

A Resistance line is exactly the opposite. It’s where traders think that the stock looks ‘expensive’ and are not willing to buy if it is over that price. Traders who own the stock get nervous and start to sell their holdings, and as there are few buyers the price goes down. Every time the stock gets to that level it stops and then starts falling as buyers melt away.



Sooner or later (usually) it gets through this resistance line and that is a bullish sign that it now has enough momentum to keep going up for a while.

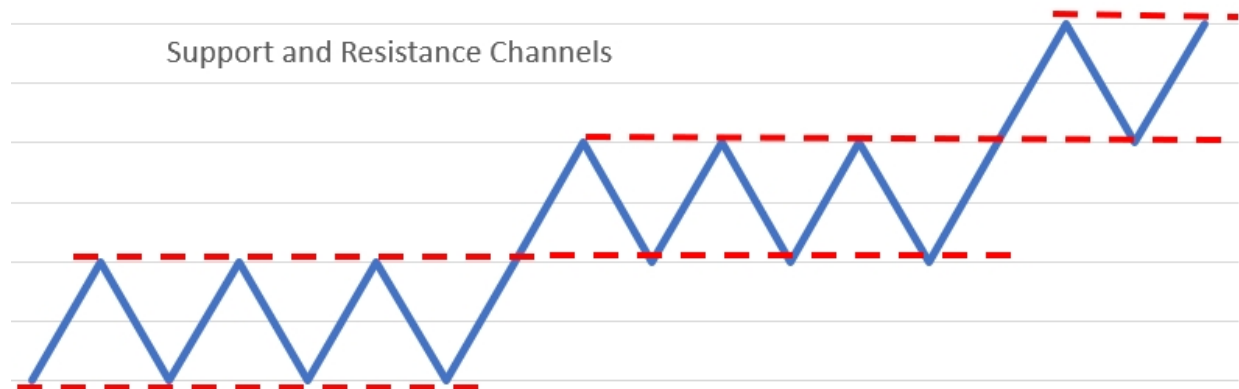
This is one of the signals that traders use to enter a stock trade as it often continues to go up for some time. This is termed a 'breakout' and traders are always looking for these.

Support and Resistance Channels

Often, the stock will retrace and ‘test’ the resistance line, which gives us another useful understanding.

Previous resistance lines often become support lines.

If you have ever read the book ‘[How I Made \\$2,000,000 on the Stock Market](#)’ (and I recommend it, it’s an interesting read) you will realize that that was what Nicholas Darvas, the author, noticed and started trading on that signal. Nowadays, there is an indicator named after him, the ‘Darvas Box’ which enables you to draw these boxes on a stock chart.

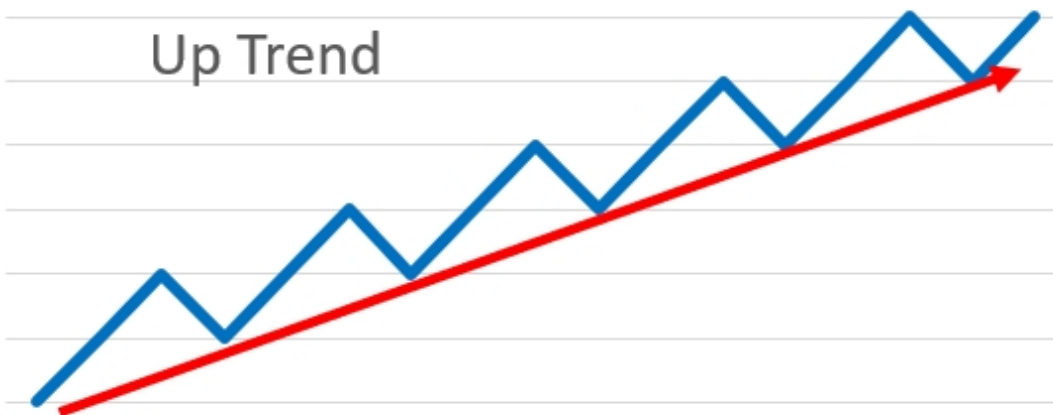


You will see this pattern repeated quite often in charts. It is normal behavior to bounce off support and resistance several times before breaking upwards (or downwards, that can happen too) and this is called a trading channel.

Trend lines

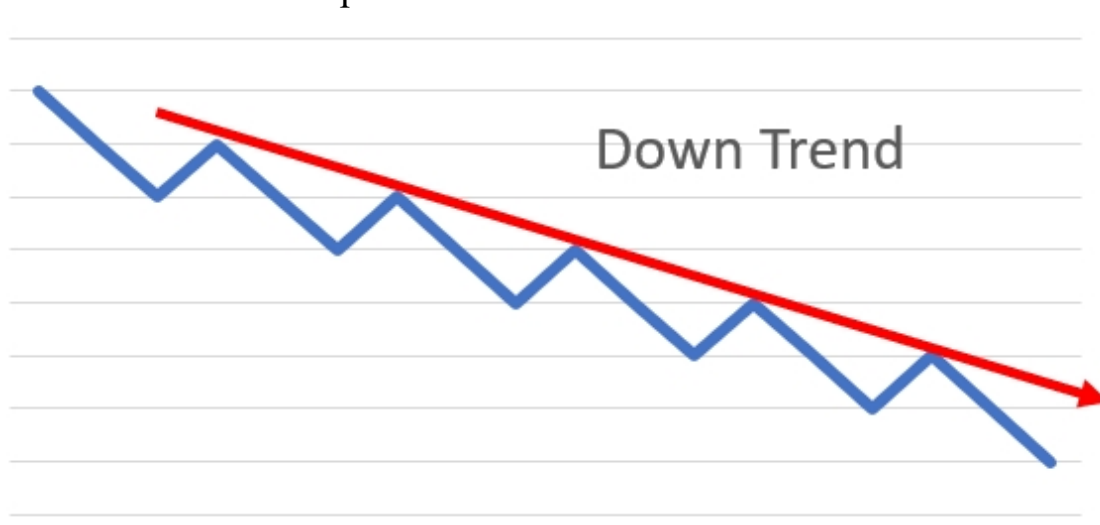
Trend lines are simply straight lines that are drawn on a chart to show which way the stock has been going. The ‘has been’ is significant. The reason we draw trend lines is that we are assuming or hoping that the stock

will continue along the trend line so that we know where it is going and can trade accordingly. Now we already know that **no-one** can say what a stock is going to do tomorrow, next week, next month, next year. But the good news is that they **often** follow the trend lines – that is, until they don't!



There are rules for drawing trend lines:

1. Uptrend trend lines are drawn connecting 2 or more LOW points.
2. Downtrend trend lines are drawn connecting 2 or more HIGH points
3. At least 3 points must be connected for a trend line to be VALID

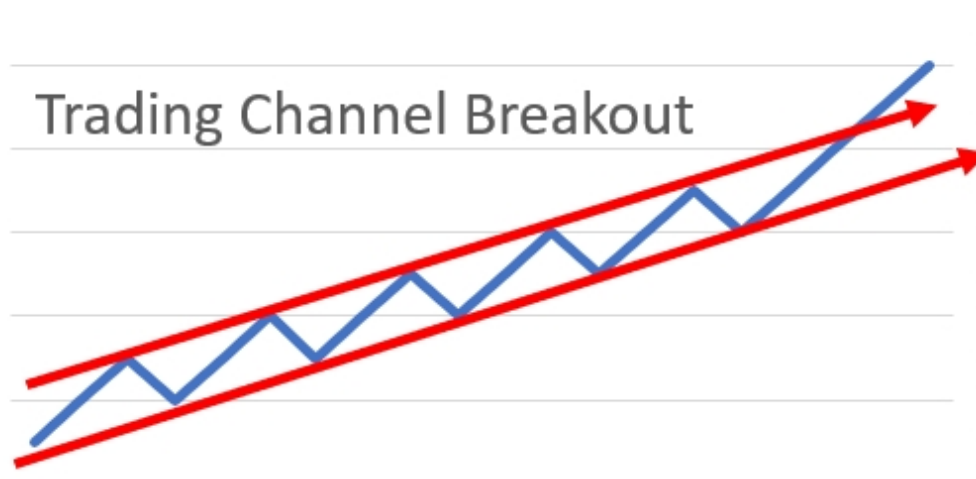


When you start to look at charts drawing in the trend lines is good to do because it takes away all the noise, by which we mean the daily ups and downs that are part of normal stock movement. They also make you look at the chart and see exactly what is there and not what you have read online that morning or that someone has told you. As we mentioned before, keeping

a clear head is absolutely vital to being successful. Listening to others is almost always guaranteed to bring you to a sticky end.

Trend lines are sometimes described as ‘lines of least resistance’. In other words, if a stock is going up then that is the easiest thing for that stock to keep on going up. To change the upward trend something must happen to change traders’ point of view about the stock. That could be something that affects the whole market (like a recession, or inflation getting out of control) or it could be stock specific (all the executives were in the same plane, and it crashed. That actually happened, just google Sundance Resources plane crash).

Trend lines often give us trading channels which are just like support and resistance lines except that they are not horizontal. Every time the stock gets to the bottom of the channel it looks ‘cheap’ or ‘good value’ and buyers step in forcing the price up. When it gets to the top trend line then traders start to think that it is ‘expensive’ or ‘toppy’ and start to sell, moving the price down, away from the line. It will keep going in that channel until something changes the traders’ minds about the stock.



When the stock breaks out of the trading channel that is significant, just like the support and resistance we talked of earlier. If it breaks out of the top

of the channel, then this is bullish and it is likely to keep going up for a while at least.

It is also quite normal behavior to then retest by retracing to the top channel line and then bounce off again. The top channel line then becomes the bottom channel line of the new channel. The same is true, in reverse, if it breaks out of the bottom of the trading channel.

If you google to read more about this, you will see that the next thing they usually start talking about is putting the vertical axes on a logarithmic scale. Ignore this. It does not help. They are just trying to sound smart. The further you get away from the actual data the more you can persuade yourself that you see things that are not really there, and the more mistakes you will make. Usually costly mistakes. And we don't want that!

52-Week High

This is really a version of resistance. The 52-week high is the highest price at which a stock has traded during the past year and has a psychological effect on traders. You will often see it referred to in the financial press as though it were some mystical event; just google '52 week high' and look at the news tab to see the headlines.

However, traders *think* that it is important and so it can become a major point of resistance. Its rather funny in a way; reaching a 52 week high should be a good sign that everything is going well for the stock. However, traders are a jumpy lot and tend to overreact so often sell, pushing the stock price down away from the high.

If, on the other hand, it pushes through the high (for example, if there was a good announcement about future prospects, or great reporting results) then this is seen as a very bullish sign and traders pile in driving it up further.

Calculated Indicators

These indicators are calculated on price data, and usually are superimposed on the price chart. You never have to calculate these yourself as practically all graphing packages, both free and paid, will do this for you.

Some of the indicators we will look at are:

1. Moving averages, Death and Golden Crosses
2. Moving Average Convergence Divergence (MACD)
3. Volume and On Balance Volume (OBV)
4. Relative Strength Indicator (RSI)
5. Bollinger Bands
6. Fibonacci Retracement Levels

Moving Averages

If we have a series of numbers, like stock prices over time, then we can use a *moving average*. We can have moving averages of different time periods, like 50-day moving averages, or 1-week moving averages.

Moving averages are usually referred to as 'MA'. They are calculated by adding the new value (the latest one) and taking away an old value (the oldest one). Don't worry about doing the math. Any charting software will do it for you, all you have to give it is the time period that you want.

Here is a chart of Google with a 10-day (thin) and a 50-day (thick) moving average added. You can see that both MAs smooth out some of the noise so that you can see the trend more easily. Using a 10-day MA smooths a bit, but the 50-day MA smooths out even more. The disadvantage of the 50-day MA is that it takes longer to respond. You can see the 10-day MA starts to move down well before the 50-day. Likewise, the 10-day MA starts to move up well before the 50-day. Likewise, the 10-day MA shows that the uptrend started in April whereas the 50-day does not show it until May.



It is important that you get the concept of a moving average, and what it does. Essentially it smooths out the stock graph, eliminating the noise and enabling you to see the real movement. In other words, to see the tide, not the waves!

The MA we have described above is often referred to as an SMA – a ‘Simple Moving Average’, which of course implies that there is a more complex moving average. Of course, there is! Remember, this is trading – if they can make anything more complicated, they will. Exponentially!

The term EMA means ‘Exponential Moving Average’, and it gives more weight to the more recent prices which seems logical. What happened yesterday should carry more weight than what happened 2 weeks ago, and this is what the EMA does for you. Again, you don’t have to know how to calculate it, any charting package or website will do that for you. Just choose EMA and the time period that you want.

Which one should we use? Both have a place. If we are trying to predict what the market is going to do then I suggest that you use the SMA as that is what most traders watch and act on. However, I think that the EMA gives a truer picture of what is actually happening. So, which one? I watch both.

Death and Golden Crosses

Three of the most widely used are the 50-day, 100-day and 200-day simple moving averages(SMAs). In fact, they are so widely followed you see them in news headlines, more often for bearish stories:

‘DOW drops through 50-Day Moving Average’
than bullish stories

‘DOW bounces off 50-day Moving Average’.

If a stock or index is approaching one of these moving averages, you can be sure that there are a lot of eyes watching it and holding off making decisions until they know what it is going to do when it reaches it.

While individual moving averages are watched, how they interact is watched more closely. As we know, we can put the 50, 100 and 200-day

moving average on a single chart. The 200-day one will be smoother than the 100-day SMA, which in turn will be smoother than the 50-day.

At some point they will cross, and this is a trading signal that traders watch out for. They are very flamboyantly named:

If the 50-day crosses to below the 200-day this is a very bearish sign (called a '**Death Cross**' or a '**Dead Cross**'), so traders will start to behave in a bearish way by selling down their holding – which will push the market *down* even further.

If the 50-day crosses to above the 200-day this is a very bullish sign (called a '**Golden Cross**'), so traders will start to behave in a bullish way by buying it – which will push the market *up* even further.

If the 50 day is above the 100-day which is above the 200-day, then this is a bullish sign of a stock going up and continuing to go up. When traders see that they 'know' that all is OK and will continue to buy the stock, continuing its upward trend.



The MACD

The MACD is one of the most commonly used technical indicators and is also one of the easiest to understand. It is an acronym of:

M – Moving
A – Average
C – Convergence
D – Divergence

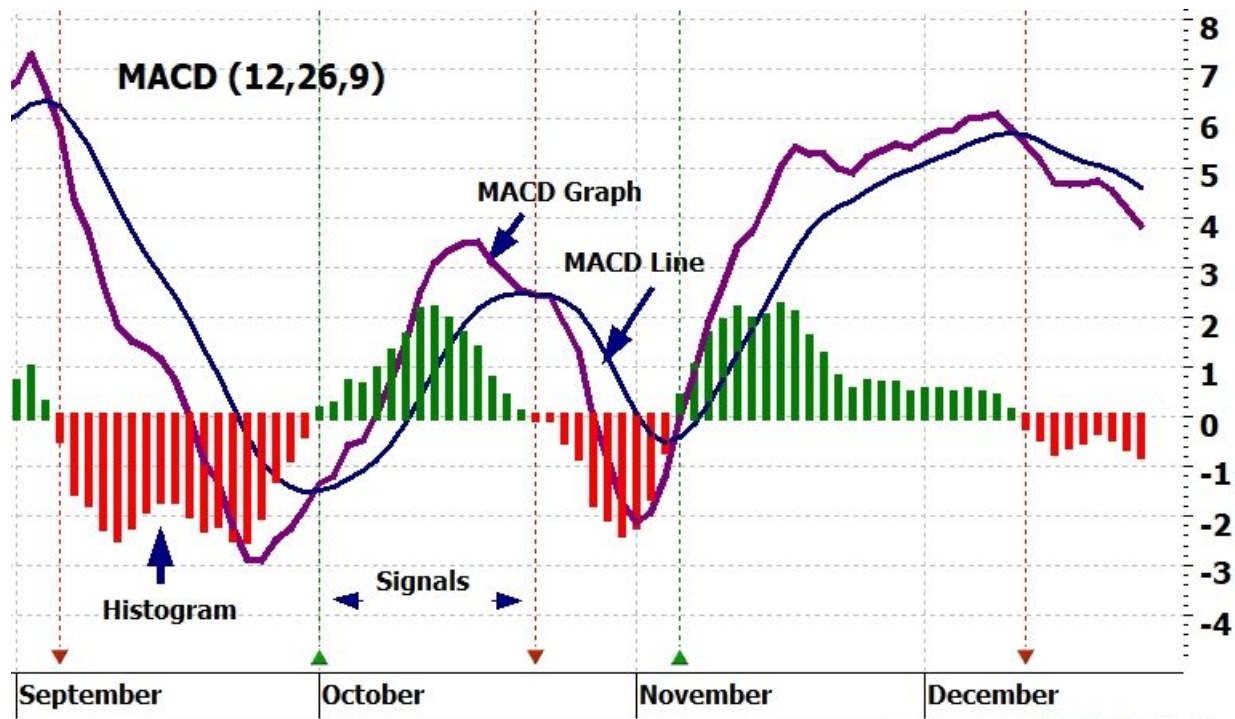
It belongs to a class of technical analysis tools called **Oscillators**. This means that it is an indicator that oscillates either between 2 fixed levels or simply above and below a center line. Some other oscillators are the RSI (Relative Strength Index), the Stochastic Oscillator, the True Strength Index and the Ultimate Oscillator. Although the MACD is classified as an oscillator (because values rise and fall around zero) it is slightly different to other oscillators because the scale is not normalized to a limited range. It has no upper or lower limits.

The MACD is created from moving averages and measures how fast a particular market is moving. It also tries to pinpoint turning points of when the stock is changing direction. What is interesting about it is the large variations in the way traders interpret and use it. Different traders use it in completely different ways.

There are 3 components of the MACD, and their names are not at all helpful:

- **MACD Graph**
- **MACD Line**
- **MACD Histogram**

Confusingly, the graph and the line are both lines on a graph. Confounded? So am I. You have to wonder - who thinks these names up? Is this really the best they could come up with? Luckily the histogram is easy to identify. Here is what the MACD looks like:



The MACD is never graphed on the same chart as the price chart like SMAs are. Instead, it is always in a separate chart, usually below the price chart.

The MACD has 3 parameters, and the most common parameters are written MACD (12,26,9). Other parameters can be used but these are the standard ones that most traders use.

They seem like rather strange numbers, but they derive from the days before online trading and charting when only paper daily charts were the norm. Then, they could not get the minute-to-minute charts that we take for granted now. In those days the working week was 6 days so the (12,26,9) settings are for 2 weeks, 1 month and 9 days (one and a half weeks).

Of course, changing the parameters can be done easily in most charting packages, and there is a case to be made for updating them to suit our current way of trading. However, we must think of the crowd psychology in play here.

If most traders are using the standard parameters, then their actions will be in line with what they are observing. If the MACD gives a down signal, then you can be sure that a lot of traders see that and will close bullish

positions and start bearish strategies pushing prices down further and confirming the downward trend. It is the same as prices falling through a support line or pushing up through a resistance line tends to trigger traders into actions which exacerbate the trend.

You don't have to calculate the MACD; most charting packages offer the MACD as a standard indicator so all you need to do is tick a box and it gets drawn for you. But knowing *how* it is calculated is useful to your understanding of it.

> The **MACD Graph** is calculated by subtracting the 12 day EMA from the 26 day EMA.

> The **MACD line** is a 9 day EMA of the MACD graph.

> The **MACD Histogram** is the difference between the MACD graph and the MACD line.

As we have noted the terminology sounds confusing, but a MACD chart is actually very easy to read. The histogram is easily recognizable, the smoother of the two lines is the MACD line and the more volatile line is the MACD graph.

The MACD Graph is sometimes called the 'signal line', but that introduces even more confusion because the vertical lines that signal the histogram crossing the zero line are also called signal lines. Confused? Understandable.

As I mentioned before, the ways that traders use the MACD vary rather a lot. The way that many use it is for entry and exit signals for a trade. They use one or more of the following:

Entry signal

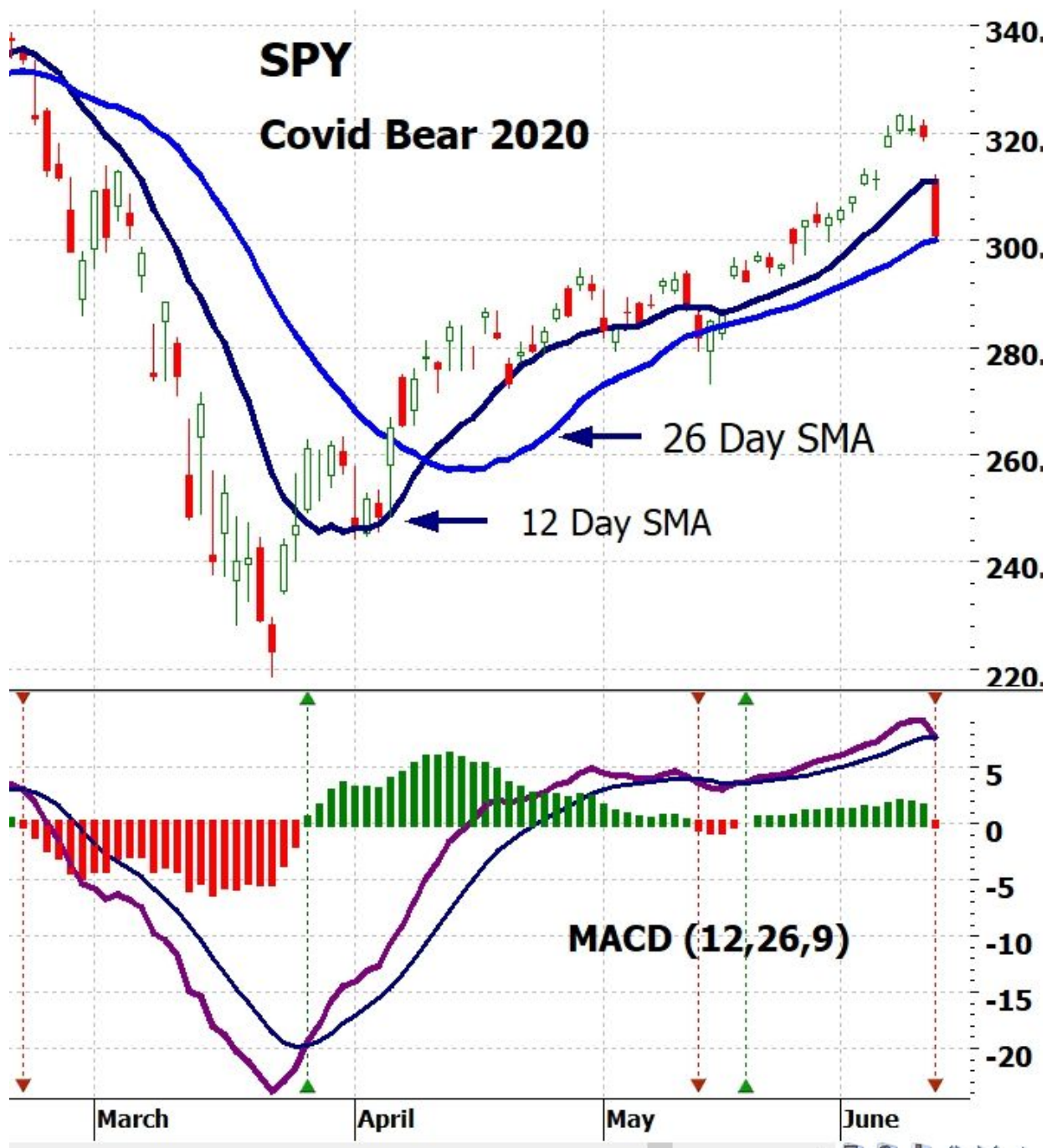
- when the MACD graph crosses the MACD line from below
- both the graph and the line are trending up
- the histogram is trending up.

Exit signal

- When the MACD graph crosses the MACD line from above

- both the graph and the line are trending down
- the histogram is trending down.

To make it more interesting let's look at a real life example of the MACD in action. Here is what happened in the COVID bear of 2020:



A MACD bearish signal happened on 21 February, several days before the actual 12/26 death cross on 27 February. In other words, *the MACD was a leading indicator* warning us of a change in trend that was coming, a week before it was obvious on the price chart.

Likewise, on 26 March we get a MACD bullish signal, which happens before the actual 12/26 golden cross on 9 April. Again, the MACD is a leading indicator, telling us what is going to happen.

Is, then, the MACD the ultimate signal? Unfortunately, no. In the book [In The Money: Bear Market Strategy](#) we look at what happened next (which was not good) and why it worked in this case but not in other cases.

Volume and On Balance Volume

Volume is important, and I encourage you to have it at the bottom of every chart you are looking at, along with the moving average of the volume. If, for example, the price of a stock jumps on well above average volume then that movement is more significant than if the volume were low.

You will also notice that on sudden declines the volumes increase enormously as traders scramble to dump their positions before the price goes even lower. Traders are a volatile lot!

On Balance Volume (OBV) measures buying and selling pressure and is graphed below the price chart. It is calculated by adding the day's volume to a cumulative total when the stock price closes up and subtracting the day's volume when the stock price closes down.

The actual value of OBV is not important, it is the direction that it is going in that you take notice of. Here is an example of the OBV during the Covid bear market, using the stock AAPL (Apple).



You can see that the trend and the OBV are in synch; when one goes down so does the other and the reverse is also true. It is used as a trading signal if the OBV is increasing yet the price stays flat. It indicates that money is moving into the stock, but the stock hasn't reacted – yet.

The theory is that volume precedes prices and that when there is increased volume without a corresponding price movement then this has a 'spring' effect, so that when the pressure is built up then the stock will eventually react with a lot of momentum.

Does it work? Sometimes it does. Sometimes it doesn't. Just like all indicators!

RSI (Relative Strength Indicator)

The RSI is a momentum indicator (momentum is the rate of the rise or fall in prices) and can be used by traders to ascertain the strength of changes in the stock price. It is plotted **below** the price chart and looks like this:



This is SPY from October 2021 through to the recent January 2022 correction. The RSI can range from 0 - 100, and it oscillates between these 2 values, hence its classification as an oscillator. There are two horizontal lines, typically at 30 and 70. When the RSI is above 70 this means that the stock is overbought, and so likely to go down, and when it is below 30 then it is oversold, and so likely to go up.

The typical settings are for a 14 day period, but this can be changed depending on the timeframe you are looking at. It is common to also put a moving average on the RSI to help smooth out the noise so that you can see what it is doing. In the example above the more volatile line is the RSI and the smoother line is the moving average of the RSI.

You can see that in early November the RSI moved into oversold territory, followed by the moving average flat lining along the 70 level also. This preceded the downturn in late November. You can also see that in late January 2022 we moved into oversold territory (although the moving average didn't make it) and the RSI moving back over the 30 level signaled the market starting to move up again.

Does it always move up after the RSI is in oversold territory? No, the RSI can stay in oversold (or overbought) for some time. It is unusual, but not unheard of. As with all indicators, sometimes it works, sometimes it doesn't. Such is life!

Bollinger Bands

No, not a champagne orchestra, unfortunately. That sounds like fun, but no it's not. Like the RSI, Bollinger bands are designed to determine if a stock is overbought or oversold. Unlike RSI it is plotted on top of the price chart.

The Bollinger Bands consists of three trend lines:

SMA – the center trend line is the simple moving average, usually a 20 day period.

Upper Band: this is two standard deviations above the SMA.

Lower Band: This is two standard deviations below the SMA.

The theory is that as the price approaches the upper band the stock is oversold, and when approaching the lower band, it is overbought. Practically, that means that touching the lower band is a buy signal and the upper band is a sell signal. Here is an example of Bollinger Bands on the SPY over the last six months.



You can immediately see the problem with reliability:

The bands expand and contract depending on the volatility of the stock price.

For example, in August the bands were relatively close around \$20 apart, but in January they were widely separated, around \$80 apart.

This is to be expected from any indicator using standard deviations. If a dataset has little variability, then the standard deviation is small.

For example, a class of third graders might have an average age of 8 years with a standard deviation of 6 months. However, if we included the whole school the average age might still be 8 years, but the standard deviation would be much bigger, say 2 years.

So, what about using Bollinger bands? I find them interesting as a description of what has gone on in the past (i.e., a lagging indicator) but not at all useful in determining the direction of the stock. However, many traders swear by them, so we have to notice them if we are trying to predict stock behavior.

Fibonacci Retracement

This indicator is beloved by many traders – but personally I find it a bit ‘woo-woo’. You’ll see what I mean.

The story starts well. The Fibonacci sequence is a series of numbers, where a number is found by adding up two numbers before it. Starting with 0 and 1, the sequence goes 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, and so on and so forth to infinity.

Once the sequence gets going (i.e., after 34) If we divide any of the number in the series by the previous number the ratio is approximately 1.618. In other words, each number is roughly 1.618 times its predecessor. This increase of 0.618 is known as the golden ratio.

The golden ratio is found many times in nature, like the number of petals on a flower, seashells, hurricanes, and galaxies – even human faces. It is quite fascinating (just google ‘Fibonacci in nature’) and you will see some excellent photos illustrating it. But what has it to do with trading?

This is where it gets a bit murky. Possibly it doesn’t have anything to do with trading at all, but many traders *think* that it does. Because they think that it does, they act upon it, which means that it becomes important if you are trying to predict market behavior.

Some traders think that these numbers help them predict the extent of any market or stock retracements. The magic numbers are 23.6%, 38.2%, 50%, 61.8% and 100%. If you take 2 extreme points on a stock chart (i.e., a peak and a trough) and draw horizontal lines at these levels you will find the support and resistance levels.

Does it work? I have yet to see it work consistently. I have seen it retrofitted to stock movements, but not used as a predictor. Is it useful? Only after the fact. We don’t know the peak and the trough until afterwards, so what we are describing is a lagging indicator.

Fibonacci retracements are no use in helping us predict what the stock may do. However, this is just my option, and you will find many traders who

swear by them. Lets look at an example:



Here is SPY during the Covid Bear of 2020. I have drawn in the Fibonacci Retracements. None of them look particularly significant to me, but possibly I am biased and don't want to see what is obvious to everyone!

Humans tend to see what they want to see so possibly I can't see a pattern that is actually there – or possibly using the Fibonacci Retracement indicator results in quite a few cases of temporary traders!

Helpful hint: If you can't find the Fibonacci Retracement in your charting package indicators, try looking in the drawing tools.

Candlesticks & Candlestick Patterns

Traders & Candlesticks

To understand the market and to understand what goes on in traders' minds, we have to know what they are looking at, what they are 'seeing' and the actions they are likely to then take. We've looked at the major indicators, now we will look at candlestick charting and patterns.

Candlestick charts are relatively recent in the Western world, having been introduced in 1991 but they originated in Japan, sometime in the eighteenth or nineteenth century. They were used record and analyze rice prices. Nowadays, they are widely used to describe price movements of stocks, derivatives and currencies. You probably will be familiar with candlestick charts but let's review what we know so that we are all starting with the same understanding.

If we want to summarize what a stock did on any day, then there are four measures that are important:

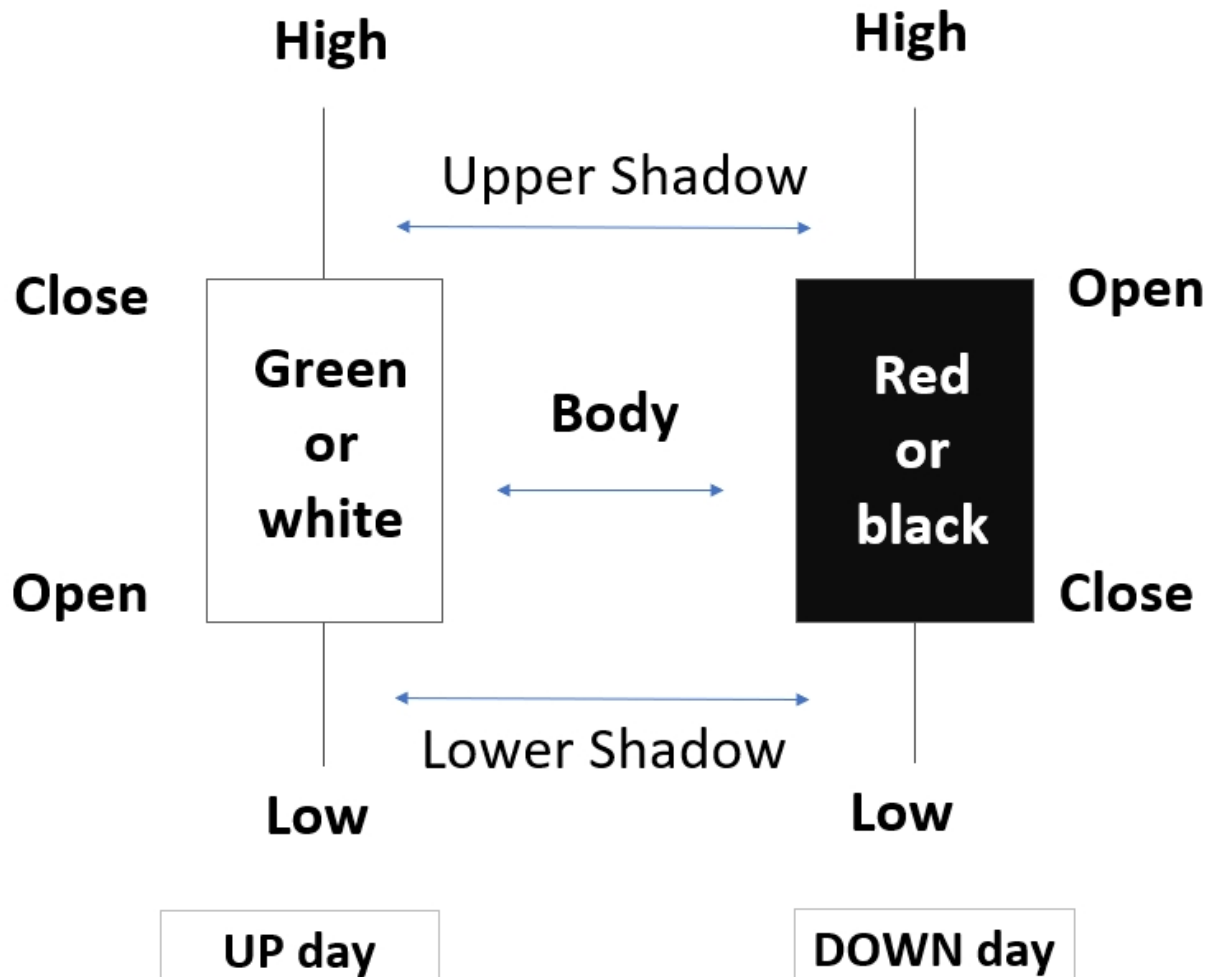
- The **open** price
- The **close** price
- The **highest** price
- The **lowest** price

A candlestick is a way of capturing this information pictorially. Opposite are 2 typical candlesticks, and you can see that they capture all the above.

Candlesticks are usually colored red if the close price is lower than the open price (a DOWN day) and black if printed on a black and white book like this. Candlesticks are green if the close price is higher than the open price (an UP day), or white if no color is possible. The colored box is called the 'body' of the candle, and the lines at the top and the bottom are called the 'shadows'.

Usually traders look at daily charts, but the chart be for any time period you choose. It can be a week, a month, a quarter or a year. It can be hourly, or every 15 minutes or even every minute. The same candlesticks are used n

matter what time period you are using. Traders choose the time period that most suits their way of trading, and in our case, that is the daily chart.



Day traders (or, as they are more appropriately termed, ‘temporary traders’) will use 5-minute or 1-minute charts. Long term investors may only look at weekly or monthly charts. I suggest that you look at daily charts and occasionally look at the weekly chart just to check that you have the bigger picture.

If you have read any of my other books you will know that I use an analogy of the ocean for the stock market, and recommend you trade the tide not the waves. In stock charts the 5-minute and 1-minute charts show the waves. The daily and weekly charts tell you about the tide.

To see how a stock performs over time we can look at a candlestick chart. We read the date on the bottom axis and the price on the side axis. On most charts you have the option of changing your cursor to 'crosshairs' which makes reading off the axes easier. Here is the chart for Google (Alphabet) in 2020 showing the big dip because of the coronavirus, and then its subsequent recovery. The prices are on the right and the date on the bottom.



Types of Candlesticks

Candlesticks can look wildly different. The body can be short or long, or even just a horizontal line, which would mean that the open and close price was the same. The shadows may be short or long, there may be only one shadow, or there may be no shadows at all.

The different types of candlesticks are describing the actions of traders and the mood of the market. Individual candle types can have names, and combinations of candles, or patterns, have names and have different meanings. However, all are a diagrammatical representation of traders' emotions during period you are looking at.

Long body candles show that there is a lot of buying (green / white) or selling (red / black) pressure

Short body candles show that there is very little price movement because traders have no real conviction on the way the price is going.

Short shadows show that most of the trading was near or between the open and close

Long upper shadows show that buyers (the bulls) dominated for a while, bidding the price up, but then the sellers (the bears) forced the prices down.

Long lower shadow show that sellers (the bears) dominated for a while, driving the price down, but then the buyers (the bulls) came back in and forced the prices up.

We'll look at some common candlesticks and their interpretations.

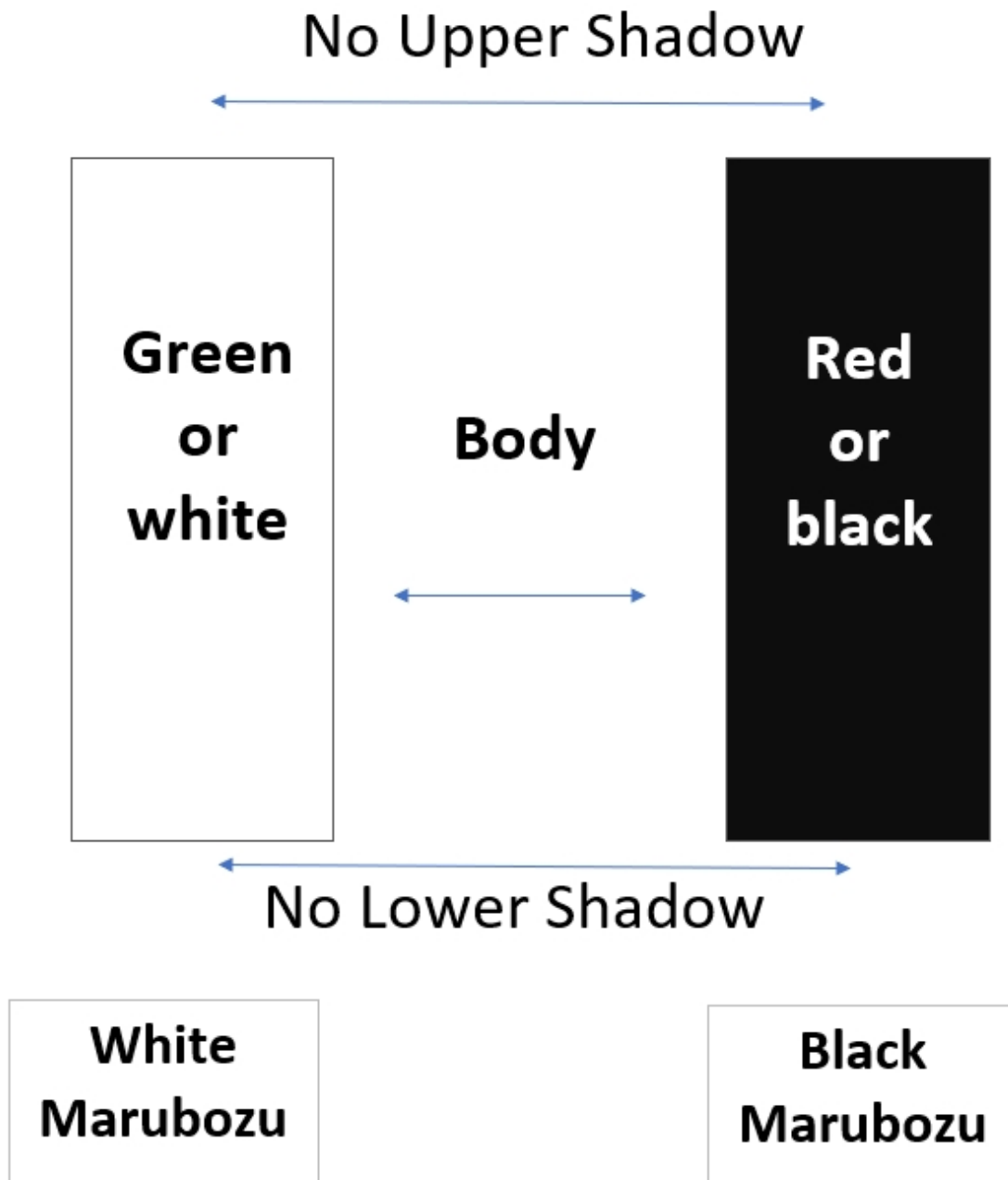
Marubozu

Long body candles are important, and perhaps the most important one is the Marubozu which has no shadows at all, either lower or higher. The name comes from the Japanese, and means close cropped – i.e., bald, or shaven.

A Marubozu is significant as it shows that the stock has been trading strongly in one direction. All the trading all took place between the open and the close price. Not having any shadows means it shows that traders were generally in accordance with what the price was doing.

The White Marubozu (normally green in colored charts) shows that there was strong buying. Traders forced the price up and dominated for the whole day.

The Black Marubozu (normally red in colored charts) shows that the bears (sellers) were in control of the whole day, and there were not enough bulls (buyers) to reverse the downward price action.



A Marubozu is viewed as a continuance pattern. If a white Marubozu occurs during an uptrend, then it signals that the uptrend will continue. If a black Marubozu occurs during a downtrend it signals that the downtrend is going to continue.

However, as with all indicators sometimes they work and sometimes they don't. One of the confirming signals that you can look for is the

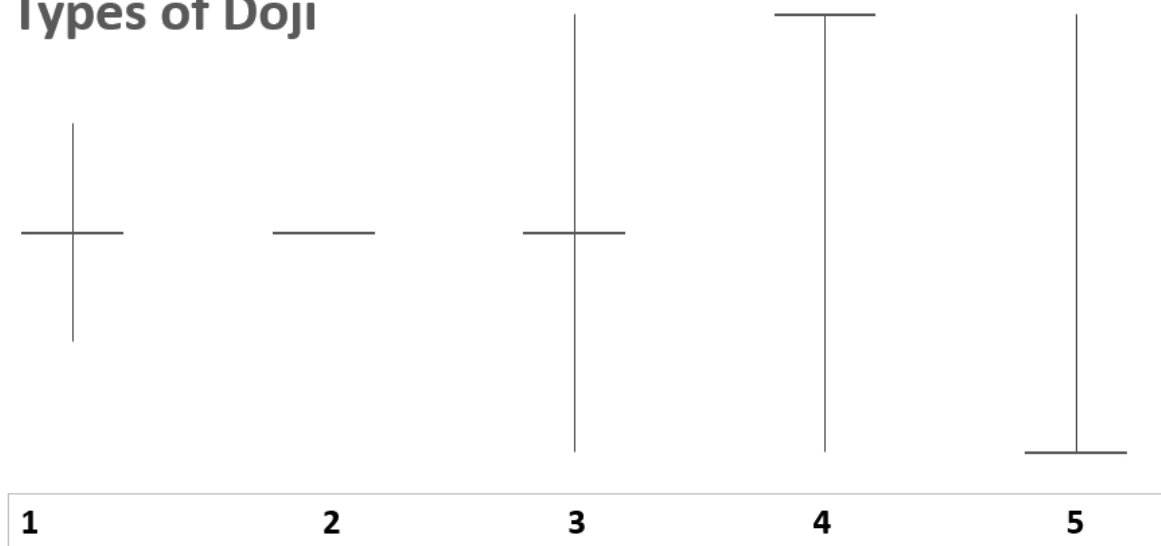
volume. A Marubozu that happens on a day with a high volume is more significant than one on a day where the volume is low.

The Doji

The Doji is one of the most easily recognized and looked-for candles. It is formed when the open and close prices are the same, or very nearly the same. It has a very small body because the opening and closing prices are the same. It shows that the market has not been able to decide whether the stock should go to the upside or the downside.

One explanation of the name ‘doji’ is that it comes from the Japanese word for ‘a fool, or foolish thing’. In other words, traders can’t make up their mind whether to push this stock up or down, so while it may move around during the trading day it ends up much the same. Another explanation is that it means a blunder, bungle or clumsiness.

Types of Doji



There are many different types of Doji, and they tend not to be hugely significant on their own, but as part of a larger candlestick pattern. However, you need to be able to recognize a Doji when you see one, so the diagram above gives the different types.

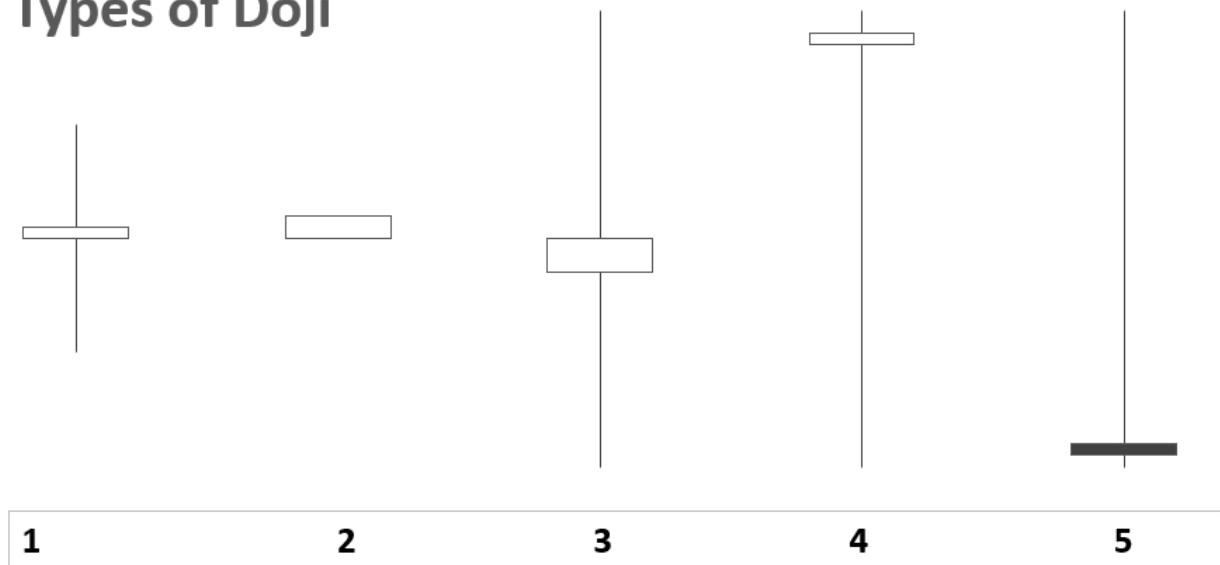
Normal Doji (sometimes called a star Doji)

Four-Price Doji (no shadows)
Long legged Doji
Dragonfly Doji
Gravestone Doji.

Of course, the candles don't always look exactly like the diagrams, as in practice the open and close are rarely exactly the same, and the gravestone and dragonfly cross may not be exactly at the top.

The following would also classify as the 5 types above:

Types of Doji



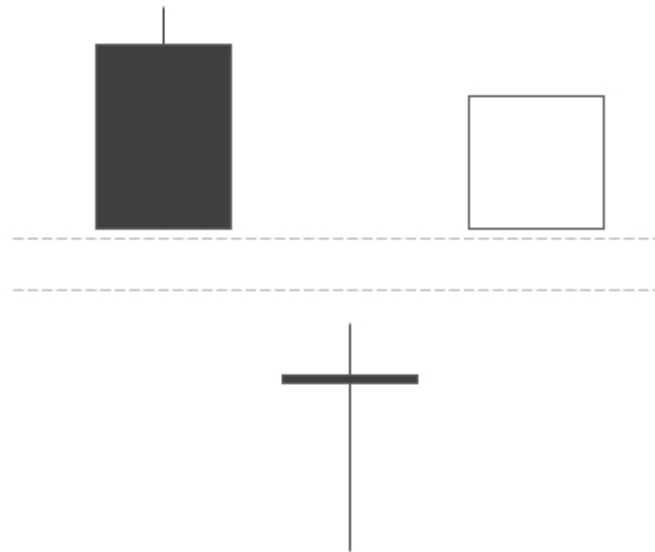
Candlestick Patterns

Candlestick patterns are combinations of candles, many of them including the Doji and the Marubozu. We will look at three of the most easily-recognizable patterns, their meaning and how traders use them. Evening & Morning Stars (& Abandoned Babies)

The evening and morning stars are 3-candle patterns. They are reversal patterns; they may indicate that the current trend is about to change and that's what traders are watching for.

The evening star is often seen at the top of an uptrend, and the morning star at the bottom of a downtrend. Fittingly, the evening star shows that the bull run may be at an end, and the morning star that a new bull run may be beginning.

Rather than describe it in words, let's look at the actual pattern.

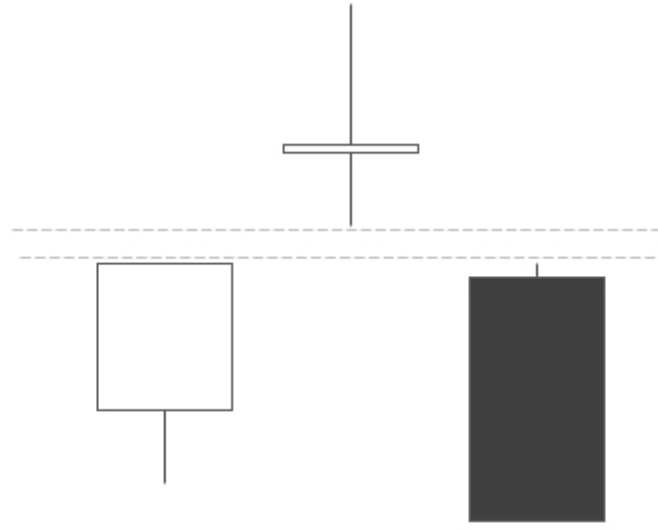


Morning Star

You can see that the middle candle is a Doji. It is the star and is often shown as a dragonfly Doji but that is not necessary; any Doji will do. The pattern needs the three candles to complete it, as a Doji on its own is not particularly significant. The candle before the Doji should be a black candle, the candle afterwards a white candle. The longer they are the more significant the pattern is, especially on high volume.

Technically the gap as shown in the diagram does not have to be there for this pattern to qualify as a morning star, but it increases the effectiveness of the signal. If there is a gap it has a name of its own: the abandoned baby. Heartless, I agree, but that's what it is!

The reverse is an evening star and looks like this:

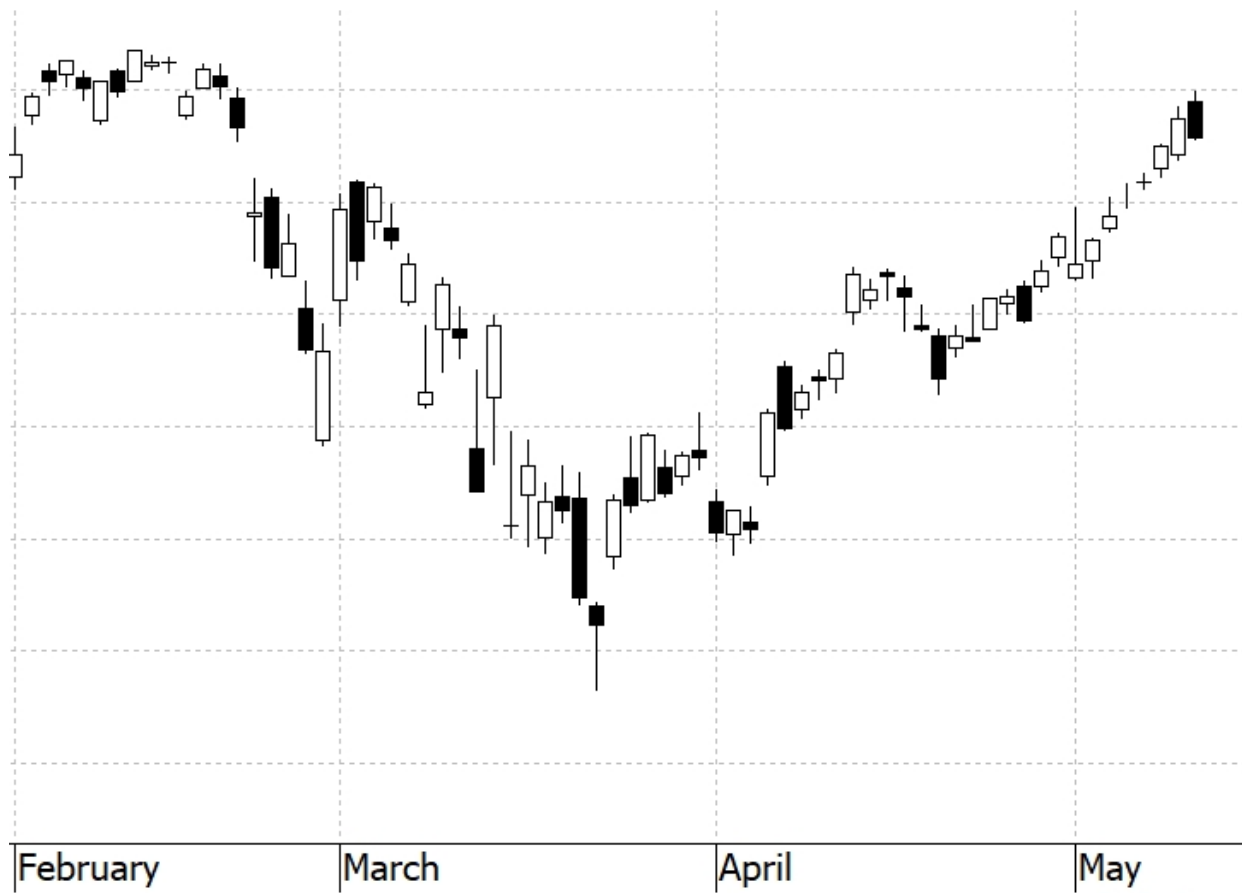


Evening Star

An example of a morning star can be found in the chart of AAPL (Apple) at the bottom of the Covid downturn. You can see that there is a dragonfly Doji at the bottom of the trend, signifying a trend reversal. The chart moves up from here. You can also see that there is a gap between the Doji and the other two candle bodies which intensified the signal.

If you look closely, you will see several other Doji in the chart, but none of them were the lowest so far, neither were they confirmed by the before and after candles. Also, 4 week later you can see an evening star – not quite so well formed but technically it was there, and you can see that it heralded a very short downturn.

You will notice that the pattern doesn't look exactly like the diagram; they rarely do. And you also must always remember that signals are just that: signals. They are not infallible pointers to where the market is going to go.

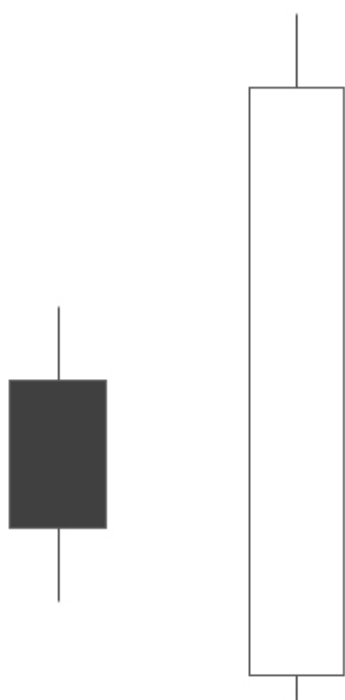


Bullish & Bearish Engulfing Patterns

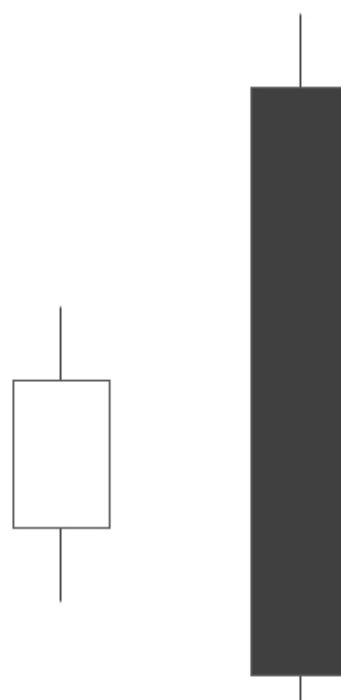
This two-candle pattern indicates a reversal pattern. If it is a bullish engulfing, then it can signal the end of a downtrend; a bearish engulfing can signal the end of an uptrend.

Bullish Engulfing: the second of the 2 candles is a large green (white) candle that completely engulfs the first, smaller, red (black) candle.

Bearish Engulfing: the second of the 2 candles is a large red (black) candle that completely engulfs the first smaller green (white) candle.



Bullish Engulfing



Bearish Engulfing

This pattern is simply telling us that on the second day the bulls outweighed the bears (bullish engulfing) or that the bears outweighed the bulls (bearish engulfing). This is a very easily recognizable pattern, and you will often find that after it is formed the prices tend to move in the direction. If the second candle is accompanied by above-average volume, then this pattern is likely to be more significant.

The psychology is also simple: let's look at the bearish engulfing pattern. If the stock is in an uptrend, then the second candle opens higher than yesterday's close – a bullish sign, especially if it has gapped up. But during the day the price drifts down and if it starts to trade lower than yesterday's close the bears start to take notice; the gap up has disappeared. This means that any gains since yesterday have also disappeared, a bearish development.

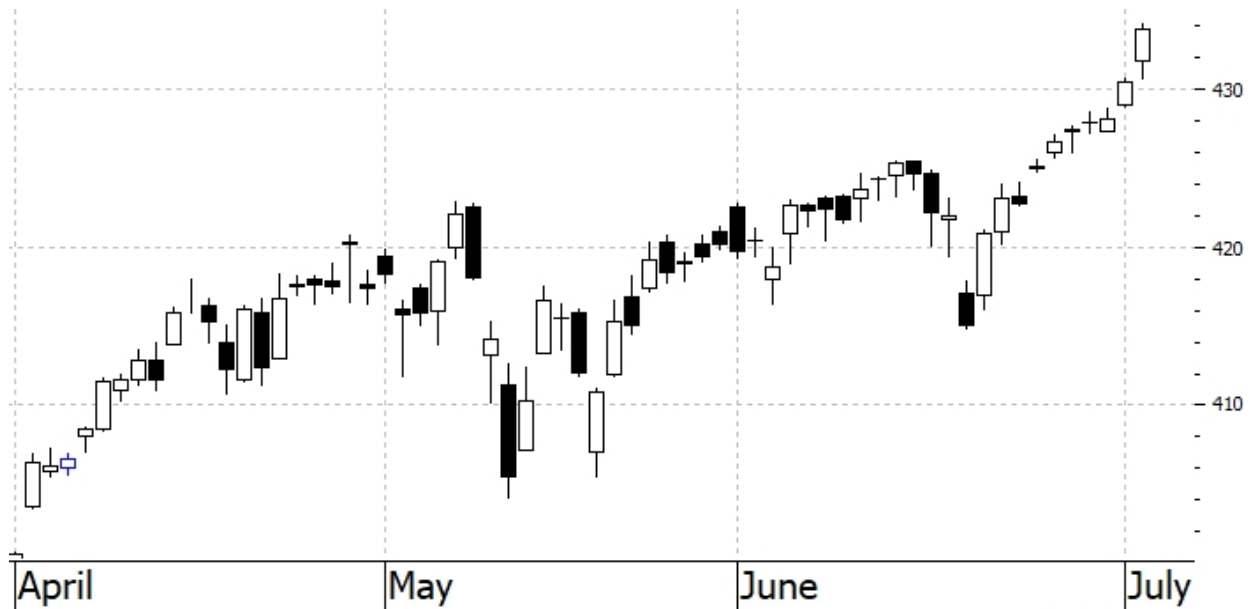
Traders with short positions are worried; they rush to exit their positions. This exacerbates the selling pressure, and the red (black) candle becomes bigger. If the selling continues a large red (black) candle is formed, and if it closes lower than yesterday's open then that is a very bearish sign. The bulls'

confidence will have been dented and they will be anxiously awaiting further developments. If, on the next day, the stock is trading lower then a reversal has occurred.

Here's another shot of AAPL later in that year. You can see the bearish engulfing right at the top of the uptrend when it signaled a reversal of sentiment and the start of a downtrend.



And for balance, here is a situation where it didn't work so well. This is SPY in 2021:



You can see the bearish engulfing in early May heralded a downturn – but it only lasted two days! After that we get another signal which is almost, but not quite, the opposite of the engulfing pattern. It’s called the Harami and we will look at that next.

The Harami

Evidently, the word ‘harami’ comes from an old Japanese word that means ‘pregnant’, and if you use your imagination and squint a fair bit you will see that this candle pattern could resemble a pregnant woman. Or not!

The Harami is a 2-candle pattern that looks very much like the engulfing pattern in reverse. However, it is not as powerful a signal. It is more likely to indicate that the market is pausing for a bit of a rest, rather than markedly changing direction. Often, after a Harami, the stock will trade sideways.

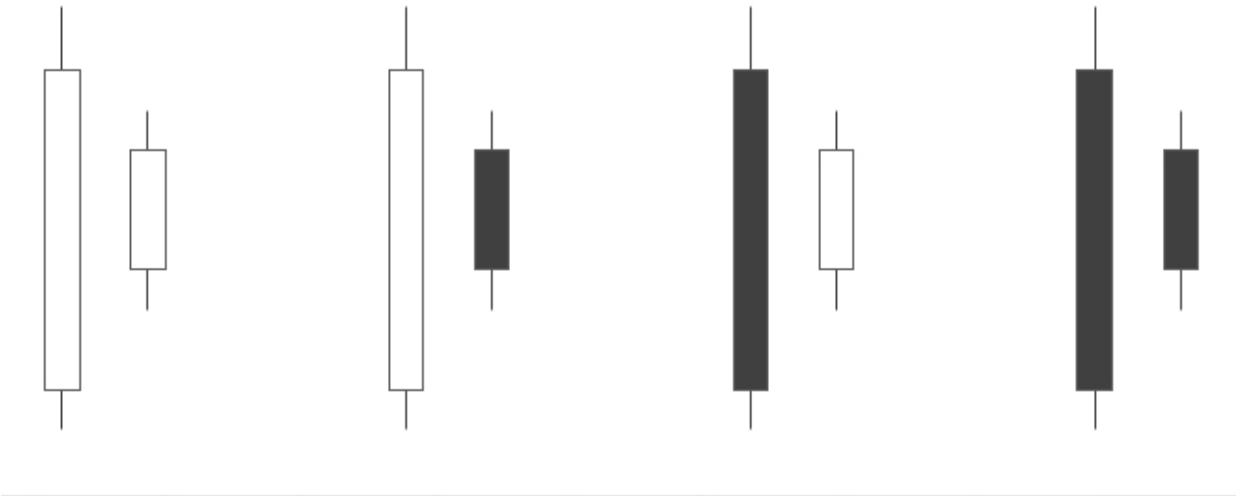
Unlike most other candlestick patterns the color of the second candle does not matter. It can be either green (white) or red (black).

The Harami can be either bullish or bearish:

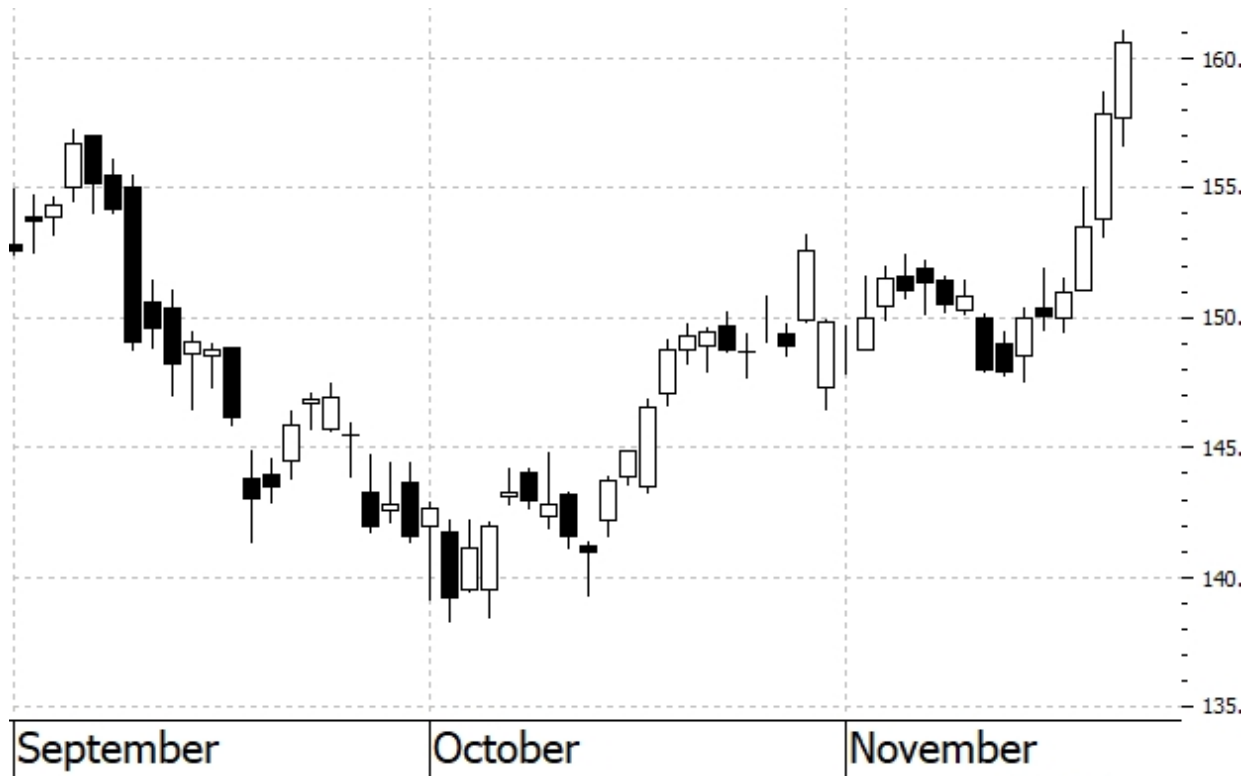
A **bullish** Harami suggests that a bearish trend is coming to an end.

A **bearish** Harami suggests that a bullish trend is coming to an end.

Harami - 4 Configurations



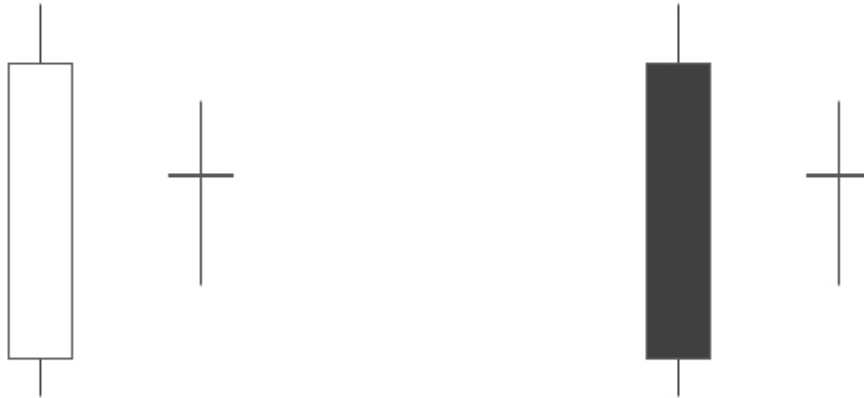
The first candle of the Harami is long and shows that the market is still being decisive on the direction of the stock price. The second candle is short, showing indecision. Traders are no longer so sure that they are on the right side of this trade. Here's an example of AAPL with a Harami signaling a bottom reversal at the start of October.



There is a similar pattern called an 'Inside Day' where the second day's trading range is enveloped in the first day's trading range. The difference between the Harami and an Inside Day is that the Harami looks at the shape of the candles as well. The second must be noticeably smaller than the first.

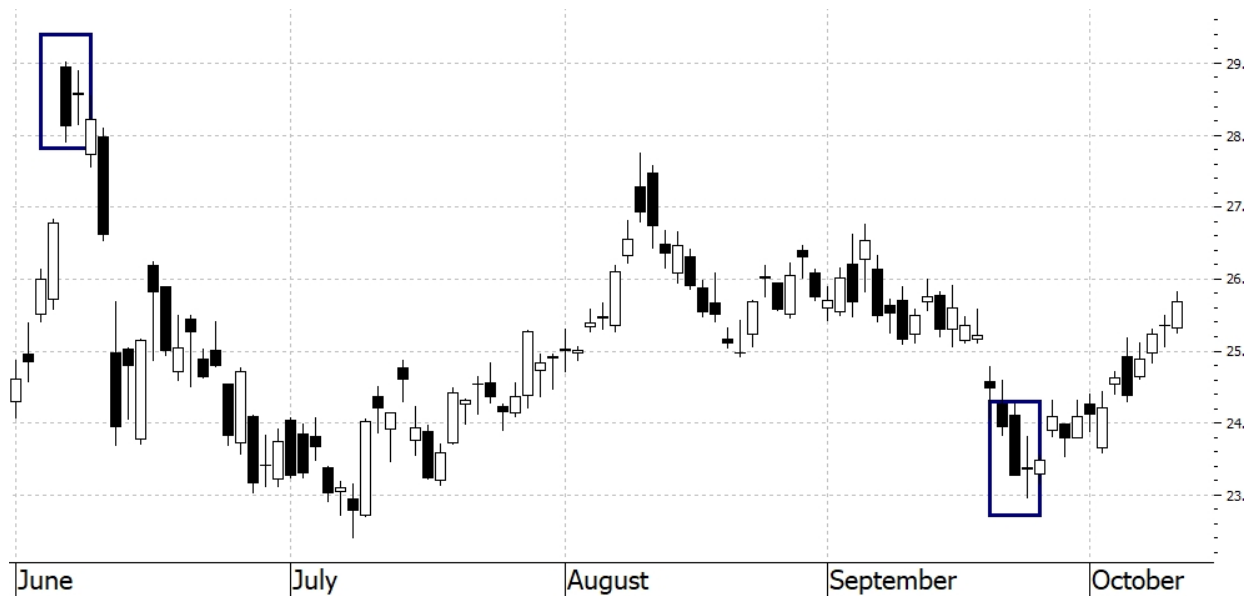
Which brings us to an even more unusual Harami, the Harami Cross. This is when the second candle is a Doji, showing that there is even greater indecision, hence a reversal may be more likely.

Harami Cross



The first candle is usually in the direction of the trend – i.e., it is green (white) if it is in an uptrend and red (black) if in a downtrend. The white Harami Cross (on the left) is a top reversal signal, and the black Harami Cross (on the right) is a bottom reversal signal.

Do they always work? No. Are they common? No. But let's look at an example where it did work. This is BAC (Bank of America) in 2020. The chart below shows a Harami Cross both at the top and the bottom of a trend.



More Candlestick Patterns.

There are many candlestick patterns - probably a hundred or more - which is beyond the scope of this book. This has been a brief overview of the most commonly-used candles and candlestick patterns to help with identifying entry and exit points in your trading. Just be aware that they are just signals and don't always, or even often, work.

It is easy to recognize them when they are in place at the top of the bottom of a trend, but what is not often pointed out is that they occur many other times in a chart when they are not significant. For example, in the chart above, in addition to the Harami Cross with the squares around them I can see three other Harami Crosses in the middle of a trend which did not signal a reversal.

My recommendation? Use candle patterns with caution. They give a lot of false positives. As confirmation along with other signals they can be

useful so use them in conjunction with other signals.

To buy when others are despondently selling and to sell when others are avidly buying requires the greatest of fortitude and pays the greatest ultimate rewards.

Sir John Templeton

Quick Start Guide

If you are suffering from PBA (Paralysis By Analysis) or WTSS (Where to Start Syndrome) then this section is for you. Start now. Start today. Start with paper trading. Follow the steps below and take the first step. Remember:

Just make a start!

Steps to get started:

1. Choose a stock or ETF to be your underlying instrument. If you can't think of one, choose from SPY, QQQ, AAPL, AMZN, MRNA, XOM, BAC, or PFE. They are all highly traded and have options. If you can't guess what the code stands for google 'Stock code XXX'.
2. Look at the chart of the stock / ETF you have chosen. If you don't already have a charting package, then use Yahoo Charts (google 'Yahoo chart XXX').
3. Decide if you think the stock / ETF is going to go up (you're a bull) or down (you're a bear).
5. On the chart, figure out where you think it could get up to or down to in 4 months. (You can use a different time if you wish. Just don't choose an expiry closer than 3 months.)
6. Fill out the top section of the 'Before Trade' page (LHS) – i.e., the underlying, reasons to get in, and your planned exit.

7. Choose some points that you think it is possible the stock could get to. For example, if it was trading at \$100 then choosing \$70, \$80, \$90, \$100, \$110, and \$120 would be a good idea. Make sure you cover above and below the current price.

8. Use Excel or a calculator to work out your profit or loss at each of these levels. Complete the section Stock Trade (IN).

9. Login to your broker and choose 'Options Chain', then enter the stock you have chosen.

10. Choose your expiry date, then select your options. Assuming that you are a bull and are going to buy calls, if the stock was trading at \$100 then:

DITM option:

\$50 strike would be a DITM (Deep In The Money)

\$80 would be ITM.

ATM Option:

\$98, \$100 or \$102 strikes would be ATM

OTM Option:

\$120 or \$140 strikes would be OTM

11. Login to your broker and choose 'Options Chain', then enter the stock you have chosen.

12. Fill out the rest of the worksheet. You should have completed all of the left hand page.

After the trade

When you have reached your planned exit OR 30 days to expiry (whichever comes first) then 'close' your trade. Now is the time to fill out the After Trade (RHS) page. Leave the Analysis until last. See how each of your options performed against the 'vanilla' stock trade.

Then work out what lessons you can from the trades. Was your strike unrealistic? Your expiry too close? You got the direction wrong? Crucially:

What would you do differently next time?

Note for bears

Do as described above, except buy puts instead of calls, and reverse the ITM / OTM strike prices.

Now for the fun part

Now for the fun part – following the trade. If your broker has a paper trading / demo account then you can follow it there, otherwise just use the chart and look up the option's value in the options chain.

Action is the foundational key to all success

Picasso

How to use an Options Calculator

Why do we need an options calculator? Because option chains give you the prices at today's date – they can't tell you what they were worth last week, or what they will be worth next week.

To be able to estimate what our chosen options are going to be worth in the future we are going to use an options calculator. If you google 'Options Calculator' you will find over a billion results, so there is no problem finding one. What an options calculator can show you is:

1. The cost (or credit) of a trade
2. The maximum potential profit and loss.
3. Breakeven prices
4. The Greeks
5. Estimated profit or loss in a table or on a graph.

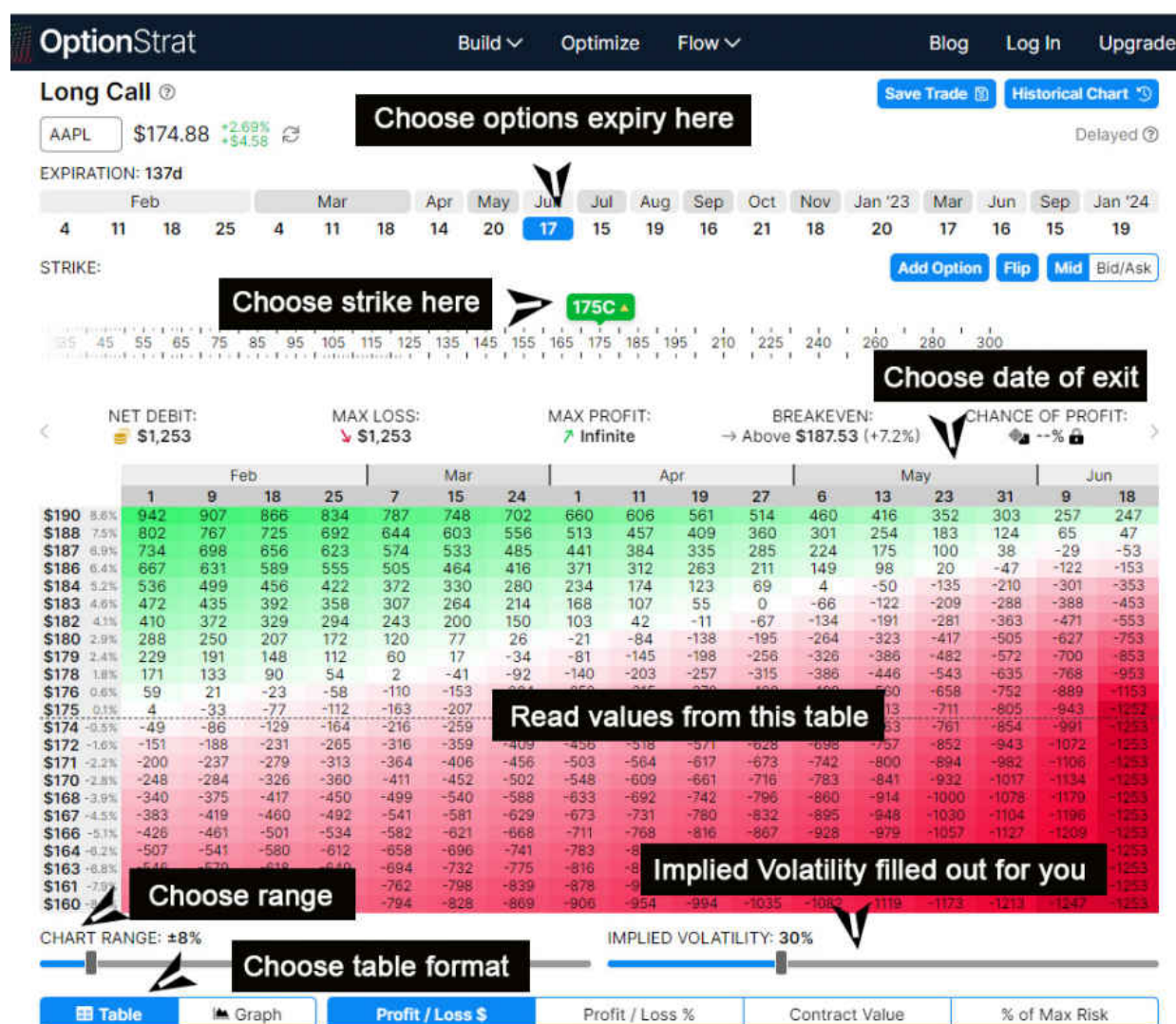
It is possible that all this is available on your broker's website, but in case it is not I am going to go through how to use one of the free calculators, which is at OptionStrat.com. You have to remember, however, that because we are estimating the values in the future then they are just that: estimates.

I suggest that you visit the website yourself and see how the calculator works. Play around with it until you understand how the estimates change with the different parameters. In this example we are using AAPL as our stock, and what we are trying to do is work out what it will be worth at our date of exit.

The first thing you need to do is select the stock, choose the option expiry date and the strike. Once you have done this you then choose your date of exit. This may be fixed (for example, 30 days before expiry) or variable (when it gets over \$200). If you are not sure of your exit date you have to estimate. Look at a few different exit dates to see how they affect the profitability of the trade.

You can choose to have the results in a graph or a table format. The graph is good for understanding the bigger picture, but you will need to use the table to read off the values for your estimated profit / loss. You can choose the axis range if it does not initially show your strike.

The implied volatility is filled in for you using the current volatility level for that stock. Remember that this can change. A rule of thumb is that when volatility increases the cost of time value increases. In other words, DITM and ITM options are not as affected as ATM options, which are not as affected as OTM options which are all time value.



The example above shows the profit / loss as a \$ amount, but this can be easily changed to by clicking on 'Profit / Loss %' on the bottom menu.

How to Fill Out The Before Trade Page

If the following pages prove too hard to read on your kindle or tablet, then you can view and download a copy at HeatherCullen.com/Compare-Option-Strategies-Workbook

HOW TO FILL OUT THE BEFORE TRADE PAGE

Here's what the Before Trade page looks like:



Turn over to the next two pages which give an explanation of how to fill it out, and an example of one already filled out.

**Bull markets are born in pessimism, grown on skepticism,
mature on optimism and die on euphoria.**

Sir John Templeton

HOW TO FILL OUT THE BEFORE TRADE PAGE

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**Bull markets are born in pessimism, grown on skepticism,
mature on optimism and die on euphoria.**

Sir John Templeton

BEFORE TRADE	Fill out all shaded areas BEFORE entering the trade. Use Options Calculator for value 30 days before expiry.	BULL / BEAR
---------------------	---	--------------------

UNDERLYING ETF/STOCK		Price:		IN Date:	
-------------------------	--	--------	--	----------	--

Reason for entering trade:	
Planned exit from trade:	

STOCK Trade (IN)	Price	No	Capital Used
STOCK Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %			

DITM Option (IN)	Expiry:		Days left:		Strike:	
DITM Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used

ATM Option (IN)	Expiry:		Days left:		Strike:	
ATM Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used

OTM Option (IN)	Expiry:		Days left:		Strike:	
OTM Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used

BEFORE TRADE	Fill out all shaded areas BEFORE entering the trade. Use Options Calculator for value 30 days before	BULL / BEAR
---------------------	---	-------------

UNDERLYING ETF / STOCK	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Price:	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	IN Date:	<div style="border: 1px solid black; height: 40px; width: 100%; display: flex; align-items: center; justify-content: center;"> Circle whether it is a bull trade (Call) or a Bear trade (PUT) </div>
------------------------	---	--------	---	----------	--

Reason for entering trade:	
Planned exit from trade:	

STOCK Trade (IN)	Choose appropriate levels the stock may go to. Space around the current price.	No	Capital Used
STOCK Risk Profile			
Underlying goes to:			
Profit / Loss:			
Profit / Loss %			

DITM Option (IN)	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
DITM Risk Profile						
Underlying goes to:	Use same stock levels for comparison					
Profit / Loss:	Use Options Calculator to estimate profit / loss					
Profit / Loss %						Capital = Premium * No Options

ATM Option (IN)	Expiry:	Days left:	Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price
ATM Risk Profile				
Underlying goes to:	As for DITM section			
Profit / Loss:				
Profit / Loss %				

OTM Option (IN)	Expiry:	Days left:	Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price
OTM Risk Profile				
Underlying goes to:	As for DITM section			
Profit / Loss:				
Profit / Loss %				

BEFORE TRADE	Fill out all shaded areas BEFORE entering the trade. Use Options Calculator for value 30 days before	BULL / BEAR
---------------------	---	-------------

UNDERLYING ETF / STOCK	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Price:	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	IN Date:	<div style="border: 1px solid black; padding: 5px;"> Circle whether it is a bull trade (Call) or a Bear trade (PUT) </div>
------------------------	---	--------	---	----------	--

Reason for entering trade:	
Planned exit from trade:	

STOCK Trade (IN)	Choose appropriate levels the stock may go to. Space around the current price.	No	Capital Used
STOCK Risk Profile			
Underlying goes to:			
Profit / Loss:			
Profit / Loss %			

DITM Option (IN)	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
DITM Risk Profile						
Underlying goes to:	Use same stock levels for comparison					Capital = Premium * No Options
Profit / Loss:	Use Options Calculator to estimate profit / loss					
Profit / Loss %						

ATM Option (IN)	Expiry:	Days left:	Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price
ATM Risk Profile				
Underlying goes to:	As for DITM section			
Profit / Loss:				
Profit / Loss %				

OTM Option (IN)	Expiry:	Days left:	Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price
OTM Risk Profile				
Underlying goes to:	As for DITM section			
Profit / Loss:				
Profit / Loss %				

BEFORE TRADE	<i>Fill out all shaded areas BEFORE entering the trade.</i> <i>Use Options Calculator for value 30 days before</i>	BULL / BEAR
---------------------	---	--------------------

UNDERLYING ETF / STOCK	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Price:	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	IN Date:	<div style="border: 1px solid black; padding: 5px;"> Circle whether it is a bull trade (Call) or a Bear trade (PUT) </div>
------------------------	---	--------	---	----------	--

Reason for entering trade:	
Planned exit from trade:	

STOCK Trade (IN)	<div style="border: 1px solid black; padding: 5px;"> Choose appropriate levels the stock may go to. Space around the current price. </div>	No	Capital Used
STOCK Risk Profile			
Underlying goes to:			
Profit / Loss:			
Profit / Loss %			

<div style="border: 1px solid black; padding: 5px;"> Intrinsic value = underlying price - strike price </div>	<div style="border: 1px solid black; padding: 5px;"> Time Value = Premium - intrinsic value </div>	<div style="border: 1px solid black; padding: 5px;"> Effective Price = Underlying value + Premium </div>
---	--	--

DITM Option (IN)	<div style="border: 1px solid black; padding: 5px;"> Use same stock levels for comparison </div>	No	Capital Used
DITM Risk Profile			
Underlying goes to:			
Profit / Loss:			
Profit / Loss %			

<div style="border: 1px solid black; padding: 5px;"> Capital = Premium * No Options </div>	<div style="border: 1px solid black; padding: 5px;"> Use Options Calculator to estimate profit / loss </div>
--	--

ATM Option (IN)	Expiry:		Days left:		Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
ATM Risk Profile						
Underlying goes to:		As for DITM section				
Profit / Loss:						
Profit / Loss %						

OTM Option (IN)	Expiry:		Days left:		Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
OTM Risk Profile						
Underlying goes to:		As for DITM section				
Profit / Loss:						
Profit / Loss %						

BEFORE TRADE	Fill out all shaded areas BEFORE entering the trade. Use Options Calculator for value 30 days before expiry.		BULL / BEAR

UNDERLYING ETF/STOCK	<i>AAPL</i>	Price:	<i>161.62</i>	IN Date:	<i>25-Jan-22</i>
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Reason for entering trade:	<i>Closed above Support at 160, in long term uptrend. Candlestick pattern - spring (not yet confirmed), on high volume.</i>
Planned exit from trade:	<i>Exit immediately if it closes below support at 130 Otherwise, 30 days before expiry</i>

STOCK Trade (IN)	Price		No		Capital Used		
STOCK Risk Profile	\$161.62		100		\$16,162		
	Underlying goes to:	\$130	\$140	\$150	\$160	\$170	\$180
	Profit / Loss:	-\$3,162	-\$2,162	-\$1,162	-\$162	\$838	\$1,838
	Profit / Loss %	-20%	-13%	-7%	-1%	5%	11%

DITM Option (IN)	Expiry:	17-Jan-22	Days left:	143	Strike:	\$80
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
	\$84.50	\$81.62	\$2.88	\$164.50	2	\$16,900
DITM Risk Profile						
Underlying goes to:	\$130	\$140	\$150	\$160	\$170	\$180
Profit / Loss:	-\$6,899	-\$4,898	-\$2,898	-\$898	\$1,102	\$3,102
Profit / Loss %	-41%	-29%	-17%	-5%	7%	18%

ATM Option (IN)	Expiry:	17-Jan-22	Days left:	143	Strike:	\$160
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
	\$15.05	\$1.62	\$13.43	\$175.05	11	\$16,555
ATM Risk Profile						
Underlying goes to:	\$130	\$140	\$150	\$160	\$170	\$180
Profit / Loss:	-\$16,511	-\$16,137	-\$14,498	-\$10,329	-\$3,190	\$6,610
Profit / Loss %	-100%	-98%	-88%	-62%	-19%	37%

OTM Option (IN)	Expiry:	17-Jan-22	Days left:	143	Strike:	\$180
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
	\$6.20	\$0.00	\$6.20	\$186.20	27	\$16,740
OTM Risk Profile						
Underlying goes to:	\$130	\$140	\$150	\$160	\$170	\$180
Profit / Loss:	-\$16,740	-\$16,740	-\$16,605	-\$15,579	-\$11,448	-\$1,188
Profit / Loss %	-100%	-100%	-99%	-93%	-68%	-7%

How to Fill in the After Trade Page

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HOW TO FILL OUT THE AFTER TRADE PAGE

Here's what the After Trade page looks like:



Turn over to the next two pages which have examples of how to fill it out.

The desire for constant action irrespective of underlying conditions is responsible for many losses in Wall Street even among the professionals, who feel that they must take home some money every day, as though they were working for regular wages.

**Jesse Livermore
(The original Wolf of Wall St)**

AFTER TRADE	<i>Fill out all shaded areas AFTER the trade.</i>
--------------------	---

UNDERLYING ETF/STOCK		Price:		Out Date:	
-------------------------	--	--------	--	-----------	--

Reason for exiting trade:	
ANALYSIS	

STOCK Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

DITM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

ATM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

OTM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

AFTER TRADE	Fill out all shaded areas AFTER the trade.
--------------------	--

UNDERLYING ETF/STOCK	APL	Price:	170	OUT Date:	24-May-22
-------------------------	-----	--------	-----	-----------	-----------

Reason for exiting trade:	APL has increased to \$170 and it is now 30 days to options expiry. Did not drop below \$130 which was my get out price.
ANALYSIS	ATM and OTM trades have big losses. The DITM option increased the profit by 50%. Lesson: watch ATM and OTM, get out if going against you.

STOCK Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade			\$170.00	100	\$17,000
Not particularly successful, 15% annualised. Should have exited after 2 months when I was up 20%. Chart pattern a top reversal so should have taken notice.			Profit / Loss		\$838
			Profit / Loss %		5%
			Days In Trade		119
			Annualised %		15%

DITM Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade			\$90.01	2	\$18,002
Not a particularly successful trade, only marginally better than holding the stock.			Profit / Loss		\$1,108
			Profit / Loss %		7%
			Days In Trade		119
			Annualised %		21%

ATM Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade			\$12.15	11	\$13,365
Shocking result. I should have exited much earlier. I set my bottom limit too low. If I continue to trade like this I will have be chewing through my capital quickly.			Profit / Loss		-\$3,190
			Profit / Loss %		-19%
			Days In Trade		119
			Annualised %		-58%

OTM Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade			\$1.96	27	\$5,292
Shocking result. Need a very tight stop loss on any? OTM options. Can't afford any more trades like this! Work out a better exit plan.			Profit / Loss		-\$11,448
			Profit / Loss %		-68%
			Days In Trade		119
			Annualised %		-209%

BEFORE TRADE

Fill out all shaded areas BEFORE entering the trade.

Use Options Calculator for value 30 days before expiry.

BULL / **BEAR**UNDERLYING
ETF/STOCK*AAPL*

Price:

161.62

IN Date:

25-Jan-22

Reason for entering

Closed above Support at 160, in long term uptrend.

trad

volume.

Planned e

trad

STOCK Trade

STOCK Ris

Underlyi

Profit / L

Profit / L

DITM Option

DITM Risk P

Underf

Profit /

Profit /

ATM Option

ATM Risk Pr

Underlyi

Profit / L

Profit / L

Warning!

In the last example we exited the trade 30 days before expiry, which is recommended for any ATM or OTM positions.

Look how much worse the results would have been if we had held to expiry.



Recommendation

Never hold until expiry.
All your time value is lost.

Capital Used

*16,162**\$180**\$1,838**11%**\$80*

Capital Used

*\$16,900**\$180**\$3,102**18%**\$160*

Capital Used

*\$16,555**\$180**\$6,610**37%*

OTM Option (IN)

Expiry:

17-Jun-22

Days left:

143

Strike:

\$180

Premium

Intrinsic Value

Time Value

Effective Price

No

Capital Used

*\$6.20**\$0.00**\$6.20**\$186.20**27**\$16,740*

OTM Risk Profile

Underlying goes to:

*\$130**\$140**\$150**\$160**\$170**\$180*

Profit / Loss:

*-\$16,740**-\$16,740**-\$16,605**-\$15,579**-\$11,448**-\$1,188*

Profit / Loss %

*-100%**-100%**-99%**-93%**-68%**-7%*

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AFTER TRADE

Fill out all shaded areas AFTER the trade.

UNDERLYING
ETF/STOCK

AAPL

Price:

170

OUT Date:

17-Jun-22

Reason for exiting trade:	AAPL has increased to \$170 and it is now expiry date. Did not drop below \$130 which was my get out price.
ANALYSIS	Lesson: Never stay in until expiry date!!

STOCK Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade <i>Not a particularly successful trade, but 15% annualised not too bad. Should have exited after 2 months when I was up 20%. Chart pattern showed a top reversal.</i>			\$170.00	100	\$17,000
			Profit / Loss		\$838
			Profit / Loss %		5%
			Days In Trade		119
			Annualised %		15%

DITM Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade <i>Not a particularly successful trade, only marginally better than holding the stock.</i>			\$90.00	2	\$18,000
			Profit / Loss		\$1,100
			Profit / Loss %		7%
			Days In Trade		119
			Annualised %		21%

ATM Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade <i>Shocking result. I paid \$6.20 for an options that at expiry was worth nothing. 27 of them!! Not smart. Am now out of the market!</i>			\$10.00	11	\$11,000
			Profit / Loss		-\$5,555
			Profit / Loss %		-33%
			Days In Trade		119
			Annualised %		-101%

OTM Trade (OUT)	Successful?	☒	Price	No	Capital
Notes on Trade <i>Even more shocking result. Need a very tight stop loss on any? OTM options. Can't afford any more trades like this! Work out a better exit plan.</i>			\$0.00	27	\$0
			Profit / Loss		-\$16,470
			Profit / Loss %		100%
			Days In Trade		119
			Annualised %		0.71

Workbook Pages

Please go to **LINK HERE** to download hard copies of the worksheets. HeatherCullen.com/Compare-Option-Strategies-Workbook

Compare Options Strategies

Workbook

The following pages are for you to use as a workbook to compare different options on different stocks and to see what works for you.

There is room for 50 trades each enabling you to compare a vanilla stock buy, and DITM, ITM, ATM and OTM options.

BEFORE TRADE	Fill out all shaded areas BEFORE entering the trade. Use Options Calculator for value 30 days before expiry.	BULL / BEAR
---------------------	---	-------------

UNDERLYING ETF/STOCK		Price:		IN Date:	
-------------------------	--	--------	--	----------	--

Reason for entering trade:	
Planned exit from trade:	

STOCK Trade (IN)	Price	No	Capital Used
STOCK Risk Profile			
Underlying goes to:			
Profit / Loss:			
Profit / Loss %			

DITM Option (IN)	Expiry:		Days left:		Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
DITM Risk Profile						
Underlying goes to:						
Profit / Loss:						
Profit / Loss %						

ATM Option (IN)	Expiry:		Days left:		Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
ATM Risk Profile						
Underlying goes to:						
Profit / Loss:						
Profit / Loss %						

OTM Option (IN)	Expiry:		Days left:		Strike:	
	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used
OTM Risk Profile						
Underlying goes to:						
Profit / Loss:						
Profit / Loss %						

AFTER TRADE	<i>Fill out all shaded areas AFTER the trade.</i>
--------------------	---

UNDERLYING ETF/STOCK		Price:		Out Date:	
-------------------------	--	--------	--	-----------	--

Reason for exiting trade:	
ANALYSIS	

STOCK Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

DITM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

ATM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

OTM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

BEFORE TRADE	<i>Fill out all shaded areas BEFORE entering the trade.</i> <i>Use Options Calculator for value 30 days before expiry.</i>	BULL / BEAR
---------------------	---	--------------------

UNDERLYING ETF/STOCK		Price:		IN Date:	
-------------------------	--	--------	--	----------	--

Reason for entering trade:	
Planned exit from trade:	

STOCK Trade (IN)	Price	No	Capital Used
STOCK Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %			

DITM Option (IN)	Expiry:		Days left:		Strike:	
DITM Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used

ATM Option (IN)	Expiry:		Days left:		Strike:	
ATM Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used

OTM Option (IN)	Expiry:		Days left:		Strike:	
OTM Risk Profile Underlying goes to: Profit / Loss: Profit / Loss %	Premium	Intrinsic Value	Time Value	Effective Price	No	Capital Used

AFTER TRADE	<i>Fill out all shaded areas AFTER the trade.</i>
--------------------	---

UNDERLYING ETF/STOCK		Price:		Out Date:	
-------------------------	--	--------	--	-----------	--

Reason for exiting trade:	
ANALYSIS	

STOCK Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

DITM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

ATM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

OTM Trade (OUT)	Successful?	☐	Price	No	Capital
Notes on Trade					
			Profit / Loss		
			Profit / Loss %		
			Days In Trade		
			Annualised %		

Compare Option Strategies Workbook

This book was originally intended only as a paperback or a hardback book, not an eBook - the reasoning being that you can't fill out an eBook. However, as there were many requests for it to be available as an eBook, and as Amazon's rules said that it could not be part of the In The Money series unless I offered it in eBook format as well then I decided to do it, while wondering how I could offer a workbook as an eBook.

What I have done is put the Workbook pages on the website, so that you can download them and print them off. I strongly recommend physically filling them out and filing them to compare different options on different stocks or ETFs to see what works for you.

You can download the worksheets here:

HeatherCullen.com/Compare-Option-Strategies-Workbook

ITM Updates

HeatherCullen.com

Follow the updates on the stock market and how the ITM (bull) and ITMB (bear) strategies are going.



Trade the tides, not the waves

About The Author

Heather Cullen



Heather wrote her series of books, *In The Money*, based on her 25 years' experience in the stock market. During these years, she has made hundreds of mistakes (all documented in the books!) but managed to survive and to finally become a successful investor.

Throughout the early years, while keeping her day job as an IT Director, she was learning and trading every night and weekend. She read every book she could find on trading strategy and psychology, paid for numerous courses, subscribed to hundreds of newsletters and websites, tried every crackpot theory, fell for the stories of every financial guru who claimed to be making millions. But the financial freedom she so desperately wanted proved elusive. Giving up her day job seemed like an unattainable dream.

WINNING & LOSING

Over the first 15 years of trading she made money, and then lost it again. So many times! Never enough to wipe her out as a trader, but she wasn't able to throw up her day job and live the life of her dreams.

Although she put in the hard yards, with many long hours of research, monitoring and back-testing she was never consistently successful. Those ten thousand hours of experience that you need before you can be an expert? She definitely put them in, probably several times over! Slowly, she realized that hard work alone did not lead to success.

EUPHORIA - THE DESPAIR

Going from euphoria to despair, often in the same month and sometimes in the same week, was exhausting. Finally, after one too many sleepless nights pacing the floor sick with worry, she decided enough was enough.

Yet again, her stock positions were plummeting, and her dreams of financial freedom were once again disappearing. She knew that she couldn't go on like that. Something had to change. She had to find a better way. And she did.

THE ITM STRATEGY

She realized that the ever more complicated strategies she was pursuing were not bringing in better results. In fact, the results were getting worse.

When she stepped back and looked at things from a different perspective, she realized that the solution had been staring her in the face all the time. It was simple and elegant - and it meant no more sleepless nights and endless hours of research.

In her first book, she shares with you the ITM (In The Money) strategy that she uses to beat the market. It's easy and takes less than 10 minutes a week.

She gives a simple set of rules that anyone, whether beginners or seasoned traders, can follow to beat the market and build their wealth. Her second book was an overseas version for people wanting to trade the U.S. market but living outside the U.S.

The third book in the series: In The Money: Bear Market Strategy was written in response to the many readers who were asking a book about how to handle a bear market. Backtested for 30 years, it shows exactly

how and what to trade when the market has entered bear territory.

Reader requests and queries prompted this book, the fourth in the In The Money series. Part textbook and part workbook, it guides the reader through choosing options and trading strategies.

YOU DON'T HAVE TO MAKE THE MISTAKES

In the books, Heather shares with you her (rather rocky) journey to financial freedom. Her many mistakes and losses are not glossed over. Instead, she shares them so that you don't have to make the same mistakes.

She looks on her losses as 'tuition fees' for lessons learned, and she has definitely paid a LOT of tuition fees over the years. You will probably have a chuckle over the silly things she has done. She laughs about them now, but at the time she wasn't laughing because they hurt – a lot! By sharing them she saves you from making the same losses, which are never pleasant.

Whether you have been trading for years or you are an absolute beginner this practical, amusing and easy-to-read series puts you on your road to wealth and financial freedom.

Books By This Author

[In The Money: Bull Market Strategy](#)

The Simple Options Strategy That Always Beats The Market

An easy bull market strategy for beginners and experienced traders.

[In The Money: Bear Market Strategy](#)

The Simple Options Strategy to Trade the Bear and Win!

How to trade profitably in a bear market. The follow-on book to In The Money: Bull Market Strategy.

[In The Money: Australian Edition](#)

The Simple Options Strategy That Always Beats The Market

How to trade the U.S. Market when you don't live in the U.S.



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