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VERTICAL SPREAD TRADER

Leveraging The Power Of Options



Issue #728 April 12, 2024 - By Lee Lowell

Trade Results - Micron Technology (MU)

Hello Vertical Spread Traders,

Housekeeping note:

We have members who join (and sometimes leave) our service at various times during the year. We offer both monthly and annual plans.

Renewals of both plans happen automatically, as you are charged based on your monthly or annual date.

Please, please, PLEASE be aware of your recurring payment date, as there are no advance notices that are sent to remind you that a charge is forthcoming.

If you wish to leave our service and want to avoid unnecessary processing fee charges, please let us know ahead of your renewal date. This saves all of us hassles, headaches, and extra charges. If you notify us after the renewal date, fees will be incurred.

These instructions can also be seen on the newsletter sign-up page on our website.

Thank you!

It's Friday!

The market is selling off today, and will most likely end the week on a down note.

Both the S&P 500 and Nasdaq are holding above their 50-day moving average support levels, so that's a good sign that the longer-term up-trends remains intact.

Selling is part of the process, and can be healthy for the market. This allows things to cool off a bit and take some of the "froth" out. It also allows us to get into new (bullish) spread trades.

Now, certainly when the market drops, it can negatively impact bullish positions that we already have on.

This too is part of the process, and can't be avoided 100% of the time.

Outside factors such as global news events, unexpected bad announcements from companies, and the multitude of monthly government reports, can wreak havoc on the best laid plans.

This is why we choose VERY conservative trades both here and in our Smart Option Seller newsletter.

These conservative trades consist of using deep out-of-the-money strike prices. You all should know that by now (yes?).

It allows us to stay longer in the position without too much worry if things temporarily move against us. Whereas, if we took at-the-money trades, we'd have to be doing more adjusting and possibly more loss-taking. Who wants that? Not me.

Your desire to receive "larger" premiums from both selling naked puts and put spreads will eventually disappear when you realize it's much better to receive less premium in exchange for the larger downside cushion. Your emotional state and psyche will thank you for it.

Anyway, don't let this current pull-back get you tied up in a knot. Play within your comfort zone and know that spreads will ALWAYS have a limited-loss feature, so you won't be on the hook to lose all your money (unless you're playing it that way, which you shouldn't!).

Now, let's discuss yesterday's new spread trade on MU.

As we entered the trade, we caught the bottom (at that time) pretty good. Within about an hour, MU rallied almost \$3 per share, which was great. Until today...

Most of the spread prices filled at \$.25 & \$.26 yesterday, so we'll take the official mark at \$.25 per.

If you waited until today, then you've been able to do better as MU (along with the rest of the market) has given back all of yesterday's gains. MU has dropped about \$4 so far today.

Here's what we did (official):

Sold (sold-to-open) the MU June 21, 2024 \$95/\$90 put option

credit spread (\$5-wide) for an official credit sale price of \$.25 per spread as an opening transaction (sold-to-open).

Currently, this \$5-wide spread is now worth roughly \$.28 to \$.29 per, so if you didn't place your trade yet, you can get filled at better prices.

Do not sell for anything less than \$.25 per spread.

As for the unofficial trade...

If you opted for this trade, most of the fills occurred near \$2.40 per spread, so that's where we'll mark it in the portfolio.

Here's what we did (unofficial):

Sold (sold-to-open) the MU June 21, 2024 \$125/\$120 (\$5-wide) put option credit spreads for a credit sale price of \$2.40 per spread as an opening transaction (sold-to-open).

Currently, the spread is now worth roughly \$2.45 per, so if you didn't place your trade yet (if you wish to do so), you can get filled at better prices than yesterday. Up to you.

Remember, this trade is optional & unofficial, so I won't be tracking it or offering updated guidance.

As for the rest of our positions:

We're holding two different QQQ spread trades, one of which is profitable while the other is slightly in the red.

Our AMD spread is the one that will come down to the wire. It expires next Friday (April 19), and is currently in the red.

AMD stock is near \$163.75 and our short strike of the spread is at \$155.

Will AMD drop to \$155 by next Friday? Don't know yet, but if it can rally a bit next week, or even hold steady, we'll be able to get out of the trade for either a small win, small loss, or a scratch.

There's been some chatter that Iran might be planning a weekend attack on Israel, so that could potentially cause some downside activity on Monday if things do escalate.

Hopefully there will be nothing to report about on Monday, but if there is, we'll take appropriate action at that time.

Ok, that's all for now.

Continue to hold all other open positions as-is.

Contact us [here](#) with fills, comments, questions or concerns.

Best,
Lee

Current Portfolio

Continue to work all trades as instructed and continue to hold all other open positions as-is.

See the Current Portfolio below for current prices & instructions.

Note on the Current Portfolio - if you are a new subscriber and don't have a position yet on any of our trades, make sure you enter your order at the original recommended prices. If you are unsure or have any questions, please ask us!

Vertical Spread Trader Portfolio

<u>Position</u>	<u>Entry Date</u>	<u>Entry Sell Price</u>	<u>Current Price</u>	<u>Current Instructions</u>
QQQ Apr 19, '24 \$380/\$375 put sp	2/13/2024	\$0.29	N/A	Closed. BTC for \$.06 per spread See instructions from 3/20/24 alert
QQQ May 17, '24 \$385/\$380 put sp	3/6/2024	\$0.26	\$0.16	STO for \$.25 per spread or better See instructions from 3/6/24 alert
AMD Apr 19, '24 \$155/\$150 put sp	3/13/2024	\$0.30	\$0.67	STO for \$.25 per spread or better See instructions from 3/13/24 alert
QQQ May 17, '24 \$405/\$400 put sp	3/21/2024	\$0.30	\$0.43	STO for \$.25 per spread or better See instructions from 3/21/24 alert
NVDA May 17, '24 \$710/\$705 put sp	4/3/2024	\$0.27	\$0.24	STO for \$.25 per spread or better See instructions from 4/3/24 alert
MU Jun 21, '24 \$95/\$90 put sp	4/11/2024	\$0.25	\$0.29	STO for \$.25 per spread or better See instructions from 4/11/24 alert
<u>Unofficial Positions</u>				
AMD Apr 19, '24 \$170/\$165 put sp	2/1/2024	\$1.80	\$3.20	See instructions from 2/1/24 alert
QQQ Apr 19, '24 \$432/\$430 put sp	2/13/2024	\$0.90	\$0.45	See instructions from 2/13/24 alert
QQQ May 17, '24 \$440/\$435 put sp	3/6/2024	\$2.02	\$1.95	See instructions from 3/6/24 alert
AMD Apr 19, '24 \$195/\$190 put sp	3/13/2024	\$2.50	\$4.95	See instructions from 3/13/24 alert
QQQ May 17, '24 \$450/\$445 put sp	3/21/2024	\$2.22	\$2.80	See instructions from 3/21/24 alert
NVDA May 17, '24 \$905/\$900 put sp	4/3/2024	\$2.70	\$2.80	See instructions from 4/3/24 alert
MU Jun 21, '24 \$125/\$120 put sp	4/11/2024	\$2.40	\$2.45	
STO = Sell-To-Open/Sold-To-Open				
BTC = Buy-To-Close/Bought-To-Close				