

# Option Trading for Rookies

## “Short” Strangle Trading Checklist

“Short” or “Naked” **Put** (Strike Price < Stock Price)

“Short” or “Naked” **Call** (Strike Price > Stock Price)

**Rule #1:** Trade as Close to 45 Days as possible

**Rule #2:** Prefer Volatility Rank > 50

**Rule #3:** Inverse Delta  $\approx$  POP

**Rule #4:** Higher POP = Lower Income (& vice-versa)

**Rule #5:** Cost Basis (Assignment) – Can you afford?

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## “Short” Strangle Management Checklist

**Rule #1:** Manage all Strangles at 50% Profit Target

**Rule #2:** Optimal Deltas for Strangle Trades are 1 SD:

- i) Sell the .16 delta Put
- ii) Sell the .16 delta Call

**Rule #3:** If Trade never gets to 50% Profit Target:

- i) Close trade 3 weeks before expiration