



# ***The Options Starter Pack: Build Confidence in Your Trade Decisions***

PRESENTED BY:

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# Webinar Outline

- Introduction and Webinar Goals
- Gauge the Audience
  - Experience/Styles
- Refreshers and Review
- Starter Strategies
- Categorization and Tracking
- Trade Selection and Setup Process
- Managing the Trade
- Starter Kit Checklist
- Action Items
- Q&A



# Introduction

Name: Jarad Champagne

Trader for 7 years

Started trading journey with Options as the initial path, discovered Day and Swing Trading through time and experience with joining BBT and becoming a moderator.



# Webinar Goals

- Ensure beginner Option Traders have the resources and tools to get started
- Structure the steps and processes for taking Option trades, no matter the market or type of trade
- Build habits that align with how to think about option positions both before, during, and after a trade is placed
- Improve, iterate, and solidify the processes over time to build consistency as a trader

# Gauge the Audience

Three Questions:

1. Level of Experience Trading Options?

- No Experience (0 Years)
- Some Experience (6 Months – 1 Year)
- Good Experience (1 - 3 Years)
- Super Experience (3+ Years)

2. Day Trader, Swing Trader, Both?

3. Favorite Strategy?

# Refresher and Review

Option contracts give you the right, but not the obligation, to buy or sell a stock at a specific price (i.e. the strike price) before a certain date

1 contract = 100 shares

Two types of options:

## **Calls**

- Give you the right (but not the obligation) to buy a stock at the strike price
- Buy a call = bullish

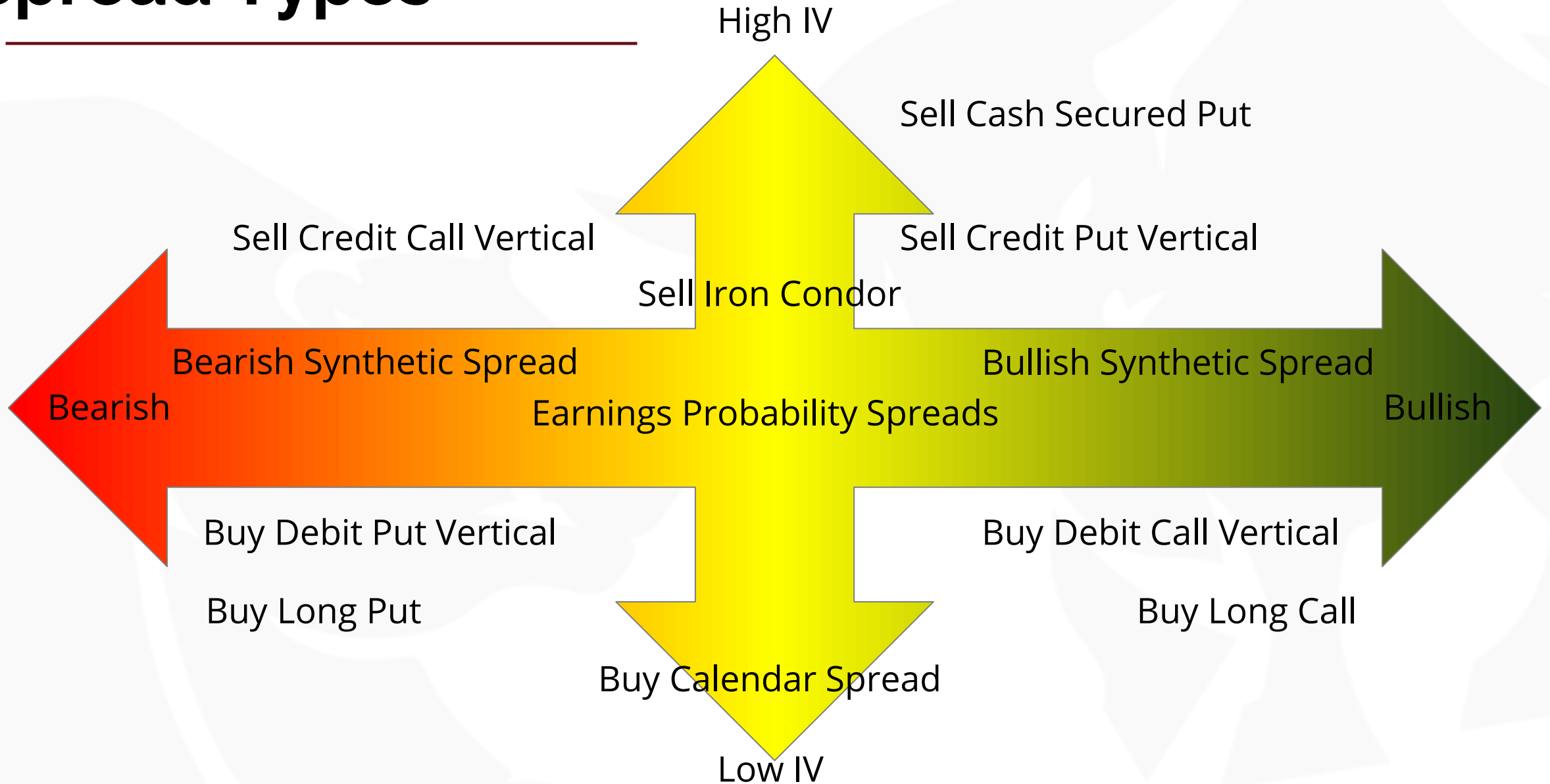
## **Puts**

- Give you the right (but not the obligation) to sell a stock at the strike price
- Buy a put = bearish

Options have an expiration date in which the contract is no longer valid

Can be bought and sold the same day (like equities) or prior to expiration

# Spread Types



# Categorization

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Traders should consider how to categorize their positions according to different criteria.

There's no one way to do this, but here are some suggestions:

- Spread Types (Single Leg Positions, Debit Verticals, Credit Verticals, Butterflies, etc.)
- Intention (Very Bullish, Conservative Bearish, Neutral, Targeted, etc.)
- Market Conditions (Trend, Momentum, Range, Binary, etc)

What this does is separate the positions into more manageable groups, as either the positions have different risk/reward component, might be more/less populated depending on your alignment to the market and market conditions, and can show both your best and worst trade types over time.

# Example Groups in ThinkorSwim

- ▼ (Megone Bear Spreads)
- ▼ (Stock)
- ▼ (1/-3/2)
- ▼ (Backratios)
- ▼ (Butterflies)
- ▼ (CSPs)
- ▶ (Credit Verticals)
- ▼ (Debit Verticals)
- ▼ (Double Calendar Earnings)
- ▼ (Earnings BS)
- ▼ (Eng. the Markets)
- ▼ (In/Out)
- ▼ (Iron Condors)
- ▼ (Risk Reversals)
- ▼ (Closed)

Column set for group 'Credit Verticals'

All columns

Lookup a column...

- % Change
- % In The Money
- % Out Of The Money
- 52 Week High
- 52 Week High Date
- 52 Week Low
- 52 Week Low Date
- <empty>
- ADX
- ADXBreakoutsFilter
- ADXCrossover
- ADXR

Qty

Days

Trade Price

Mark

Mrk Chng

Delta

Theta

Add

Remove

Share configuration over accounts

Restore Load Defaults OK Cancel

# Tracking

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Ensuring you're journaling the relevant information for each trade is crucial, as it can offer insight into how each strategy is performing, criteria that can improve performance, and an overview of your overall trade management.

Different strategies may need additional information, but most trades will require the core information, such as:

- Date
- Strategy Used
- Option Details
- Size/Number of Contracts
- Entry/Exit Prices
- Capital Used
- Status (Open/Closed)

Determine if capturing this information is a manual process, can be streamlined with any tools or repeatable steps, and is accurate and updated as the trade progresses for easier workflows.

# Trade Selection

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How to choose a Stock or ETF:

- Liquid Option Market (Tight Bid/Ask Spread)
- Weekly Expirations or Monthly Expirations that fit Trade Idea Timeframe

Market Conditions:

- Trending? Range Bound? Compressed?
- Near Major Levels? In the Middle?
- Any Upcoming Catalysts?

Option Considerations:

- High, Average, or Low IV?
- Do we see High Open Interest near our Entry or our Target?
- How much time will the Trade require?

# Setup Process

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By this point, we've done all the groundwork of making sure we have a good market to trade, elements that would affect which type of strategy to place, and a general thesis about what we expect the market to do.

The prep work helps both eliminate strategies we shouldn't use (i.e. don't buy calls in a strong downtrending market) and potentially reduce our possible strategy options (i.e. IV is too elevated, so buying puts might be too expensive at this point).

Any remaining setup before executing the trade should follow a framework and/or the TradeBook Criteria of the strategy, so details about strike selection, timeframe needed, and other nuances about what to use in the Option Market will be

# Managing the Trade

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While this topic is broad and can involve many discussions about best practice, the main things to identify are the following:

1. Is the risk defined by the strategy being used or is it defined by a stop loss?
2. Is my exit strategy discretionary or systematic? Will I have multiple targets and does that affect the remaining position's risk?
3. Does the position allow for changes during the lifetime of the trade? (Rolling/Morphing)

Given every strategy will have different rules of management, consistency is key for both determining the strategy's viability over time and for ensuring no deviations in the data.

# Starter Kit Checklist

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- Establish the Categorization and Tracking you'll be using for your strategies.
- Build watchlists based on the markets that have the necessary Option Market Criteria.
- For every trade:
  - Review if the strategy being used and the market being traded fit your TradeBook Criteria
  - Once placed, move the position into the appropriate category
  - Set up orders for any systemic rules for exits (targets/stop losses) and triggers to manage the position (places where the trade may need adjustment)
  - Once the position is fully closed out, capture necessary data for Tracking. Win or Lose, the data will determine if any changes need to be made once enough information is gathered.
- Rinse and repeat!

# Example: Starter Kit Checklist

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Ticker: \$ABC

Strategy: Debit Call Vertical for a Ranging Market (Support Targeting Resistance)

Category:

- Debit Verticals (Spread Type)
- Conservative Bullish (Intention)
- Range (Market Condition) [Less obvious of Trade Logic]

Tracking:

- Stock/ETF
- Option Position Details
  - Strikes, Expiration, Size, Capital Used
- Checklist of TradeBook Criteria
  - Orders: Entry, Target(s), Stop Loss
- Profit/Loss once Position is Closed

# Example: Starter Kit Checklist

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Ticker: \$ABC

Strategy: Debit Call Vertical for a Ranging Market (Support Targeting Resistance)

Add Ticker \$ABC to your 'Watchlist'

- Watchlist may track Active Positions or valid Markets that fit Trade Criteria

Enter the Order for the Position, double check the details before executing, and try to get a good fill if possible.

Execute any systematic orders, making sure they are left active so long as the trade is active.

Finalize the trade once completed by reviewing the outcome, taking any notes, and ensuring the data captured is accurate.

# Action Items

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## **Determine Strategies**

Review what strategies you feel comfortable using. Identify when to use them and make TradeBooks around their usage.

## **Tracking Journal**

Research best fit for journaling based on information you'll need to capture. Spreadsheets, screenshots, and other resources may be needed.

## **Option Platform**

Choose a platform and broker that provides the analysis tools and position overview you need to remain aware of your trades and risk.

## **Goals for Option Trading**

Similar to other Trading Styles, Option Trading might be important to you due to what it can provide (flexibility, easier management, less capital) and how it can achieve your goals. Make sure these are well understood.



## Resources

Options Education Center: <https://members.bearbulltraders.com/options-center>

BBT Community Options 101 Playlist: [YouTube Playlist](#)

Option Trading Mentorship (Every Thursday 12 ET in the Elite Webinar Room)

## Email

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