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VERTICAL SPREAD TRADER

Leveraging The Power Of Options



Issue #716 March 1, 2024 - By Lee Lowell

Let's Close These Out

Hello Vertical Spread Traders,

It's Friday! And a new month - March 1.

Two of our positions are profitable at the moment, with one stock moving in the right direction and the other not so much.

So, I want to lock in the gains we have and enjoy the weekend with them off the books.

Nike, Inc (NKE)

I really don't like the way NKE stock has been moving of late. I've given it enough time to move the way we need it to, but it's just not cooperating.

NKE stock is currently near \$102 per share, and our spread has a short leg of \$95.

Can NKE fall to \$95 in the next two weeks when the spread expires? Probably not, but I don't feel like sweating it out anymore.

So we're going to close it out today for the gains that have been built up.

If you feel like holding until expiration in two weeks from now, you're more than welcome to. You'll probably be able to reap the full gains.

Officially, we're getting out today.

Here's what you can choose to do (official):

Note: you will only execute this buy-back trade if you already hold the credit spread position in your account. If you don't have the position, you can disregard these instructions.

Buy back (buy-to-close) all of your NKE March 15, 2024 \$95/\$90 (\$5-wide) put option credit spreads for a limit debit buy price of \$.15 per spread or cheaper, GTC, as a closing transaction (buy-to-close).

Currently, the spread is valued near \$.13 to \$.15 per spread, so we should be able to buy it for \$.15 or less.

If you don't get filled, just keep your order working "GTC".

Here are more detailed instructions, which will sound very much like the ones I give when we open the spread.

In the trade instructions above, I will always place the higher (more expensive) strike first, as it is the one we will be **buying** as part of the spread buy-back. The lower (less expensive) strike listed is the one we will be **selling** in the spread.

In this buy-back trade, you will be **buying** the \$95 put option and **selling** the \$90 put option all within a single transaction. This is the exact reverse of how we initially open the spread.

Do not pay more than \$.15 per spread.

It is in your best interests to execute the trade as a single spread transaction instead of executing two separate distinct buy & sell trades.

If you don't understand what that means, please read the Primer for more details. You can also ask your broker for help if you need it.

When executing the trade as a single spread transaction, it doesn't matter what each "leg" trades for. All that matters is that you buy it for no more than \$.15 per spread, or lower.

If for whatever reason you cannot, or don't want to enter the trade as a single spread transaction, you are more than welcome to execute two trades independently of each other. This will entail you having to set up your trading platform to buy the \$95 put option first, and then manually get your trading platform set up a second time to sell the \$90 put option. This is called "legging it".

It takes up precious time and is tedious to do it that way. You also open yourself up to "slippage", which means the stock can jump or fall in price on you unexpectedly while you fumble with your trading platform to get set up to make those individual transactions.

Trust me, please try to learn how to execute these trades as spreads. It will make

things a lot easier.

But if you do need to "leg it", you can try to buy the \$95 puts for around \$.25 per contract and then immediately sell the \$90 puts for \$.10 contract. That would make the spread no more than \$.15 maximum. The prices could be different than this by the time you place your order.

Do not pay more than \$.15 per spread, either outright or by legging it.

Advanced Micro Devices (AMD)

AMD has just been on fire.

The stock tagged all-time new highs today above \$200 per share. Nice!

And with that great move, our spread position has profited from it.

So we'll close it out today too.

Here's what you can choose to do (official):

Note: you will only execute this buy-back trade if you already hold the credit spread position in your account. If you don't have the position, you can disregard these instructions.

**Buy back (buy-to-close) all of your AMD
April 19, 2024 \$125/\$120 (\$5-wide) put option credit spreads
for a limit debit buy price of \$.06 per spread or cheaper, GTC,
as a closing transaction (buy-to-close).**

Currently, the spread is valued near \$.06, so let' see if we can get filled today.

If you don't get filled, just keep your order working "GTC".

If you need guidance on placing the trade, use the instructions from the NKE trade above.

Do not pay more than \$.06 per spread, either outright or by legging it.

On another note, I'm still keeping an eye on our NFLX spread that we haven't been filled on yet.

The stock keeps moving higher, putting the spread further out of reach. Grrrrr!!!!

I'll probably tweak the strikes on Monday if I feel NFLX might keep going higher.

For now, keep the original order working (see below).

Here's what you can chose to do (official):

Sell (sell-to-open) the NFLX April 19, 2024 \$465/\$460 put option credit spread (\$5-wide) for a limit credit sell price of \$.25 per spread or higher, GTC, as an opening transaction (sell-to-open).

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

If you need more details, you can check the alert from last Friday February 23, 2024.

Ok, that's all for now. Get those NKE & AMD buy-back orders in there and let us know how you do.

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>
NVDA Feb 16, '24 \$360/\$355 put sp	11/22/2023	\$0.27	N/A	Closed. BTC for \$.05 per spread See instructions from 1/7/24 alert
META Feb 16, '24 \$255/\$250 put sp	12/8/2023	\$0.26	N/A	Closed. BTC for \$.04 per spread See instructions from 1/12/24 alert
ADBE Feb 16, '24 \$485/\$480 put sp	12/14/2023	\$0.28	N/A	Closed. BTC for \$.05 per spread See instructions from 1/22/24 alert
NKE Mar 15, '24 \$95/\$90 put sp	12/22/2023	\$0.34	\$0.15	BTC for \$.15 per spread or better See instructions from 3/1/24 alert
QQQ Mar 15, '24 \$365/\$360 put sp	1/18/2024	\$0.25	N/A	Closed. BTC for \$.05 per spread See instructions from 2/7/24 alert
AMD Apr 19, '24 \$125/\$120 put sp	2/1/2024	\$0.28	\$0.06	BTC for \$.06 per spread or better See instructions from 3/1/24 alert
QQQ Apr 19, '24 \$380/\$375 put sp	2/13/2024	\$0.29	\$0.10	STO for \$.25 per spread or better See instructions from 2/13/24 alert
<u>Unofficial Positions</u>				
QQQ Mar 15, '24 \$410/\$408 put sp	1/18/2024	\$0.71	\$0.03	See instructions from 1/18/24 alert
AMD Apr 19, '24 \$170/\$165 put sp	2/1/2024	\$2.50	\$0.76	See instructions from 2/1/24 alert
STO = Sell-To-Open/Sold-To-Open				
BTC = Buy-To-Close/Bought-To-Close				