



Credit Vertical Spreads: A Structured Approach to Premium Collection

PRESENTED BY:

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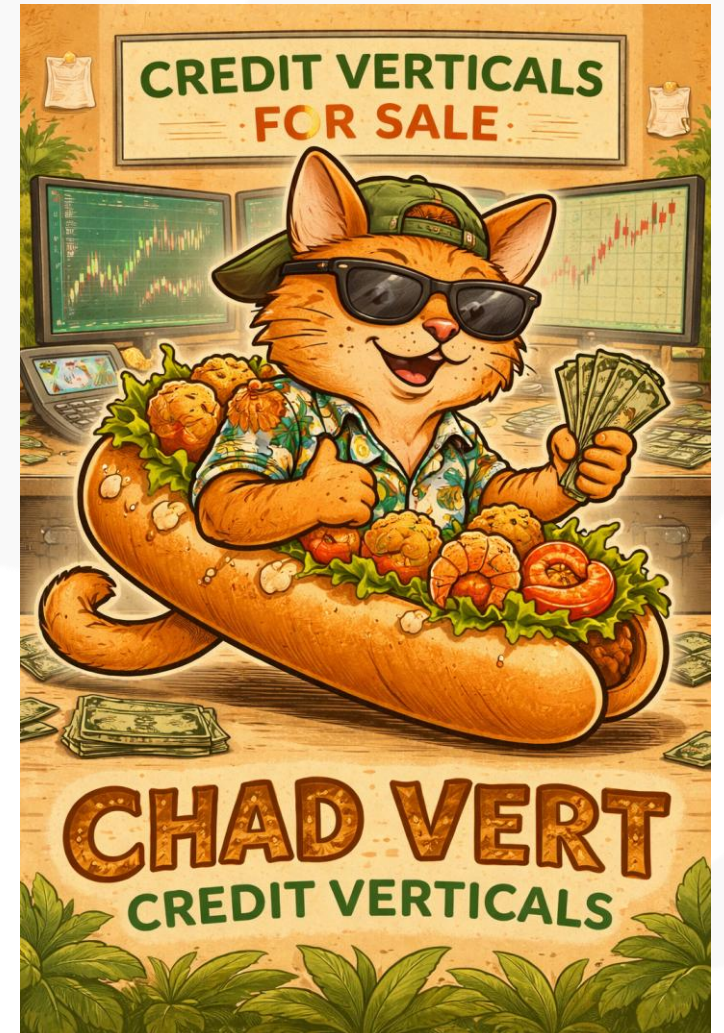
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Overview

- Introduction to Credit Verticals
- Construction and Risk Profile
- Stock Selection
- Setup Identification
- Trade Execution and Management
- Special Considerations and Rules
- Examples
- Q&A



Introduction to Credit Verticals

Definition: Option Strategy where a trader sells a higher premium option and buys a lower premium- premium option with the same type (call/put) and same expiration date, netting a credit upfront.

- Two Strike Construction (Two Distinct Options for the Spread)
- Limited Risk / Limited Reward
- Expectation: Low Price Volatility / Specific Price Direction
- Characteristics
 - **Net Credit:** Trader receives more premium selling the '**Near the Money**' option vs further '**Out of the Money**' option.
 - **Vertical Structure:** Both options have the same underlying asset and expiration date, but different strike prices.
 - **Risk/Reward:** Max profit is limited to the credit received. Max loss is limited to the difference between the strikes minus the credit received.
- Types:
 - **Credit (Bear) Call Vertical:** Sell a lower strike call, buy a higher strike call
 - **Credit (Bull) Put Vertical:** Sell a higher strike put, buy a lower strike put

Credit Vertical: Construction

Credit Call Vertical:

- Sell a Call at a **Lower Strike** and Buy a Call at a **Higher Strike** in the **Same Expiration** Simultaneously
- Ex: Stock XYZ @ 100
 - Sell a Call at 100 Strike for 3.00 = Credit: \$300
 - Buy a Call at 103 Strike for 1.00 = Debit: \$100
 - Total Credit Received: $\$300 - \$100 = \$200$

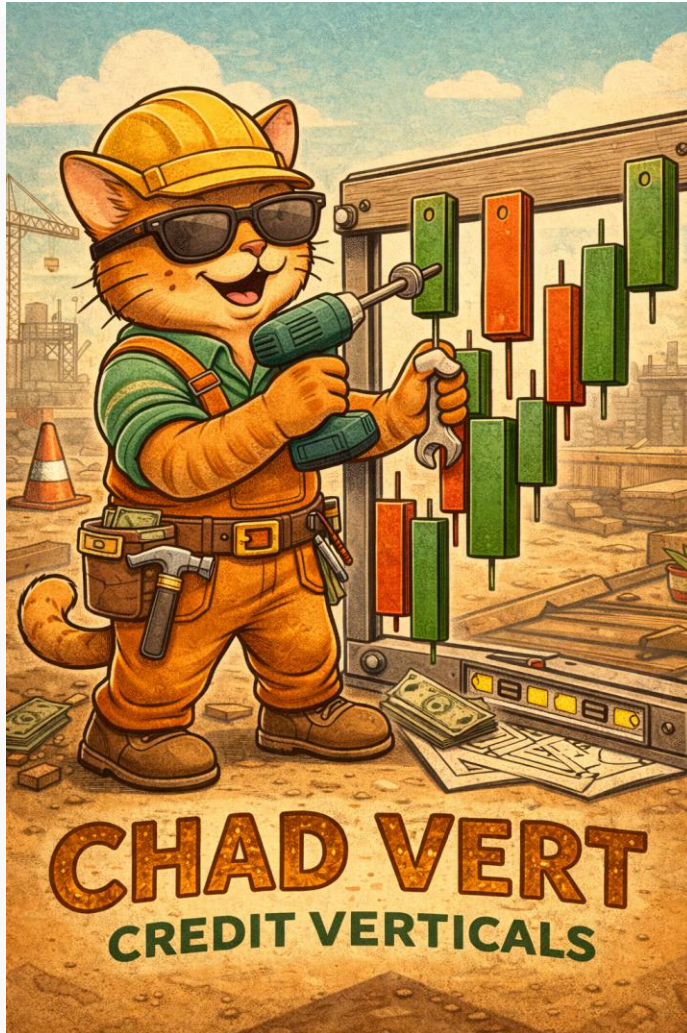
Credit Put Vertical:

- Sell a Put at a **Higher Strike** and Buy a Put at a **Lower Strike** in the **Same Expiration** Simultaneously
- Ex: Stock ABC @ 300
 - Sell a Put at 290 Strike for 4.00 = Credit: \$400
 - Buy a Put at 285 Strike for 2.50 = Debit: \$250
 - Total Credit Received: $\$400 - \$250 = \$150$

NVDA Credit Call Vertical Construction

NVDA															NVIDIA CORP	177.64	0.00%	B: 175.47	A: 175.61	ETB	NASDAQ	±1.809	EXTO Eligible	Company Profile					
Underlying															Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low						
															177.64 Q	0	175.47 K	175.61 Q	100 x 300	1,065,077	0	0	0						
Trade Grid																													
Option Chain															Filter: Off	Spread: Single	Volume, Open I...												
															CALLS					Strikes: 10	PUTS								
		Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int																		
6 APR 26 (-1) 100 (Weeklys) -- (-inf)																													
8 APR 26 (1) 100 (Weeklys) 44.42% (±3.889)																													
10 APR 26 (3) 100 (Weeklys) 41.49% (±5.672)																													
		N/A	1,440	12.75 X	13.05 P	10 APR 26	165	.23 D	.24 D	N/A	15,441																		
		N/A	2,454	10.50 D	10.65 I	10 APR 26	167.5	.37 Q	.39 W	N/A	12,923																		
		N/A	5,622	8.30 E	8.40 C	10 APR 26	170	.62 Q	.64 W	N/A	36,763																		
		N/A	12,372	6.20 M	6.30 S	10 APR 26	172.5	1.02 J	1.04 C	N/A	9,504																		
		N/A	38,264	4.30 C	4.40 W	10 APR 26	175	1.61 W	1.64 X	N/A	18,636																		
		N/A	65,369	2.72 B	2.74 J	10 APR 26	177.5	2.50 P	2.54 B	N/A	8,026																		
		N/A	52,199	1.50 W	1.51 N	10 APR 26	180	3.75 C	3.85 X	N/A	5,400																		
		N/A	62,916	.77 W	.73 P	10 APR 26	182.5	5.45 P	5.60 S	N/A	820																		
		N/A	40,494	.30 Q	.31 Q	10 APR 26	185	7.55 C	7.75 X	N/A	2,755																		
		N/A	15,943	.12 A	.13 D	10 APR 26	187.5	9.90 B	10.20 S	N/A	808																		
13 APR 26 (6) 100 (Weeklys) 36.17% (±6.789)																													
15 APR 26 (8) 100 (Weeklys) 37.42% (±8.051)																													
17 APR 26 (10) 100 38.61% (±9.247)																													
20 APR 26 (31) 100 (Weeklys) 36.31% (±9.874)																													
Order Entry Tools																													
Order Entry and Saved Orders																													
Order Entry															Saved Orders														
Spread	Side	Qty	Symbol	Exp	Strike	Type	Link	Price	Order	TIF	Instruction	Exchange																	
VERTICAL	SELL	-1	NVDA	10 APR 26 (Wee...	180	CALL		1.20	LMT	DAY	NONE	BEST																	
	BUY	+1	NVDA	10 APR 26 (We...	185	CALL		CREDIT																					

Example Construction: Detailed



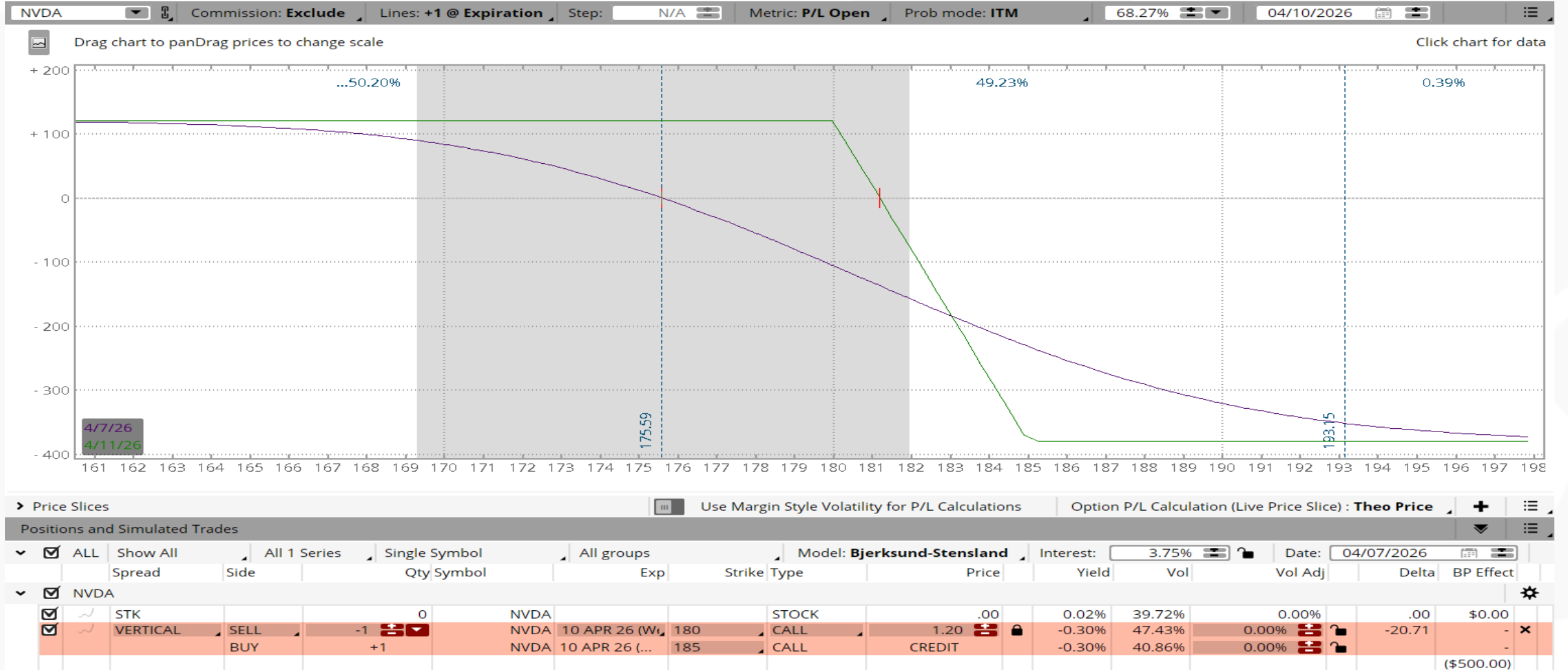
Credit Call Vertical:

- Sell NVDA 10APR26 180 Call at \$1.50
- Buy NVDA 10APR26 185 Call at \$0.30
- Credit Received = $\$1.50 - \$0.30 = \$1.20$ (\$120)
- Breakeven Price (At Expiration) for NVDA
 - Short Strike Price + Credit Received = $\$180 + \$1.20 = \$181.20$ /share
- Max Loss Potential:
 - Long Call Strike - Short Call Strike - Credit Received
 - $185 - 180 - 1.20 = \$3.80$

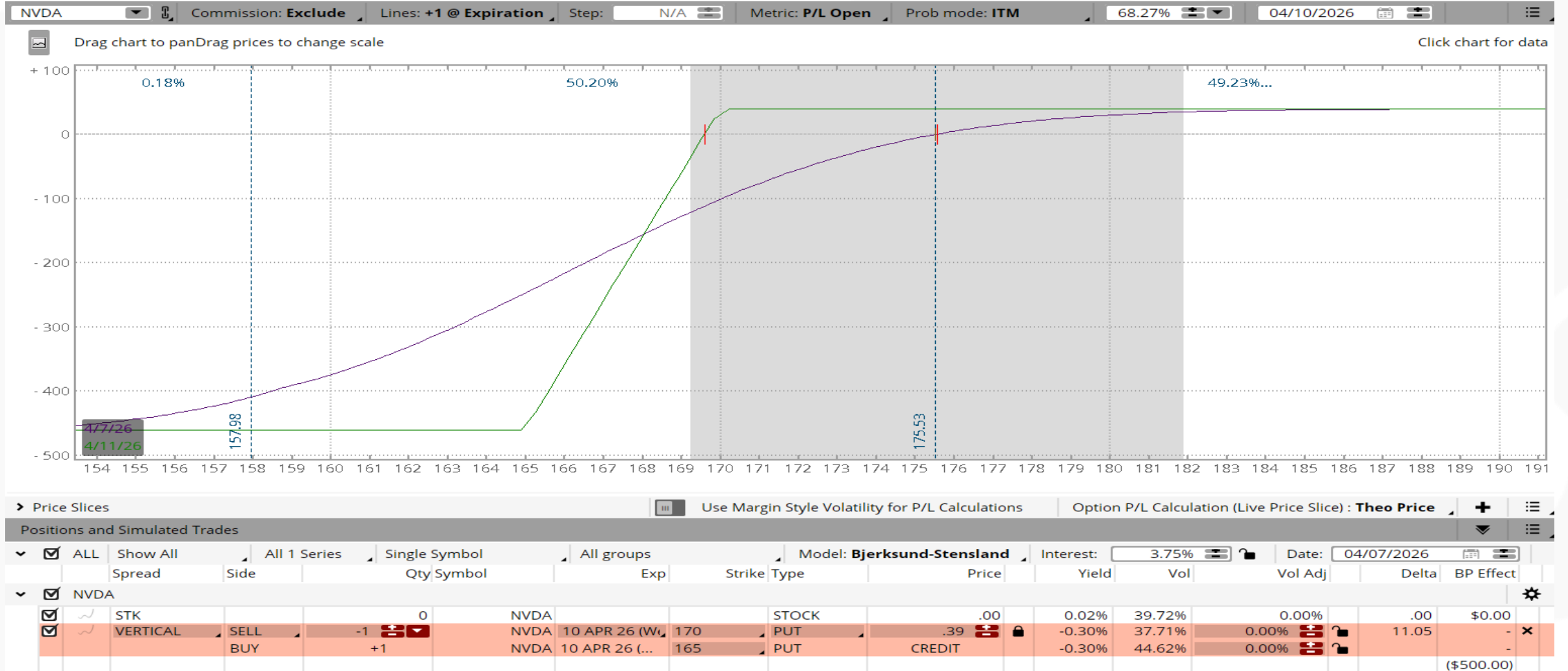
Credit Put Vertical:

- Sell NVDA 10APR26 170 Put at \$0.62
- Buy NVDA 10APR26 165 Put at \$0.23
- Credit Received = $\$0.62 - \$0.23 = \$0.39$ (\$39)
- Breakeven Price (At Expiration) for NVDA
 - Short Strike Price - Credit Received = $\$170 - \$0.39 = \$169.61$ /share
- Max Loss Potential:
 - Short Put Strike - Long Put Strike - Credit Received
 - $170 - 165 - 0.39 = \$4.61$

Risk Profile: NVDA Credit Call Vertical



Risk Profile: NVDA Credit Put Vertical



Stock Selection

Unlike Equity Strategies, our Stock Selection Criteria comes down more to the Option Market and whether we have the right conditions to trade effectively.

- Weekly Options Minimum
 - MAG7 Stocks currently offer M/W/F Series, ideal for 0/1 DTE Credit Verticals
 - Certain Index ETFs offer 0 DTE Series (SPY, QQQ, IWM)
 - For Friday Weekly Options, consider only using Credit Verticals intraday during Thursday and Friday Sessions to replicate other offerings
- Good Daily Option Volume (> 500K on average ideal)
 - Ensures tighter Bid/Ask Spreads on Option Contracts

A more selective set of criteria allows us to trade in an ecosystem of around 20 - 25 Stocks/ETFs every day.

Setup Identification: Technical

- When looking at which stock(s) to focus on for Credit Verticals, it can be good to group them into three categories:
 - Bullish
 - Bearish
 - Neutral
- The Bullish and Bearish Stocks (Trending) will be ones where more of the focus will be on one side of the Option Chain
 - Bullish stocks will focus on Credit Put Verticals
 - Bearish Stocks will focus on Credit Call Verticals
- The Neutral Stocks will have Support and Resistance Levels that will be respected throughout the day and can be played on both sides (Range Trading)



Setup Identification: Premium

Even though the Technical Patterns might be ideal, we also want to check whether it is worth the risk of putting on the Credit Verticals.

Ideal Credit Received:

- For OTM Credit Verticals, between 1/3 and 1/4 of the Distance Between the Strikes
- For ATM and ITM Credit Verticals, as high as 3/4 the Distance Between the Strikes

Strike Distance	Credit Needed
1	.25 - .33
2.5	.625 - .83
3	.75 - 1.00
5	1.25 - 1.67

If we're expecting a Directional Price Trend, selling higher credit in ATM/ITM Verticals will provide returns through Price and Delta Changes.

If we're expecting a Neutral Trading Range, selling slightly OTM Verticals will provide returns through Time and Theta Changes.

Trade Execution and Management

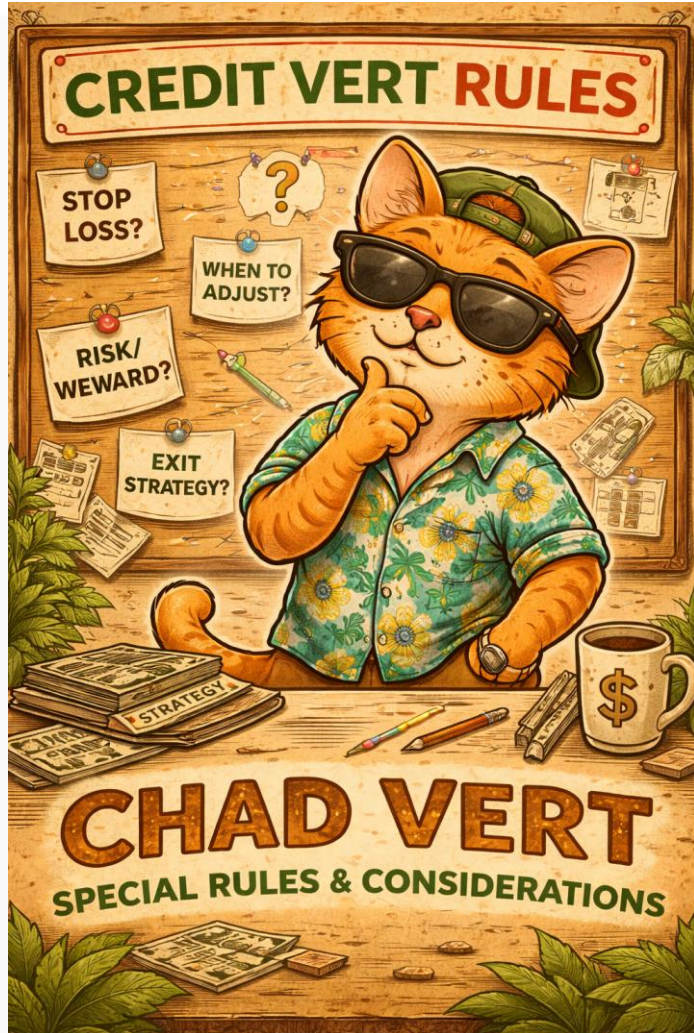
Entry Criteria

- Important to the dynamics of the spread that we get filled with enough Credit Received in order to avoid risking too little for the distance of the two option strikes.
- Set Limit Orders to ensure the Credit Received fits within the acceptable range.
- Size according to the Max Loss Potential of the position.
 - Ex. 5 Strike Wide Credit Verticals being sold for 1.50, Max Loss Potential is 3.5 per Vertical
 - If $R = 1000$, can sell a maximum of three Verticals

Once in Position, set Orders for Exit Targets and Stop Loss

- Targets are based on a certain % of Credit Received; unlike Technical Price Targets, these are based on the initial Credit Received when entering the position.
 - Targets are usually around 40-50% Credit Received, 70-80% Credit Received, and 100% Credit Received (only possible at End of Day or after a significant price move away from the Strikes)
- Stop Loss can be left as Max Loss Potential (suitable for OTM Verticals in Range Market) or should be set as Stop Order when $> 2x$ Credit Received is being hit.

Special Considerations and Rules



Moving Stop Loss to Breakeven

- Realized 50% of Position Size
- Price Range has been traversed and a Reversal would be against the initial analysis
- Last Hour of Trading Session

Reassessing Different Price Ranges

- Example: First Position Stops Out due to an unforeseen Breakout, but the move quickly pivots
- Establish new Credit Verticals at Pivot Price using Reversal TradeBook Logic

Always fully close out before Session Close; 1 DTE Positions can be carried overnight but 0 DTE have high Assignment Risk if price moves against position after the Session Ends.

Examples

NVDA 10 D 30m [NASDAQ] D: 4/7/26 5:30 PM O: 179.49 H: 181.81 L: 177.54 C: 181.63 R: 4.27



4/7/26 14:20:05	VERTICAL	BUY	+1	TO CLOSE	NVDA	8 APR 26 (Week...	175	PUT	1.14	.60	LMT
		SELL	-1	TO CLOSE	NVDA	8 APR 26 (Week...	172.5	PUT	.54	DEBIT	
4/7/26 09:06:13	VERTICAL	BUY	+1	TO CLOSE	NVDA	8 APR 26 (Week...	177.5	CALL	.69	.45	LMT
		SELL	-1	TO CLOSE	NVDA	8 APR 26 (Week...	180	CALL	.24	DEBIT	
4/7/26 08:39:29	VERTICAL	SELL	-1	TO OPEN	NVDA	8 APR 26 (Week...	175	PUT	1.21	.62	LMT
		BUY	+1	TO OPEN	NVDA	8 APR 26 (Week...	172.5	PUT	.59	CREDIT	
4/7/26 08:35:49	VERTICAL	SELL	-1	TO OPEN	NVDA	8 APR 26 (Week...	177.5	CALL	1.16	.71	LMT
		BUY	+1	TO OPEN	NVDA	8 APR 26 (Week...	180	CALL	.45	CREDIT	

Questions?



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Options Trading Mentorship: Thursday at 1PM ET in the Elite Webinar Room