Ophir Gottlieb (00:00:06):

Hello, welcome to the Option Speculation Webinar. I hope everyone is doing well and for those of you that are not doing well, I hope today is the first day that it gets better. I have an intro to give, but given the subject matter, I'm actually going to do disclaimers first. Then I'll talk to you. Thanks for joining. I will be more personable in three slides. First, some disclaimers. This is not a solicitation to buy or sell any security ever. This is not advice. The results here are provided for general information purposes. As a convenience to you, the viewers, the materials are not a substitute for obtaining professional advice from a qualified person, firm, or corporation. I am not a qualified person, firm, or corporation. Trading futures and options involves the risk of loss. Please consider carefully whether futures or options are appropriate to your financial situation.

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Only risk capital should be used when trading futures or options. Investors could lose more than their initial investment. Past results are not necessarily indicative of future results. The risk of loss in trading can be substantial. Carefully consider the inherent risks of such an investment in light of your financial condition. Please read the characteristics and risks of option trading from the Chicago Board Options Exchange. Now that we've gotten the disclaimers out of the way, I will tell you that this webinar has two parts and therefore it has two agendas. The first portion is rather fast compared to the second, and it focuses first on what an option speculation is per se, some definitions let's say, and what a trader should expect and how to prepare for that. The second portion, which will have a second agenda, will not make sense without the first portion and that's why I'm doing it.

(00:02:24):

It runs long and two conclusions will come from this webinar. One group of people will say, you know what? That was great. Thanks for your time. I don't want to speculate with options. Now that I see what that phrase actually means, successful trader and I so dearly honor that point of view, it is a high intellect point of view in my opinion to say, I don't want to do that. Then there'll be another group and they will say, this is hard, but I want to do it anyway. It's worth it. Of course, I too honor that point of view and it too is a high intellect point of view in my opinion. I don't think anyone will walk away from this webinar thinking that option speculation is easy. There'll just be two groups, one group that decides they want to give it a shot or continue doing it in one group that says they don't want to.

(00:03:20):

Both are marvelously reasonable conclusions. If someone does walk away from this webinar thinking that it is easy, then for that person or group of people I have failed and I apologize ahead of time for any failures. The final segment of the second portion of this webinar will have real trades prices and data, which I have never shared before personally, and for those so compelled, you can actually look them up if you have time and sales data, I cannot show that portion without first getting to the beginning of the second portion and I can't share the second portion without first going to the first portion. The very end is rather difficult. That's just how it has to be. If I'm going to cover option speculation from the top to the bottom, this webinar delivers a weapon for the person that wants to become an option speculator or who already is an option speculator, I'm going to show you how to wield that weapon, but I cannot do it without first educating you on how not to wield it.

(00:04:43):

That's with that long diatribe that I begin section one with the agenda for portion one. It is my honor and my privilege to host you and now we will begin pre agenda if you will. Part one, I'm going to talk about the point of the webinar. I'm going to talk about what I think makes a successful option trader and then we'll get into the actual speculation presentation. I have a belief system. It's one that is formulated off of 23 years of trading, including Tom as an option market maker on the NYSE option exchange and SIBO being the managing director of algorithmic trading for an options firm.

(00:05:24):

Being the managing director of quantitative research for an institution, and I believe that a successful trader looks at the arc of a year, a decade and even a career, and it's not about discovering a new idea every day or every week, and you will see how long a speculation takes in this webinar. It's about using the apparatus that has been given to us, an apparatus in the option market, which never changes and the mechanism and its paradigms never change. But there is a difference between wanting something and liking the idea of something. I live in la, I live in Las Vegas and LA now, but I lived in LA for, I dunno say eight years now. We're back and forth and a lot of people in LA say they want to be actors that's everywhere, but if you observe their actions, what they really mean is that they like the idea of being an actor and in an industry only the top 1% make it wanting is worlds different than liking an idea and that difference is effort.

(00:06:35):

Someone that wants to be an actor will put in effort and someone that likes the idea of being an actor will not equally, I know a lot of people say they want to be successful traders and investors and it's a perfectly reasonable thing to say, I like the idea of being a successful trader, but I don't have the time to do it. It really is. Jobs are hard, take time and energy. Life is hard. It takes time and energy. It's hard just handling the tragedies of life, not to speak of the day-to-day, but in an industry where only the top 1% making it wanting is worlds different than liking the idea. And believe me that by the time of this webinar you will see what that effort means because that's the difference. Not everyone has enough time to put it in the effort and it has nothing to do with intellect, nothing.

(00:07:42):

So the question all of us have to answer independently before we see the next bullets and slides are what is it that we are and are not willing to do with respect to effort to become successful traders? Because in this webinar I will review what I think it takes to be a successful trader, but I have great regard and respect for those that cannot commit to it because in the end, being a mother, a father, a brother, a sister, a husband, a wife, a friend, just a decent person is pretty hard and when it comes down to it, that's far more important than being a good speculator. So before I really start, I just want to tell you now that we are exactly halfway through 2021, I wish you a fabulous rest of the year. I am so terribly sorry for the pain you may have felt in 2020 and that you may feel right now.

(00:08:38):

And even though I like to say it will get better after it gets bad, sometimes better isn't really good enough relative to the pain that some of us have endured. And for those of you in that place, I'm so very sorry and I don't mean to make light of it, but today I'm going to be talking about option speculation. So what makes a successful trader? In my opinion, we have to understand what we want and it isn't the word successful. We're looking at eight to 10 months of profit profitability a year for every year for decades. If you're a market maker, you're looking at probably 11 months. That's the difference between buying on the bid and selling on the offer. Also, the down months should be well contained relative to the up months. Your worst down month should be no worse than your third best up month for the year. You're going to need a comfort or expertise in more than one type of trade and here is where the consternation will begin. This next bullet point, naked call buying and put buying is not a strategy that I have ever seen as successful by the definition above In the long run, I'll say it more clearly, I have never met someone that only buys or sells a call or a put in and of itself that has been profitable roughly eight to 10 months of the year for year for decades, never in my life.

(00:10:13):

Option trading is volatility trading and therefore a naked option position, a long call, a long a short call, a short put on its own is both a position speculation and a volatility speculation and the only way to hedge an option is with another option. When we do that, we create an apparatus that allows us to be successful with the multiple trade types in any environment at any time and relevant to this presentation, it allows us to speculate. So that's what we're going to discuss. We'll apply what makes a successful option trader. It means an openness to new information. It also means a basket of different trade types. So here we go. Now I will discuss option speculation and I remind you that as we go through this journey together, it can get long, arduous, confusing, frustrating, but in the end, the final part of a rather lengthy presentation are actual trades which tie it together and it comes out of esoteric or ethereal into the real and it is generally that last piece that ties an hour of conversation into actual learning.

(00:11:33):

Let's talk about the agenda for the rest of the presentation. First I want to talk about the ethos of a speculation, reducing risk and amplifying potential returns. Both should happen. If you speculate correctly, I will introduce volatility as a security type and I'll prove it to you. We'll do a little QA together. We will examine, it's not just delta risk, we'll talk about risk reversals and earning speculations. We'll talk about legging. A directional trade trading at once is also a risk. You can systematically correct a bad entry and profit from it. Then we will build, we will go to a risk reversal with a put spread. We will go to a risk reversal with a put spread with a diagonal put spread. We'll go from a risk reversal with a diagonal put spread and then add another put spread. We'll take a risk reversal with a diagonal put spread and add another put spread and then add a diagonal call spread and after all of these building blocks, the final step, that last little check mark is probably a half an hour of some of the most difficult presentation material I've ever given.

(00:12:43):

But in the end, you'll know exactly what it means to speculate how to build a speculation why the largest winners take six months, eight months, even a year, and it's a continual trading plan. You'll understand what it means to have a trading plan. You'll understand how much work it takes to have a trading plan. We're going to go through those five in real life. It's not those five one at a time. It's a combination of all of them all the time. So let's start. Let's talk about the ethos of a speculation before we learn how to speculate. What's an ethos? It's a characteristic spirit as manifested in its beliefs and aspirations. What's a belief in trading? A strongly held conviction that a stock price will do something up, down nowhere, doesn't matter strongly held conviction. The aspiration is to reap outsized monetary reward relative to the monetary outlay by holding a correct belief.

(00:13:52):

And what's the characteristic spirit in our regard? Accepting risk in the pursuit of this aspiration based on the belief in English and option speculation risks capital to make more capital on an uncertain future outcome. We are here to discuss taking risk in the pursuit of outsized capital returns with options, and that's all I'm here to talk about today. When we apply a system to our speculation, we look to consider risk and return. The next bullet point may be the single most important bullet point in the entire presentation. The first thing every successful trader examines is the amount risked. Let me say it more clearly. You are not a speculator if you are not examining risk first. You are a gambler, but I'm not here to teach you how to gamble. I'm here to talk about speculation. The first thing you do on a speculation is you determine the amount you want to risk on that speculation.

(00:14:57):

You then form a strategy and a plan which can turn into 8, 10, 12 different options, 8, 10, 12 different dates and maybe 500 different decision trees, but none of it happens without starting with the very first decision. How much risk are you willing to put on in this speculation and never break the rules? I'm going to introduce volatility as a security type. I'll approve it right now. I like to say option trading is volatility trading, whether you mean to or not, and I'll just prove it. Here you go. It's a little thought process. Okay guys, I want everyone to think to themselves a hundred dollars stock.

(00:15:47):

It's tech stock. It's historical volatility is equal to a standard technology stock, but I don't know, whatever you think standard technology stock vol is you pick the company, okay? A hundred dollars stock historically has moved kind of like any other technology stock in this scenario. You have no strongly held conviction on stock price for the next 30 days. This is stock that you don't know the name of. You know that it's a hundred dollars. You know that the historical volatility, kind of what a standard technology stock is. You have no opinion on what's going to happen in the next 30 days. You don't think it's going to go up. You have no opinion on whether it's going to go down. You have no opinion if it's going to stay the same further, let's pretend there's only one option. It's 30 days from expiration and you must hold to expiry.

(00:16:34):

It's a European option which is untradeable, even an American option, which is tradable. Okay? That's it. A hundred dollars stock, one 30 day option. That's it. If you buy it, you own it for 30 days. Do you want buy the 110 strike calls? I want you to say the answer out loud to yourself, yes, no, say it out loud, be convicted in it. No, I don't know enough about this. Yes, I'm going to roll. I say it out loud. Do you want to buy the one 10 strike calls that expire in 30 days that you must hold for 30 days in this stock? You don't even know the name of the company. Yes or no? Say it out loud. Okay, what if I told you those calls cost one penny?

(00:17:25):

Do you want to buy it now? Did your answer change? Say it out loud. What if I told you those same calls cost $80? You want to buy 'em or sell 'em? So what happened? The implied volatility at extremes, which is an example I gave you can a phenomenon that overwhelms our stock expectations by so much that having no strongly held directional belief, we had no strongly held directional belief. That was the premise of the question can still make a rational trader aspire to speculate. A rational actor can take the information I gave you and then give you the implied volatility and the implied volatility can make you aspire to speculate anyway. Or we can say that while the stock belief has no conviction, the volatility belief has great conviction and the implication is that any stock belief can be overwhelmed by a strongly held volatility conviction first and second, taking a speculation that the stock belief would not have aspired to, right?

(00:18:49):

So I see you show me a standard technology stock, standard historical volatility, one 10 strike stocks at a hundred. It's a penny. I'm speculating I have no stock belief whatsoever or I could have said I want to get super long. I see that it's an 80, it costs $80. Now I don't want to speculate on my stock belief because of volatility. Option trading is volatility trading, whether you mean it to be or not or if you prefer slightly less convincingly. Option trading is also volatility trading, whether you mean it to be or not. That means we need to examine risk, not just delta risk. I cannot show you how to speculate until we know what we're speculating on. Delta risk is stock price. Vaga risk is volatility risk. If we want to speculate on Delta stock price and do not want to speculate on volatility, then we must immunize our speculation from vague risk, right?

(00:19:47):

Reducing risk and amplifying potential returns can and should both happen at the same time. When we apply a system to our speculation, we look to consider risk and return. How much am I willing to risk? How much do I think I can make? Is that trade-off that the market is giving me worth it to speculate? These are the thought processes we have to have before a trade is made not while you're looking before it's made. So we will reduce VA risk which automatically amplifies our potential returns when done like this. We'll start very simple. It's a building block. It's a risk reversal, which you can use as an earning speculation if you like. Definition a risk reversal is an option strategy, which takes an opposite position in a call and a put in the same expiry at different stock prices. Strike prices, pardon me. So a bullish example would be stocks at a hundred by the one 10 strike expiring date XY sell the 90 put expiring on date XY we're buying and selling, right?

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So opposite position, different strikes, calls and puts same expiry. If we were to switch the expiries, which we're going to do, we could be called a diagonal risk reversal, but it also has many other names. This is not how we're going to speculate, but this is a building block for speculation because it uses one option to hedge another option. We're eliminating our vaga risk and it magnifies our directional risk. And make no mistake when we use the term option speculation, we only do so with a strong conviction in one or the other volatility or stock direction. I'm going to talk about stock direction speculation. The bottom is new information right here. You can do the same for a bearish speculation. You would sell the one 10 strike call and buy the 90 strike put if you have long stock, that's called a collar, but if there's no stock, it's called a risk reversal.

(00:21:55):

Let's just stop with risk reversals for a second and talk about legging before we really, really get into speculation, okay? It turns out that when you do something like a risk reversal and more complex things, which we'll look at shortly, you are amplifying your directional risk and therefore you are amplifying the risk of a bad entry. So let's just talk about it. The risk characteristics relative to a naked long call, a risk reversal, okay? First of all, you have lower volatility risk, right? Vaga risk has been eliminated. You're buying and selling an option in the same expiry. An option could only be used to hedge another option and therefore that risk has been eliminated. You have lower time value risk, same expiry. Your theta risk is relatively speaking eliminated, but we have amplified our directional risk. We start with a risk reversal because it's easy to contemplate yet hits many of the points that a true speculation incorporates.

(00:22:57):

We said we wanted to amplify some risks and we wanted to mute others, but here's one thing that people don't consider about risk reversals and certainly not as we move further, a risk reversal can lower execution risk if we've leg it on purpose. I'm going to give you an example. We select a call and a put strikes before the trade. We know how much we're going to risk by how much we're going to risk. I mean how much we're going to lose, not the debit, how much we're going to lose, how much are we willing to lose? Okay? Select the calls and puts. Let's just use the 1 10 90 strike example. Buy the calls first. Just bought the one 10 calls. Let's say these are leaps. I bought the one 10 calls, damn expensive. Big VA risk, big theta risk, not as much theta risk. If I lag in a month, I'm going to let the stock do whatever the stock does, no control over it, up, down, sideways, whatever.

(00:24:00):

If it goes down, the puts get more expensive and the overall cost of the trade goes down. We were going to buy a call and sell a put right? We bought a call, the stock went down. Now I can sell the same, put and receive more. If the stock goes up, the calls are winning and we can sell the put or we can get creative and of course creative is what this webinar is all about. Let's just talk about it one more time because if we cannot build upon a risk reversal, then we cannot move forward and will soon become rather complex. The risk characteristics of a risk reversal, lower volatility risk, lower time value, and lower timing risk if we decide to lag larger directional risk. Exactly the ethos of a speculation. So you have to decide is this riskier than a naked long call or not?

([00:24:59](#)):

I can't answer that for you, right? We're going to address more timeframes and downside risk management. I'm going to give you the beginning of an example which we'll revisit many times and we have many examples. This is real life. Feel free to look it up. August 14th, 2020 in ju I began a speculation which is still going today. It's eight months later, it's up 26000%. I bought the 12 26 20, 22 20 calls. I don't know why there's a period there. It should be a slash sorry for 6 65 I bought, it's a fancy way of saying I bought leaps for 6 65 on the same time, same day, same moment, same trade. I sold the jam. 21, 22, 3 0.03 puts. This is a diagonal. The calls I bought expired in December of 2022. The puts I sold expired 11 months sooner, right? This is a diagonal risk reversal. It's the beginning of a very, very long and well-planned trade.

([00:26:09](#)):

So we'll just start there. I paid 5 85. Let's build because as we know, a risk reversal is hardly a speculation that we will rest on. We have far, far more to go. Let's build piece by piece before we turn it into real life. Let's talk about a risk reversal, but with a put spread, we're going to maintain the benefits of a risk risk reversal. Remember these lower vol risk, lower time value risk, lower execution risk. If we decide to leg, which you don't have to, but larger directional risk, which is what we also intend to do with a speculation, but let's improve upon it, we can reduce the downside risk. Instead of having a naked put, we'll have a covered put. We'll also reduce margin requirements depending on how big you go. This can matter, but nothing's free. You're going to spend more capital at outlay than just buying a call and selling a put because you have to buy a further out of the money put we're about 20% toward a speculation.

([00:27:12](#)):

Let's keep building. Let's look at a risk reversal with a diagonal put spread. My JU opening trade was a diagonal risk reversal. I could have made it a risk reversal with a diagonal put spread by doing this. So the idea is to maintain the benefits of a risk reversal with a put spread we're building. Here are the risk characteristics first, the risk reversal, lower volatility risk, lower time value risk, lower execution risk if you leg, which you don't have to, and larger direction risk. We get the benefits of a put spread. So adding an out of the money put, reduce the downside risk, reduce margin requirements, but we do have to spend more outlay. That's true. And then we turn it into a diagonal put spread. So the put spread expires earlier than the call. So this is flexibility for an early close, right? Our put spread expires before the leap and it gives us the potential to sell another put spread depending on how things go for us.

([00:28:11](#)):

If the stock goes down, we can close this, put spread and sell another one for more money, assuming the down isn't through your short put spread. So it's a risk reversal plus a diagonal put spread. Let's go further. Let's do a risk reversal with a diagonal put spread and then another put spread. By the way, don't worry, we get out of the esoteric by the time we get to the end of this, which is that final bullet point is 30 or 45 minutes. Okay, let's do it. So we're going to maintain the benefits of our risk reversal with a diagonal put spread if the time comes and we want to keep collecting premium. So what does it look like? Remember this, it's a slide We looked at benefits of a risk reversal, benefits of a risk reversal with a put spread, benefits of a risk reversal with a diagonal put spread, and then we add a put spread, right? The potential for another put spread sale, do it risk reversal, diagonal put spread with another put spread.

(00:29:18):

Let's go further. Let's look at a risk reversal with a diagonal put spread and another put spread and add a diagonal call spread. Here's the idea. Maintain the benefits of a risk reversal with a diagonal put spread and possibly another put spread, but let's reduce the outlay further by selling a call spread. That's a credit. I'm selling a call against my long call, but I want to do it diagonally. If I own the December, 2020 twos, I want to sell the Jan 2020 twos. So I'm long a leap, I'm going to short a knot, leap, put, spread, own and out of the money leap call, I want to call. Thanks. I'm going to sell a put spread that's not the same expiration, and then I'm going to sell a not leap out of the money call.

(00:30:18):

I'm going to compress the page a little bit so we can get through this and then get to real trading. So this is just a repeat and then I'm going to build same thing I just said, long a leap short, not a leap. Put spread short, not a leap out of the money call. First, let's look at the risk characteristics. This is a risk reversal, lower vol risk than a call lower time value than a call, a lower time value risk than a call lower execution risk if you like it. Larger directional risk. Then we add a put spread. So we had a risk reversal and we say, Hey, you know what, I'm going to add a little call there, put there at the bottom. Then I'm going to make that put spread diagonal. So the expiration of my put spread is earlier than the expiration of my call, and since I have a diagonal put spread, when that expires, which could be a year from now, I'm going to sell another put spread, and then at the beginning of this trade, I'm going to sell a call against it, but a call that expires before my leaps and out of the money, we're going to risk a little of that upside if we do that.

(00:31:25):

Now that we've made it through some of these sort of hypotheticals of how to speculate, I have some good news and I have some bad news.

(00:31:37):

The good news is that I'm going to show you how it's done or how I've done it in real life. So a lot of these words and hypotheticals and bullets and highlights and yellow and brackets, okay? That's just not going to, that doesn't translate into the brain, right? Nobody can read this and say, ah, yeah, that's the good news. The bad news is you don't actually do them all at the same time. You do them in steps when certain things happen according to option prices or stock prices, and that requires a rather lengthy process to speculate. It can take me up to three days of planning to put on a trade which can last. I will show you trades. Which one lasted six months? One that has lasted eight months so far and has another 14 months to go. So now I'm going to show you what I mean by speculation and all of those silly little things I showed you before. The first speculation I'm going to show you is rather trivial, but it's a real world example and it will allow us to build on far, far more complex ideas. But I want to give some final words first

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Because you're going to need 'em. All of this is an apparatus for speculation. Good, but the apparatus is only good, as good as the plan. I cannot stress this next point more urgently.

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Before a trade is made, the successful trader knows exactly several things. First of all, how much she wants to risk. Exactly. Never break that rule. What timeframe she wants to speculate in, Hey, this is a 22 month speculation. Hey, this is a six month speculation. Exactly how you want the margin profile to look. If you're using portfolio margin, you must take into account not just how much you are willing to lose, but how much opportunity value you are subtracting from the rest of your portfolio. This is what a trading plan looks like. It is holistic and it's bulletproof. She will know exactly what to do at every stock price on every day before the day and before the stock price. What she will do at every stock price, what she will do at every stock price. Now, for those of you that are watching this with someone younger,

(00:34:29):

Maybe someone who isn't, it's not appropriate for them to hear bad language, now would be a good time for the next 30 seconds to excuse that person, that young one, because I cannot get this point across to traders without being a little, let's say less than clean, okay? This is my instruction to an option speculator. So please, if there are children on this webinar, take a time out, give it 30 seconds now, it'd be the time to leave guys and gals, there's only one way I know how to say this. That will make the point. Write it the fuck down. Don't be lazy, don't write it a little bit and don't write it hypothetically and don't think it write it the fuck down. It's the difference between losing and making money. Now I'm going to show you why writing it down is not only a good idea, it's the only idea. First, the simple example and then big examples. The young ones can come back. I shall keep it clean.

(00:35:35):

So I'm going to show you an actual trade that's actually very simple. It was a speculation and it will help us reorient our minds on actual trades rather than trying to remember these 19 bullet points with brackets around them. Okay? First, some personal guidelines I like to use. There's I have many, okay? If I'm buying a call spread and selling a put spread, so not diagonals, so I'm buying a call spread and selling a put spread, okay? This is a guide I like to use. I want my max gain to the debit to be 10 x. So if it costs me a dollar, I want to be able to make at least $10. I want my max gain to max loss. Remember the max loss when you're selling a Pittsburgh, it's not the debit, it's the difference in the strikes plus the debit. I want it to be greater than four.

(00:36:29):

Here's a real life example. This is going to be a simple one. Our first speculation we'll look at, we're going to get, I must say that the step from number one to number two to number three, they're rather large. So this first one's very simple but worthy. So I shared this on Twitter. No one's going to be able to read it on the slide. I'm going to make it bigger on March 3rd. So the market wasn't free fall the growth market, pardon me? I said I wanted to buy this call spread $30 wide call spread 2023. I wanted to sell a put spread. It was a diagonal. If you consider this a risk reversal, because they're in different ones. Mark to market was 3 32, so I wasn't in yet. I wanted to pay one 50 and I knew exactly how much I wanted to risk, but one 50 isn't how much I'm risking.

(00:37:23):

That's my debit. That's not how much I'm risking. Anyway, these are my rules. Again, here's what happened. This actually hit two days later. That's how bad the market was in early March. I'm sure you guys remember. So my max gain on this trade is the high strike minus the low strike, minus how much I paid for the whole thing. So a hundred minus 70 minus a buck 50. My max gain was 28 50. The debit was one 50. That's how much I paid. My max loss is if the stock collapses, right? So it's the high strike minus the low strike, plus how much I paid. You can't forget that you paid for the trade. So my max loss is 1150.

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Did I follow my guidelines? Kind of my max gain, 28 50 versus a debit of one 50 was 19 to one. I wanted at least 10 to one. I was particularly aggressive with this trade. My max gain to max loss was actually 2 50, 2 0.5. Pardon me, I usually want it four to one. It was only 2.5 to one. I closed this trade. Let's see, this was March 5th, so April 14th a month and nine days later for $6. So it was fourex, not a particularly interesting trade, not that complex, but worthy of getting our minds into actual trades rather than these bullet points. Because what we're about to get into next, unfortunately is going to be harder. I'm going to reprise jua, but I'm going to tell you the whole trade and then my last trade will be Gogo, which was one of the most complex speculations even I've ever done. Let's do Jua. I told you that on October 14th, 2020. By the way, this has nothing to do with my stock position. That's a very infrequently traded position. This is my speculation. So I told you that I bought the 20 strike calls in December of 2022 for 6 65. I say full because the trades I'm about to do are going to be on ratios. So I bought a full position for these calls and I sold the three puts.

([00:39:37](#)):

So what's my max loss? It's going to be the difference. So the debit 5 85 plus $3 stock could go hypothetically to zero. About a month later, I closed those puts that I sold for exactly the same price volatility was rising and I swapped it out to sell the puts in the same expiration as the calls. The five strike puts at a dollar 80. So you can think of these puts as a wash. What I really wanted was 180 and what I really wanted was to make a dollar difference on the threes and the fives. I felt I was getting compensated to make that risk on 1217. So another month later, I closed those puts that I sold for a dollar, sold them at buck 80, bought 'em for a dollar. That's the same thing as selling those at 80 cents and letting them go to zero. I got to save time to xpr and time to margin to collect the same amount. That's why I did it.

([00:40:49](#)):

On January 26th, I hit another part of my plan. I wanted to sell the 90 calls. I actually wanted to sell them at 20. So I'm giving you dates and prices. I just want you to know that the size on many of these, almost all of these is too much for me to do in a day or one trade. So they're spread out. This is where the substantial portion is, and these are kind of my average prices. I sold one third of the number of calls I had that were long in these out of the money calls. I want you to note that the expiration is diagonal to what I owned. I own the December 20 twos. I sold the Jan 20 ones. Don't worry. In the next few slides, the bullet points turn into something else that's a little bit easier to follow. Then three months later, I closed those short 90 calls for a dollar 45. I sold 'em at 1880. I bought 'em back for 1 45. Okay, let's go back and do this like a normal person, okay, 10, 14, 20, 20. I opened a diagonal risk reversal, right? Owned calls in December, 2022, sold, puts in Jan 2023.

([00:42:10](#)):

Then I shifted the diagonal. I came in from 2023 and I went to the five puts. These puts open and close. I just paid commissions. By the time I closed those puts, I was just naked, long calls, right? Just naked. These calls

([00:42:28](#)):

I

([00:42:30](#)):

Then I sold out of the money call a diagonal, and now I had what's called a long ratio call spread because the short side was one third. The size as the full size was also diagonal. It's actually a long diagonal ratio call spread. Then by April 23rd, I closed it, and that is a simple name. It's called long calls. So what happened? Closed positions were I sold the three puts for 80 cents, sorry, at 80 cents, bought to close them. Four 80 cents was a wash. I sold the five puts at a buck 80, bought 'em back for a dollar. I sold the

90 calls at 1880, bought 'em back for a dollar 45. I still today have the 20 calls for 6 65. So what's my net? I broke even on those puts. I collected 80 cents on the five puts. I collected 1735 on the short calls, but it was only one third of position. I'm going to bring it up to the top of the page. I received a total of 6 58 I. That means I have the 12, 16, 20 22 calls for seven pennies. They marked today for 1450. That's 26000%, but it didn't make 26000% in a week.

(00:44:14):

It's been eight months and this trade has a long way to go. I'm not going to show you my trading plan, but it ain't just to be naked long calls. We've got an earning season coming and then I've got another year and four months plan is written. I already know what I'm doing. For better worse, but at this point, the most I'm going to lose is 7 cents on the number of options I have. It took patience and a plan. I was not guessing things could have gone wrong. Of course, they could have. Now let's take it to an even more difficult speculation.

(00:44:54):

One that I did with Gogo and one that I think will bring all of the things I discussed to light. This one will take attention. Here we go. Alright, in May of 2020, so after the worst part of Covid, but certainly the scary part, I did something nice and easy. I did a risk reversal. I bought the two strike calls for 85 cents, sold the $1 puts at 40 cents. I want you to note that I was selling $1 puts at 40 cents. That means the option market priced the risk of go-go going bankrupt by 2022 as 40%.

(00:45:44):

Next trade, it was one month later I bought the NOV 2023 strike calls for 95 cents and I sold to open the nov. 2021 puts one strike, puts at 30 cents. That's just another risk reversal. So this is one risk reversal. This is another risk reversal. Neither of them are diagonal in each leg. They are diagonal to each other. I have diagonal risk reversals. There's other names for it. Doesn't really matter. Two months later, the stock hit where I wanted it to go. I bought the six strike calls in 2021, so my third expiration for 52 cents, I sold the two strike puts at 42 cents. Notice the puts. I'm selling one, one, and two. Notice the calls. I'm buying two, three, and six. What was my plan?

(00:46:42):

Now I have three diagonal risk reversals. The risk has been put on at this point, it's taken me three months to get all of my risk on. Now I need to close it out. Two weeks later, I bought to close the one strike puts right here for 5 cents. You can ask, why would I do that for 5 cents when they were going to expire? I didn't want to wait three months to close this out. If you can buy an option that you sold for 5 cents, buy it enough already. You can't think about what you sold it at. If you're not buying a nickel, you're selling a nickel. Don't sell nickels, right? So that left me with two diagonal risk reversals and now naked long calls because this put was gone, which makes these calls naked.

(00:47:33):

I'm going to scrunch the screen. There's no new information on the next slide. Okay, same thing, just scrunch the screen. Next. About two weeks later, I was selling to close the calls. So I sold those calls, those calls and those calls, which leaves me just naked short puts, right? I've closed the call side of my risk reversals. There was two left open. Now there's two naked short puts, and finally on 1123 and 1125, so two day period, I closed out my short puts for a diamond, a nickel. I want to look at this in a different way, a way that you can actually understand rather than seeing it written down like this.

(00:48:24):

This was my net position, my risk on position, which took me three months to get in. Go-go look like this. I was short. The one strike two strike puts in NOV short. The two strike puts in Jan 2021 and the one strike puts in 2022. I was long the three strike calls in NOV long, the six strike calls in Jan, 2021 and long, the two strike calls in Jan 2022, right? The plus means long. The minus means short. This was my risk on let's look at it, trade by trade. This is how it opened A risk reversal. So the one strike puts by the two strike calls. About a month later, I added to that position. I added a NOV position, another risk reversal.

(00:49:05):

Two months later, I got to my full risk on position. The NOV already existed. The Jan 22 already existed. This is where I put on my Jan 2021 risk reversal. Now, I wanted to move to risk off two weeks later. What's the difference between this and this? I started closing puts right now I closed this, put right here. The Jan 22 1 strike, put I closed. Next slide is going to be the exact same information as this slide. It's just going to be scrunched into the left, okay? Nothing's changed. Now this slide and this slide are the same. So here's the May trade, the June trade, sorry, the May position, the June position, the August position, and the August 26th position. Now I'm going further risk off about a week later, September 2nd, I closed all of the calls, boom, boom, boom, boom, gone. I'm just left with short puts and finally on. No, 23rd and no 25th, no position at all, right? So opened in May closed and no, it was a six month trade. It took me three months. Three months to get full risk on it. Took me another three months to close it.

(00:50:19):

So what happened in net, I had 140% gain. In the two strike calls I had a 75% in the short one puts, I had a 447% gain and the long three calls and 83% gain the one puts, and then I made 496% in the six calls, and then finally, of course the two puts I made 88%. So total capital committed was five 20. If you pretend you don't have margin, don't do these trades if you don't have margin. So the actual capital I committed was 2 91. I'm talking the debit plus whatever my portfolio margin that the haircut was, and I received 1722. Okay? These were three examples that kind of built on each other. Why the hell would I show you these examples? It's a good question. Do you remember when I said that there was a difference between wanting something and liking the idea of it and I said that that difference is effort. If you looked at these trades and thought, I like the sound of that, that's different than wanting it.

(00:51:30):

The question for all of us is to answer independently what we are and are not willing to or in all fairness, able to do with respect to effort. I said in this webinar, I would review what I think it takes to be a successful trader, but I have great regard and respect for those that simply cannot commit to it. If you do commit to it, what should it look like? Eight to 10 months of profitability a year for every year for decades, a comfort or expertise in more than one type of trade. I showed you several trades, compounding trades.

(00:52:13):

I told you that naked call buying and put buying is not a strategy that I haven't ever seen. Work as says successful by the definition that I have eight to 10 months of profitability a year for every year for decades. Just haven't seen it. The junior trade is now eight months old. The go-go trade of a six months old. The overnight success stories on option speculation are fools gold. They make far less than the good trades. They happen far less often and they will destroy your p and l. You'll go bankrupt. There is a difference between wanting something and liking the idea of something and that difference is effort. This is option trading, or if you prefer, this is option speculation. So how did I know what to do?

(00:53:10):

How did I know what to do? Do you see how many trading dates and options I had? We're talking about thousands and thousands of options across at least six different options, three different expirations, six different dates. I wrote it down. I wrote it down before when I entered Gogo in May. I knew how much I wanted to risk and I knew exactly what I would do if the stock started going up, which it did, and I put on more and more risk reversals with the call strike rising. I knew how much I wanted to pay.

(00:53:51):

I knew how much total I wanted to risk. I didn't put my full amount to risk on the first risk reversal. No, because then I can't risk anymore. If I wanted to risk $2 million, just make up a number, $20,000 doesn't matter. I knew how much I wanted in each leg, and if it never materialized, that's okay. I knew what I would do. Opening trades are just one part of a full blown pre-written trading plan. I hope you see that. Now, the opening risk reversals are just one part. I must know when I'm doing that. What I plan to do in the future, if the stock goes up or the stock goes down or vault goes up or vault goes down, and in that plan, that means I have to adjust what I'm doing at the very beginning.

(00:54:43):

Here was the plan. I already did the risk reversal. NOV 20th, I flipped those short puts, the threes versus the fives. I wanted to collect that 80 cents, but I didn't want to wait that long and I liked the trade-off of getting that dollar between the threes and the fives. So I did it and I sold the fives at a buck 80 and I bought 'em back at a dollar. I got my 80 cents. That wasn't an accident. That's what I wanted. The first sale was for 80 was at 80 cents. The final closing was to capture all of that 80 cents and I didn't have to wait very much on purpose. December 17th, I bought to close those puts magic exactly a dollar. It wasn't magic. It was exactly a plan I wanted to make. The 80 cents. January 26th, I sold those calls. The truth of the matter is the plan was for 20 and I was getting some off at 20 and I got some off at 1910 and I got some at 1880.

(00:55:40):

I just used the worst price, but once I was in it, I was in it. So for those of you that are trading, if you're trading in a security that doesn't allow for you to get your full size all the time, I have a rule that once I start, I just do it. I don't like having half the plan. If my plan was, Hey, it's 20, sell it and I get 150 off at 20 and I have another 850 to go, I don't do that. I just like, okay, I'm out. I'm a seller right now.

(00:56:10):

Not everyone follows that ethos, but I actually, I can't follow along. The plan is so complex I can't follow along if I don't start doing what is on the piece of paper. Then April 23rd, I bought to close those calls for 1 45. The plan was to collect 1850, so to sell 'em at 20 and collect a buck 50. So I sold them about 19 something and bought a buck. 50 was close enough. I had to close. The plan has always been to keep those calls. If the plan worked, it was always to have those calls at virtually zero. Right now, they're at 7 cents. Of course, of course this could have not worked out, but none of this happens without using volatility as an asset. I can't buy a call that costs $6 for 7 cents unless you're using one option to spread another option. You can't. It's impossible.

(00:57:06):

None of this happens without using a risk reversal or a diagonal risk reversal or some version of that as a core position, and none of this happens without a plan. And of course, in all fairness, none of this happens without being right, which is absolutely partially luck. No doubt about it. There's no doubt about it. These trades worked. They were well planned out. If they didn't work, I had a plan then too. I risked as much as I was willing to risk. If the stocks went to zero, I would've been okay with that loss. I wouldn't have liked it, but I was prepared to lose it.

(00:57:51):

Of course, I'm going to show you examples of things that worked also in 2020. Nothing didn't work, but the point of this webinar was to be inspiring. So I'm trying to inspire the very beginning. I said there was a point to the webinar. I said that I believed that a successful trader looks at the arc of a year, even a decade, a career, and as I hope you can plainly see, in my opinion, it's not about discovering a new idea every day or every week. Oh no, not for the large speculations. For the large speculations, no, I probably have five or six at a time and they're long, long speculations the Go-go One in fact was relatively short for that much trading. I just got, in all fairness, lucky I did want to close it out before the new year, but I didn't think I was going to make that much.

(00:58:53):

I was prepared to, but look, there was some luck to 2020. There's just no doubt about it. Rather than discovering a new idea every day or every week, we're going to use the apparatus that has been given to us and in the option market, it's an apparatus which never changes the mechanisms and its paradigms. They never change. And I told you from the beginning, the question is to answer independently, what are you or are you not willing to do with respect to effort? Because those trades took an immense amount of effort. What you saw on the screen were the executions. That was 0.1% of the effort. Anyone can enter an order. So in conclusion, look at your trading career as an arc, not a day. Focus on what you can lose before you focus on what you can make, understand, respect, and honor that it is hard. And please know if you skip any step, you're probably going to go bankrupt. So don't do the bankrupt part, write it down. I appreciate you and your time. I wish you only good things. That's the end of my formal presentation. I will say this since we're all here, I highly encourage you to try a trade machine. If you're not a trade machine member, it is an option back tester that allows you to test your ideas and iterate on that plan. That plan that I did,

(01:00:41):

It's web-based software. There's no download needed. It's a website. It has data going back to January, 2007. So you have the great recession, you have the bear in the early 2000 tens, the 2018 bear and obviously covid. You can create your own custom strategies, you can get alerts. It has the most powerful scanner I've ever seen and the reason it's the most powerful scanner I've ever seen is because I basically built trade machine for myself. And then I said with Jason, I was like, eh, let's sell it. Same thing with vis, by the way. Now the truth of the matter is you don't need trade machine. In fact, you don't need a machine to be successful, but it's a lot easier and it does force precision. And while we're at it, gone are the days of eyeballing enough already.

(01:01:34):

You can go to trading machine.com, you get setups and triggers every day. The community is magnificently powerful. It's kind of like Twitter, but better either way. Guys, go get 'em. I hope you speculate great, and I hope those of you that realize you just have to live your lives and not be a speculator. That's a win too. It's okay. There are some things in life we can't do, right? I'm never going to be a fantastic juggler. I don't have the time. Trade machine.com is where you get it. I appreciate your time. Thank you so very much. Alright, I am going to answer the questions that are live.

- (01:02:12):

If you could afford it, do you suggest every treat alert you send every day should be executed? That would be a

Ophir Gottlieb (01:02:18):

Treat. Yeah, it's an unrealistic approach to the market, so the only thing you can do is say, take large numbers and see what the averages give you. But no, I don't think it's realistic to do that.

- (01:02:39):

What are some other resources PHE recommends?

Ophir Gottlieb (01:02:42):

I only recommend one resource Sheldon Berg's book on option volatility and pricing. That's a must read.

- (01:02:52):

That's not a question. Buy long. Dated call. Shorter sell. Shorter dated call. Is this a diagonal? I think that was during your presentation.

Ophir Gottlieb (01:03:03):

Yes it is.

- (01:03:06):

Where was the underlying at the start?

Ophir Gottlieb (01:03:11):

I don't know. You guys can look up the dates for Jua. I think it was a 13.

- (01:03:17):

Okay. What software does OG use to model his positions out on? Does he use Option view or something similar?

Ophir Gottlieb (01:03:26):

No, so I don't need something to model them out. I just write it down. I say at this option price or this stock price, I'm doing this. It's really option price, not stock price. As you guys well know, sometimes you have to include stock price because if you're short something, so I just write it down. Literally I write it down on Excel spreadsheet. Stock goes between here and here. On this date, I'm doing this between here and here on this date I'm doing like do stock price ranges and then the variety of dates, and then I go to the next range. In the variety of dates. It's a very big matrix.

- (01:04:03):

Max asks if the put had a typo on the date

Ophir Gottlieb (01:04:09):

Possibly.

- (01:04:14):

Can you show what the stock price was as you made these transactions? We'll be sending out a recording so you can take a look at the dates and see what the stock price was. So you'll be able to pause it and kind of take it in more detail in the recording. Is this example, every leg is one month. Oh, in this example, every leg is one month apart. Is that to avoid wash sale?

Ophir Gottlieb (01:04:40):

No. No. The trade plan doesn't care. You can't trade around. Taxes can, but that's not what this is about. And I don't. Those trades happened based upon the events of option prices, not number of days. Could have been one day, could have been 47 days. It didn't matter.

- (01:05:00):

Is there an example which shows how it saves capital when the trade goes bad?

Ophir Gottlieb (01:05:07):

So if you have a put spread, then your max loss is difference between the high strike and the low strike and the debit. So that's how you save capital. If things start going against you, you can close whenever you like, but that would be a part of the plan you started and the options are worth $5 and now they're worth negative $3 because the shorts have gone against you. You know what you're doing. Then that question reveals someone who isn't planning the whole way plan everything, even the bad. What happens when it goes against you? What are you going to do? Exactly, and if it means you're going to close the close end of trade, it doesn't matter. So you lost move on. We have many, right? That's how a speculation works. It's good until it's not good.

- (01:05:56):

Can you repeat that book that you recommend for options,

Ophir Gottlieb (01:06:00):

A Sheldon Berg's book on option volatility and pricing?

- (01:06:06):

It would be great if PHE can cover how he calculates the strike price and expiration date on the options.

Ophir Gottlieb (01:06:13):

Well, I generally start far out. That's how long I'm willing to make the speculation and then I start coming in closer if the speculation is going in my favor because I always add, not always, but if I'm adding to a trade, it's it's winning. I don't add to losers that doesn't happen. So if a speculation is working, I have a plan on how I'm going to add. As you saw with Gogo, I started adding the shorter term options and the six strike calls as opposed to the two strike calls, but that would never have happened. If it didn't go in my favor, those trades would never have happened.

- (01:06:49):

Is it possible to show an example of the kind of thesis or trading plan we should write or any recommended resource?

Ophir Gottlieb (01:06:56):

So everyone has a different kind of way they do it. There's actually someone on the floor who had, this is so funny. They had index cards and they would write it on the index card, which I know that it's just archaic, but it worked. I don't know if to say mine is an Excel spreadsheet. I have my first column is the price range from 13 to 17, whatever my second column is the date range. And then the third column of course is the by price range, I mean options. And the third one is my action. What do I do?

(01:07:41):

And it's very, very long. And just so you know, at the very, very top it has how much I'm willing to so I don't forget, Hey, you're willing to risk X dollars and I have a running total of how much I'm risking. I have a little formula on the upper left hand corner that says I'm risking this much. So they start layering on the things. I make sure I don't violate that. Even if I'm getting super bullish and it's working, I don't say, oh, well I was willing to risk 1 million, now I'm willing to do 3 million. No, no, that wasn't the trade. So I know some people on the fly adjust their mask risk that they're willing to take. It's okay. I don't do that and I never have. It's just not my thing. I have to have something that says this is it and that's it. I'm willing to risk this many dollars and it will not change on the speculation. There are other speculations. I never get so scared that there's such a good opportunity that I'll never have another opportunity.

- (01:08:38):

Great. Do you ever do continual over time credit put spreads on a position watching Delta and when it moves, say 20 cents, adding more credit spreads?

Ophir Gottlieb (01:08:49):

I definitely have rolling. That's why I do diagonals in my leap. So I have leap calls and I do diagonals, diagonal put spreads, right? Do I do that a lot? Yes. That's really the only clever way to get, like I did with junior, a $6 option for 7 cents. You got to be selling something.

- (01:09:16):

Thanks Sophia. Can you talk about what your plan said if things went against you? I think you just answered that one.

Ophir Gottlieb (01:09:23):

Yeah. So there's always a price and option. Price or really it would be a position price where I say that's it amount and sometimes just that's just a loss. That's it. I don't look how I couldn't recoup and oh, I could be clever. Not really. If the trade doesn't work, I move on. I'm looking at the arc of the year. This trade didn't work fine. What's next?

- (01:09:47):

Do you have a minimum open interest for each option leg?

Ophir Gottlieb (01:09:52):

Super good question. So people ask me all the time, they say, Hey, do you look at open interest or volume? Two different things say to measure liquidity and this may stun some people, but you'll agree with me after you vigorously disagree, I'm going to say something, you're going to vigorously disagree. Then I'm going to say why? And you're be like, you know what? That dude is right. Open interest and volume have nothing to do with liquidity. Liquidity is defined by two things and two things only the width of an option market. So a market that's $1 at $2 is less liquid than a market. That's 1 45 at a dollar 50, that's one. The second thing is the depth an option market, that's 1 45 at one 50 and is 10 up 10 on the bid. 10 on the offer is less liquid than a markets that's 1 45 at one 50 and 10,000 up. If a market is 5 cents wide and 10,000 up, it's liquid. I don't care what the volume is or the open interest. Open interest and volume have nothing to do with liquidity other than one thing. Generally if an option is very liquid, there will be open interest and volume, but that doesn't have to be some of the most liquid option. Markets in the world have no volume. So anyone who's telling you that open interest and volume determine liquidity, don't understand liquidity, and I can guarantee you they're not trading in size guarantee you

- (01:11:37):

Will trade machine generate and backtest trade such as generate risk, profile of a trade, et cetera.

Ophir Gottlieb (01:11:43):

So trade machine, if you put in a position or a type of trade, a custom strategy, just buying a call, call spread, risk reversal, blah blah blah, and you want to run it over time, trade machine will tell you exactly how it did and if you want to iterate it, let's say if you just want to do it over a certain period of time, you just put in the dates. If you want to just say, Hey, for the last 13 years, how did this look? I want to do it once a year, whatever. Well, I don't do it once a month, I want to do it once a week. It doesn't matter. Trade machine will show you exactly how it did. You can look at every single trade, every single price, every single time there's an open or close

- (01:12:15):

Selling puts always makes me nervous. As stock prices can go down so rapidly, how to hedge against a crash risk,

Ophir Gottlieb (01:12:23):

Make it a put spread.

- (01:12:28):

What percent of trade machine quotes are for more than 30 day duration?

Ophir Gottlieb (01:12:34):

So trade machine has every option that ever existed over the last 14 years. So however many are leaps or leaps, if you're talking about our today tab triggers, those are generally less than 30 day trades. Some of them are 30 day trades, they're using a 60 day, 30 day diagonal, but they're generally 30 days or less. Some of our favorite ones are a week in length. The super, super long ones aren't really back testable. I mean you can try, but a speculation says, I think the stock's going to do something very unusual. You could say, Hey, I want to speculate on this thing that's going to move exactly as it moved in 2020. You could definitely backtest that and that would be your own personal backtest and you could do that with leaps of course, whatever you want.

- (01:13:21):

Thanks for putting this together. It would be easier to understand what the charts as they were and your thought process on each day you bought or sold. How do I start writing a plan?

Ophir Gottlieb (01:13:32):

It's really that simple. The things you have to consider are the price range. Usually it's usually of the options. If you really want to get into it, you could do the options in the stock, but since you're speculating with options, it's really the option prices like a range of option prices between here and here. The dates. So if you have a leap for three years, well there's no such thing, but if you had a two year leap, then you better know what you're going to do for two years. If that's all you want to do, when are you going to close it? If you want to add to the position, well when are you going to add what price date things change? So if I buy an option for $5, and I think I did this with Pinterest in the shit of Coronavirus, I think I bought the 20 calls, I'm sure I bought the 20, 22 20 calls.

(01:14:31):

I think they might've been like a dollar that doesn't really make any sense. Maybe like $3. And then I had a plan, what was I going to do now there worth $60 and I sold my first batch when they hit 60. That's how confident I was. But I'm not now holding all of them waiting six, seven, a little bit of a batch went off at 60 and I have the rest ready to go based on dates and times. So for example, if they're worth 60, I think another batch if they're worth 60 again. But I had have to look it up, but I think in six months I'd probably sell another batch. I dunno exactly. I mean I can tell you this much. I have enough speculations on that they're not memorized. I actually use trade machine. This is going to be funny. For trade machine members, I use our alert system I to remind me like a Google calendar, I get, I dunno if you know this in trade machine, you can actually set alerts by date and you can send yourself a note like don't forget it's mom's birthday, whatever. So I do that to check the particular dates or my thinking has changed by speculation.

- (01:15:43):

How did trade machine help with the trades discussed?

Ophir Gottlieb (01:15:48):

Trade machine did not help with the trades discussed.

- (01:15:54):

Yeah. Can you discuss your thinking behind when or why you deployed each strategy?

Ophir Gottlieb (01:16:03):

Yeah, so it was a,

- (01:16:05):

I'm going to merge two of these questions. I think they're kind of in the same answer range. A major component of your plan is deciding which stock you're going to move, which stock is going to move on, what are you basing this decision? So those two would kind of go together.

Ophir Gottlieb (01:16:20):

So the stock choice is either because of CML Pro, which is our long-term research tool, not trade machine because I just happen to know them very well and I speak to the CEOs, I know them very well or I don't always speculate on CML pro stocks. I speculate on non CM L Pro stocks, pardon me. But it's based upon my belief system in the stock, what's going to happen to the company, the stock, and it's based on price. So a stock goes to a certain level high or low, and I think it's going to go significantly higher or significantly lower. I decide I want to risk, I want to risk two and a half million dollars on this. I want to risk a million dollars on this. I want to risk, it doesn't matter what your size of your account is, I want to risk $10,000 on this whatever.

(01:17:06):

And then I say, okay, I think the stocks should go a lot higher or a lot lower and I want to put you just pick a round number, a million dollars on it. With those things decided, I then pick the date. I say, okay, I want with the speculation to be, I want the end of the speculation to be a maximum of and when the date usually a leap two years and then I start looking and if I cannot find trades that meet my taste, then I'll pass. In general, if I know the stock, the amount I want to risk and the end date I can find the trades that work because I'm spreading off any Vega wonkiness, right? So I'm rarely faced with the situation with, oh, the options are too expensive. No they aren't. I'll buy one and sell one. So once I have my target, I'm generally, I'm generally on the go and it's generally very, very long period of time. Gogo was six months and it was irregularly short, partially because of some end of year stuff and also partially because I just got really lucky.

- (01:18:16):

Okay, oh, fear I'm super new to trading, how can I get the knowledge to write such a complex trading plan?

Ophir Gottlieb (01:18:26):

You're going to have to take a step back, kind of put the trading system down in a certain sense. It's like if you're learning how to cook, it's like, okay, put the pots and pans down. It's not time for that. It's time to start understanding vegetables and meats. So it's time to read Sheldon Nate Berg's book maybe several times time to paper trade. After that. It's time to paper trade. Really, really think about it. There's no rush to get started. The only thing you can do if you rush to get started is lose all of your money. Sadona lose all every money.

- (01:19:06):

How do you use volatility to inform your buy and sell decisions?

Ophir Gottlieb (01:19:10):

So fortunately for speculations, I don't have to because I'm using option to sell to hedge another option, but it is the case sometimes when I'm doing diagonal risk reversals. So I'm buying a leap. Okay, no problem. And then I want to spread it off with a diagonal. So let's say I want to buy a leap and sell, not leap put spreads. Then I am, this is the one time where it's 95% of the time I can just go ahead and speculate. 5% of the time I don't like what I'm getting on these put spreads. And that means I don't like what I'm getting for the overall trade because how much I collect for the spread reduces how much I'm actually paying for the call. And if I don't like that, then all of a sudden I don't like the speculation anymore. And that's why at the beginning of the webinar I said imagine this idea, this a hundred dollars stock and here's two versions of the price. So I implicitly need to know that if I'm going to take this much risk that my belief system, which we can call conviction, is that I'll make several fold that and if I cannot, it's not because of my conviction, it's because the volatility is wonky. And in that case, I may just start, it might mean that there's just too much vol in the leap and maybe I'll sell a call spread. Sorry, I buy a call spread rather than a naked call. That's what I did in Fastly. For example,

(01:20:39):

If you look at the, sorry, when I say fastly, I mean I showed you a Fastly trade. That's what I did.

- (01:20:46):

Okay, what were the prices of the Go-go calls inputs. I saw two and one respectively, but were those the $2 calls and the $1 puts

Ophir Gottlieb (01:20:54):

Two strike calls and one strike puts.

- (01:21:03):

Hi afi. Do you aim to keep the Greeks in a ratio to one another?

Ophir Gottlieb (01:21:10):

If I'm doing risk reversals or something near it, I generally am automatically. It is true that if you have and out of the money leap and then you're using shorter term call spreads, you're going to be eating theta, you got a lot of Vega risk. That's just reality that will come out for me in the price of the speculation. Remember I told you that if I have a leap call and then I'm trying to look at non-LEP put spreads and then altogether it's just not reducing the debit enough. That's essentially me saying implicitly vols too high. So if that's the case, I may not speculate, but that's really the case. If that's the case, then I say, oh, okay, vols a problem in Jan 2023, I'm going to sell some vol in Jan 2023. So buy it and sell it. It's almost always fixable.

- (01:22:10):

How do I calculate delta?

Ophir Gottlieb (01:22:13):

So Delta, you can calculate delta. So there were three Nobel prizes given for something called the Black Shoals Merton model, black Shoals model. But luckily you don't have to use the closed form formula. You can just look on your brokerage if you actually want to see how to solve for delta from the stochastic calculus. So the start with geometric burning motion solve to the black shoals, PDE, then solve for delta. I have done that on my site. Soar corp.com. S-O-A-R-C-O-R p.com. I don't think you should look at it. I don't think it matters. But for the math heads, you have to know stochastic calculus, not just Newtonian calculus, but if you know stochastic calculus, you can actually solve for Delta if you like. One thing I would warn you though, we're a normal and a log normal distribution, which aren't the same thing, but in the long run, I mean in, sorry, pardon me.

(01:23:11):

In the very, very short term, the log normal and the normal essentially converge. I know some mathematicians are cring at guys just work with me close enough. And so it's okay. Once you start getting out of there, it starts getting a little weird. So even the Black Shoals formulation, there are some weaknesses and that's why people don't actually use Black Shoals. They use a version of it. But yes, if you want to solve for Delta the old fashioned way, like compute it yourself and you don't trust computers, you can compute it by hand. And my site, I wouldn't do it, but you could go to so corp.com and there's I think something called financial mathematics on that site. It's just super old sites, like old schools. It's not, I made it in 2006.

- (01:23:57):

Every major brokerage will have that. Yes, data in the options chain. So you don't need to calculate it yourself. Exactly. Think that's probably an easier answer for

Ophir Gottlieb (01:24:05):

Yes.

- (01:24:07):

Yeah. When you do these trades, are you just fading the move up and fading the move down?

Ophir Gottlieb (01:24:13):

No, no. I'm speculating on an aggressive move one way or the other.

- (01:24:20):

How many alerts do you send every day with any credit Debit spreads?

Ophir Gottlieb (01:24:26):

You mean trade machine? So trade machine has a today tab, which will have, I think it scans 1215 strategies. We have something like 35 strategies in the scanner. But in general, the power of trade machine, if you don't want to use the day tab is you set your own alerts. You can set infinity alerts and trade machine as many as you like, any stock, any technicals, blah, blah, blah. So the people that use trade machine the most tend to either rely on the today tab and they just become very, very good at those handful of strategies. Let's say 12, 15 strategies. And we also have a group of people who have a profound number of alerts. We actually have some people that have more than 50,000 alerts. I don't know how they manage that, but God bless them,

- (01:25:06):

Fear. Thanks a bunch. When you said you knew it when to execute beforehand, but then most of your trades were more or less exactly during the price change. Was there a hunch? Wait,

Ophir Gottlieb (01:25:21):

No. So

- (01:25:22):

Do I need to reread that one?

Ophir Gottlieb (01:25:24):

The price changes happened and that's why you saw a date I traded because of the price change. I didn't trade because of the date.

- (01:25:34):

This was answered earlier.

Ophir Gottlieb (01:25:36):

So I just want to say one thing. The go-go trades, it just worked so perfectly according to plan. I mean nothing works exactly according to plan, but relatively speaking it was like 70% on the best version of the plan, 75%, which is very, very, very high. It almost looks too good to be true. So not everything works like Gogo. I think jui is an interesting one, right?

- (01:26:02):

The best trades are before the close. How does that compare to the next day open in your plan?

Ophir Gottlieb (01:26:08):

So I don't know that the best trades are at the close. I do know that you tend to find great liquidity at the close. When I'm putting these speculations on, they tend to be far too big for me to do it once. I don't really do them at once. I try to do them in one or two days, but I don't just say nine o'clock, it doesn't work like that. So I'm kind of working them. There is a version of the world where I give a webinar, it's unlikely I'm going to give this webinar how to trade size, like how to actually trade size. And it has to do with communicating with market makers electronically. Not by chatting, I mean by showing a bid, by showing an offer, by showing some size, but that's pretty complicated. I don't know how to really teach that. I learned it by being a market maker because people did it to me.

(01:27:01):

I was like, what the fuck is going on? Why is this dude showing size and then going away and why does he show 10 and then shows 10 and then shows 10 and then shows 10 and then shows 10 and then shows 10. Then he shows 11 and then he shows 11 and he shows like what's going on. And the people who train me were like, this guy's trying to show you size. So I can't really teach that. So to answer your question on time of the day for me, for me, they're too big to do it once. So I just kind of scatter them around. Okay. I'll say thing. I do try my best to do it within one or two days, otherwise it gets very, very complicated for me.

- (01:27:39):

Do you ever take bearish speculative positions?

Ophir Gottlieb (01:27:43):

I do. I certainly do. The reason you don't see me talking about bearish bets, pardon me? Bearish speculations on Twitter or in community is, well, I might in community, but particularly in Twitter is because there's this sort of discombobulation, almost demented thinking on Twitter that somehow getting short of stock. By short, I just mean a bearish bet. You don't have to actually get short of stocking and use options is somehow bad. Of course, if we couldn't short stocks, we couldn't speculate short, then we would've a broken ass market. Short sellers take on immense risk to keep the market functioning and obviously they do it to profit. They're not altruistic, but it's a very, you can just look at China's market, Shanghai Exchange. There's no shorting allowed and it's a broken ass piece of shit. So I do, but I don't really feel like getting criticized for sharing speculation to the downside. It does me no good, so I just don't share it. But yes, I do speculate to the downside. Having said that, I know there are some female pro members. I just want you to know I have never speculated short on a topic ever,

(01:28:48):

Ever, ever, ever. I don't do that. If it's a top pick, I'm speculating long

- (01:28:54):

Phe, a member of both services here, still new. How do you plan or play the downside? We answered that earlier in the webinar, but you can revisit the q and a session in the recording.

Ophir Gottlieb (01:29:06):

I'll say one thing. Everything I did, you could flip around. So you could buy puts and sell calls or buy puts and sell call spreads and it becomes a bearish speculation. I do basically the exact same thing on bearish speculations. It doesn't communicate as well to a broader swath of people if I do a bearish bet, right? So I show bullish bets.

- (01:29:27):

Are there bearish setups on trade machine?

Ophir Gottlieb (01:29:29):

Yeah, absolutely. In fact, the number one performing strategy and trade machine over the last three years is the bearish model that I created, oddly

- (01:29:38):

For writing all of those calls and puts. Did you own the underlying shares?

Ophir Gottlieb (01:29:42):

No.

- (01:29:44):

Do you use the Kelly criterion or something similar for position sizing?

Ophir Gottlieb (01:29:49):

Mine is pretty strictly dollars to wealth, not dollars to wealth, pardon me, dollars to money in the market.

- (01:29:59):

Hey fear. Awesome presentation. I'm curious to know how you go about constructing your options trading plans such as selecting the stock to speculate on, is it to sit down at the trade machine and plot out a theory with past trades? Is it the strategy? Is the strategy predominantly based on financials, technical indicators?

Ophir Gottlieb (01:30:17):

Yeah, so it's a really interesting question. So my option speculations are a combination of very thorough fundamental analysis together with of course option speculations. So there are a lot of companies I cover pretty deeply that I don't cover for CL pro because I just don't think they're top picks. But I looked at them, I spent three months examining them. I was like, okay, this isn't good enough to be a top pick. What happens in the meantime? Well, I learn through diffusion now I learn about the company and I see, well, I don't think it's top pick at $30, it goes to 12. And I'm like, okay, well this is stupid. I'm going to speculate on this sometimes also it's just on topics. So it's a combination of being very, very familiar with the fundamentals of a company and being very, very familiar with trading options.

(01:31:06):

I do think this is going to sound odd, I've never said this before. I'm just going to say it now. I do think there's a place in the world if you're an option speculator, you're not particularly interested in long-term stock research. There's a place in the world to own CML Pro, which is far less expensive than trade machine. CML Pro has nothing to do with options. It's just stocks. I talk to CEOs, I have a list of 20 we like, whatever it is, doesn't matter, okay? There is something to be said about someone who wants to get ready to speculate and they recognize shit, I need to kind of know something about these companies and maybe you form very strong feces about the companies we cover in CM L Pro, and you go ahead and speculate when the time comes. So I've never really thought of it that way, but now that I think of my process, I don't always speculate on CL pro companies, but now that I think about it, it comes from my research for C pro. So I've just realized that there might be a crossover, like you might want to be a CML pro member, not a trade machine member in order to speculate on options, which sounds weird, but actually makes sense. Now

(01:32:11):

You can just Google CML Pro. If what I just said interests you, I'm not going to start showing you a whole bunch of URLs.

- (01:32:17):

Oh, fear, outside of this webinar you posted trade machine long-term results, one strategy versus the next buy the dip, fade, the dip, et cetera. Those results, no filters on the trades taken, the machine took all the trades, you didn't filter for winning strategies like five and oh winners. I'm taking it three in one, I'm not

Ophir Gottlieb (01:32:35):

Right. So the data Jason shared with me, which I therefore shared with you was he just ran the strategy per the technicals required and just here's how it did. I think clearly, I can't say clearly, but I have a hypothesis, which I have a hypothesis test yet. I have hypothesis that if you're only to take the ones that historically were doing well, you'd probably do better. But yes, to answer your question directly, it was all of 'em. Lemme just since we're here, so how do I use trade machine? I can't always, and I don't.

- (01:33:11):

Oh, fear

Ophir Gottlieb (01:33:12):

Intend to always find very large speculations. It's not. Yes, yes.

- (01:33:17):

Sorry, your mic cut out.

Ophir Gottlieb (01:33:19):

Oh, okay, sorry. So I don't always do the speculations. They're always on, but I'm not always doing them. So I use trade machine for a lot, a lot, a lot of trades, right? It's the arc of a year. How do I get to eight to 10 months of profitable trading? What's not through three speculations? So I'm doing these trades, these one week trades, these two week trades, I'm grinding, I'm grinding, I'm grinding, then I'm speculating, I'm grinding. While I speculate, I speculate. That's how I build my options. That's what my options trading is. So there's a place for both, and I just want to note that they're distinctly different, but they're both how I trade. I do more trade machine trades than I do. Speculation. Speculation. There aren't a lot to do in speculations, the bigger bets, of course. But to be, I said it, I didn't want to really harp on it.

(01:34:11):

I didn't want this to be a trade machine advertisement, but when I said at the beginning that you want to have a diversified portfolio of risk, that's what I mean. These grinding trades that have worked for me for so long, one week trades, two week trades, one month trades, pre earnings, trades, volatility bursts, bearish it, boom, boom, boom. Trade machine, trade machine, trade machine, trade machine, boom.

Time to speculate, not on trade machine. Right now the speculation takes off. Still grinding, still grinding, still grinding. Another speculation. Still grinding. Still grinding, right? So that's how I use both. I think you muted yourself. I think you muted yourself.

- (01:34:49):

Okay. Why did you sell a put on later expiration than the long leaves or why did you sell puts on later expiration than leaps?

Ophir Gottlieb (01:34:57):

Yeah, I think that was the one strikes, is that right? No, no, no. It was the, oh, jua. You're talking about Jua. Yeah. So I really, really, really wanted that 80 cents and I realized I wasn't going to get all 80 cents on an 80 cents sale, but I was going to get 80 cents if I could sell a buck 80 and get it back to a dollar. And so the only way I could find that was that way. I also didn't think there was, while I was measuring risk, I'm also measuring probability. I didn't think the probability that jui was going to be under $4 and 20 cents, which was $5, and then the 80 cents that I had collected on the other puts, I didn't think it was going to be below four 20 in that year. I just thought, come on, they're going to raise money or something. It's just not going to happen.

- (01:35:40):

I have fastly $60 calls for January, 2022, which I bought last year deep in the red. Now what strike price I should sell puts now for January, 2022 or any other date?

Ophir Gottlieb (01:35:51):

No, see, so first of all, I can't answer that question, which is fine. I respect the question. Thank you for asking the question. What I want to point out is, first of all, you probably know this, I'm not taking you to task since you asked it publicly, I get to talk about it publicly. I wouldn't have said this privately. That is the result of not having planned right. A plan would've said, I'm buying the 60 strike calls for 2022, blah, blah, blah, blah, blah, blah, blah, blah, blah, strikes and dates. These are the things I would've done. You wouldn't have to ask, you'd know. So I can't tell you now because I don't know what your mindset was at the beginning. I don't know what you're willing to risk at the beginning. I don't know what your belief system was at the beginning. The trade happens after a plan, not vice versa.

(01:36:36):

And I know it's so trite, guys, believe me, I know it's trite. I know it is. I know you hear it all the time. Trade your plan, plan your trade. It's one of the few colloquialisms we have in trading that actually aren't bullshit. And I say that knowing full well that many of the colloquialisms we have in trading are absolutely bullshit. Okay? So I'm not trying to sell you on the vernacular of trading. A lot of it is bullshit. This particular one happens to not be bullshit. The people who plan their trades really well tend to do well to extraordinarily well. Some of it has to do with how good of a traitor you are, but if it's planned, you tend to do well to extraordinarily well. And the reason I say that is because if it's planned, you tend to avoid the disaster and it's the disasters that really ruin your p and l winner and a loser, blah, blah, blah, blah, blah.

(01:37:30):

It's the disasters that destroy all of it and someone who's had something planned won't have the disaster. Of course, I take one thing, if you buy a stock for a hundred and it turns out it's a fraud and it goes to a penny the next day, it's going to be a disaster. So that's why you never put in more than you can risk to lose. But those things do happen and yeah, I mean it hasn't happened in a very long time, but those burn of course, and you can't really prepare for it. But there is one way instead of being short puts be short put spreads.

- (01:38:06):

It's not realistic to trade in this style without portfolio margin, is it?

Ophir Gottlieb (01:38:11):

It is realistic. It's less realistic. By less realistic. I mean you can have one or two on, you can't have 5, 6, 7, 8 on and then also trade trade machines, so that's true. But you can certainly have cash to cash. You would just be using spreads, right? You would never be a short a naked put, right? Well, not never. If you're selling a three strike put, then yes, you could take $3 of risk, but you get the idea.

- (01:38:43):

For these spec trades, do you normally do it on positions that you know well enough?

Ophir Gottlieb (01:38:47):

Yeah, a couple. I didn't, so I put a pretty funky spec on with Carnival Carnival cruises when this whole thing was happening. The tech's going to die, blah, blah, blah, bullshit trade. I knew that was dumb, but I also knew I could make, well, I didn't know. I speculated that I could make money on Carnival. I didn't know carnival that well, but I was like, I just feel like this is a do. But in general, yes,

- (01:39:16):

I agree that all options trading is volatility trading, but do you ever explicitly trade vault products?

Ophir Gottlieb (01:39:22):

Yeah. Oh, vault products? No. I mean ever, yes. I mean I made, I mean quite a few V speculations last year, but I normally don't. I do make vault speculations, yes. Just not usually not Vault product speculations.

- (01:39:43):

Can you talk about the margin requirements for rr?

Ophir Gottlieb (01:39:47):

Yeah, so it depends on if you're using portfolio margins. So let's say you buy a $30 strike and a call and sell a $20 strike, put cash to cash. You'd have to have all $20. Okay, well, most brokers at least give you margin. So you probably need, depends if you're trading tech stocks, some of the tech stocks, they force you to cash to cash or they have very sort of abusive margin requirements like as high as 50%. So you'd have to have $10 of the $20. If it's normal stock, you might only need 20%. If you're using portfolio margin, then it's kind of a measure of haircut and then it is far more involved with what else do you have? Do you have leaps that are deep in the money that are going to be able to act as margin? It's not going to really tie up your buying power. So it's a fairly complex calculation. It's not fairly complex. It's an involved enough calculation that I can't just say five, I can't just say a number.

- (01:40:58):

How do you improve execution? Fills on long dated options.

Ophir Gottlieb (01:41:04):

Yeah, that's trading. It's not easy. You have to signal to market makers what you are and aren't willing to pay. You have to have hidden size. You may have to go out into other options. You're not particularly interested in trading and trade those first. Depends how big you want to go and how strict you are on pricing size. Trading is really, really involved.

- (01:41:41):

More specifically, if stock moves against you and you're stuck holding puts or calls that are in the money, how do you think about managing that risk?

Ophir Gottlieb (01:41:51):

Again, I have a plan for the put at that price or the call at that price and I know if I'm buying or selling, I know if I'm closing or not. Or maybe I'm saying, okay, well it got to this price, I'm now going to buy an out of the money put. So if it gets worse, it doesn't get to catastrophe, but that decision is made before the trade is ever made. It's a total and utter revolution in the way people think about trading. To have an actual plan for virtually every eventuality before the trade is made. It's a total revolution.

- (01:42:29):

Do you have a rule to stop yourself out early in a losing position?

Ophir Gottlieb (01:42:34):

Yes.

- (01:42:37):

Do you know what an inverted short strangle is and what risks are associated with being in one?

Ophir Gottlieb (01:42:44):

I have no idea what an inverted short strangle is. I know what a short strangle is.

- (01:42:50):

How do you decide on strike prices?

Ophir Gottlieb (01:42:54):

Well, that happens to go with where I think the stock is going to go. I think I tried to share with you where I want my max gain to debit to be my max gain to max loss to be. So the strike prices tend to reveal themselves. When you start having these requirements,

(01:43:16):

Just say one thing. I don't know if anyone's going to hear this, but if you're going to do call spreads leap, call spreads something that if you're new to it, you probably have realized or about to realize, make sure that your call spreads. The difference in the strikes are wide because if you're doing leaps, the vols going to eat you alive as the stock starts rising, the lower strike calls that you're long, they're going to start becoming in the money. They're going to move less and less with vol as the out money ones, right? So you're going to a very wide strike price difference in order to collect some serious gains before expiration. If your plan was to hold it to expiration, don't worry about it.

- (01:44:05):

Is the strategy agnostic of overall market volatility?

Ophir Gottlieb (01:44:11):

It is in and of itself, but why did I get so aggressive in 2020 because vol was high. I could sell bankruptcy puts for serious premium, and so it became more attractive, the more fearful the market became. It wasn't attractive per se because of that, because the market was fearful, but prices became more attractive. So it's chicken and the egg really.

- (01:44:36):

Can you share your matrix with hypothetical stock now, your actual trade if possible?

Ophir Gottlieb (01:44:41):

I knew someone was going to ask that. I was waiting for that question and I actually won't. That is pretty personal and I think that I have some edge to the way I do it. I know that sounds weird. I'm sure someone would look at mine who's been doing it for a very long time, like, dude, yours is stupid. Look at mine. So possible, but I actually don't show up.

- (01:45:06):

Do you look at the Greeks at all during these plans or you look more at the actual option? Stock price. I think we answered that earlier.

Ophir Gottlieb (01:45:12):

Yeah. Option prices.

- (01:45:13):

Yeah. Is there a smart way to benefit from stocks that squeeze into the beyond? For example, G-M-E-A-M-C, what would you do? I

Ophir Gottlieb (01:45:26):

Mean you could speculate on a squeeze. I don't think that's a very smart speculation, but it could be a speculation. Then you write down when it is, you get in and when it is you get out. How much are you willing to risk? What do you think a squeeze is? What price do you want to sell? The options on the upside, what price do you want to sell? The options on the downside? At what price or date do you say, I don't want to wait for the squeeze anymore. I need to get out. So I wouldn't do that, but I mean you could do it.

- (01:45:58):

Do you form a POV on if IV premium is rich or cheap or how do you form? Sorry.

Ophir Gottlieb (01:46:04):

I only do it as it comes out in the prices of the options in particular when I'm doing diagonals, like one month, especially the closer term months, I'd say that's not enough. I'm not going to sell a $10 put spread for a dollar. I don't care how good. That's not my thing to sell a $10 put spread for a dollar. I don't pick pennies up in front of a freight train. I don't actually pick up dollar bills in front of a freight chain. I'll pick up a suitcase of hundreds in front of a freight chain, maybe

- (01:46:33):

How to educate myself in making the plan. I think there's info on the actual diagonal and spreads and trade machine. How do I look for the strategy to use them together? In your example?

Ophir Gottlieb (01:46:43):

Yeah, so that would be from you unfortunately. So that's one thing we can't do is to tell you, hey, this is a unique time and a unique stock where it's time to speculate. It's very, very personal. I've certainly speculated on things when some of the people I know and trust and the institutional guys. I know where they would say that's a terrible time to speculate and there's certainly times where they've speculated and I've told them that's a terrible time to speculate. So it's the beauty's in the eye of the beholder.

- (01:47:14):

If the price goes up in your favor, do you consider buying it put spread in front of the short put spread to create a put condor?

Ophir Gottlieb (01:47:24):

I generally don't do that, but if I was going to consider it, it would've been in the original plan. But to answer your question specifically, I tend not to get too fancy schmancy with my puts the one I don't really want to talk about it, but the one caveat or exception to that is biotechs with an F FDA decision. I get super fancy schmancy with the puts there, but I don't want to talk about that. That's just not my thing. I don't want to, ain't no good going to come out of that.

- (01:47:52):

When you sell a put, that means you have to have the money in hand enough to buy the underlying, right.

Ophir Gottlieb (01:47:58):

Depends on your margin requirements.

- (01:48:02):

Well, you still buy options if IV is high.

Ophir Gottlieb (01:48:06):

Spread, spread, spread.

- (01:48:08):

What parameters did you use to select JU trade?

Ophir Gottlieb (01:48:17):

40 hours of research for six weeks.

- (01:48:22):

Do you look at IV rank when entering positions

Ophir Gottlieb (01:48:26):

Next?

- (01:48:29):

When it went in your favor with the Go-go example, and you took the six strike. Why was the six strike in your plan versus an eight or a four? Are there guidelines or rules of thumb on this?

Ophir Gottlieb (01:48:39):

Yeah, I thought that if there was some bonanza, some true bonanza, I thought Gogo could get taken over for like $15. If someone swooped in, someone said, oh my God, it turns out people will fly again. And so I just pretended 15 was the upside, and so the 10 $11 strikes just they weren't appealing to the max game. My max game was, it's a good question actually, sorry, I think I thought the Maxine was 17. Pardon me? I thought that this company could take her at 17.

- (01:49:12):

How do you select the stock before trading its derivatives? I think we've adequately answered that. Yeah.

Ophir Gottlieb (01:49:18):

Yeah, I think

- (01:49:19):

So. Research, research, research. Is your max risk based on the closing price or anytime the price hits your max loss

Ophir Gottlieb (01:49:30):

Anytime? It's a fair question. It's anytime there's a lot of questions on it, so I'm just going to write it here for the name, for those of you that know that's not the url. So basically I sense that people are like, what was that thing again? There's

- (01:49:44):

A signup link in the top right hand corner of cmo.com. Actually,

Ophir Gottlieb (01:49:52):

I'm just getting the sense that's kind of happening

- (01:49:57):

In May. I got killed with my option positions when tech got hit. When would you close to cut losses in a similar situation every day I thought we hit a bottom and I kept losing value on my long options.

Ophir Gottlieb (01:50:10):

So you are not so different than any other human being including me. The difference between what happened to you and what happened to someone else is that someone else had a plan for when it went to shit, right? So it's not that people are so much smarter than each other in the moment. In fact, I haven't really, it's not true. There were a couple traders on the floor that were, I don't know how they did it. They seemed to get smarter when shit went cuckoo, but in general, that's not how humans work. When it's calm, we're good when it's not calm or bad to make it easy. So what you want to do is every single trade you do is have a plan. So when it happens, you know what to do. I want you to know, and this sound very, very odd, if you have a plan, buy a call, blah, blah.

(01:50:55):

It doesn't have to be complex. You buy a call and you have a plan when you're going to get out. If things don't go well, you have a plan. When you're going to get off, things go well as well and it hits that and it's actually a lot easier to sell. There's a sort of, or let's just say close. There's a kind of paralysis that happens in the moment, and I want you to know that I'm not superman, so I'm not void of this paralysis. I have this paralysis too. The difference is I have a secret weapon, which is I have the O fear when he was not paralyzed and he happened to write it down for me. So good old fear of three months ago told me what freaked out fear is going to do, and I follow that. If you don't have that, it's pretty damn hard to trade around cuckoo.

(01:51:45):

I'm not great at that. So I think there are some things where I'm an exceptionally good trader. There are definitely things that I'm not an exceptionally good trader, definitely 100%. There are guys that I can name who I want to bears who are very, very much better than I am at things like that. So my answer is, unfortunately, it's in retrospect, plan it out. What am I going to get out? What do I do if this happens? What do I do if this happens? But you got to write it down. Don't think about it. One of my good friends, institutional guy, a good trader, not an options guy so much, obviously he trades options, but he keeps a diary and when Covid came, which was freaky, he went back to his diary in 2000, his trading diary in 2000 and he would read it to me and he actually helped me calm down by him reading how he felt in the midst of 2000 and 2001.

(01:52:43):

So for those of you that want star a trading diary, it can be like a sentence fragment today, it's actually not such a bad place to be because the days where you're really feeling something, the muse will find you. You'll go from a fragment to three paragraphs and then you can look back on it. For those of you that don't want to take the time, it's okay, just plan your trade. If you had to choose one or the other, but a trading diary is something that could work. Or if you're lazy like me, you can use your friend.

- (01:53:17):

What's your favorite trade strategy and what is your average percent return for that strategy?

Ophir Gottlieb (01:53:24):

My favorite strategy for a speculation is an at the money or near the money leap call selling out of the money diagonal put spreads with a plan that if the stock kind of goes cuckoo. So junior went from 13 to 70, get ready to sell non-LEP calls against it. So I owned the 20 calls and I sold the 90 calls, but I sold the 90 calls at $19. So I sold the stock. I'm holding up air quotes at 1 0 9. Those are my favorite trades. It gives me a lot of flexibility. I'm ready to move, I'm ready to move, and it makes my plan much more robust. Having said that, this is going to sound so terrible, but I'm now admitting something. Those trades take the most planning and sometimes it's such a burden for me to make those trades that I don't do them. I know that that's bad, but the reason I say that is it's better not to trade if you don't have a plan than to trade without a plan. That's how strongly I feel about it. I just want to be very clear. The plan is a pain in the ass. Okay. It's not easy.

- (01:54:40):

How do you choose your speculations versus just being long stocks? Are the specs always smaller caps

Ophir Gottlieb (01:54:47):

Specs are not necessarily smaller caps? No. It's based on research and what I consider essentially overblown selling at CML Pro. I have a thing that I loosely talk about on Twitter too called fantasy prices, which is probably a dumb name that I made up, but it's stock. So now it's a fantasy price. So kind of when stocks fall 10, 20% below their fantasy prices or to their fantasy prices, there's a chance I'm sitting down with an Excel spreadsheet with my other screens turned off and thinking about a speculation.

- (01:55:23):

So generally you anchor towards selling put spreads rather than selling calls on elite position. Is sell calls more sparingly then?

Ophir Gottlieb (01:55:31):

Yeah, but I mean the big, big, big, big, big, big, big money more than go-go like the ju mia kind of money. And by the way, ju, I could lose hypothetically, I'm in it for 7 cents and I could lose all. It could be a hundred percent loser. But the big, big, big money is when you do both. And I have done it on Jua so far now, fingers crossed, I need ju to go up in the next year and a half. But the most money I made on that Jua trade wasn't really the long calls going from six to 14. That's good. The big money was selling the calls at 19 and buying them back for a dollar 50. That's where the big money was.

- (01:56:11):

How do you manage the risks of these trades versus your overall portfolio? Do you have a limit to get stopped out or are you always prepared to maybe take assignment of shares?

Ophir Gottlieb (01:56:21):

No, I know how much I'm willing to lose. So okay, I know how much I'm willing to risk and I know how much I'm willing to lose. Sometimes the amount you're willing to lose, sometimes you lose more than you're willing to lose because there's a sudden shock to the system. Stock goes from a hundred to 10, so you should never lose more than you are willing to risk or willing to lose. But your goal, goal stop is set. Maybe I was willing to handle $6 55 cents of losses on June. It's okay, it's fine. However many thousands of times I did it right. It's time 6 55 fine. Or I think it was 5 85, whatever the hell the number was. I think it was 5 85 plus the short strike.

(01:57:04):

But there's also a number. I'm like, okay, if that hit blah blah blah, blah, I'm out. So look, taking losses is a part of trading. There's just no such thing. What doesn't have to be a part of trading is taking fantastical loss. That's bad trading. That doesn't have to be part of it, but taking losses, absolutely. In fact, if I'm not taking losses, I'm not speculating well enough, I should be taking speculations that are aggressive enough that I should have losers. Because if they're always winners, I'm not taking enough risk. I don't want to make 10% every trade. I'm just making up a number. Don't use, it's an example. Don't use the actual number. I don't want to win 10%, a hundred times in a row. If I'm doing that, then I'm giving up the opportunity to make 150% 70% of the time, 50% of the time, whatever, whatever makes that math turn out. That was a dumb expected value problem. But you get the idea, I should not be at a hundred percent win rate. If you are in trade machine and you have a hundred percent win rate, good, I guess, but you should probably be taking more risk. You're leaving money on the table in my opinion.

- (01:58:19):

Understanding the logic behind the trades. Could you please review how you came up with the securities? You traded custom scan and trade machine? Oh yeah. Fundamental research.

Ophir Gottlieb (01:58:28):

Yeah, that's why I added here since it's getting asked so much. I didn't realize there was such a crossover, but there it's

- (01:58:36):

Do you ever do bear strategies to balance market neutrality or is this not a concern?

Ophir Gottlieb (01:58:40):

Yeah, I can tell you what I was. So I was short Tesla and Netflix and I was a winner on them. I don't announce them. I'm definitely not short Netflix or Tesla right now. I don't have any serious short positions right now. Yeah, I actually didn't even think I actually, it might be short one name, but I don't have any serious short positions right now. I did get short some things, but I'm generally a long stockholder, long speculator. But obviously, yes, I have a comfort with at least betting on negative deltas or bearish deltas once in a while. Let's say 10%.

- (01:59:29):

Do you look at option price chart while trading

Ophir Gottlieb (01:59:33):

Option price chart? No, I have no value for an option price term.

- (01:59:38):

Would OG be interested in doing a similar webinar for options trading? Beginners,

Ophir Gottlieb (01:59:43):

OG would not too many really, really, really high quality resources out there.

- (01:59:49):

I don't understand what is 10,000 up?

Ophir Gottlieb (01:59:52):

Pardon me?

- (01:59:53):

I don't understand. What is 10,000 up? I think that was in,

Ophir Gottlieb (01:59:56):

Oh, so 10,000 up means that there's 10,000 on the bid and 10,000 on the offer. So when you want to do an option trade, let's say it's a dollar 45 at a dollar 50. Okay, so here I think I'm using jargon and maybe it's just, it's confusing. So let's say this is an option market.

(02:00:27):

I have to type around a microphone. I'm not a good typer, but I'm better than this. So this is the price, but there's also the size, right? You see this on your brokerage and it could be 10 by 10, so you could sell, if you're not a market maker, which I'm not anymore, which I always get confused, you can sell 10 at 1 45 or you can buy 10 for one 50. That's 10 up. 10,000 up would mean you could, I don't think I've ever seen a market 10,000 up. It doesn't matter. You could buy or sell 10,000 options for that price. So that's what I mean by up. So if someone says 10 up, that means 10 on the offer, 10 on the bid. If someone says 10,000 up, it means 10,000 on the bid, 10,000 on the offer.

- (02:01:10):

Just to simplify it for myself, the ideal outcome of the trades we discussed today is to ultimately close out a position with an expected and calculated gain or back into long calls for pennies.

Ophir Gottlieb (02:01:22):

Well, even my long calls for pennies trade, my junior trade is working out again. There's something to be said about luck. I think you guys know that I didn't make this webinar to pat myself on the back. That's stupid. So my goal was if you actually follow what the trades are supposed to be, I was supposed to have those calls for a $1 credit. I dunno if you guys are following closely enough, I was supposed to be at a $1 credit right now for those calls. I have 'em at a 7 cent debit. So not everything is perfect. So that was the goal and then the amount of dollars I wanted to make, they're based on, I have a series in my plan, a series of things I will do if they get to a certain place. I don't want to tell you what I'm going to do with my junior calls because I know there are some institutional guys watching. I'm not going to let you guys front run me.

- (02:02:15):

Is there significance, in your opinion, to having X time more calls than puts or vice versa when you were setting up your trade?

Ophir Gottlieb (02:02:26):

Well, if you're doing a max loss calculation, then obviously the more short puts you are or short put spreads, you are, your max loss is going to balloon by the amount of the difference in the strikes. So that will be one thing. I do know someone who was it, hold on a second.

(02:02:47):

I don't remember who was. There was a guy on the floor who when he got long, he was basically allergic. He was allergic to premium. Paying for options was simply, it would be like smallpox. It is the death of him. In fact, his nickname was at, I dunno if you know that, but if you're buying an option, you're buying it for a price. For a price and when you're selling an option, you're selling it at a price. I dunno if you guys saw how on all of my slides, I had it correctly. It's easy to miss. So he was such a seller that we called him at. Okay. Yeah, he was on sibo, it was remote. I knew of him to trader check he was at, so when he wanted to get Wong let, he wanted to buy a call for $5. He would sell $10 worth of put spreads to get long those dollars. So some people, for some reason that's what they want to do. God bless. He was a damn good trader wasn't my style, but it's very personal. I shouldn't have said his nickname because people know who that it's okay. It's too right now. So there we go.

- (02:03:49):

What were the start prices of the Gogo calls and puts? I saw two and one, but wasn't sure what the strike prices are.

Ophir Gottlieb (02:03:55):

Yeah, you can go back in the recording.

- (02:03:58):

Yeah, we'll send the recording out when it's available. What do you do if the naked short calls get tested?

Ophir Gottlieb (02:04:06):

Oh yeah. So if one third, I had a one third short call position on my junior calls. I bought a full position of twenties. I sold a third of that position in the nineties. At 19, I tried to sell it at 20. That was my plan. So let's say the stock would, if the stock went above one 10, I just would've let it roll. Just go ahead. I would've let that all expire together. Fine. I bought the stock for 20 and I sold a third of it at one 10. God bless. Then I had two thirds of the position to keep running.

- (02:04:37):

Okay. We're coming up on the one hour mark for q and a, so I'm not going to accept any questions that are submitted after five 11. The last mark that we have right now, we still have 58 open questions. So do you want to do our question storm?

Ophir Gottlieb (02:04:56):

What's a question storm?

- (02:04:59):

Just go fast.

Ophir Gottlieb (02:05:00):

Oh yeah, go stormy.

- (02:05:02):

Yeah. Okay. Just to clarify, when you use the words prices in the context of the plan, you were referring to option price of each leg you had open is my understanding correct?

Ophir Gottlieb (02:05:11):

Yeah. Yeah. I do have a column for stock price too. If you're short options, you kind of have to know that too. It should come out in the option price, but in general, I'm speculating on option prices. I'm making my plan according to option prices.

- (02:05:25):

Do you ever use technical analysis to inform entries, exits on some of the diagonals or is your plan just based on preset option price levels?

Ophir Gottlieb (02:05:33):

So technicals come into place for my weekly or every two week or every month. The trade machine stuff, kind of what I call the, it's like the meat and potatoes, but when it comes to speculation, I couldn't care less about a chart.

- (02:05:52):

What is your opinion on options flow tools?

Ophir Gottlieb (02:05:59):

It's a good question. So the first blog I ever wrote was with the CEO of Val at the time, actually Ron wrote it and it was on this ridiculous flow in some biotech, I dunno, there's an average daily volume of two and someone bought like 18,000 calls. It was just stupid. And then the next day they were taken over or there was an FDA, whatever, something like that. It couldn't have been FDA, it was a takeover. So okay, listen, in those very few instances, obviously it's like, oh, option flow works. So of course of in those very rare situations I must be in, what would you say, Alicia? 500 Reuters and Bloomberg and Wall Street Journal articles where they talk to me about that. Right? I mean over a five year period, it must've been every other day, oh gosh, about something big happened and they look at the order flow and in retrospect, blah, blah.

- (02:07:07):

Are you talking about Doris?

Ophir Gottlieb (02:07:09):

I'm talking about Doris. I'm talking about, I actually don't, we're

- (02:07:14):

Getting off topic.

Ophir Gottlieb (02:07:15):

Yeah. Okay, so my, okay. My opinion is that I don't give a shit about order flow. Having said that, of course there are times when an option trades one option and then there's 27,000 calls bought and the next day they get taken over and you're like, oh look, I should have known, okay, if you're going to find the needle in the haystack, yes, yes. But in general, I've only met one professional trader in my life that uses order flow to make money and even he didn't make it the way Twitter thinks. He made it because he was an option market maker. He would adjust his vols according to the flow and make better prices and make money. He didn't use it to speculate, he did it to set his skew. So if you take him out, then I've met no one in my life who's this order flow to make money. It is fool's gold in my opinion. Having said that, I know some of you believed so wholeheartedly in it that I've offended you. Don't my opinion offend you. It's just my opinion. I'm nobody. I'm truly nobody. But I think it's a distraction and I make my money the way I've told you three ways I speculate. I do my meat and potatoes and I make a lot of money in long-term investing a lot for me. I don't know what a lot for you is, right? I don't look at workflow.

- (02:08:39):

What are your ideal attributes of an underlying

Ophir Gottlieb (02:08:44):

Yeah, that I mean is just far too difficult of a question to answer. If you join CL Pro, you can read six to 7,000 pages of dossiers if you like. I'm afraid I can't answer it.

- (02:08:56):

Awesome. Do you focus on a small universe of stock selections to continually trade this speculation strategy?

Ophir Gottlieb (02:09:04):

Small, bigger than CML pro but small? Yeah, it's not the whole market for me. I don't know them well enough. I am not that smart.

- (02:09:13):

How often do you see mispriced options in the market makers, et cetera? Thank you very much for sharing.

Ophir Gottlieb (02:09:19):

Well, mispricing is very uncommon. I think that the equity market can misprice a stock and by sort of default the options must follow the equity price. They are derivatives. Of course by derivative I don't mean mathematical derivative, they're derived from the stock price. Mispriced options is very rare. You can find that for those of you that are true, true vol traders, you want to make money on volatility. Super interesting kind of trading. I do a little bit of that, but there are people who are much better at it than I am. I find it in biotechs and here's where someone's going to lose their entire life savings and try to come and kill me in general in biotechs ahead of a known FDA decision. So we know that some big news is going to happen. I dunno if it's going to the out of the money options are too expensive and the near the money options are too cheap. So if you want to be a vol trader and a directional trader, you figure out how to create that 6, 7, 8 trade that takes that vol and you can make money. I know a lot of guys that did that. It just wasn't my bag because I just hate everything surrounding F FDA A decisions you can also do with special situations, but that gets super complicated if there's a rights offering because then the risk, the reversal conversion changes and that's just like beyond advanced trading.

- (02:10:51):

How important is managing data decay for you on a short versus a long-term option?

Ophir Gottlieb (02:10:56):

Yeah, it's super important on both for sure. I mean, you can't own an option and not be thinking about that and hedging it or at least having a rule, a plant something. Don't just let it eat your face off.

- (02:11:14):

Hello. Can you please talk about the process you go through to build your watch list on which equities to trade a specific plan?

Ophir Gottlieb (02:11:20):

I actually can, but it's called CL pro.

- (02:11:24):

Yeah, I was about to type that.

Ophir Gottlieb (02:11:28):

It's so funny how much we're talking about C SEMO Pro and I was thinking we were talking about trade machine. It's okay, whatever helps investors, it's fine with me.

- (02:11:34):

Well, speculation isn't really a trade machine strategy.

Ophir Gottlieb (02:11:39):

Yeah, kind of is some

- (02:11:41):

Free earning speculations.

Ophir Gottlieb (02:11:42):

I pay for my speculations using trade machine.

- (02:11:45):

Yeah, okay. How do you incorporate forward volatility into the options price range and your plan? Do you assume if the stock keeps going up, implied volatility should go down?

Ophir Gottlieb (02:11:57):

Not necessarily, of course usually that's the case, but so if you have the option price in mind, it doesn't actually matter what's happening to volatility. If the option price is doing a thing and it's not because of the underlying, then it is because of the implied volatility. But in any case, there should be a plan what to do. I told you that I do actually have a plan for stock price. If I'm short options, then there can be not to make it too confusing, there can be times when I think the vol doesn't reflect the actual risk in the short options and I want to know that. So sometimes I'll say I'm short to put spread, I sold a $10 strike, $10 wide put spread. I sold it at three 50, now it's worth five. So that's bad and then maybe I'll close it on my plan, but if I'm going to close it my plan, but the stock is still 10% above the high strike, then I might have a different plan. Then I think the vol is overestimating. The risk in those options depends on the company. So that's why I do have stock price in there for my what to watch. But in general, if you're buying options and selling options and you're speculating with options, then the prices that will move you should be the prices of those options.

- (02:13:20):

Would you suggest these strategies for small trading accounts less than $10,000?

Ophir Gottlieb (02:13:26):

I suggest if you are good at options to do the thing that makes most sense to you. I don't suggest trading options no matter what your trade account is, if you're not good at options. So the question is really not account size but knowledge. So there are some people who have $10,000 accounts who are options experts and there are people who have, I mean absolutely, absolutely 100% know people who have more than a hundred million dollars in the market trading and they don't know shit for options. So I wouldn't recommend that they speculate.

- (02:13:55):

How do you determine what the option price should be? I noticed on one of the spread you bought had a market price of $3, but your limit was a dollar 50.

Ophir Gottlieb (02:14:05):

Yeah, yeah.

- (02:14:06):

Was this a guess based on a potential move or math based on a target price experience or something else?

Ophir Gottlieb (02:14:10):

Yeah, so what it said was, so it's a good question and I can answer the question. I said this speculation is worth it for me based on what I expect Max gained to max loss, max gain to debit, right? Remember I showed you those things, right? It would only have fit into those requirements if it hit a buck 50. I actually stretched it a little on the max gain to max loss, if you remember with Fastly, because I really wanted in, it was part of the plan. I mean you could see it was part of the plan. I announced it before the trade, which proves I had a plan, right? But yes, I mean that price is the price to which I would say, oh, I want to speculate on that.

- (02:15:01):

I request your fairness from perspective of commenting how much of resources it takes to strategize a trade at this technical level and precision. I do not want everyone to believe they can execute this overnight. It will take a very significant amount of trading and analysis and time.

Ophir Gottlieb (02:15:17):

Yeah, I mean it's absolutely right. I think that I've communicated pretty clearly at the beginning that I said there will be two decisions that are made at the end of this webinar. One will be people who say, man, that was awesome. That's how you speculate. I've always wondered, I can't do that. I have life. I can't do that. I don't mean intellectually. Remember I said I honor the decision and I think of it as a high IQ move, right? Think of it as a high intellect move to say, no, I'm not going to do that. And there's the group of people that will say, wow, thanks for that. I think I want to do this. I think I have the time to do this. But both groups in my mind would've recognized by the time this webinar was done that holy shit, this takes a lot of work

- (02:16:05):

In that regard. May I ask if you personally strategize with a team or yourself? Do you mind sharing?

Ophir Gottlieb (02:16:11):

Yeah, it's just I don't know how to trade options with anyone other than me. I know that's a weird answer when it comes to stock research, I certainly have some buy siders that I talk to, but when it comes to options, not really. I got to tell you, so I have a few favorite subjects to talk about in life option speculation even further than this. This would be level one, but a good level one, a serious level one option. Speculation is one of my favorite things to talk about, and the more I talk about it, the more I realize that there are very, very few people that if I talk to them about it, it's going to help me. I only talk to people about trading if it's going to help me. I don't like to talk about it as something to bullshit. So I only trade with myself because I haven't found anyone's been really able to help me in this particular regard. There's other option trading that they do, but this particular regard, it's just me.

- (02:17:16):

If risk is part of your plan that is fixed, does that mean your position sizing is determined by your fills?

Ophir Gottlieb (02:17:23):

Yeah. Well, partially, yes. Absolutely. Yeah. If I don't quite get the prices I want, then yes. So for example, actually we've had enough exams, yes. If I thought I was going to do a thousand and I couldn't quite get the price, so I could only do 900, I don't do a thousand at the worst price, I do 900. That's it. That's it. Dollars or dollars.

- (02:17:52):

Doesn't unexpected event say better or worse? Earnings change your plan input variables. Can't these change at any time? So we have to continuously be attentive.

Ophir Gottlieb (02:18:03):

Yeah, for sure. Yeah. Yeah. I could have this great speculation that in two and a half years a stock's going to do this great thing and then a couple earnings in a row. They're just clearly the business isn't what I thought it was and you lose, I mean guys, speculation lose,

- (02:18:21):

Hey phe, once you had mentioned wide call spreads are closed sooner, IE not held expiration, whereas titter spreads are held expiration. Can you explain this a bit more?

Ophir Gottlieb (02:18:31):

Yeah. So I want you to imagine a hundred dollars stock and you want to speculate two years from now and you buy a one seventy, one ninety call spread. I dunno why I chose such difficult numbers. You want to do the two hundred two twenty call spread $20 away. That call spread's not going to be that expensive actually, in particular for selling puts against it or put spreads. But in order for you to realize that $20 difference in strikes, you have to get very close to expiration because you're two and a half years out in one and a half years. So a year to go, unless the stock is wildly through those strikes, it's at, it's at four 80 and somewhere near 200, 2 20, there's still not going to be that big of a difference between the prices of those options, right? You're not going to make a lot of money, so you have to hold it until we get closer and closer to expiration where you can take that actual parody difference. If you're doing wide strikes instead of the 202 20, you do the 202 80, then that parody difference will start to get realized sooner. It's just a more expensive spread.

- (02:19:49):

Can these strategies be applied to short-term options three months, six months max expiry?

Ophir Gottlieb (02:19:54):

Yeah. I mean you saw with Gogo that I started doing the NOV options in June. I guess those are five months options. Five month options, but I started going shorter and shorter term I started, this is very particular, but I started seeing an end to covid. I was like, oh, not an end to covid. Sorry, I didn't mean to make that didn't mean trite. I didn't mean an end to the disease. I meant an end to the histrionics. And so I started getting tighter and tighter and tighter. Also, just remember, if you're doing risk reversals in closer months, certainly you have less time to be right, but you also have less time to be catastrophically wrong, right? So the two strike calls in November to me were starting to become very, very low risk plays as opposed to say the two, sorry, I shouldn't say puts, strike puts as opposed to the two strike puts in 2022 or 2023, you have to assign some risk to Gogo going away at the time, at the time they could have been going bankrupt. It's a different company now.

- (02:20:58):

What are your rules for buying a cost spread versus selling a put spread?

Ophir Gottlieb (02:21:03):

Well, I mean if I'm speculating on a bullish move, I want to make, there's more to make on a call spread than a put spread. Obviously buying a call spread is the same thing as selling a put spread if you're using the same strike prices, right? It's called put call parody. So that's what you're talking about then I have no the same thing. I think you're talking about out of the money, in which case they're not the same way.

- (02:21:31):

Do you use black SCHs or any quantitative model to decide the target prices at which you'll close the trade?

Ophir Gottlieb (02:21:37):

No.

- (02:21:40):

How do you think about percent of capital? You will initially risk on one of these speculations. I know you are lugging in and it likely is different for each one, but trying to understand position size as percent of capital. Also, can your speculation strategy be explained as having one long dated call and using your strike spreads to reduce the cost of that call?

Ophir Gottlieb (02:22:00):

So second, second question, not always, but often. So I have many, but that's quite frequent. Let's say 75% of my trades are that my speculations the first question. So I can't tell you how much of your capital to risk, but what I'll say is I'll just use small numbers. Let's say I want to risk a hundred dollars in total in my plan. So sometimes my plan is just I'm not going to spend any more money than this, and if I'm using diagonals and the put spreads are expiring, I'll sell more, put spreads. That's not adding risk as long as I'm using the same strike prices, so that's fine. But if I'm planning to spend a hundred thousand dollars, but I feel like I'm going to leg longer and longer, which was certainly the case with Gogo risk, that was ad risk, ad risk, add risk, remove risk, remove risk, remove risk. Those were the six traits, right? So I did something like let's say it was a hundred thousand dollars. I did something like 50, 25, 25 give or take, something like that. So most of the risk to begin with relative to other trades, but fully half left to keep speculating should it work and if Gogo didn't work, then I just wouldn't have risked as much as I wanted to, which is probably good because I will lose less than I was willing to. So that's good.

(02:23:26):

Do you ever, oh, sorry. I was going to say that trades working in your favor and you're adding risk to them, which is part of the plan I think you guys are starting to realize is one clever way to not put on risk until you're making money, right?

- (02:23:41):

Do you ever roll up a call spread that is weighing the money? Like Jim Mu got to lock in some gains but stay in the trade?

Ophir Gottlieb (02:23:50):

I mean I do. Sometimes it's more common that I'll just close put spreads because you sell a put spread at $3, it's $10 wide, it's worth 10 cents to just close it and then sell something else or just close it. Call spreads. Not really, but if Jimmy would've zoomed, I don't know, to some big number, I just would've let those 90 calls just, I would've let a third of my 20 strikes get sold at 90. It's fine. I was good with that, particularly since I sold them at $19. So I wasn't going to do anything with those. I did have a plan. My plan was to sell them at 20 and buy them at one 50. I sold them at 19 and buy 'em close enough.

- (02:24:30):

What are your favorite trades? Monks, diagonals. Buy the sell off macd momentum, buy the dip, long strangles bursts, pre earnings, 14 day diagonals, et cetera. Basically the today tap triggers.

Ophir Gottlieb (02:24:41):

Yeah, I created all of 'em. I like all of 'em. I like buy the sell off. If you have the stomach to buy a stock to get bullish on the stock as it's dipping, not as it's turning RSI below 25 guys, if you don't know that's what trade machine, it doesn't matter. One of the strategies, I like that. I like the earnings diagonals a lot because it has two theta paradigms working, but I don't have a favorite favorite there. One of my favorite trades. It's not that it's, I really like the volatility bursts trade long strangle for, right? So risk exposure for a very short period of time. I like the volatility burst trade.

- (02:25:21):

How do you adjust losing trades that was answered earlier. Can we visit the q and a recording? Does trade machine scan for an alert to risk reversals with limits to open?

Ophir Gottlieb (02:25:37):

I don't really understand the question exactly, but you can definitely set alerts for price targets or technical conditions to set off a risk reversal, right? So

- (02:25:47):

Do you have some example where things did not work? I'd like to see with beer's thought process.

Ophir Gottlieb (02:25:52):

Yeah, so I didn't map it out, so it's not, each one of those takes an hour and a half to do. Yeah, I do have some that didn't work out. Let think of something relevant recently

- (02:26:07):

Were lips on.

Ophir Gottlieb (02:26:09):

No, I don't want to talk about that. I had some speculations on Invitae. It's a life sciences company. I happened to be an analyst of record for that company. Like when they say, oh, company X beats revenue by blah blah beats revenue estimates. I'm a part of the word estimates the consensus. So I have to say that when I talk about the company, I had a speculation on invita. I was long stock and still long stock is fine, but I had a speculation on in particular when it kind of shit the bed and yeah, it just didn't work. I didn't hit my max loss right, but it hit what would've been ostensibly my stop-loss and I just took a loss. It just, it wasn't good, wasn't a catastrophe, it just wasn't good. And what happened was the stock ran, I thought it was going to keep running and management started openly started selling stock. They're like, this is a good price and then that kind of piled on itself and blah, blah blah and it was just, I was wrong. It doesn't matter. You don't have to have a reason. Just like I made a speculation. Speculation was wrong. I got out when I said it was going to get out and it was a loss.

- (02:27:21):

Do market makers for option markets directly influence volatility and or pricing?

Ophir Gottlieb (02:27:27):

Well, I mean it's an interesting question. I mean market makers set the price. So in that sense, yes. Now there's a lot of market makers, so unless they're colluding, they can't specifically. But yeah, I mean the price you see in the market is what market makers are making. If you have level two, then you can see not just the NBBO, not just the national best bidding offer, but you can see the BO, so the best bidding offer per exchange and you can see how each exchange may differ. They usually don't differ that much. A lot of it is automated now, but yeah, I mean a quick and easy answer is yeah, market makers make the price and if you're making the price of an option, you're pricing volatility. Yes,

- (02:28:06):

Effort focused patients and defining the stock setups that you want to speculate on seems to be the recipe.

Ophir Gottlieb (02:28:12):

Yeah.

- (02:28:14):

What's the name of the bearish strategy on trade machine?

Ophir Gottlieb (02:28:17):

I think it's just called Bearish bursts. Oh

- (02:28:20):

Yeah, bearish bursts, yeah. Do you have an average hold time and target? ROI?

Ophir Gottlieb (02:28:29):

Yeah, H Trade has an absolute hold time and ROIA hundred percent. Oh, you mean a guide? So I shared with you my guides at the beginning about a 10 to one. If I'm spreading off the top, 10 to one max gained a debit, four to one max gain to max loss. These are just guideline ish. The reason I said that and then showed you where I broke the rules, I wanted to show you this. Sometimes I break the rules. The rules I don't break is how much I'm willing to risk. I say I'm going to risk this much money. I'm never risking that more than that much money in the trade ever. I just don't break that rule. Other things like guidelines, they're guidelines. So sometimes I'm like, yeah, I want to squeeze this one in.

- (02:29:06):

Does Athea prefer puts than calls bearish positions?

Ophir Gottlieb (02:29:12):

I prefer so take everything I showed you how I speculate long. That's basically how I speculate short because everything a company does including press releases is to make the stock go up. I'm almost never naked. Short calls. I can be naked short stock, but naked short calls is not a thing I do often. I did do it. I was naked short calls in Facebook, which was actually a pretty good trade. Not recently obviously, which was a good trade, but I didn't think it was when Facebook was like a $250 billion company. I wasn't afraid someone was going to take over Facebook. So I felt okay being naked short calls.

- (02:29:50):

Thanks. I'm sorry the audio was a bit mumbled. Was the answer to whether the underlying shares were owned or not? Yes or no?

Ophir Gottlieb (02:29:57):

Not necessarily, no. The speculations I showed you were wholly and entirely represented by the options.

- (02:30:07):

Let's see. Do you rely on technical analysis to know when to execute a trade

Ophir Gottlieb (02:30:13):

For trade machine? Yes. So my meat and potatoes, what feeds me every day, oftentimes yes for my speculations, I don't look at charts at all.

- (02:30:23):

What are your most profitable built-in strategies on trade machine that you do and how do you tweak them?

Ophir Gottlieb (02:30:29):

I've shared the answer that

- (02:30:33):

Og, do you have any resources or books, et cetera for learning how to look at company fundamentals the way you do for CM lpro?

Ophir Gottlieb (02:30:40):

Man, I really don't. I'm sure they're out there. I don't. I want to caution, I think it's great to understand fundamentals like true discounted cashflow, weighted average cost of capital adjusted present value, fine. But I want you to understand that what we do for CM L Pro, it isn't fundamental analysis so to speak. It's fundamental in the sense that it doesn't use charts. So it's therefore it's not technical. But here I gave this example, it's a good question. It's worth it. This is not options. It's worth it. So as an analyst of record, what an analyst has to do, we must do if we cover a company, is we have to look at the company, the business as it exists today, we have to make estimates about that business and what those estimates will be for the next quarter, two quarters, three quarters, four quarters.

(02:31:29):

Then if you prefer you can go two years, whatever. That's not what we do for SM L Pro. What we do for SML Pros, we look at a company and don't try to model the business that it has today. We try to understand the business that it may have tomorrow. An analyst cannot put in revenue projections for business that doesn't exist. It doesn't make sense. You can get long a stock understanding the fundamentals of the company and how a different business will exist and that was ethereal. So I'll give you two exact examples. Spotlight topic, Twilio, when we first added it, they were essentially just a text messaging company. They had a beautiful, they easy to use API and front end to send text messages and that was really it. And people use these fantastical terms about it who are long and they didn't really know what they're talking about, sorry.

(02:32:22):

And they were like, it's a communications platform as a service. It wasn't that it was a text messaging thing. So Wall Street and it was not obviously a profitable business. SMS it seems like should be commoditized. It's not that good of a business. But what we saw, what an analyst can't say, but what we can say is Twilio is getting, this is several years ago when we added it four years ago, now Twilio has enterprises jumping on, it was crazy the rate at which they were getting enterprises and how much they were using it, how often were they sending texts? Some of them were sending millions of texts a day. And so what Twilio had ostensibly to an analyst was a text messaging business, which isn't obviously profitable to CML Pro. It was obviously forming a platform on which eventually there would be communications platform as a service and it would be larger than text messaging and it would be profitable.

(02:33:30):

So if I sent you to a book that says how to do fundamental analysis, you could walk away thinking this is how you value stock. No, that's how analysts value stocks. I know I'm an analyst of record, right? There's no alpha in that. There's no edge in that. The edge is in having no constraints. You're constrained if you only look at fundamental analysis to what exists and what that thing could be in dollars. The only edge retail has is we don't have to wear those shackles and we can say, yeah, yeah, yeah, yeah, yeah. Text messaging is going to be commoditized, but that's not what Twilio's building. You could say the same thing about Roku with sticks, right? The sticks weren't obviously a profitable business. It wasn't like, so you sell these sticks, which Netflix, the Edge wasn't saying, I don't want to model that business. That's not obviously profitable business, but you know what? It is an obviously profitable business, an operating system for streaming tv. So I can send you to a book on fundamental analysis. That book will not tell you to think like I just said. And so that's why I don't know any good books because I don't think there are any good books.

- (02:34:41):

How do you plan trades if you don't know the options price in the future?

Ophir Gottlieb (02:34:46):

So a plan is you take every possible option price, right? What happens at 199 and 98 and 97, 96, 95 all the way down to zero, right? That's the plan.

- (02:34:59):

Would you ever consider sharing an old trade plan, AKA and Excel file?

Ophir Gottlieb (02:35:05):

Maybe

- (02:35:09):

Do you have a hard stop loss as part of your trade plan?

Ophir Gottlieb (02:35:13):

Yeah.

- (02:35:15):

Is there any chance OG could send a screenshot of his spreadsheet showing his setups as strategy for a couple of trades and it was important. You just answered that. Sorry. Do you ever speculate on ETFs?

Ophir Gottlieb (02:35:30):

No. etms sometimes, but I don't really speculate on ETFs, no.

- (02:35:36):

Oh, and just to reiterate, that was not looking for the trades, but just the spreadsheet layout, how you lay your plan up.

Ophir Gottlieb (02:35:45):

Oh, a set.

- (02:35:46):

Okay. Like a template.

Ophir Gottlieb (02:35:47):

Oh, okay, okay, okay. Well I still think there's edge to that, but it's getting closer. Okay.

- (02:35:55):

Oh, you just answered speculate on ETFs. Sorry. Is portfolio margin more dangerous than regular margins since it gives you more leverage?

Ophir Gottlieb (02:36:09):

The very wording of the question comes from a certain perspective. Another perspective could ask the question in other ways. I dunno what to say. Margin in general means leverage. Leverage in general means you can use fewer dollars to make a bigger speculation. So you could say that that's riskier.

- (02:36:30):

Do you have everything written down before taking trades from the daily trade machine alerts like you do with these long-term positions you showed today?

Ophir Gottlieb (02:36:38):

So because I'm lazy and I do too many trades from trade machine, they're built in, right? There's, there's stops and limits on trade machine strategies. That's why they're there. Guys, if you're wondering what trade machine is as a member, it's my trading book. That's what it is. If you're wondering as a CML pro member what it is, that's my research book. That's how I do it. I just give it to you. I mean I don't give it to you. You pay and I honor that you pay for it, but you know what I mean. So the exit strategies are in those.

- (02:37:14):

When you talk about needing or wanting to use margin for these types of trades, would you ever use all of the margin in your account

Ophir Gottlieb (02:37:23):

Like risk, a margin call? I mean I got called, I should not be getting called. I got called three times last year. Three margin calls it of go-Go. There wasn't enough for risk there, but I mean I try to stay really far away from that limit. But last year to me, and look, I said this out loud on Twitter, jumping up and down screaming from the mountaintops. I thought it was not only a once in a generational opportunity. I thought it might've been like once in a 10 lifetime opportunity. So I went super, super, super, super hard.

- (02:38:12):

Okay, if you have 100 positions, trades, et cetera, do you write it all down and make a plan or you do not have 100 positions on trades?

Ophir Gottlieb (02:38:21):

I don't have a hundred positions. I could never handle that. Yeah, I have speculations if you consider one speculation of position because each speculation that you talking, I have several positions, but consider one speculation of position. I think I have five or six speculations going on at a time and then trade machine, it can get wonky during earnings, it can be 20, but it can also be as few as two. Sometimes I'm just, sometimes I'm just not doing a lot of bread and butter. Unfortunately. I also have to run a company so I can't trade as much as I want.

- (02:38:58):

You might touch on quantity versus quality. Here I'm into quantity. Diversifying.

Ophir Gottlieb (02:39:05):

Yeah, I mean I think quantity diversification, it's not just quantity, it's type of trade. I think you should have several types of trades going in your bread and butter stuff, your trade machine stuff. Don't just be long. It's okay to be or if don't just do pre earnings, do something else. I think so, yeah. I diversify the kinds of trades I do.

- (02:39:34):

There is huge volatility and many see the stop loss in the plan as a potential problem since the stock could go back up. Would you recommend to let it run to zero if you can afford to lose the whole trade in hopes that it will make that it will go back up or would you still advise to close the trade at the plan point?

Ophir Gottlieb (02:39:51):

I would never go against my plan.

(02:39:56):

If my plan said write it out, then that's what I'm doing. If my plan says don't write it out, I'm not, listen, I want to reiterate, losing on an option, trade doesn't have to be a big speculation, can just be a bread and butter trade machine trade. That's normal. We kind of want to cycle through those. Boom, we've all hit those fucking, pardon me, we all hit those bad. You lose 3, 4, 5, 6, 7, 8 in a row. You're like, dude, dude. I mean that happens to everyone. Have them. You remember what I said, eight to 10 months of profitability, your bad month, your worst month shouldn't be worse, like your third best month. So you're going to have those months where you cannot help but shoot yourself in the face over and over again. You're doing these short bullish bursts and they're not working like, okay, I'm not going to be dumb. It didn't work for three weeks. I'm going to get bearish. And then those start losing and it happens to everyone. Guys, there's no magic. That's a part of trading, so just be diverse.

- (02:40:51):

Let me rephrase. Would you plan to not close when it is going down if you really think it will go up?

Ophir Gottlieb (02:40:59):

No, I think I said this. I'm not really good at making a decision once something is happening.

- (02:41:06):

No, he's saying in your plan,

Ophir Gottlieb (02:41:07):

Oh my plan. If my plan is I'm okay with letting this go to zero, then I would let it go to zero. That's it.

- (02:41:17):

If we use the today tab on trade machine to just buy stocks long for 10 to 22 days, do we still need a plan?

Ophir Gottlieb (02:41:24):

Well, that's the plan. That's the plan. Yeah.

- (02:41:26):

Yeah. Your plan is trigger and then hold it for 10 or 22 days

Ophir Gottlieb (02:41:31):

Plan, it sounds like.

- (02:41:32):

No.

Ophir Gottlieb (02:41:32):

Huh? A plan has an entry and an exit. You just say named and entry and an exit.

- (02:41:39):

Rephrase. Do you have any plans to add risk reversals to trade

Ophir Gottlieb (02:41:42):

Machine risk reversals are in trade machine.

- (02:41:46):

Is there any thought to assignment risk? Is that why you went out far in time or used leaps as they may be less likely to be assigned?

Ophir Gottlieb (02:41:55):

I mean assignment risk is a little bit of a risk, but it should be obvious, right? I mean you're only going to get assigned if they're in exercise and only in exercise, right? If the other option, so in this sense you're talking about puts if the calls are worth less than the interest. So when is something in exercise when the other side is worth almost zero? So what is the time value in a put? If it's in the money, it's the entire value of the call. It's put call parity. Understand, put call parody. Unless there's a dividend, sorry, I know there's someone on there who's jumping up and down. Obviously if there's a dividend, you have to take that into account. Okay, go ahead.

- (02:42:38):

What is the timeframe that the majority of your trade trades use? Example, two to three weeks, one month, several months. And do your alerts give exit pricing?

Ophir Gottlieb (02:42:48):

My bread and butter is they're short term. My speculations are long term. So I guess if you're looking at quantity, the quantity of my trades are probably more short term and alerts don't give. You can set a stock price alert, you cannot set an option price alert. You can set technical alerts like this happens. Technically,

(02:43:15):

I am just going to say this, if you guys, there's people still here. I can see this quite a few people here. The first month of trade machine is refundable. So if you get trade machine and you pay whatever you pay and you don't like it in the first month, you just email support and say, Hey, thanks, I didn't really like it that much, can I just have a refund? So we will take the charge for the first month, but it's refundable. It is in that sense. Risk free trade machines. Risk free option trading isn't risk free. So if you're even considering it, I think you should try and this is just totally not your thing then I mean don't do it just for the hell of it, but if you're considering it, I've always wondered why it's not just for trade for all these things when there's the first month is refundable, just why would you not try anyway? It doesn't matter. Go ahead.

- (02:44:04):

Hello. Fear for trades that may not be backed with highest conviction, is there a minimum percent gain that you list down on the plan?

Ophir Gottlieb (02:44:13):

Yeah, so if I'm speculating, it's going to be a high conviction place. If you recall at the very, very early in this thing, I said, what is a speculation? I said, it's an ethos. And I said A strong belief system. So I'm not speculating unless it's a very strongly held conviction.

- (02:44:35):

Hey og, great content in options trading, does someone have to lose for someone to win?

Ophir Gottlieb (02:44:43):

Does someone have to lose for someone to win? Kind of, I mean that's how it goes in stocks too. I mean it's not exactly like that because market makers are, if you bought a call and it worked and the market maker sold that call the market make, so the market makers sold the call. If you bought a call as the market maker sold the call, they're buying something else and hedging. So it doesn't really work like that. But yeah, I mean hypothetically the market is a zero sum game. Yes.

- (02:45:12):

Okay. Two questions about which technicals you use or find most reliable.

Ophir Gottlieb (02:45:21):

I'm not a huge technical guy, but I do like 200 day moving averages and 50 day moving averages at times. I like Bollinger Band breakouts sometimes with macd and probably the most reliable technical that I've ever seen is RSI don't use 30, so CMLI don't mean to give away the secret sauce, but a trade machine we do look at 30, but we look at 25 when a stock goes below 25 RSI. That is just a remarkably, remarkably strong indicator on average for oversold. And then when an RSI gets above 75 80, it tends to be a remarkably strong indicator for overbought. Interestingly, something can stay overbought longer in my experience and it can stay oversold.

- (02:46:10):

Okay,

(02:46:11):

Last

Ophir Gottlieb (02:46:11):

Question. So I'll just give an example. I think I tweeted this on Caterpillar, the RSI was below 25 and that triggered something called buy the sell off. And I tweeted it and I said it in commun. I was like, you just got to do this trade right? Caterpillar's not going to zero, it's it. It just seemed like very much a do and it was

- (02:46:31):

Would you consider in the money partial two to three quarters out as part of the call spread as part of speculation? Can you talk about the dynamics of it taking in the money?

Ophir Gottlieb (02:46:42):

Would you consider in the money

- (02:46:47):

Partial two to three quarter out as part of the call spread as part of speculation?

Ophir Gottlieb (02:46:53):

I don't actually understand the question. If you want to, someone wants to re-ask that. Sorry, I don't get that one. I'm sure it's a good question by the way. It's not a judge. It's my failure. I don't understand the question.

- (02:47:07):

That was our last question.

Ophir Gottlieb (02:47:09):

Beautiful. Alright guys. So I appreciate, I guess I can exit this now. I appreciate you for joining and your questions and participation and I hope that it was educational. Even if you decided you don't want to speculate, at least you can say, you know what, I don't want to do this and I hope I conveyed to you a message, which is the gravity of speculation. It's just not for fun. It's not meant to be for fun. It shouldn't be for fun. There are other things you can do for fun. It shouldn't be speculating with options that should be on purpose. So it have a great Friday. And then please have a great 4th of July. If you're not in America and 4th of July doesn't mean anything to you, I still want you to have a great 4th of July because 4th of July is Sunday. So have a great Sunday. Alright guys, thanks. Bye.