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VERTICAL SPREAD TRADER

Leveraging The Power Of Options



Issue #729 April 16, 2024 - By Lee Lowell

Time To Close This Position Out

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!

We've had some good downside action of late, which I think is very healthy for the market. We need pull-backs from time to time to keep everyone in check.

Yes, it works when trying to find new trades, but it can also cause some anxiety for positions we already hold, especially if the stock is getting close to the short strike.

Anyone feeling that?

No worries!

Remember, we trade limited-risk positions here, so you can't lose an unlimited amount.

Regardless, we don't want to even come close to taking the maximum loss, and that's why we have rules in place to help us along.

Advanced Micro Devices (AMD)

I love AMD as a company, but it has undergone a very nasty sell-off over the last few weeks.

It topped out near \$227 on March 8, only to slide all the way back to \$160 of late.

It's been all selling during that time.

We initiated a new spread trade when the stock was near \$194, but as we know, it has kept falling.

The expiration date for this spread position is this Friday April 19, and I mentioned last week that it was going to be a nail-biter!

Would AMD drop to our short strike of \$155?

Well, it doesn't matter so much because we're going to close out the trade today for a small loss.

The market could continue to drop this week, so I'd like to get this trade done while AMD is having a small upswing back towards \$163.

If you think AMD will rally this week and wish to hold onto the spread for longer, you are more than welcome to do so. Officially, we'll be 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 AMD April 19, 2024 \$155/\$150 (\$5-wide) put option credit spreads for a limit debit buy price of \$.60 per spread or cheaper, GTC, as a closing transaction (buy-to-close).

Currently, the spread has a market of \$.50 bid/\$.55 offer (moving fast), so let's see if we can get it done for something less than our limit price of \$.60 per.

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

Prices are moving fast, so keep on top of your order.

Since we initially sold the spread for \$.30 per, we will be taking a loss of roughly \$.30 per spread or cheaper (depending on your fill prices).

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 \$155 put option and **selling** the \$150 put option all within a single transaction. This is the exact reverse of how we initially open the spread.

Do not pay more than \$.60 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 \$.60 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 \$155 put option first, and then manually get your trading platform set up a second time to sell the \$150 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 \$155 puts for around \$.90 per contract and then immediately sell the \$150 puts for \$.35 contract. That would make the spread no more than \$.60 maximum. The prices could be different than this by the time you place your order.

Do not pay more than \$.60 per spread, either outright or by legging it.

Ok, that's all for now. Get those 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!

<u>Vertical Spread Trader Portfolio</u>				
<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	\$0.23	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	\$0.60	BTC for \$.60 per spread or cheaper See instructions from 4/16/24 alert
QQQ May 17, '24 \$405/\$400 put sp	3/21/2024	\$0.30	\$0.62	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	\$0.30	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	\$0.40	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	\$3.45	See instructions from 2/1/24 alert
QQQ Apr 19, '24 \$432/\$430 put sp	2/13/2024	\$0.90	\$0.92	See instructions from 2/13/24 alert
QQQ May 17, '24 \$440/\$435 put sp	3/6/2024	\$2.02	\$2.65	See instructions from 3/6/24 alert
AMD Apr 19, '24 \$195/\$190 put sp	3/13/2024	\$2.50	\$4.75	See instructions from 3/13/24 alert
QQQ May 17, '24 \$450/\$445 put sp	3/21/2024	\$2.22	\$3.60	See instructions from 3/21/24 alert
NVDA May 17, '24 \$905/\$900 put sp	4/3/2024	\$2.70	\$3.00	See instructions from 4/3/24 alert
MU Jun 21, '24 \$125/\$120 put sp	4/11/2024	\$2.40	\$2.85	See instructions from 4/11/24 alert
STO = Sell-To-Open/Sold-To-Open				
BTC = Buy-To-Close/Bought-To-Close				

