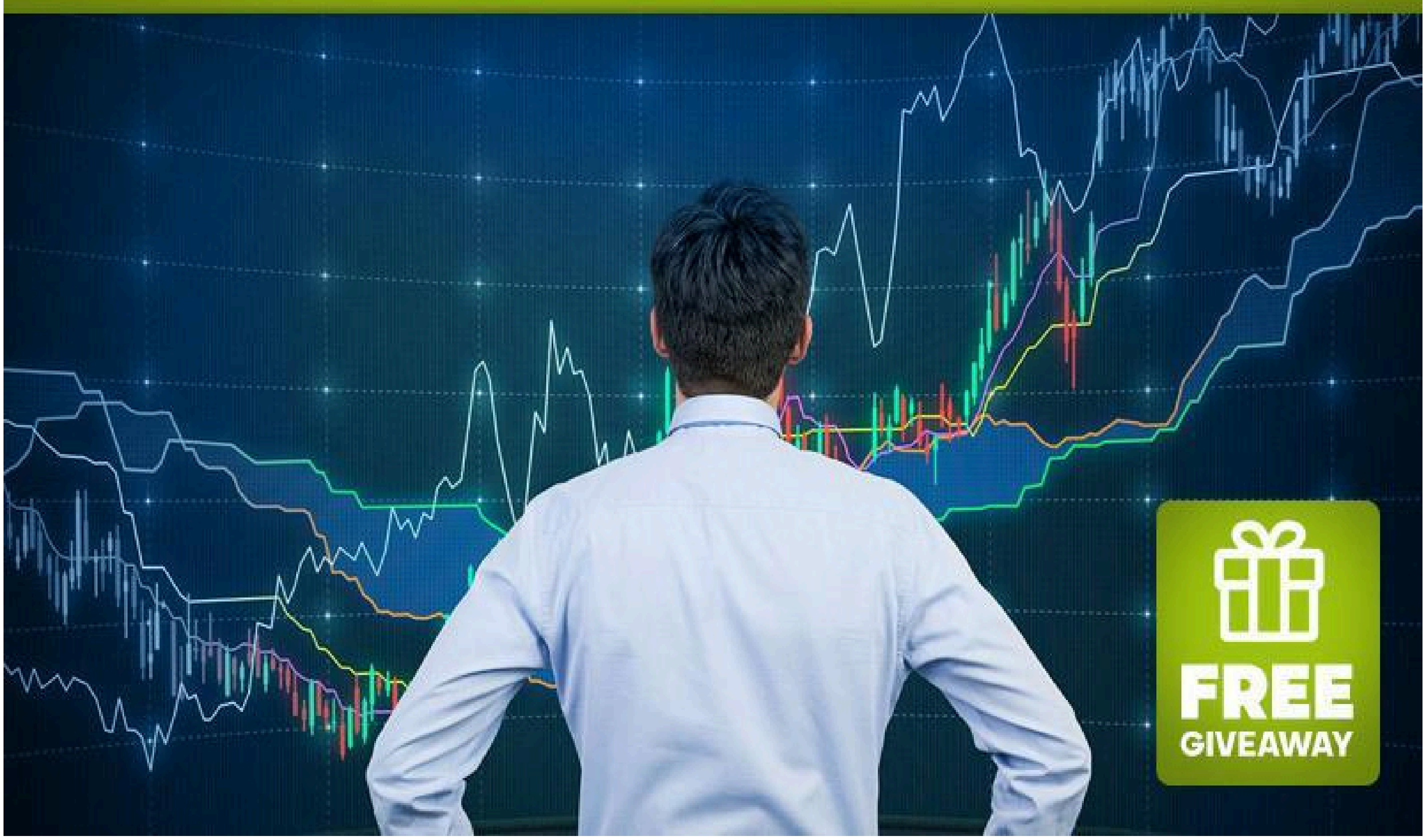
NETPICKS
Trading Strategies Since 1996

VOLATILE MARKET *Secrets*

TOP OPTIONS TRADES TO TAKE TODAY



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In addition, it’s important to understand and accept that there can be data outages and server failures. The brokers system might not be functional, the auto trading servers might have technical difficulties and there may be times where communication between accounts, the broker and the auto-trade program are not functioning properly. This can lead to greater risk. Markets also do not always guarantee exact fills. Periods of fast markets can cause greater degrees of slippage and less than ideal fills. There can be no guarantee that your account will always be able to enter and exit the programs ideal entry or exit point.

They carry a high degree of risk.

Options

There are many different types of options with different characteristics subject to the following conditions. Buying options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, investors can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if investors buy a call option on a futures contract and investors later exercise the option, they will acquire the future. This will expose investors to the risks described under ‘futures’ and ‘contingent liability investment transactions’.

Writing options: If investors write an option, the risk involved is considerably greater than buying options. Investors may be liable for margin to maintain their position and a loss may be sustained well in excess of the premium received. By writing an option, investors accept a legal obligation to purchase or sell the underlying asset if the option is exercised against them however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as ‘covered call options’) the risk is reduced. If you do not own the underlying asset (‘uncovered call options’) the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

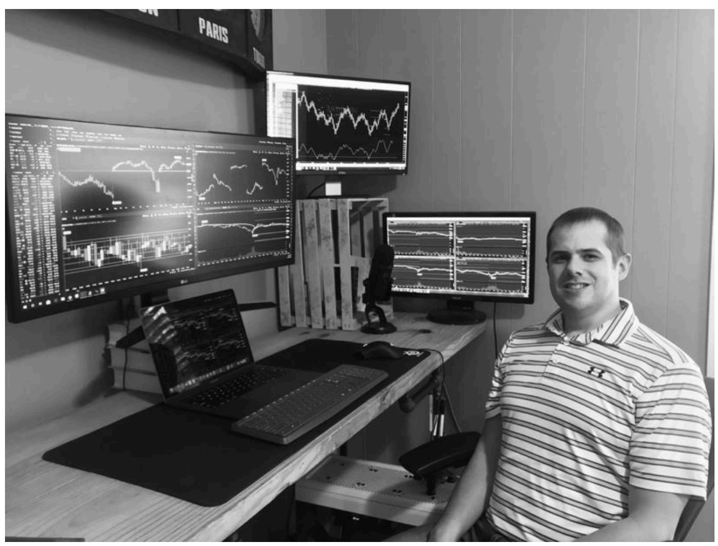
Traditional options: Certain member firms under special exchange rules write a particular type of option called a ‘traditional option’. These may involve greater risk than other options.

Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to affect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk. Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

Hello Traders,

My name is Mike Rykse and I am the Options Specialist at NetPicks. I have been an active trader in the markets since 2002 and have traded just about every market available (stock, options, futures, forex, bonds). Without a doubt, my favorite area of the market is trading options and that is where I have seen the most success in my own trading.

I have personally developed numerous options trading systems and educational courses which are designed to provide retail traders the tools that they need to be successful in the options markets. These programs have been used by thousands of traders in over 100 countries over the last 13 years.



In working with thousands of traders over the years, I have learned some tricks of the trade that I want to share with you that can make a big difference in your trading results over time. Trading can be difficult but having a specific tool set in place can help you become a successful trader right away.

Like any successful business, the traders that see the most success are the ones that stay disciplined to a plan. Whether you are trading full time or part time you need to treat this as a business. This means having a plan in place that will guide you every day. A big part of that plan is knowing the markets that you trade like the back of your hand.

In this eBook I will outline the secrets to trading options in a volatile market. Traders have spent the last 2 years watching markets grind up to all-time highs without any fear of a selloff. The bulls have had the benefit of a very market friendly Federal Reserve as stimulus programs designed to prop up the economy also pushed stocks into bubble territory.

However, we have started to see a sleeping giant wake up with volatility coming to life. Much of this is due to the Fed pulling back from the massive stimulus to fight inflation from getting out of control. As a result, we have seen a return of two-way price action in stocks.

While financial media pushes negative headlines to scare you away from volatile markets, for active traders the volatility can be a great ally. It makes for much better trading conditions if you control your risk and use a diversified mix of options strategies.

The number one reason I love trade options is the flexibility that they offer. We aren't limited to buying and selling calls and puts. We can use different options strategies that will allow us to adjust to any kind of market condition. We can use different strategies to adjust whether we want to be bullish, bearish, or market neutral. You can't say this about any other market.

In this eBook, we are going to walk you through 4 steps that can follow to find the best options trades for active markets. We will walk you through how to find the best markets to trade, how to identify trade opportunities on the charts, and which options strategies are best for different market conditions.

Let's dive in to look at the 4 steps to follow for finding the best options trades in volatile market conditions.

If you have any questions that I can help with as you work through this training, please feel free to contact me directly. You will find my direct contact info below. We look forward to hearing from you.

Happy Trading!

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4 Steps for Identifying Options Trades:

1. Have a small universe of stocks/ETF's that you look at on a regular basis.

Instead of looking at hundreds of stocks and ETF's on a daily or weekly basis, I would rather focus on a small list of markets that I get to know over time. This way I can easily determine whether I am bullish, bearish, or neutral without spending a ton of time each day staring at the charts.

My watch list can change once a month. Currently my list is a mix of 50 stocks and ETF’s. These 50 markets come from my universe of 175 stocks and ETF’s that I track monthly. In other words, when I create my watch list of 50 markets for the month, those names came from my universe of 175 products that I have tracked and researched for an extended stretch of time.

With thousands of possible stocks and ETF’s available to trade, I’m often asked how I decide which ones to track. It’s really a simple process based on a few criteria. The watch list that I trade from every day is based on the criteria that I outline below.

1. **Liquid Options** – I want to trade the products with the most actively traded options. This way I can get in and out quickly at good prices. Ideally, I want to see open interest in the options of 50x the number of contracts that I am looking to trade.

2. **Volatility** – I’m looking for products that show a history of good movement back and forth. Ideally, I’m looking for quick moves so I can get in and out as soon as possible. A stock or ETF that only makes a few decent moves each year is not going to make the cut into my watch list.

3. **Diversification** – It would be easy for me to load up my entire list with tech stocks and call it a day. The tech sector tends to lead the market and has an endless number of quality stocks to trade. However, I would rather establish a broad list of names covering several different sectors (tech, energy, financial, index are the big ones for me). This includes a mix of individual stocks and ETF’s.

With the above criteria in mind, I have created the following watch list of products that give you a diversified universe of products to trade. I have split them up into 2 lists. One for the individual stocks that we trade and one for the ETF’s that we trade.

NetPicks Options Watch List 2022 - Individual Stocks

Symbol	Stock	Symbol	Stock	Symbol	Stock	Symbol	Stock	Symbol	Stock
AAL	American Airlines	CMG	ChipotleCo	LULU	Lululemon	PYPL	Paypal	X	US Steel
AAPL	Apple	CMCSA	Comcast	LUV	Southwest Airlines	QCOM	Qualcomm	XLNX	Xilinx
ADBE	Adobe	COST	Costco	LVS	Las Vegas Sands	QQQ	Invesco QQQ Trust	XOM	Exon Mobile
ADSK	Autodesk	CRWD	Crowdstrike	LYFT	Lyft	ROKU	Roku	YETI	Yeti
AMAT	Applied Materials	CTXS	Citrix	MA	Mastercard	SBUX	Starbucks	ZM	Zoom
AMD	Advanced Micro Devices	CVX	Chevron	MAR	Marriot	SHOP	Shopify	DOCU	Docusign
AMGN	Amgen	DE	John Deere	MDLZ	Mondelez	SNAP	Snapchat	SFIX	Stitch Fix
AMZN	Amazon	DIS	Disney	MGM	MGM	SPOT	Spotify		
ASHR	Xtrkr Harvest CSI 300	DKNG	Draftkings	MNST	Monster	SQ	Square		
ATVI	Activision Blizzard	DLTR	Dollar Tree	MRVL	Marvel	T	AT&T		
BA	Boeing	EA	Electronic Arts	MSFT	Microsoft	TGT	Target		
BABA	Alibaba	EBAY	Ebay	MU	Micron	TQQQ	ProShs UltraPro QQQ		
BAC	Bank Of America	ETSY	Etsy	NCLH	Norwegian Cruise	TSLA	Tesla		
BIDU	BIDU	EXPE	Expedia	NFLX	Netflix	TSN	Tyson Foods		
BIIB	Biogen	FB	Facebook	NKE	Nike	TWTR	Twiter		
BKNG	Booking.com	FSLR	First Solar	NKLA	Nikola	UAL	United Airlines		
BYND	Beyond Meat	GOOGL	Google	NTAP	Netapp	UBER	Uber		
C	Citigroup	GS	Goldman Sachs	NVDA	Nvidia	ULTA	Ulta		
CAT	Caterpillar	HAL	Halliburton	ORCL	Oracle	V	Visa		
CCL	Carnival	HD	Home Depot	OXY	Occidental Patroleum	VRSN	Verisign		
CSCO	Cisco	INTC	Intel	PEP	Pepsico	WDAY	Workday		
CELG	Celgene	JD	JD.com	PFE	Pfizer	WMT	Walmart		
CHWY	Chewy	JPM	JP Morgan	PINS	Pinterest	WORK	Slack		
		LLY	Eli Lilly	PTON	Peleton	WYNN	Wynn Resorts		

NetPicks Options Watch List 2022 - ETF's

Symbol	Stock	Symbol	Stock
ASHR	Xtrkr Harvest CSI 300	SMH	VanEck Vctrs Semiconductor ETF
DIA	SPDR DJ Industrial Avg ETf	SPY	SPDR S&P 500 ETF
EEM	iShs MSCI Emerging Markets ETF	SQQQ	ProShs Ultra Pro Short QQQ
EFA	iShs MSCI EAFE ETF	TBT	UltraShort Lhman 20+ Yr Treasury
EWH	iShs MSCI Hong Kong ETF	TLT	iShs 20+ Yr Treasury BD ETF
EWW	iShs MSCI Mexico ETF	TNA	DX SmCap Bull 3x Shs
EWZ	iShs MSCI Brazil ETF	TQQQ	ProShs UltraPro QQQ
FAS	Financial Bull 3x	UNG	United States Natural Gas Fund
FAZ	Financial Bear 3x	UPRO	ProShs UltraPro S&P 500
FEZ	SPDR Idx DJ Euro STOXX 50	USO	United States Oil Fund
FXE	Invesc CurrShs Euro Trust	UUP	Invesco DB US Dollar Bull
FXI	iShs China Large Cap ETF	UVXY	ProShs Ultra VIX Short-Term
GDX	VanEck Vctrs Gold Miners ETF	VXX	ipath Ser B S&P 500 VIX
GDXJ	VanEck Vctrs Jr Gold Miners ETF	XBI	SPDR S&P Biotech
GLD	SPDR Gold Trust	XLB	S&P Sel Materials
HYG	iShs iBoxx $ Hgh Yd Cor Bd ETF	XLE	S&P Sel Energy
IBB	iShs Nasdaq Biotech ETF	XLF	S&P Sel Financial
IWM	iShs Russell 2000 ETF	XLK	S&P Tech SPDR
IYR	iShs US Real Estate ETF	XLP	S&P Sel Consumer Staples
KRE	SPDR S&P Regional Bank	XLU	S&P Sel Utilities
LQD	iShs iBoxx $ Inv Gd Cor Bond ETF	XLV	S&P Sel Health Care
MDY	S&P Midcap Dep Receipts	XLY	S&P Sel Consumer Discretionary
NUGT	Direxion Dly Gold Miners 3x BL	XME	SPDR S&P Metals & Mining
QID	UltraShort QQQ ProShs	XOP	SPDR S&P Oil & Gas Exploration
QQQ	Invesco QQQ Trust	XRT	SPDR S&P Retail
SDS	UltraShort S&P 500	JETS	Airline ETF
SLV	IShs Silver Trust		

2. Look at the charts for each product on your watch list to get a feel for any key levels, directional outlook, or overbought/oversold extremes.

There are many different indicators and systems that can be used to help you determine whether to be bullish, bearish, or neutral on a stock. We like to use our Pulse indicator to help us identify near term overbought and oversold conditions.

The Pulse indicator is a simple approach that uses Standard Deviation Channels to identify extremes. The Pulse indicator will plot Yellow when price is between the 1-2 standard deviation channels on the 130-minute chart. It will plot green when price is between the 2-3 standard deviation channels and blue when price is past the 3rd standard deviation channel.

We like to look at the last five Pulse bars to identify the extremes. We need at least 3 out of the last 5 bars plotting yellow or at least 1 green or 1 blue bar. When we have this criterion met, we are looking for either a period of consolidation or even better a reversal in the other direction.

Once we have these conditions met, we move on to steps 3 and 4 to determine which options strategy to use to benefit from the chart pattern outlined above.

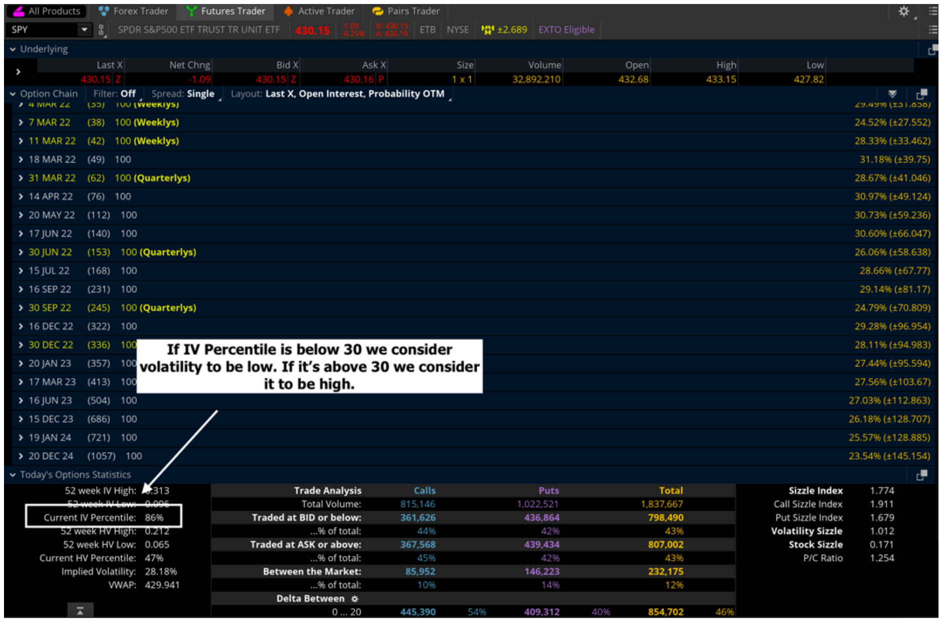
It doesn’t matter which indicators you are using to find your trades. The key is to make sure you have a system in place that you know puts the odds in your favor over time. It doesn’t need to win on every trade, but it does need to produce consistent returns across a wide range of markets.

Looking at the charts will help us determine how aggressive we want to be. If we are strongly bullish or bearish then we can reflect that in both position size and the options strategy that we will use. If we are neutral, then we can also adjust position size and go to options strategies that work well in sideways moves.

3. Look at the levels of volatility to determine if it’s high or low.

We track the Implied Volatility (IV) levels for each stock/ETF on our watch list. This helps us know if those levels are high or low at the given time.

A quick tool that you can use inside of the Thinkorswim platform is to look at the IV Percentile number. This can be found at the bottom of the Trade Page in the Options Statistics section.



When looking at the IV Percentile number, anything below 30 is considered low volatility, which will mean the options are cheap. In this case, we will lean towards using strategies like long calls/puts and debit spreads.

If the IV Percentile number is above 30, it means there is enough premium in the options to make it worth our while to sell credit spreads. In this case, we will lean towards using strategies like selling credit spreads (short vertical spreads, iron condors).

My first choice is always to sell credit spreads because they give us 5 ways of being profitable. However, we have also seen over the years that when we wait for high IV to sell credit spreads, our performance greatly improves.

4. Determine which options strategy best fits your outlook.

We started by looking at the charts of each of the products on our watch list and then looked at whether volatility is high or low. This helped us decide if we wanted to be bullish, bearish, or neutral.

Once we have an opinion on what we think the stock or ETF is going to do, then we follow the guidelines that we outline for options strategy that best fits out outlook. Let’s look at a few of our favorite strategies.

Long call or put:

When buying a long call or put we need to make sure we have a strong opinion on which way the stock or ETF is headed in the near term. We also need to be confident that the market is active to move in our direction fast enough. The long call and long put strategies are the most aggressive strategies you can use. They are a higher risk/higher reward approach.

We must keep in mind that whenever we buy an option, the clock is ticking the second we decide to initiate the trade. The time decay will start to add up and potentially eat into the profit potential that we have. This means not only do we need to be right on market direction, but the move needs to happen in our favor quick enough.

To combat some of the negative features of buying an option, we like to be very picky with the criteria that we use when selecting the call or put option.

Our criteria have us going out 20-40 days until expiration and buying the call or put option that is 1-2 strikes in or out of the money. This criterion is the same whether we are trading GOOGL, DIA, or C.

Long Call and Put Criteria	
Time to Expiration	20-40 days
Strikes In/Out Of the Money	1-2 strikes
Target	100%
Stop	50%

By using the same criteria on all stocks and ETF's, we can take much of the discretionary decisions out of the equation.

For example, we recently took a long-put position on Lyft (Symbol: LYFT) looking for the stock to move lower. We started by looking at the 130-minute chart which showed an entry point for us on the downside.

At the time of the trade, we looked at the implied volatility and saw that it was below 30. This gave us the greenlight to buy a long put due to the options being cheaper.

We took the trade by buying the 42.5 puts for $2.78 or $278 per contract. This was an aggressive bearish position that gave use one way of making money. We needed the stock to move lower and it needed to do so quickly.

The $278 that we paid to open the position was the max risk on the trade. If we were dead wrong and the stock rocketed higher, the most we could have lost would have been $278.

Our profit potential is unlimited. As long as the stock moved lower, we were going to make money. Fortunately, that is exactly what happened, and we were able to close out of the trade for a nice winner.

We didn't hit our 100% initial target return on the trade, but we were able to close the 42.5 puts for $4.25 which gave us a $147 profit per contract or a 53% return on our capital.

Short Vertical Spread:

Trading long calls and puts gives us a great way to put on an aggressive trade when we have a strong opinion on market direction in the near term.

What if we are a little less certain of market direction?

Selling vertical spreads to open a position can give us a great way of making money in a volatile environment when price action is moving back and forth. We do this by selling an option that is closer to the current price of the stock and then going out and buying an option with a strike price that is farther out of the money.

By doing this we are still able to be in a risk defined position, but it does give us multiple ways of being profitable. Let's look at the criteria that we use when setting these trades up.

Short Vertical Spreads	
Time to Expiration:	20-40 days
Premium to Collect:	As close to 40% of the width of the strikes as possible
Profit Goal:	50-75% of max profit

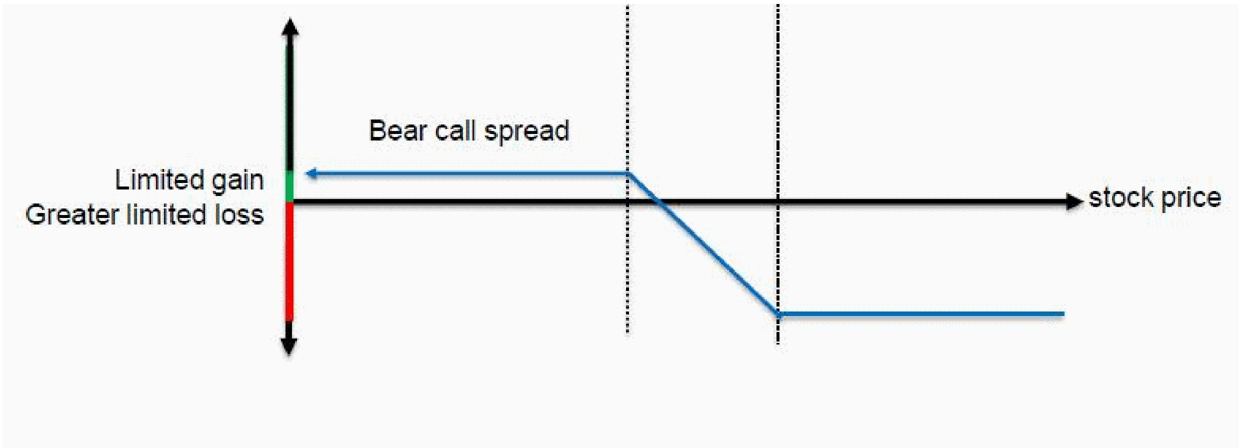
When selling vertical spreads to open a trade, we still like to use options with between 20-40 days left until expiration. Why do we prefer to go out farther in time? In most cases the monthly options will have more volume and open interest when compared to the weekly options. This will make them easier to trade.

Going out to the monthly options will also give us more time to be right just in case the market moves against us initially. This gives us time to recover while the weekly options don’t give us that flexibility.

When selling spreads, we like to collect as close to 40% of the width of the spread as possible. For example, if SPY is currently trading at $430.00 and we wanted to put on a bearish trade to take advantage of a pullback we could sell a call spread.

We would look at the available strike prices to see that they are $1 wide. This means we could go out and sell a $1 wide-spread which would allow us to collect around $.40 or $40 per spread (40% of the width of the spread). This $40 is our maximum profit potential. The most we can lose on this trade is $.60 or $60 per spread.

When looking at the SPY options, we see that the 442/443 call spread is trading for $.43 or $43 per spread. This would have us selling the 442 call and then buying the 443 call to make it a risk defined position. Since we are collecting $.43 when putting the trade on, we would add that to our short strike to give us a break-even point of $442.43.



Why would we risk $57 to make $43? That doesn't sound like a very good risk to reward ratio. The reason we would like a trade like this is it would allow us to make money 5 different ways:

1. **We make money if SPY moves higher as long as price closes below $442.43.**
2. **We make money if SPY moves lower as long as price closes below $442.43**
3. **We make money if SPY moves sideways as long as price closes below $442.43.**
4. **We make money as the time decay adds up each day that we hold the trade.**
5. **We make money if the implied volatility contracts.**

When I see a trade that allows me to make money in 5 different directions, I get excited. These are the opportunities that I look for every day.

We like to close out of our short vertical spreads when we can keep 50-75% of the maximum profit potential. In our case of the short SPY call spread, we collected $.43. When I can buy the trade back for between $.10-$.21, I will close the trade out and book my profit.

It's important to note that the criteria outlined above is the same for both short call spreads and put spreads. By staying consistent with a rule set, it allows us to be more consistent and eliminate much of the discretionary decisions that so many retail trades get stuck on.

Selling vertical spreads to open positions is a very powerful approach that many retail traders miss out on. While short spreads are not the holy grail of trading, they give us the flexibility that we need to make money in any type of market condition that comes our way.

Is there a perfect recipe for finding the right trade?

Selecting the right trade and determining the right size of the trade is not always a perfect science. There are times when I want to be conservative, so I trade more spreads and use smaller position size and end up leaving profit on the table.

The whole goal here is to have a method in place that you can follow every day. We aren’t going to be perfect on every trade but by following a method we will be sure to have trades on that leave us with risk that we are comfortable with.

The key is to follow a set of criteria that put the odds in your favor and then diversify your account by adding numerous trades that fit your criteria. When doing so, you won’t be backing yourself into a corner by putting on 2-3 trades and hoping for the best. By having a bigger sample set of trades then the odds will better play out in the long run regardless of how volatile the market gets.

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