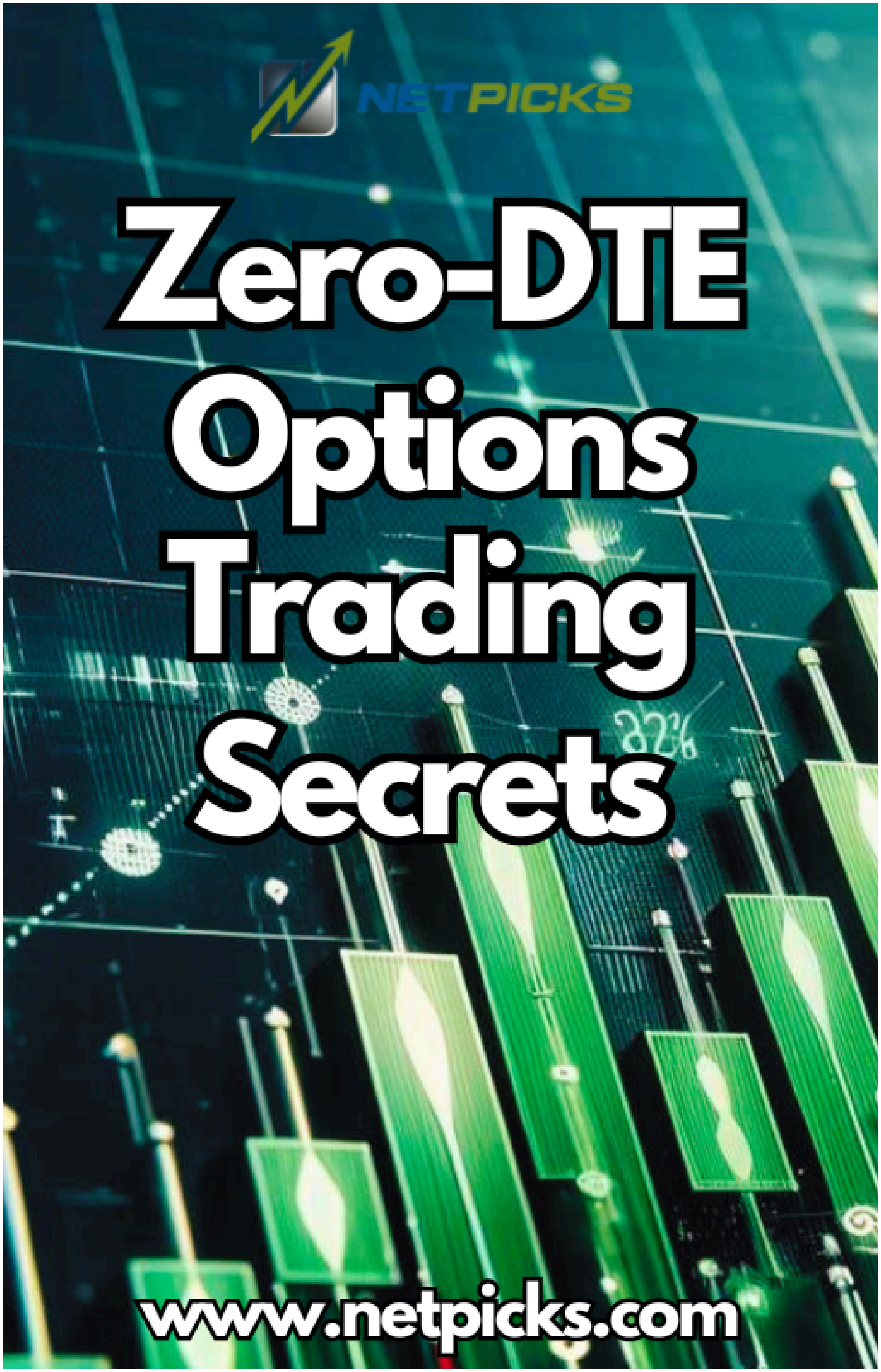
NETPICKS
Zero-DTE Options Trading Secrets
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Zero-DTE Options
Trading Secrets

What are Zero-DTE Options?

Why should you trade them?

How to Trade them Profitably!

By:

Mike Rykse

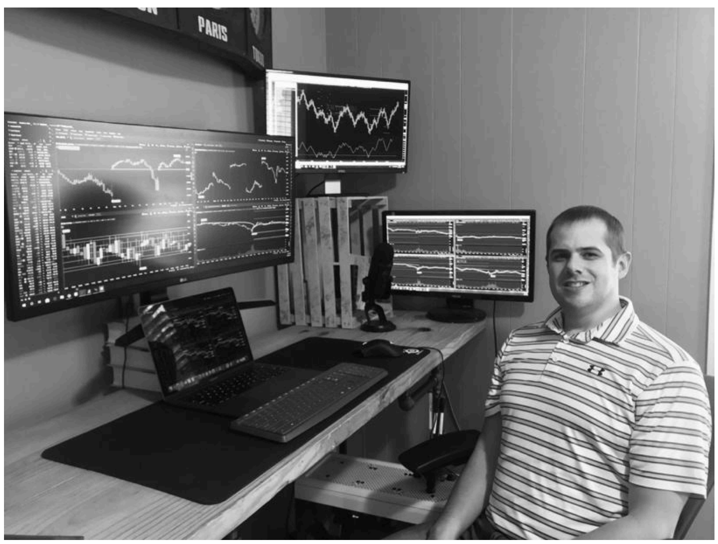
Welcome Traders!

My name is Mike Rykse, and I'm 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. Personally, that's where I've seen the most success.

I've personally developed numerous options trading systems and educational courses over several years. All are designed to provide traders, like you, the tools you need to be successful trading the options markets.

My programs have been used by thousands of traders in over 100 countries over the last 13 years.



While working with thousands of traders over the years, I have learned some tricks of the trade. I believe these insights can make a big difference in your trading results over time.

Trading can be difficult. But, having a specific process and tool set can help you become a successful trader right away.

Like any successful business, the traders seeing the most success stick to a plan. Whether you're trading full time or part time you need to treat Options Trading as a business.

It means having a plan in place to guide you every day. A big part of the plan is knowing the markets you trade like the back of your hand.

In this eBook I’m going to share some knowledge about Zero-DTE Options - which are the hottest thing to happen to options trading in years!

Better still, I’ll share some insights on how best to trade short term options for profit!

Keep an eye on your email account as I’ll be sending you some more info on options trading in the next few days…

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

Happy Trading!

Mike Rykse

Options Specialist

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Zero-DTE Options Are New!

In the last year, we have seen the release of a number of new financial products…

One of the most important is the Zero-DTE Option.

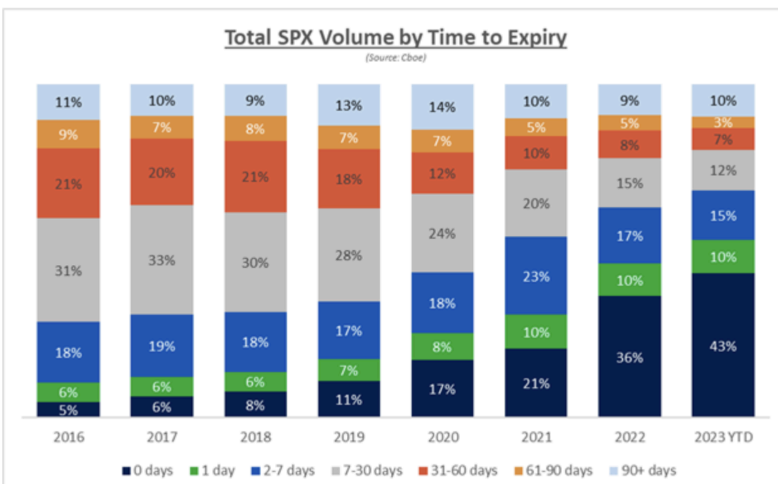
“DTE” by the way stands for *Days To Expiration*. So, a “Zero DTE Option” is an option that expires the same day.

Years ago, you could only trade options that expired on the third Friday of every month. Then with the popularity of options trading exploding… the exchanges started rolling out weekly options.

This was an amazing revelation.

You could now buy and sell options expiring the same week. It allowed traders the option to take advantage of the time decay and fast expirations.

That of course leads to more options trading… and more interest in options! The markets took notice and started releasing daily options for traders.



Source: CBOE.com[1]

The chart above is from the CBOE… and it shows the volume of trades placed based on expiration date. Zero-DTE and One-DTE Options now account for 53% of the total trading volumes (as of 2023).

Wow… just WOW!

Daily options clearly appeal to investors and traders.

[1] https://www.cboe.com/insights/posts/the-evolution-of-same-day-options-trading/

These daily options allowed for short time trades - many expiring same day or in just a few days. It also allows traders the option to place directional bets over the course of a single trading day… paying nominal premiums.

With the potential for HUGE payouts.

Daily options have taken the world by storm… and many fast moving traders started to use Zero-DTE options extensively in their trading strategies.

Right now there are 5 very popular securities trading Zero-DTE Options:

- Nasdaq 100 Index (NDX)
- S&P 500 Index (SPX)
- Mini-SPX Index (XSP)
- SPDR S&P 500 ETF Trust (SPY)
- Invesco Nasdaq 100 Trust (QQQ)

These options are not without risk however… and they're intended for the most experienced of traders.

Trading Zero-DTE options isn't for the faint of heart.

You have your normal options risk, as with any trade. But a few things are hyper elevated on Zero-DTE options.

The biggest is Theta (or the decay rate of the value of the option over time)... AKA Time Decay.

With often only hours in a trading window the theta decay is huge… It's why many traders like to SELL Zero-DTE options, instead of buy.

Another thing to note is the risk of assignment.

As you may know there are two types of options… American Style and European Style.

American Style options allows for the holder of an option to exercise the option and demand delivery of the underlying security at any time.

European style options can only be exercised at the time of expiration.

With American Style options there is a risk of assignment. Now, It's never happened to me, but you could, in theory, close out a position on the day of expiration, only to discover your option was exercised earlier in the day. This would leave you exposed to the market and a potential move against you.

You'll note three of the options above are cash settled.

NDX, SPX, XSP are all cash settled… meaning when you close your position, settlement is in cash… there's no delivery of the underlying security. This eliminates the threat of american style options assignment.

Now a quick thought on SPX vs SPY…

You'll notice that both the SPX and SPY track the S&P 500 index. What you want to be aware of is the SPX is a futures product, and the SPY is an ETF product.

While they represent the same underlying index - the S&P 500 - they have very different trading backdrops. For retail investors the SPY will trade more volume and be easier to trade.

It's something to be aware of.

What are Zero-DTE Options?

In a nutshell, Zero-DTE Options are any options that are about to expire the same day. Some people lump in 1-DTE and 2-DTE options into the same category.

Any way you slice it, It's an option that expires very quickly.

Why should you trade Zero-DTE Options?

Short term options are often traded when someone has a high conviction of a market moving event… transpiring the same day (or in a few days).

It also allows traders to buy and sell "insurance" on their portfolios… at a moment's notice.

So, if you want insurance… or think the market will move short term… Why not just buy longer dated options?

Great question.

It comes down to options premium.

As I write this… If you buy an option that expires in 30 ish days on the "SPY" at the money… you're looking at about $10 per option! That's a huge cost if you have a big portfolio to insure.

An option that expires in 2 weeks… the premium for an at the money option is closer to $6… And an option expiring 1 week out is $3.

But, a next day option expiration costs only $1.10!

Because you're so close to expiration, the premium in the option shrinks and shrinks and shrinks.

That's also the reason options BUYERS… love ZERO DTE options - premium values are so small. You can put on some amazing positions with just a few thousand dollars.

Like anything, it's about the money!

Now here's something crazy…

Some Zero-DTE options are actually tax advantaged.

Normally to be tax advantaged, you'd need to hold securities for at least a year and a day… HOWEVER I found this on the CBOE website.

> *Under section 1256 of the IRS tax code, profit and loss on transactions in certain exchange-traded options, including SPX options, are entitled to be taxed at a rate equal to 60% long-term and 40% short-term capital gain or loss, provided that the investor involved and the strategy employed satisfy the criteria of the tax code.*[2]

Now I'm not a tax expert - so reach out to your tax guy… but I'd rather trade options that are taxed advantaged than not! (Less money in the government's pocket means more in mine!)

Now I know what you're thinking…

How Do I Trade Zero-DTE Options Profitably?

Ok, we've covered what Zero-DTE options are, why you'd trade them (they're cheap), mentioned their huge profit potential, and even touched on some of the tax advantages…

Now let's cover a few simple ways to profit.

OverBought Setups

When you see the market in an overbought position you can take immediate action.

[2] https://www.cboe.com/tradable_products/index-options-benefits-cash-settlement/

Use your short term options (0-DTE, 1-DTE, or 2-DTE) to place a vertical spread for a credit right to your account.

So, let's make sure we are thinking about this the right way…

The index is in an Overbought Setup… meaning it has moved up aggressively, and the most likely direction is to move sideways or down for a bit. To profit we're going to place a **vertical call spread**.

So we're going to SELL the CALL option above the current price and simultaneously BUY a CALL option a few points higher to reduce our risk. Here's the possible outcomes:

1) If the Index moves down big, we make money
2) If the Index moves down a little, we make money
3) If the Index stays flat, we make money
4) If the index moves up a little, we make money
5) If the index moves up a lot, we have the possibility of losing some money - depending on the size of the move.

I like those results. 4 ways to make money out of 5 possible moves!

But what if the market is shaking out in a different way?

OverSold Setups

The difference between an overbought and an oversold setup is simply the direction we think the Index will move.

In an oversold setup, the index has been moving down, and we're now expecting the Index to bounce higher, or stay flat.

In this situation, we'd put on a **vertical put spread** for a credit. So we're going to SELL the PUT option BELOW the current price and simultaneously BUY a PUT option a few points lower to reduce our risk.

1) If the Index moves down big, we have the possibility of losing some money - depending on the size of the move.
2) If the Index moves down a little, we make money
3) If the Index stays flat, we make money
4) If the index moves up a little, we make money
5) If the index moves up a lot, we make money

Again we have 4 out of 5 ways to make money… I like those odds.

A Quick Note On Risk

You'll note in both the above trades, the option strategy we use has a very defined risk profile. When you place a vertical spread your maximum loss is the difference between the strike prices of the options, minus the credit we received when placing the trade.

We know what we're collecting when we get into the trade… and EXACTLY how much we have at risk!

This is where position sizing becomes so important.

By making sure each trade we make only risks a small portion of our total portfolio size (we use proper position sizing) we know even if the market moves against us for a specific trade, we'll still have capital to invest.

So there you have it… a quick overview of Zero-DTE options. Now you understand why they're so popular… and you have a few ways to profit from them.

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They carry a high degree of risk.

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