

Strategy: Credit Verticals

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What is It?

- Selling and buying two options vertically on the chain.
- The result is receiving money (i.e credit)

JUL 29 '22 ^W		AUG 01 '22 ^W		AUG 03 '22 ^W				TABBED VIEW		PUT/CALL		All STRIKES		SMART		QQQ		100				
0 DAYS		3 DAYS		5 DAYS																		
CALLS										PUTS												
OPTN	...	VOLU...	BD	SZ	BID	ASK	ASK	SZ	IV	CLOSE	STRIKE	OPTN	...	VOLU...	BD	SZ	BID	ASK	ASK	SZ	IV	CLOSE
1.93K		446	15		7.80	7.91		1,423	24.196%		307	1.93K		5.16K	1,797		0.27	0.29		9,407	24.211%	
3.12K		1.79K	1,172		6.89	6.98		624	23.641%		308	5.08K		7.48K	805		0.36	0.38		7,573	24.011%	
1.14K		2.00K	15		6.02	6.09		177	23.512%		309	929		3.77K	83		0.48	0.49		734	23.491%	
9.92K		13.4K	15		5.18	5.24		156	23.156%		310	1.24K		14.4K	418		0.63	0.65		1,034	23.204%	
1.53K		4.77K	1,049		4.38	4.44		183	22.617%		311	412		7.45K	12		0.84	0.85		800	23.026%	
2.41K		9.93K	17		3.65	3.70		722	22.540%		312	229		18.4K	824		1.09	1.11		560	22.738%	
1.41K		14.2K	21		2.98	3.02		447	22.315%		313	210		12.0K	457		1.41	1.43		533	22.679%	
2.27K		13.4K	1,159		2.37	2.41		424	21.848%		314	177		7.64K	414		1.80	1.83		1,048	22.563%	
8.55K		30.4K	9		1.86	1.87		39	21.714%		315	163		2.94K	303		2.27	2.30		508	19.643%	
1.04K		9.62K	143		1.40	1.42		352	21.623%		316	52		336	6		2.81	2.85		66	21.586%	
1.03K		3.47K	136		1.03	1.04		87	21.480%		317	168		237	47		3.44	3.49		1,486	21.726%	
690		2.20K	817		0.73	0.75		1,706	21.008%		318	15		181	540		4.13	4.20		1,450	23.107%	
797		829	1,412		0.50	0.52		1,164	21.189%		319	122		136	313		4.90	4.97		15	21.294%	
1.33K		2.80K	1,600		0.33	0.35		1,854	21.243%		320	70		445	244		5.73	5.81		1,163	35.765%	
730		1.34K	33		0.22	0.23		3,590	21.337%		321	2		96	185		6.61	6.69		15		
810		542	7,142		0.13	0.15		5,385	21.229%		322	9		71	144		7.53	7.61		15	24.638%	
190		1.05K	6,035		0.08	0.09		1,232	21.197%		323	1		1	464		8.44	8.65		1		
116		296	4,817		0.05	0.06		1,425	21.523%		324	2		36	1,256		9.41	9.59		1,918	25.508%	
6.53K		119	4,622		0.03	0.04		1,711	21.880%		325			1	296		10.39	10.61		1		



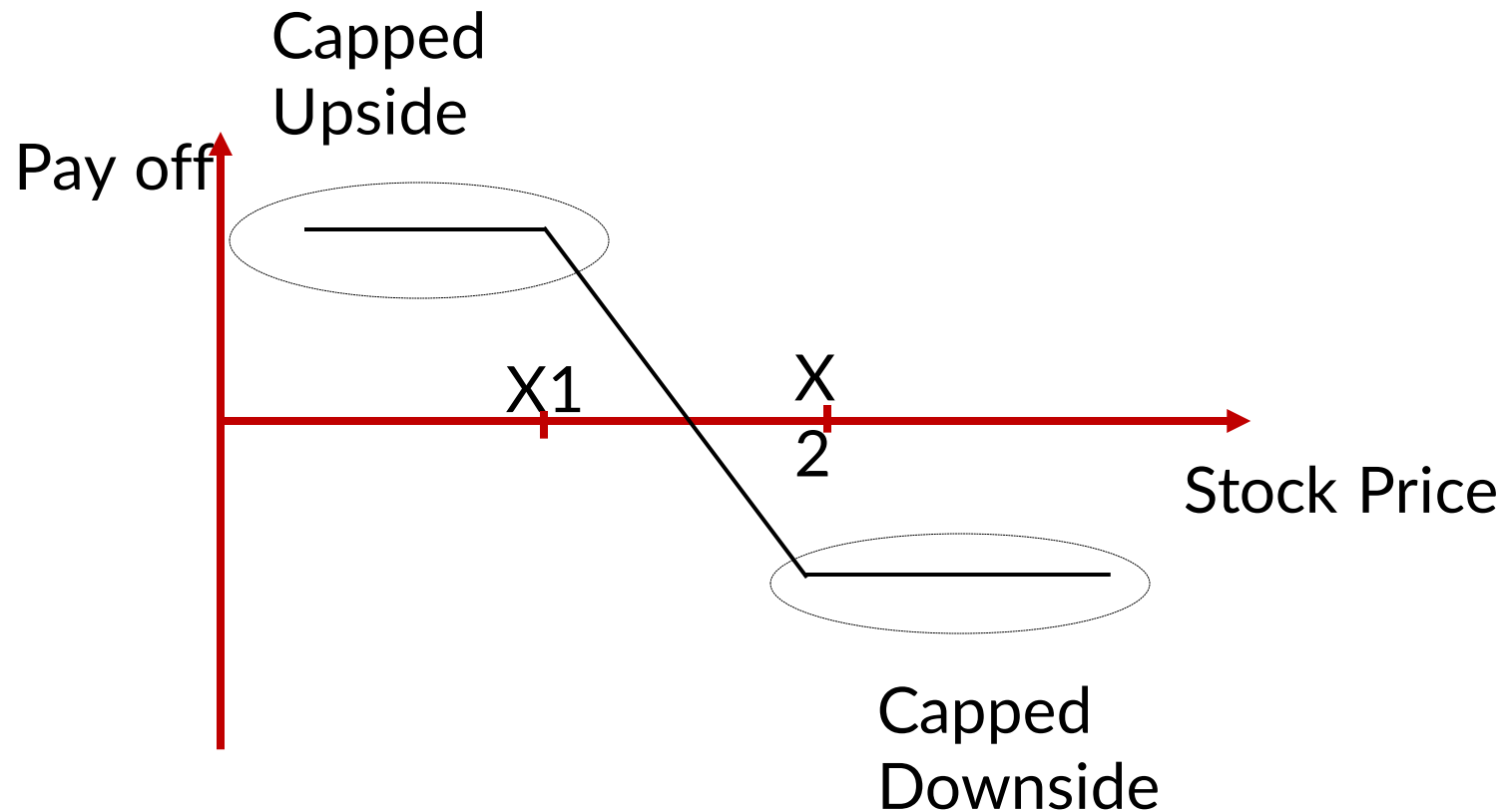
Characteristic

Credit

- You are going **short** volatility
- You are betting on a slow move
- Ideal for when volatility is high, but it will come down
- Capped profit
- Defined losses
- High probability, bad risk to reward

Bear Call Credit Spread

- This a bearish bet: hypothesis is that the stock is **going to go down, or consolidates** in the near future
- The way you set this up: Sell 1 call, and simultaneously buy another the **same expiry** but higher strike



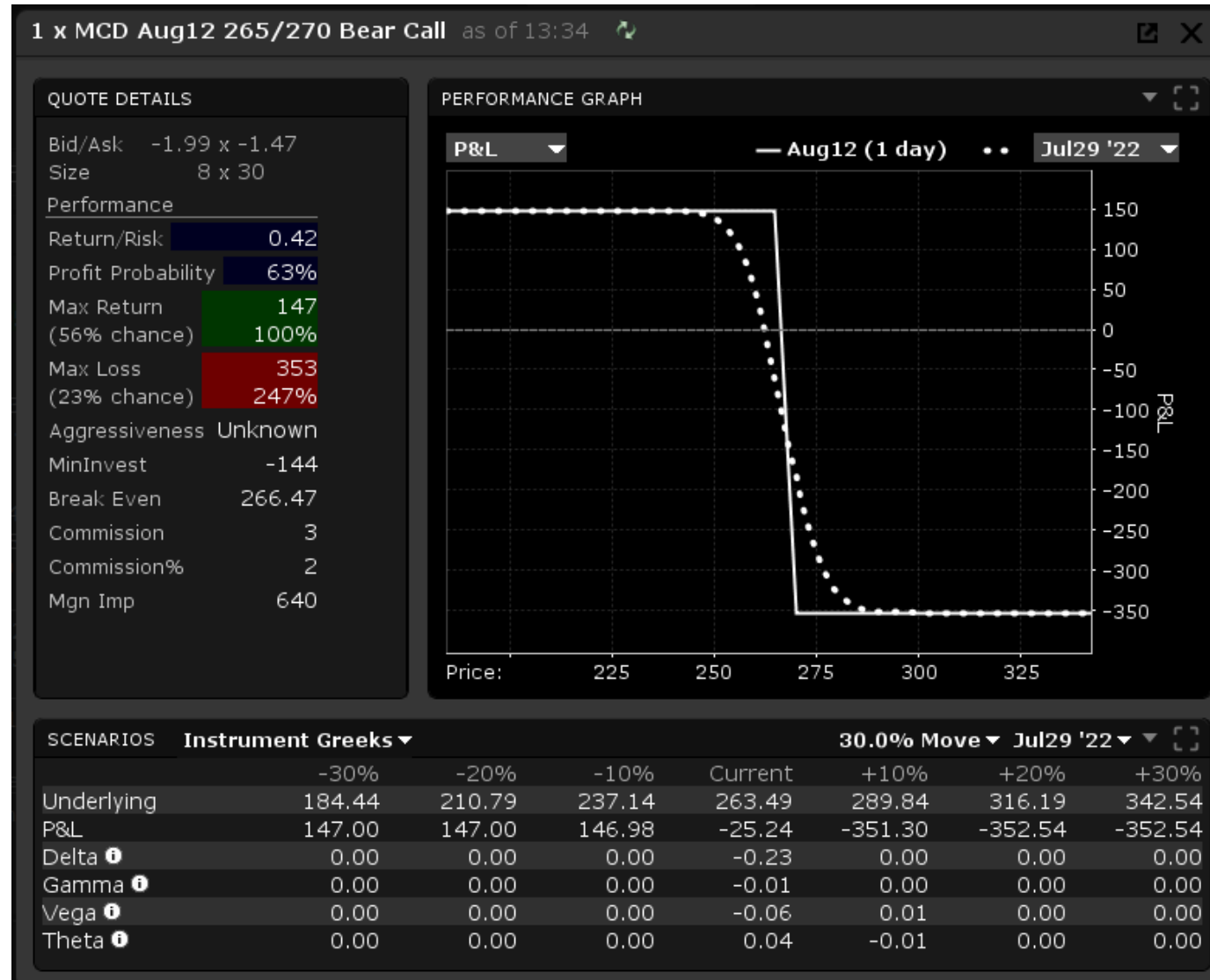
What Is It? Credit Call Spread

- A credit call spread is an options trading strategy that involves selling a call option at a lower strike price and buying a call option at a higher strike price. The premium received from selling the lower strike call option is greater than the premium paid for buying the higher strike call option, resulting in a net credit for the trader.
- The objective of a credit call spread is to profit from a neutral to bearish market outlook. If the price of the underlying asset remains below the lower strike price at expiration, both call options expire worthless, and the trader keeps the net premium received. If the price of the underlying asset rises above the lower strike price, the short call option will be exercised, and the trader will be obligated to sell the underlying asset at the lower strike price. However, the long call option will also be exercised, allowing the trader to buy the underlying asset at the higher strike price, limiting the potential loss.

Credit Call Spread



Credit Call Spread



Where to Use It

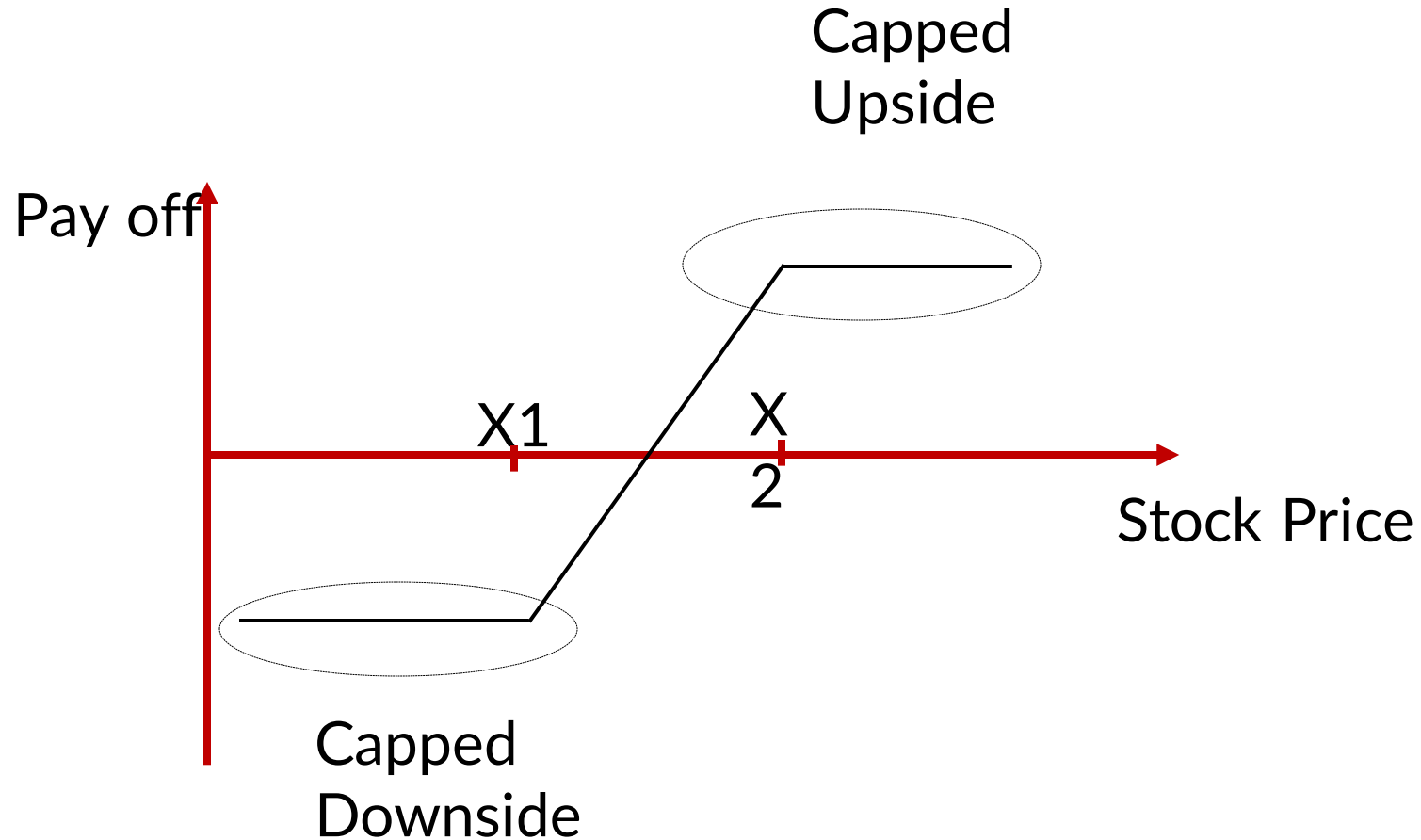
- Ideal for declining volatility condition
- When the stock has hit resistance, or will not move higher
- You are short volatility.

Risk Profile

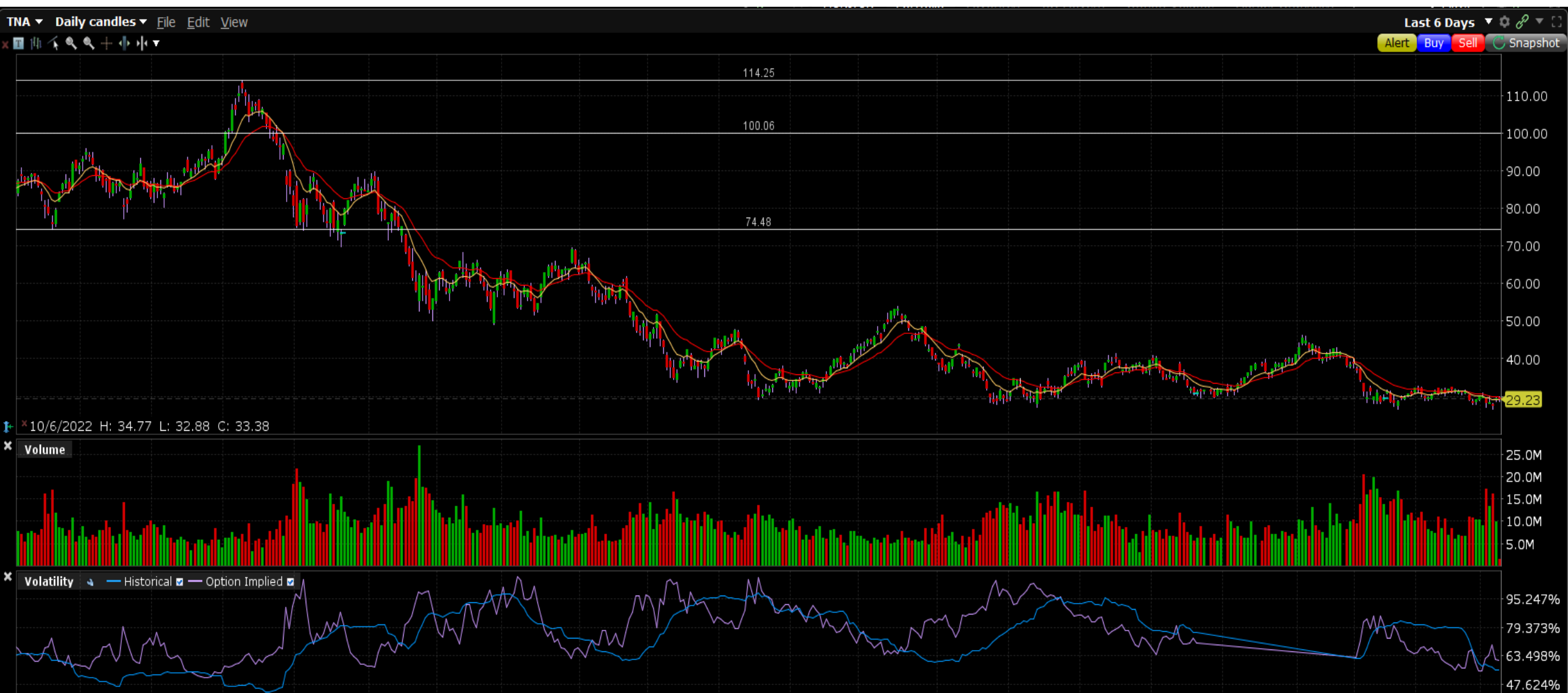
Max Loss	$(\text{Call Spread Width} - \text{premium earned}) * 100$
Max Upside	$\text{Premium Earned} * 100$
Breakeven	$\text{Lower strike} + \text{net premium spent}$

Credit Put Spread

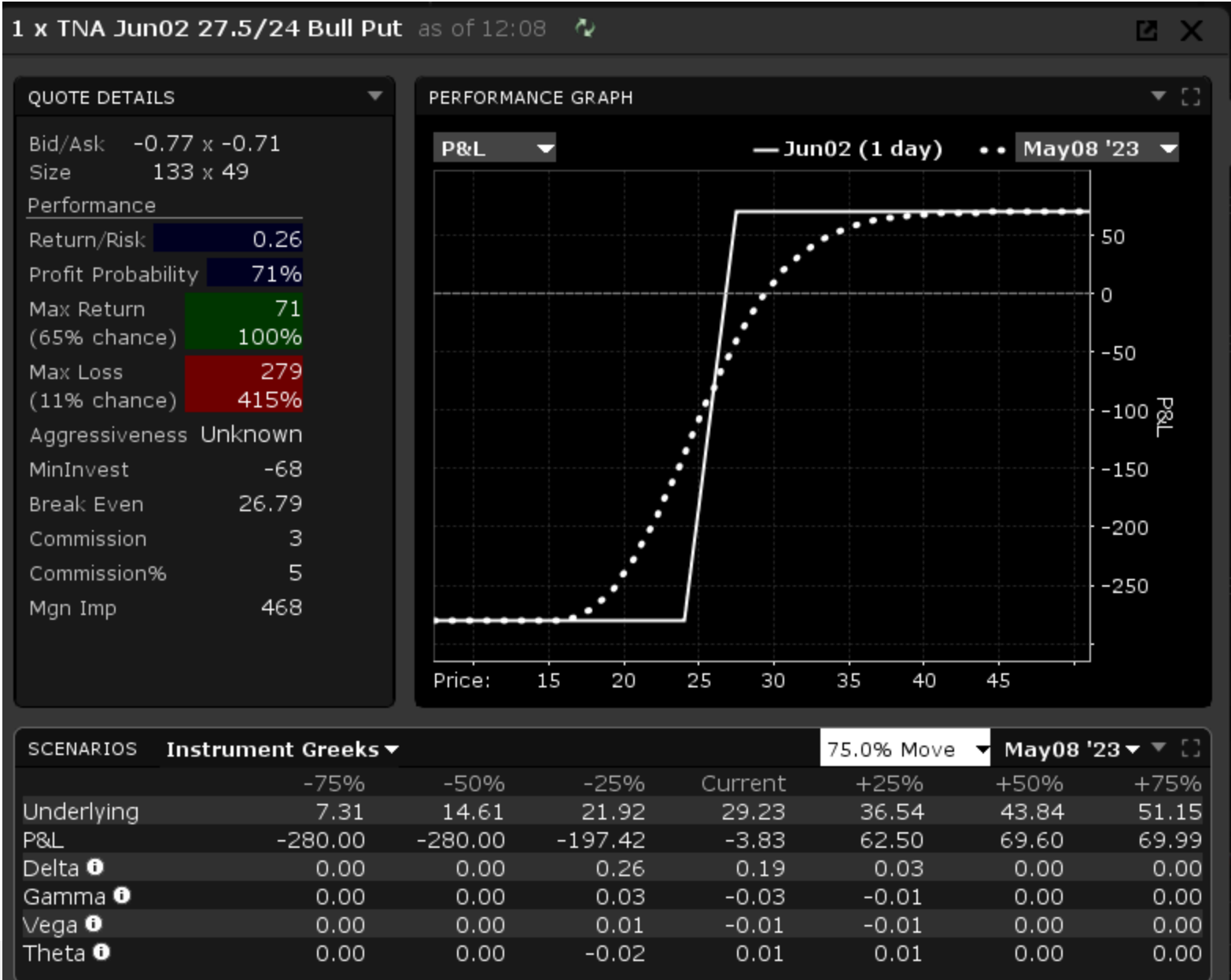
- This a **neutral/bullish** bet: hypothesis is that the stock is **going to go up, or consolidates** in the near future
- The way you set this up: Sell 1 put, and simultaneously buy another the **same expiry** but lower strike



Example



Credit Put Spread



- Long delta
- Short Vega
- Short Gamma
- Short Theta