

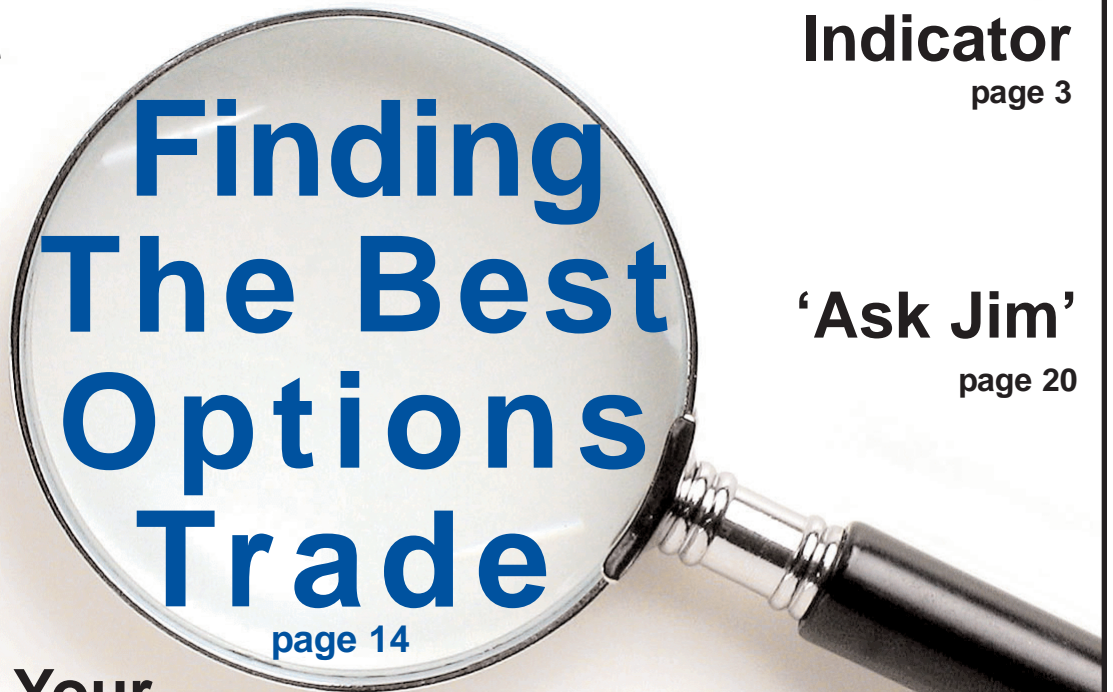
# Option VIEWS



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Lawrence G. McMillan is a noted author, speaker and trading advisor, recognized around the world as a front-line expert on options trading.



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# OptionVue 6: The Profit Zone

A useful feature available in the Price Charts is called the Profit Zone. The Profit Zone allows you to see where a position will be profitable relative to the past price history of the underlying, into the future. To illustrate, Figure 1 shows the Graphic Analysis of an existing position, a long condor in the SPY options.



With any position in a particular asset, either an Existing Position in your account or a prospective Trade in the Matrix, you simply click on the Profit Zone button in the Price Chart (Figure 2). The program will then open up a space on the right that represents that position up to 3 months in the future:

The green area is where the position will theoretically be profitable, while red indicates where your position would be at a loss. Separating the two colors are breakeven lines. Also shown are expiration lines (marked with X1, X2, and x3) to indicate when the nearby, 2nd, and 3rd month options expire. A description of the position being analyzed is shown on the main toolbar.

In implementing this feature we made sure to maintain the integrity of the horizontal axis; that is, to keep it representing just one thing - time. That makes it possible to see how the profit zone of a position theoretically changes over time. This unique feature can provide an important insight to option traders and gives you a different way to view the potential profit and loss of your positions. ■

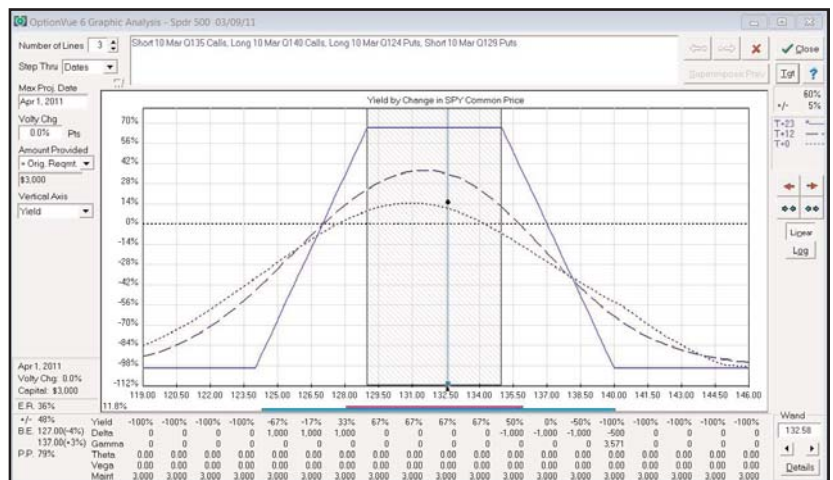


Figure 1.



Figure 2.

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# Lentz Volatility Indicator

By Steve Lentz

When speaking with options traders, we occasionally hear concerns about certain market conditions that make it difficult to sell option premium using non-directional strategies such as condors, butterflies, and calendar spreads. Sometimes, the trader is correct in that the market was quite volatile at the time. Other times, however, traders make these comments even in seasons when those strategies experience stellar yields. When confronted with that observation, the typical response is to point to a specific market swing that scared the trader into exiting against his trading rules.

To bring objectivity to the discussion, what's needed is a statistical indication when market conditions are indeed stormy and thus render it prudent to pull back on the non-directional premium selling strategies. Likewise, such an indicator would also communicate when it is alright to move forward with those approaches and perhaps even put the throttle down and increase the contract size if that aspect is in your trading plan. (You do have a trading plan, right?)

## Volatility & Chronic Overvaluedness

Non-directional option premium selling strategies do best under certain volatility conditions, most notably that of chronic overvaluedness. What do we mean when we say that an option series is chronically overvalued?

To answer, we must understand two types of volatility; implied and statistical. With both types, we are referring by definition to the notion of "volatility" that speaks to a one standard deviation price change in the underlying asset, as of one year from now, expressed in percentage terms.

Implied Volatility (IV) refers to the volatility level implied by the amount of time premium in the option prices. When the market expects large moves in the underlying asset's price, time premium in the option prices will surge upward and IV levels will rise. Likewise, after a big event and when there is little expectation of strong price moves, the time premium will shrink and IV will decline. IV is expressed as a percentage and is represented by a blue line in OptionVue 6's Volatility charts.

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Statistical Volatility (SV) refers to the movement of the underlying asset itself, and requires a certain number of look-back periods for a measurement to be derived. In OptionVue 6, SV is measured by looking at the last 20 days' high and low values and exponentially weighing the more recent days. Like IV, SV is expressed as a percentage and is represented by a red line in OptionVue 6's Volatility charts. Chronic Overvaluedness occurs when IV is consistently at a higher level than SV; meaning that the options time premium levels typically imply a volatility level higher than what usually comes to pass. Markets with this profile offer a trading edge to option premium sellers like those that employ condor and butterfly spread strategies. Most equity indexes fall into this category due to the consistent possibility of a sudden sell-off that keeps the put premiums a bit higher than SV.

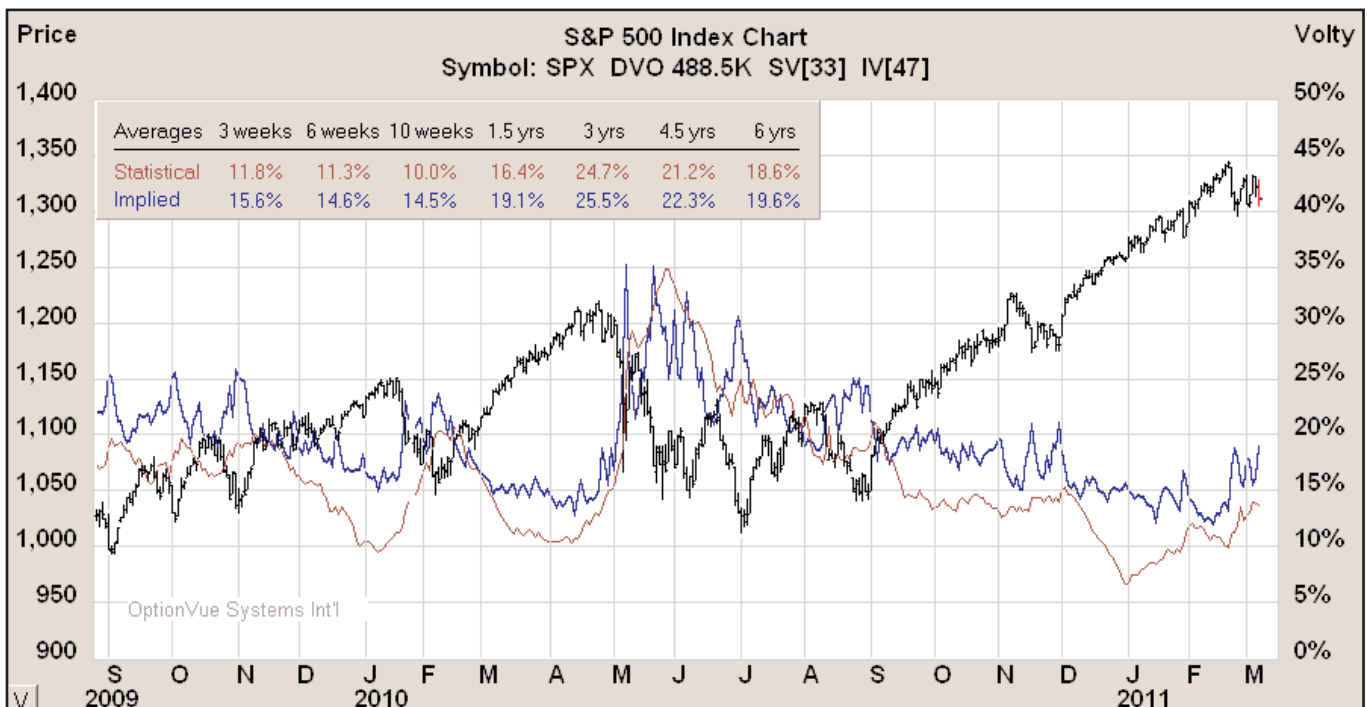


Figure 1. Chronically Overvalued Options

The SPX price and volatility chart is displayed in Figure 1 above with the IV and SV averages included. Notice that across all time frames, IV is above that of SV. Other equity index options will have a similar profile in varying degrees.

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Be careful, though, when evaluating specific stock options for chronic overvaluedness. Some will have this condition to an extreme level due to fundamental concerns that would preclude the use of non-directional premium selling strategies. Biotech stocks with ongoing FDA issues are one example.

## When Things Can Go Wrong

One theme among traders using non-directional strategies is that losses from one bad month can wipe out several months of profits. We hear this most often from prospective students who call us, looking for answers. Fortunately, at DiscoverOptions, we have two very good responses to that concern.

First, employ judicious position management using tested adjustment rules. Condors, calendars and butterflies all should be traded with a campaign mentality and not with an all or nothing proposition in mind. If the market moves, then make an adjustment. Jack be nimble - Jack be quick. You must never place these positions and assume you can walk away and take a vacation until expiration. You'll end up a statistic.

Second, consider staying out of the market when "things can go wrong." What do we mean by this?

When SV begins rising, the option premiums can quickly become undervalued and the non-directional premium selling strategies lose their edge.

Read that again slowly...and then look at Figure 2 right.

If you sold SPX option premium in mid-April 2010, you would have done so for an IV of around 15%. But what volatility did the market end up experiencing? Look ahead one month later, in mid-May, and you will see that it was around a 28% SV. Wow, what a difference. "Things can go wrong" when option traders attempt to sell premium in such an environment. This is when big losses can occur.

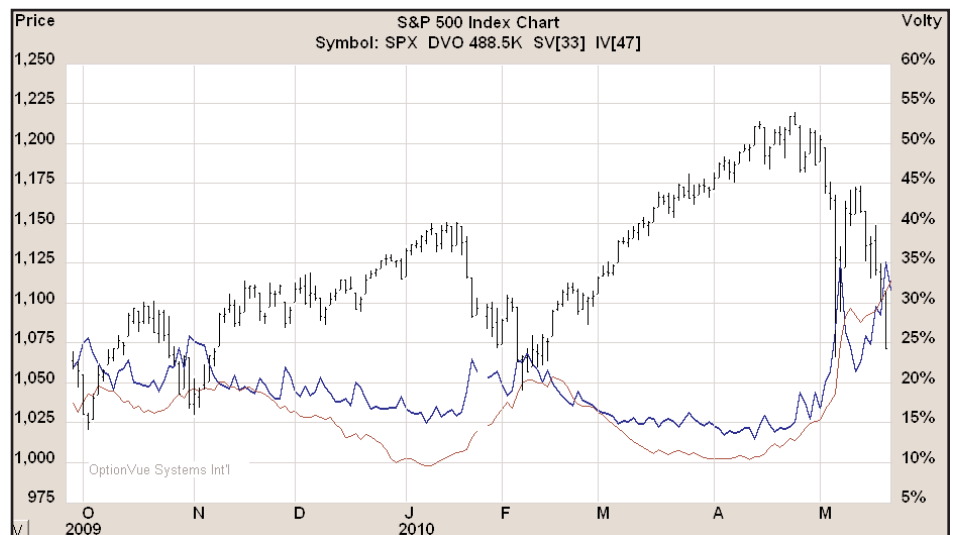


Figure 2. Flash Crash Tremors

Now, how can we prevent this from happening? Simply by staying out of the non-directional premium selling mode when SV is trending upwards. Doing so will prevent much emotional consternation and trading losses as well.

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## When SV Trends

When is SV considered to be in an upward trend? How do we know?

Well, as with the underlying asset, moving averages are a great tool to determine when a trend is in place. Look at Figure 3 below.

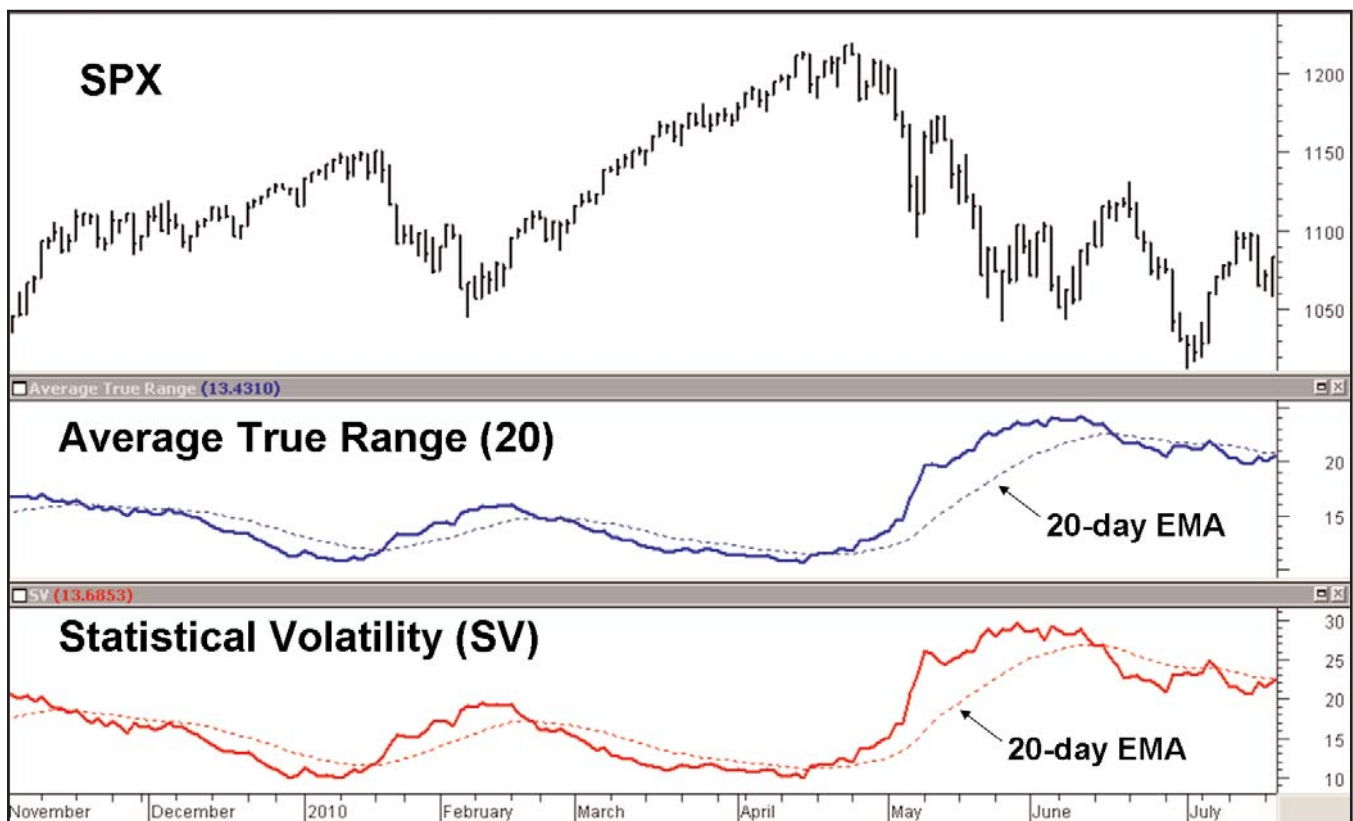


Figure 3. Trending SV

Applying a 20-day exponential moving average (EMA) to the SV line in Figure 3 above shows clear seasons when SV trended upward, such as from mid-April 2010 through mid-June when the SPX was turbulent and selling option premium in a market neutral fashion was difficult.

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## Average True Range

OptionVue 6's Statistical Volatility is not readily available in other charting programs but requires coding in higher-end packages like MetaStock. An alternative indicator to use is called Average True Range (ATR). Developed by Wells Wilder, the True Range reading for any one day is the greatest of any of the following:

- Current High less the current Low
- Current High less the previous Close (absolute value)
- Current Low less the previous Close (absolute value)

One advantage of using Wilder's True Range is that the 2nd and 3rd definitions above can accommodate gaps and the volatility they represent, whereas the SV uses only the 1st definition.

After each day's True Range is determined, an average can be derived for any number of periods. By default, the ATR indicator used in charting packages incorporates the Wilder Smoothing approach which is very similar to an exponential moving average.

In Figure 3, the 20-day Average True Range line mirrors very closely the OptionVue SV line. Now, here's where things get interesting. Apply a 20-day EMA to this 20-day ATR and you will see strong similarities with the SV line and its 20-day EMA. Look in Figure 3 above and notice how the market is turbulent when the 20-day ATR rises above its 20-day EMA, just as with the SV and its 20-day EMA. Thus, for our purposes, we can now use the 20-day ATR indicator as a substitute for Statistical Volatility (SV).

## Building an Indicator

Non-directional option premium sellers may wish to simply observe the 20-day ATR and its 20-day EMA in a charting program that allows for this capability. However, if such a program allows for further coding, then consider taking this tool to the next level and creating an inverted histogram of the difference between the 20-day ATR and its 20-day EMA. Doing so will create the Lentz Volatility Indicator (LVI). For those using MetaStock, the code is: `0-(ATR(20)-Mov(ATR(20),20,E))`.

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## Inverting the histogram has two main advantages:

- 1) The LVI displays a positive value when conditions are more favorable for using non-directional premium selling strategies. Likewise, the LVI displays a negative value, and thus issues a warning, when the underlying asset's volatility is rising and non-directional premium selling strategies are less desirable.
- 2) With equity indexes, a positive LVI generally, but not always, confirms a bullish trend. A negative LVI generally confirms a bearish trend. Without inverting the histogram, the brain would have to work backwards and remember that negative LVI values mean positive actions, and vice versa. Instead, the LVI uses an inverted histogram and the values are congruent with positive actions.

## Using LVI

Aside from the aforementioned uses of LVI for determining positive option premium selling environments and trend confirmation, there are two nuances to be aware of.

First, it's best to wait until the second consecutive day of a positive or negative LVI value before making conclusions or taking action. Sometimes, one day will flash in the other direction and then resume the other way. If two consecutive days flash negative or positive, it's very likely that LVI will continue in that direction in the days following.

Second, nearing the end of a bullish trend, the LVI can flash a negative signal as a precursor to significant bearish movement. Think of the LVI as signaling tremors before an earthquake.

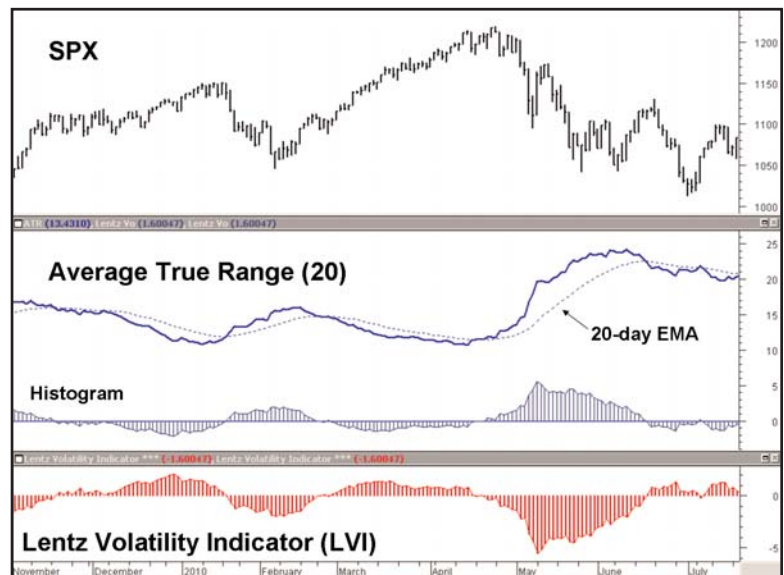


Figure 4. Lentz Volatility Indicator (LVI)



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One example occurred several days before the Spring 2010 bear market began, and which included the Flash Crash. See Figure 5 right. The LVI turned negative despite the market's continued upward movement.

Finally, LVI observers will see that false positive readings can occur immediately following the very occasional bearish crashes that involve 15% or more. This is because such moves can send the 20-day ATR so high that it can subsequently trend downward even through continual bearish swings that have strong volatility. Figure 5 shows a clear example of this in late June of 2010.



Figure 5. Tremors before the flash crash earthquake

## Conclusion

The Lenz Volatility Indicator is an inverted histogram of the difference between the 20-day ATR and its 20-day EMA. With equity indexes, it can help non-directional option premium sellers to discern environments conducive for these approaches, and warn them when to refrain from trading options in this manner. ■



Steve Lentz, DiscoverOptions Director of Education, is a well-established options educator and trader who has spoken all over the United States, Asia and Australia on behalf of the CBOE Options Institute, the Options Industry Council and the Australian Stock Exchange. Steve is constantly developing new strategies on the use of options as part of a comprehensive profitable trading approach. He regularly speaks at special events, trade shows and trading group organizations.

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# Archiving Your Account Records

by Jim Graham

With tax season fast approaching, you should be getting ready to put the 2010 trading year behind you. Hopefully it was a good year for you. There is one last thing you might want to consider doing before putting the last trading year to bed. There are features available in OptionVue 6 that make archiving (but still able to access) your old account records easier than ever.

The archive operation moves the transaction records of all positions closed out prior to a given date into a new transaction log for safekeeping. Another feature, super accounts, lets you recombine the current account records with any of your archived ones to see your aggregate performance over time. Together they give you a new, more efficient way to handle your account records.

Why should you bother using the archive feature? Because archiving old transactions reduces the size of your current Transaction Log (T.Log). When you open the Status screen or run Reports, the program must first go through every transaction in the T.Log to see if anything has changed and figure out what positions are still open. Reducing the number of transactions in the T.Log allows the software to work faster and more efficiently. For very large T.Logs (or slower computers), this can speed up program operation considerably.

The archive feature is available through a button in the Transaction Log window, the fourth one from the left on the main toolbar. Clicking this button brings up the Archive dialog, which asks two questions: What date you want to use as the cutoff date (12/31/10 in the example shown in Figure 1 below) and what you want to name the archived account.

For the name of the archived account, I suggest choosing something descriptive and easily identifiable. If you are archiving transactions for a particular year, for example, consider naming the new log file something like "<account name> 2010". Keeping the same account name with an additional identifier, like the year tacked on, will keep your related accounts grouped together in the list of accounts throughout the program.

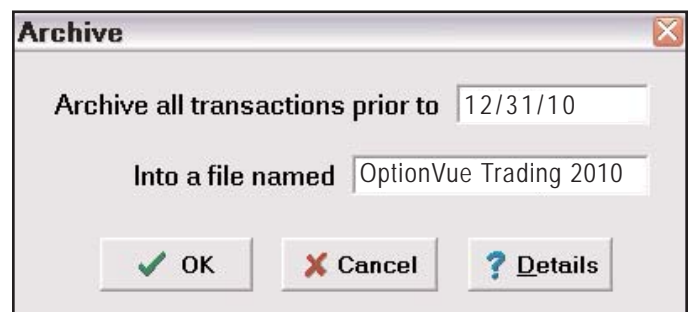


Figure 1.

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Once you click OK, a dialog tells you how many transactions will be transferred to the new archive account (Figure 2).

Click Yes and all transactions representing positions that were closed out prior to the chosen date will then be moved into a new, separate, Transaction Log. Once the operation is finished, the current T.Log will now contain only transactions dated from the chosen date forward, plus any trades that were needed for positions that were open on or beyond the chosen date.

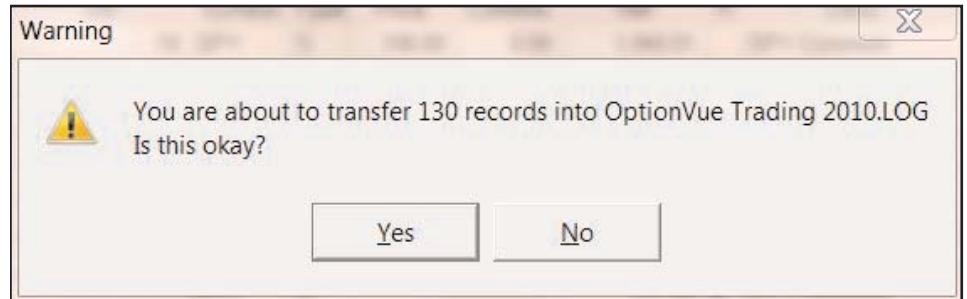


Figure 2.

The program will also automatically generate a new initial deposit transaction with a transaction code of StV, which stands for Starting Value. The amount of the Starting Value is equal to the original deposit amount plus the net of all transactions that were archived. As a result, the Account Status will display the same exact account value both before and after the archive operation and your open positions will correctly retain all the original information such as the original open date and original price.

The value that account performance for the new time period will be based on will change, however. The value of the "Original Investment" or "Starting Value" that is used in the Performance Reports will change to the actual account value on the date you chose to archive prior to. And the Performance Graph will now show only the account performance from the chosen date, beginning with the account value of that day.

So now that you have all the records for your account split between two (or more) different accounts in OptionVue 6, what if you want to see the entire combined history again? That is easy to do using the "super" account.

Unlike regular accounts, a super account has no T.Log of its own, but draws information from the T.Logs of one or more regular accounts to produce a consolidated account status and consolidated reports. This allows you to re-aggregate your archived account records with the current account to see the full historical performance of the account.



Figure 3.

To start a super account, select the Info button from the main toolbar and then click on the New button in the Account Info screen. The "Add a new Account" dialog will open (Figure 3).

Links:

Enter an appropriate name for the new super account, click the "Make this a Super account" checkbox, and then click OK. The Account Info screen for this account looks a bit different from that of a regular account, with a list of all available regular accounts displayed. Simply place a checkmark in the box for each of the regular accounts you would like to include in this super account (Figure 4).

Now whenever you select this super account to make it the currently active account, the Account Status window and all the Reports will reflect the

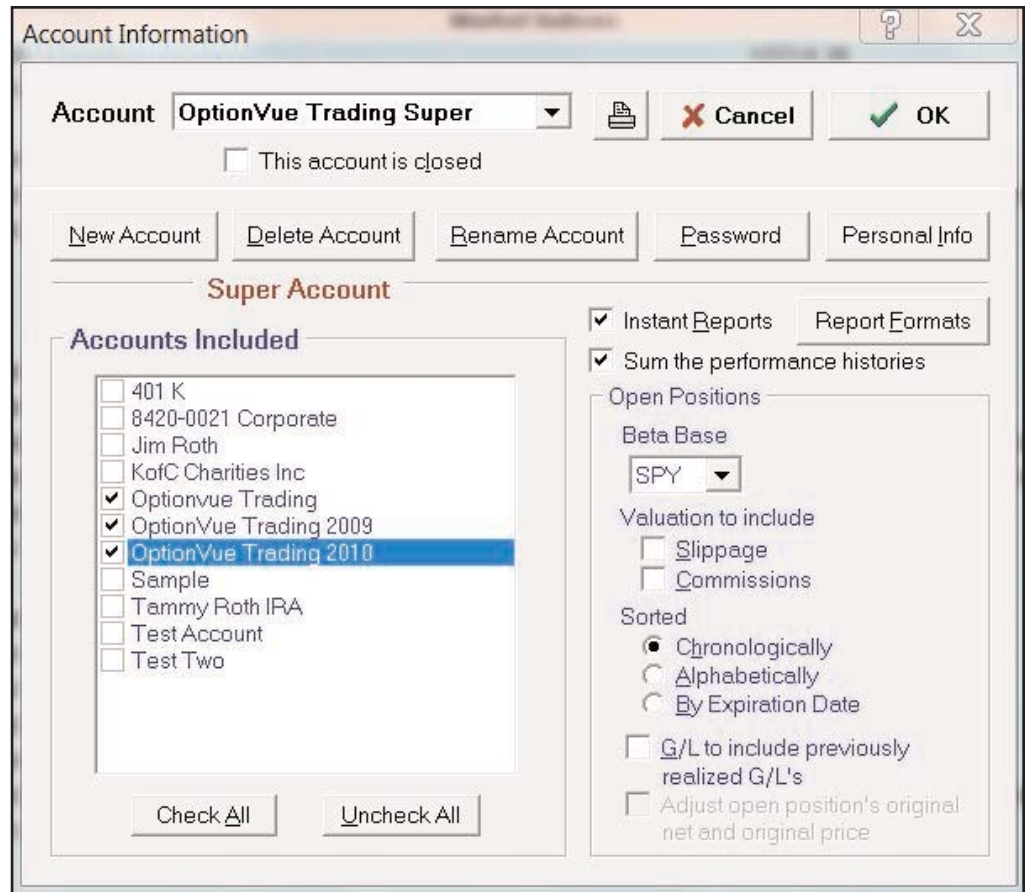


Figure 4.

combined transactions and positions of all the chosen accounts. You should note that a super account does not have its own commission schedule, securities margin parameters, or earnings and charge rates. However, a super account does have its own open positions evaluation preferences, report formats, and Instant Reports setting.

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Some functions are not available for super accounts. For example, since a super account does not have its own T.Log, whenever you make a super account the currently active account, the T.Log button on the main tool bar will be grayed out. Two other buttons that will also be grayed out are the Convert Trades and Expire Options buttons in the Matrix. Otherwise the program operates as normal.

Archiving should be done once each year, typically at the end of the calendar year for individuals or after the close of a fiscal year for certain businesses, and there is no longer a need to refer to transactions in the prior year. With the year 2010 now over this will probably be a good time for most individuals to consider using the archive feature to store old transactions prior to January 1, 2011. Combined, the new archive feature and super accounts gives a better way to handle your account records while giving you increased program performance. ■



Jim Graham joined OptionVue Systems International, Inc. in 1999. He served as a Product Consultant and more recently as Product Manager assisting Len Yates in further developing and enhancing OptionVue 6 Options Analysis Software to meet the real-world needs of institutional and individual options traders. Since joining OptionVue Systems, Jim has authored documentation and articles on options trading which explore how to effectively use options analysis and trading software to increase the probability of long-term success in options trading.



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# Finding the Best Options Trade Part 1: The Benchmark Credit Spread

By Steve Lentz

What is the best options trade if you are bullish on a stock, index or ETF? Long calls, short puts, or maybe a spread perhaps? And what strike(s) do you choose? In, at, or out-of-the-money? This article series seeks to answer all these questions and present a framework for selecting the correct position given your outlook for the underlying asset.

Important: To find the best options trade, you will need options modeling software.

Here is a simple step-by-step procedure for finding the best options trade to place which will be consistent with your prediction for an underlying asset. It goes something like this:

- Select the likely direction of the underlying asset (no small detail)
- Determine the stop level
- Analyze a benchmark credit spread position
- Compare that credit spread to other possible positions

In this article, we will address the first three items above. In Part Two, we will address the fourth one.

## **Step One: Select the Likely Direction of the Underlying Asset**

The most important step is determining the likely future direction of the underlying asset. Your time frame could be over the next several days or the next few weeks or months. You can use fundamental analysis, technical analysis or a combination thereof. Also, you could use an advisory service as well if you prefer. In any case, determine your degree of bullishness or bearishness.

At DiscoverOptions, we've done several webinars for our students showing them how to use various technical indicators. These include the RSI, DMI, MACD and Stochastics oscillators. There are many articles on the internet, and books as well, that present logical trade setups. Keep your eyes open for approaches that strike a positive nerve. You'll want to settle on a system that you understand and eventually believe.

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In our example for this article, we will examine a trade idea presented in my Morning Market Huddle show. It occurred in the options for symbol FCX, and involved an obvious channel breakout to the downside. See Figure 1 right. Upon seeing such an obvious signal, we will now look to the options to find the best position to exploit this.

### Step Two: Determine the Stop Level



Figure 1. Bearish Channel Breakout with Stop at 86

If you've heard it once, you've heard it a thousand times, "Use stops!" Still, I can't tell you how many times I've spoken with options traders and they still don't use stops even after years of reading trading literature and years of experience to boot. So let's go over this one more time.

You need to select a price level at which you would "cry uncle" and get out of the position if the underlying asset's price moves in the opposite direction of your prediction. In other words, at what point would you conclude that your analysis did not pan out? That level is now your "stop" level. If the underlying hits that price, then you should have an alert set to notify you so that you can make your way to your broker's platform and then enter an order to exit the position. Period. No looking back.

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Poor traders will second guess their pre-planned stops and then stay in the position, hoping upon hope that the market turns around. Good traders will execute their exit and judge themselves on how well they stuck to their plan. This factor separates the men from the boys.

In Figure 1 on the previous page, we selected a stop at \$86 because that was just above the most recent isolated swing point. If price ascended above that level, then our bearish view would be changed dramatically at that point.

Besides obvious swing points like above, other approaches for determining stop levels could include support and resistance levels, trailing Average True Ranges, and trailing trend lines among others.

### **Step Three: Analyze a Benchmark Credit Spread Position**

After determining our stop level, we're now ready to analyze possible option trades. First, we always begin with a credit spread that is positioned in a very particular way.

The process of setting up our Benchmark Credit Spread involves the following steps:

- Locate the Anchoring Short Strike
- Locate the Covering Long Strike
- Analyze the Graphic Analysis Screen and Determine Reward to Risk Ratios

Let's take these in order:

#### A. Locate the Anchoring Short Strike

We're going to setup an out-of-the-money credit spread with the short contract located at a strike price on or just outside of the Stop Level. This is the Anchoring Strike.

For bullish positions, the Anchoring Strike is an out-of-the-money put contract with a strike that is equal to or less than the Stop Level.

For bearish positions, the anchoring Strike is an out-of-the-money call contract with a strike that is equal to or higher than the Stop Level.

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In our example, our Anchoring Short Strike is set at the 90 level since that is the first out-of-the-money strike beyond the \$86 Stop Level established above. If FCX traded options at \$1 strike increments, then the 86 strike would be the selected Anchoring Short Strike.

## B. Locate the Covering Long Strike

Next, we need to locate the Covering Long Strike. This is the farther out-of-the-money strike where we purchase the same number of contracts that we sold in the Anchoring Short Strike.

Typically, the Covering Long Strike will be the very next strike that is further out-of-the-money. Sometimes, though, you may want to look at strikes farther out still. Here are a few considerations.

**Yield.** The overall yield of the spread is very important. If a yield level is unsatisfactory, then try a different out-of-the-money strike or perhaps go to the next month. In the example below, Figure 2, we are proposing a 5 point spread, so the yield is calculated like this:

$$((\$1.06 - \$0.45) \text{ divided by } (\$5 \text{ minus the credit of } (\$1.06 - \$0.45))) =$$

$$\$0.61 / \$4.39 =$$

13.9% yield

Now, what if we used the 100 call as our Covering Strike instead? That would be a 10 point spread and the yield would breakdown like this:

$$((\$1.06 - \$0.19) \text{ divided by } (\$10 \text{ minus the credit of } (\$1.06 - \$0.19))) =$$

$$\$0.87 / \$9.13 =$$

9.53% yield

Actuals	FCX Common		
	81.18		-3.04
Options	MAY <36>		
105 calls	MktPr	MIV	Trade
100 calls	0.19	38.7%	
95 calls	0.45	37.9%	+10
90 calls	1.06	37.5%	-10
85 calls	2.32	37.9%	
80 calls>	4.55	39.0%	
75 calls	7.80	40.5%	
70 calls	11.95		

Figure 2. May 90 Call is the Anchoring Short Strike

## Slippage

When calculating yield, make sure to include the effect of slippage which is the execution drift away from calculated Market Price. In OptionVue 6, the default Market Price definition is basically the mid-point between the Bid and Asked prices. In thinly traded options markets, it's more likely that you will need to "cave-in" and accept prices closer to the full width of that Bid/Ask spread as opposed to heavily traded markets where you have a better chance of getting executed closer to the mid-point.

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Make sure you incorporate slippage for BOTH the Short and Long strikes. Sometimes, the Bid Price of the Short Strike might be the same as the Asked Price of the Long Strike so that a Market Order would yield absolutely no credit. This means that any credit you do receive would come from executing the spread at a price better than the listed "natural" market. In those cases, you might try using a farther out-of-the money Covering Long Strike.

### Step Three: Analyze the Benchmark Credit Spread

After proposing the Benchmark Credit Spread, we now need to model the trade and determine a few things. This will require options modeling software like OptionVue 6.

We will eventually compare other positions to our Benchmark Credit Spread. But before we do that, we need to ascertain the Reward to Risk Ratio for this position. By this, we mean to compare the best possible gain to the likely loss level incurred should our Stop Loss Level get hit.

The Graphic Analysis for our example position is displayed in Figure 3 on the right. We can see from this grid the following facts:

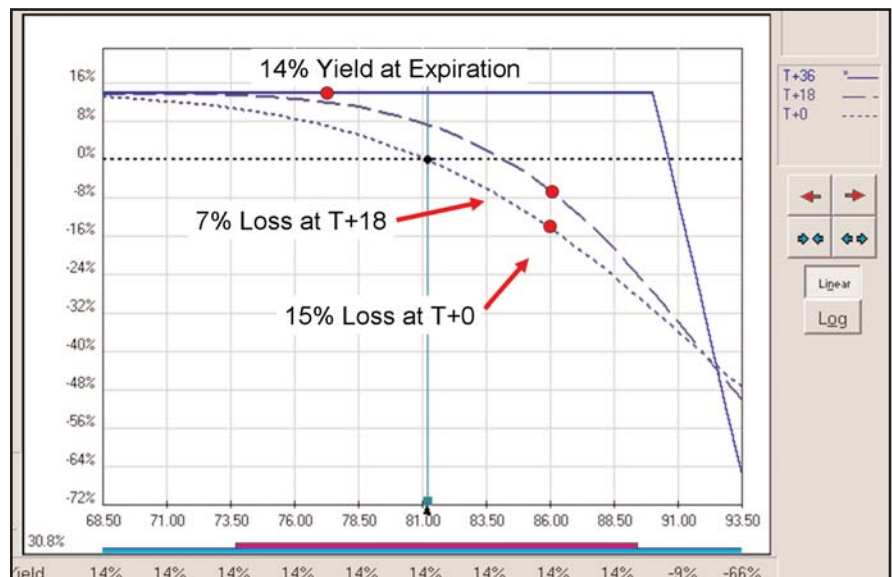


Figure 3. Calculate the Reward to Risk Level

- The best possible yield at expiration is 14%. The position can make no more than that.
- If the stock immediately moves upward and hits our \$86 Stop Loss level within the first day, then the trade will lose 15%.
- This means the Reward to Risk Ratio is just barely under 1:1. This assumes the worst-case Stop Loss scenario in that it gets hit immediately.

A more likely Reward to Risk Ratio would be something just above 1:1 since the more likely scenario is that the \$86 would get hit in a week or two. The loss at T+18 is 7% and reflects a Reward to Risk Ratio of just better than 2:1, so the more realistic Reward to Risk Ratio is something in between.

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## Conclusion

To find the best directional trade, one approach is to first determine your Stop Loss Level and then propose a Benchmark Credit Spread with the short strike located on the Stop loss Level or just further out-of-the-money. The long strike is located at a point where the slippage adjusted yield is acceptable. In analyzing the potential trade, the Reward to Risk ratio is ascertained from the Graphic Analysis screen. With that information, it's now time to propose other trades that might be better than our Benchmark Credit Spread. Candidates might be long calls or puts, directional butterfly spreads or directional calendar spreads. Ratio spreads might be interesting as well. Progressing along these lines will be the topic for the next part of this article series. ■

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**Q. Why do I not receive Bid and Asked prices on any of the optionable indexes?**

A. The Bid and Asked prices in OptionVue 6 are the prices published by an exchange that represent the best price someone is offering to buy (the bid price) or sell (the ask price) a security.

Unlike equities or futures contracts, an index does not actually trade. You cannot buy or sell an index. An index is simply a number which is designed to measure price changes of an overall market, such as the stock market or the bond market. Different indexes are measured in different ways but it is simply calculated using the prices and weightings of its various components. This number is seen in the Last field in OptionVue 6.

**Q. How are margins calculated on Futures and Futures Options?**

A. To calculate margins on futures, OptionVue 6 uses a simplified version of SPAN. Our version of SPAN, in which the program computes its own "risk arrays" receives the SPAN parameters from your automatic daily NetVue updates. Each evening we receive the files from the various exchanges and we update any that have been changed.

You can see the SPAN parameters for a given commodity by clicking the Model button in the Matrix, and then the Futures Margins button. On the right are the current parameters for cotton (Figure 1):



Figure 1.

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**Q. What is The Market Price parameter that can be displayed in the Matrix, and how is it calculated?**

A. The Market Price (MktPr) is derived by combining the Bid, Asked, and Last prices and was created to give you a single representative price to display for an option. That allows you to create a Matrix format that minimizes the width of the column used to display a particular option and see as many expiration months as possible at the same time.

The default Market Price formula is  $(10 \times \text{Bid} + 10 \times \text{Asked} + \text{Last}) / 21$ , although there are other formulas available. You can see them, and change which formula you wish to use throughout the program, by selecting View| Default Models from the main menu (Figure 2). The Option Market Price section is in the bottom-right corner of this window. Simply click on the radio button you'd prefer to represent Market Price in your Matrix. Note: If Bid and Asked prices are not available, then Market Price equals the Last price.

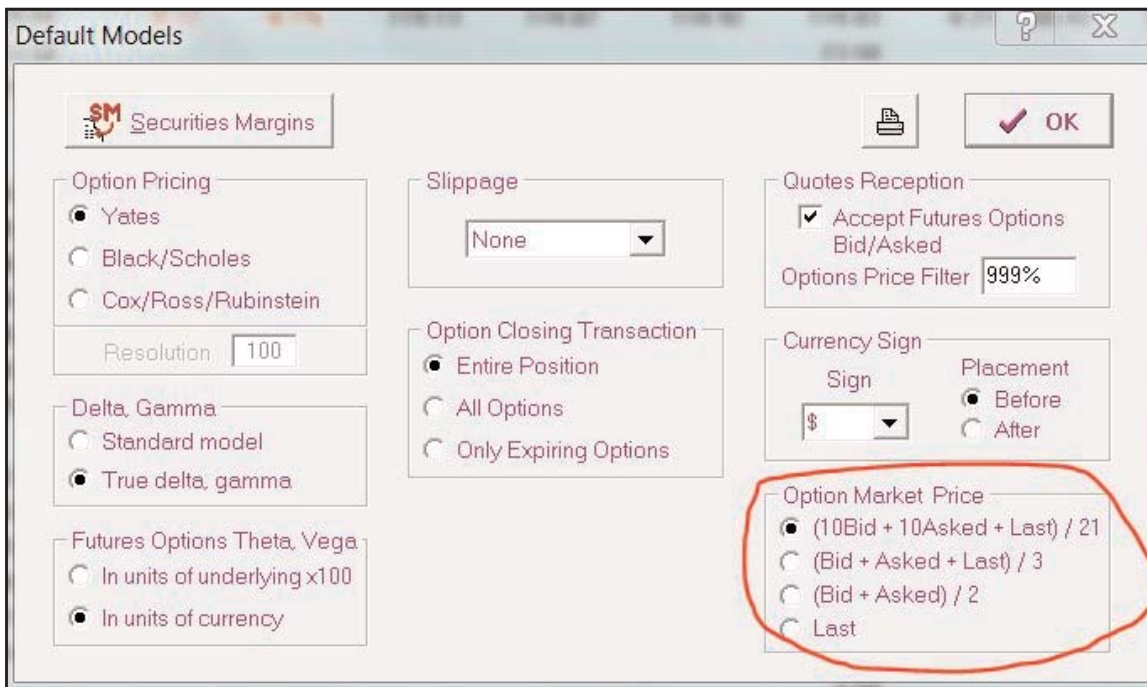


Figure 2.

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**Q. Is there a way to get a price for an option in the Matrix even if I have not received a Last, Bid, or Asked price yet?**

A. If you select the "Last" field of an option and press the letter "T" on your keyboard, the Last field will be filled in with the theoretical price for that option. This can be used whether you are simply not receiving a quote, or if you believe the price received from your quote service does not accurately reflect the current market in the option. To insert theoretical prices into ALL the Last fields in the Matrix, hold down the Ctrl key while simultaneously pressing the letter "T" on your keyboard (Ctrl-T). You can also choose to insert theoretical prices only into those Last fields in the Matrix that are blank by holding down the Ctrl key while simultaneously pressing the letter "W" on your keyboard (Ctrl-W).

**Q. The Legend is stuck and is displayed in every Matrix I open. Is there a way to turn it off?**

A. To turn on and off the legend, click on the Legend button in the main toolbar. Clicking on it now toggles the Legend feature on and off as a mode. A checkbox is available under File | Preferences in the main menu in the Misc tab (Figure 3). This setting determines whether the Legend is on or off by default when you first open a Matrix. Pressing the letter 'L' on your keyboard toggles the legend on and off the same as clicking the Legend button. The state of the Legend when you close a Matrix is copied into this checkbox to become the new default.

**Q. I have a position with a large unrealized gain that I want to make an adjusting trade on. Is there an easy way to analyze the position from this day forward, without including that unrealized gain?**

A. Yes, by using the special character Ctrl-M. When you are in a Matrix, holding down the Ctrl key while simultaneously pressing the letter 'M' on your keyboard will automatically copy the Market Price into the Original Price for all items in which there is an existing position. This allows you to see a Graphic Analysis that represents the performance of the position from this point forward, excluding any unrealized gains or losses up to this point.

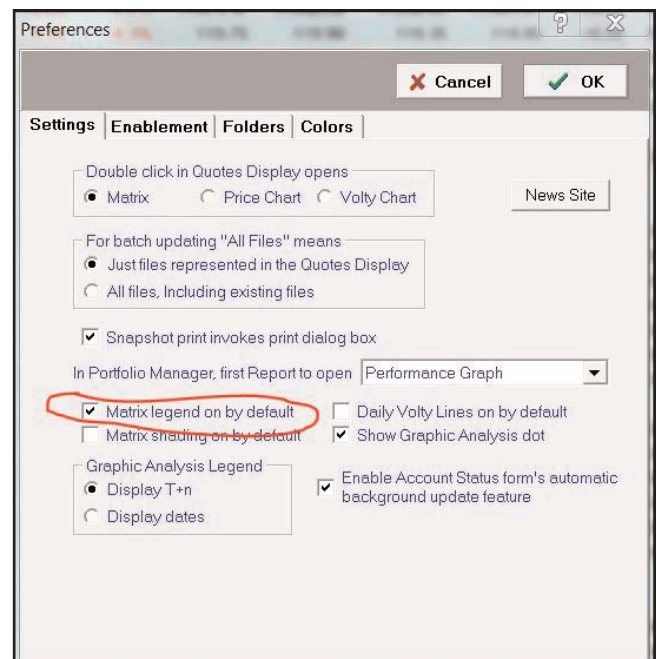


Figure 3.

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