



Trading Intraday Reversals using Options

PRESENTED BY:

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Overview

- Intraday Reversals in a Nutshell
- Identifying High-Quality Reversal Setups
- Choosing the Options Structure
 - Debit vs Credit Plays
 - Risk Reversal Setups
- Examples
- TradeBook Components
- Q&A



Intraday Reversals in a Nutshell

Concept: An intraday reversal occurs when price moves in one direction, reaches an area where that move becomes exhausted, and then begins moving aggressively in the opposite direction.

The goal isn't to predict every market turn. Instead, we're looking for **evidence that the current trend is losing control and that a new directional move may be developing.**

Key Questions:

- Is price extended from its normal range?
- Where is price relative to important support/resistance?
- Is momentum weakening?
- Are buyers/sellers failing to follow through?
- Has price broken a meaningful intraday level?
- Is volume confirming the reversal?
- Is the broader market environment supporting the setup?

Reversal Framework

Extension → Exhaustion → Confirmation → Entry → Management → Exit

Common Intraday Reversal Setups

Bear Bull Trader Intraday Reversal Strategies:

- [Parabolic Reversal](#)
- [Booty Reversal](#)
- [Failed High of Day Reversal](#)

These strategies assume trading the asset directly and are mostly concerned with price; Option Traders will consider aspects around time and volatility pricing in the Option Market.

Identifying High-Quality Reversal Setups

Not every pullback is a reversal. The objective is to distinguish a **temporary retracement** from a genuine change in intraday direction.

1. Price Extension

Look for price that has moved significantly away from:

- VWAP
- Opening range
- Previous day's high/low
- Major support/resistance
- Intraday moving averages
- Expected move boundaries
- Significant technical levels

An extended move doesn't automatically mean "fade it."

2. Exhaustion

Potential signs:

- Failed breakout/breakdown
- Repeated rejection of a level
- Long upper/lower wicks
- Momentum divergence
- Decreasing volume
- Failure to make a new high/low
- Rapid acceleration followed by stalling

3. Confirmation

Bullish Reversal

- Price makes a lower low
- Sellers fail to continue
- Price reclaims a prior level
- Higher high/higher low develops

Bearish Reversal

- Price makes a higher high
- Buyers fail to continue
- Price loses a prior level
- Lower low/lower high develops

Choosing the Options Structure

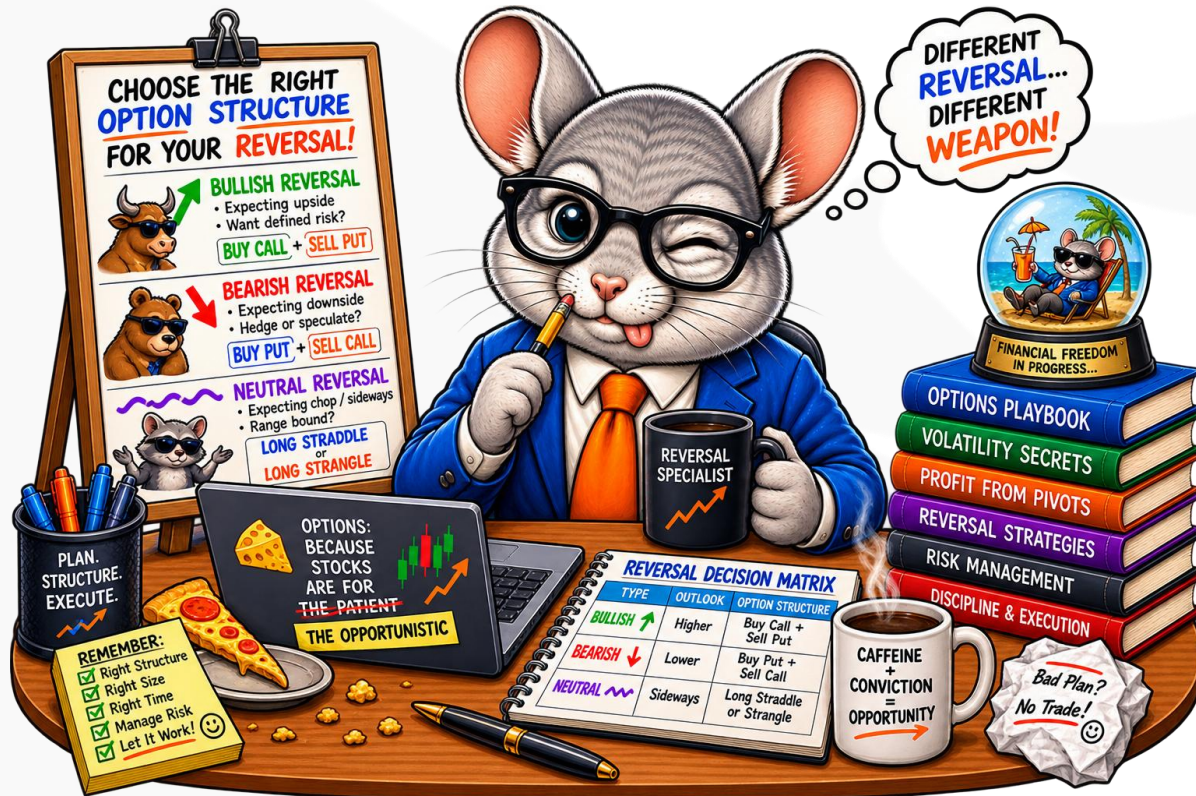
The same reversal can be traded several different ways depending on the trader's **conviction, expected magnitude, time horizon, and risk tolerance.**

Choices usually fall into two categories: Buy Calls/Puts or Sell Premium

Depending on the Reversal Type (Fast vs Slow), the choice of Option Structure can dictate how the trade performs and how it is managed.

Traders can practice adding or removing different structures to each reversal type in order to see how each trades.

Structure Considerations



When Calls/Puts Make Sense

- Strong reversal confirmation
- Expecting a relatively fast move
- High directional conviction
- Want maximum upside/downside participation
- Willing to accept premium/time decay

Main Risks

- Time decay
- Implied volatility contraction
- Paying too much premium
- Being directionally correct but too slow

Thesis

"I want full upside/downside exposure and am willing to accept the cost."

Selling Premium Considerations

Why Use a Call/Put Spread?

- You don't necessarily need a massive move.
- You need price to **remain above the short call or put** through the reversal.
- Price volatility is slow and may take time to turn.
- Unwilling to accept or manage unlimited risk exposure.

Main Risks

- Less Premium collected
- Takes longer to get Credit Reduction

Thesis

"I believe the reversal has established support/resistance and price is unlikely to trade substantially below/above this level."

Creating a Risk Reversal

A **Risk Reversal** combines a long option with a short option/spread to create a directional position with a different payoff profile than simply buying an option.

For example, a risk reversal can be constructed as:

Buy Call + Sell Put

Buy Put + Sell Call

When using defined risk:

Buy Call + Sell Put Spread

Buy Put + Sell Call Spread

The key idea is that you're **financing one side of the trade with premium collected from the other side.**



Risk Reversals – Undefined vs Defined Risk

Risk Reversals often can be split into ones with **Unlimited Risk (UR)** and **Defined Risk (DR)**.

Depending on the thesis, the position may be built with either a naked Call or Put (UR) or a Call/Put Spread (DR) as the Premium Leg to establish the Risk Reversal.

Examples:

"I want upside exposure, and I'm willing to accept additional downside obligation in exchange for reducing the cost of my bullish position."

"I want downside exposure, and I'm willing to sacrifice some upside protection to reduce the cost of the bearish position."

"I don't necessarily need the price to collapse. I simply need it to stay below resistance."

TSLA Risk Reversal (UR) Construction

TSLA

1

TESLA INC

356.07

-11.88

-3.23%

B: 356.05

A: 356.09

ETB

NASDAQ

EXTO Eligible

Company Profile

Underlying

Last X

356.07 D

Net Chng

-11.88

Bid X

356.05 Q

Ask X

356.09 Z

Size

80 x 40

Volume

28,331,413

Open

360.90

High

362.70

Low

352.96

Option Chain

Filter: Off

Spread: Single

Volume, Open I...

CALLS

Strikes: ALL

PUTS

	Volume	Open.Int	%Change	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int	%Change
2 SEP 26 (1) 100 (Weeklys)												48.25% (±7.311)
	170	77	-43.82%	18.50 W	18.95 Z	2 SEP 26	337.5	.14 W	.15 W	3,236	671	-12.50%
	453	963	-46.32%	16.05 S	16.45 U	2 SEP 26	340	.18 W	.20 S	12,976	2,736	-5.26%
	452	289	-47.28%	13.60 C	14.05 C	2 SEP 26	342.5	.26 W	.27 W	12,510	1,233	+21.74%
	1,194	764	-51.27%	11.35 C	11.70 C	2 SEP 26	345	.41 Z	.42 S	32,885	3,092	+40.00%
	1,365	504	-55.74%	9.15 C	9.35 Z	2 SEP 26	347.5	.66 U	.67 W	44,371	1,941	+65.85%
	22,036	1,582	-61.90%	7.15 P	7.30 W	2 SEP 26	350	1.07 N	1.08 U	97,549	8,214	+103.70%
	19,891	1,757	-66.94%	5.30 W	5.45 Z	2 SEP 26	352.5	1.75 I	1.77 Z	55,245	2,279	+134.67%
	54,260	2,796	-72.60%	3.80 W	3.90 Z	2 SEP 26	355	2.73 W	2.76 U	99,828	7,578	+164.42%
	54,053	784	-77.65%	2.65 U	2.68 X	2 SEP 26	357.5	4.00 S	4.10 S	64,138	2,576	+172.11%
	119,057	2,691	-82.12%	1.77 Z	1.79 N	2 SEP 26	360	5.60 N	5.75 W	55,440	6,641	+178.43%
	43,544	877	-86.90%	1.14 U	1.15 N	2 SEP 26	362.5	7.45 Z	7.60 W	15,784	1,713	+166.08%
	55,127	5,972	-89.04%	.72 W	.74 Z	2 SEP 26	365	9.55 N	9.70 Z	12,744	3,934	+146.23%

Order Entry Tools

Order Entry and Saved Orders

Order Entry

Saved Orders

Spread	Side	Qty	Symbol	Exp	Strike	Type	Link	Price	LMT	Order	TIF	Instruction	Exchange
COMBO	BUY	+1	TSLA	2 SEP 26 (Weeklys)	355	CALL		2.09	LMT	LIMIT	DAY	NONE	BEST
	SELL	-1	TSLA	2 SEP 26 (Weeklys)	352.5	PUT		DEBIT					

Advanced Order: Single Order

Expected Price

Mid 2.09

Nat 2.15

Delete

Confirm and Send

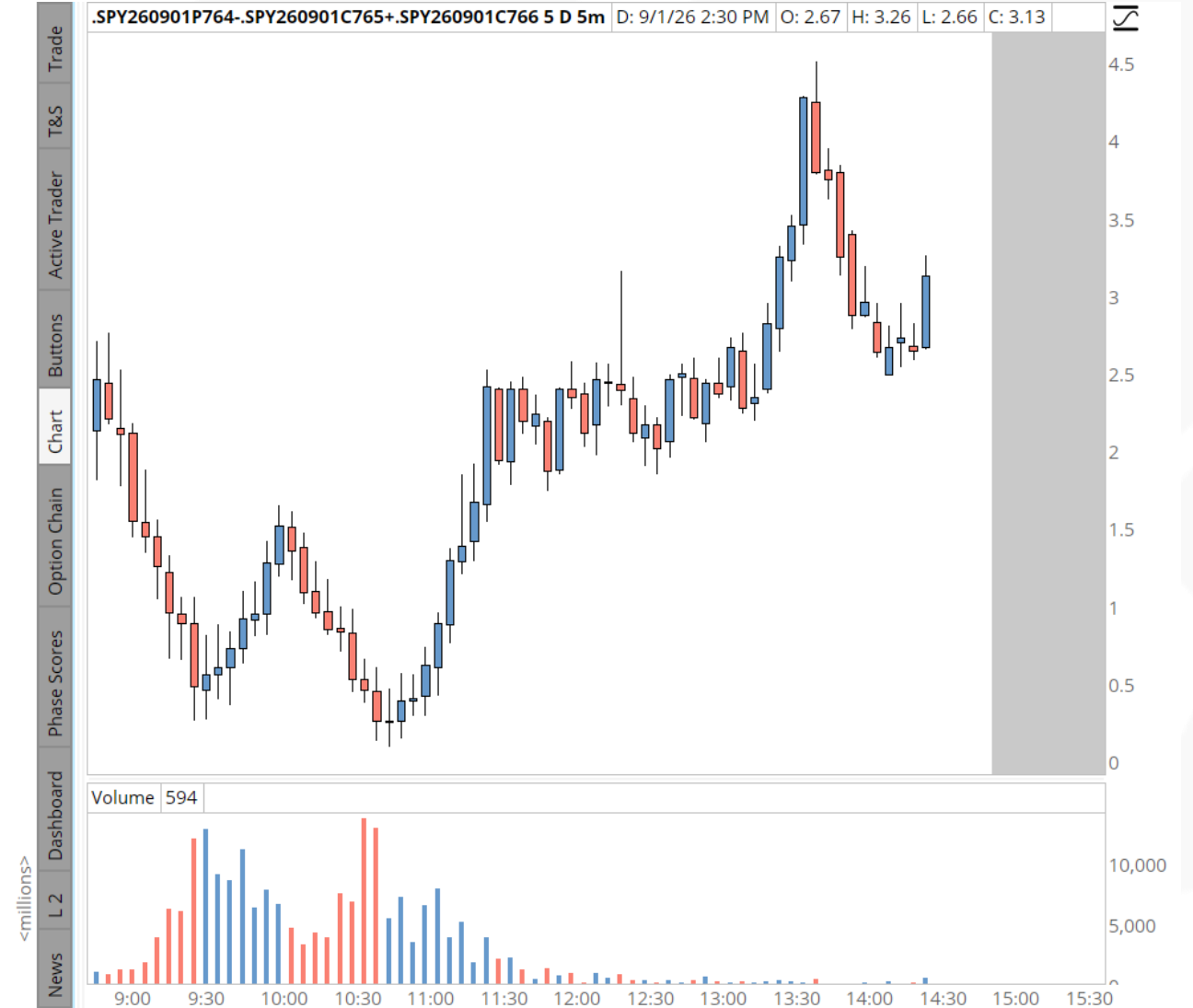
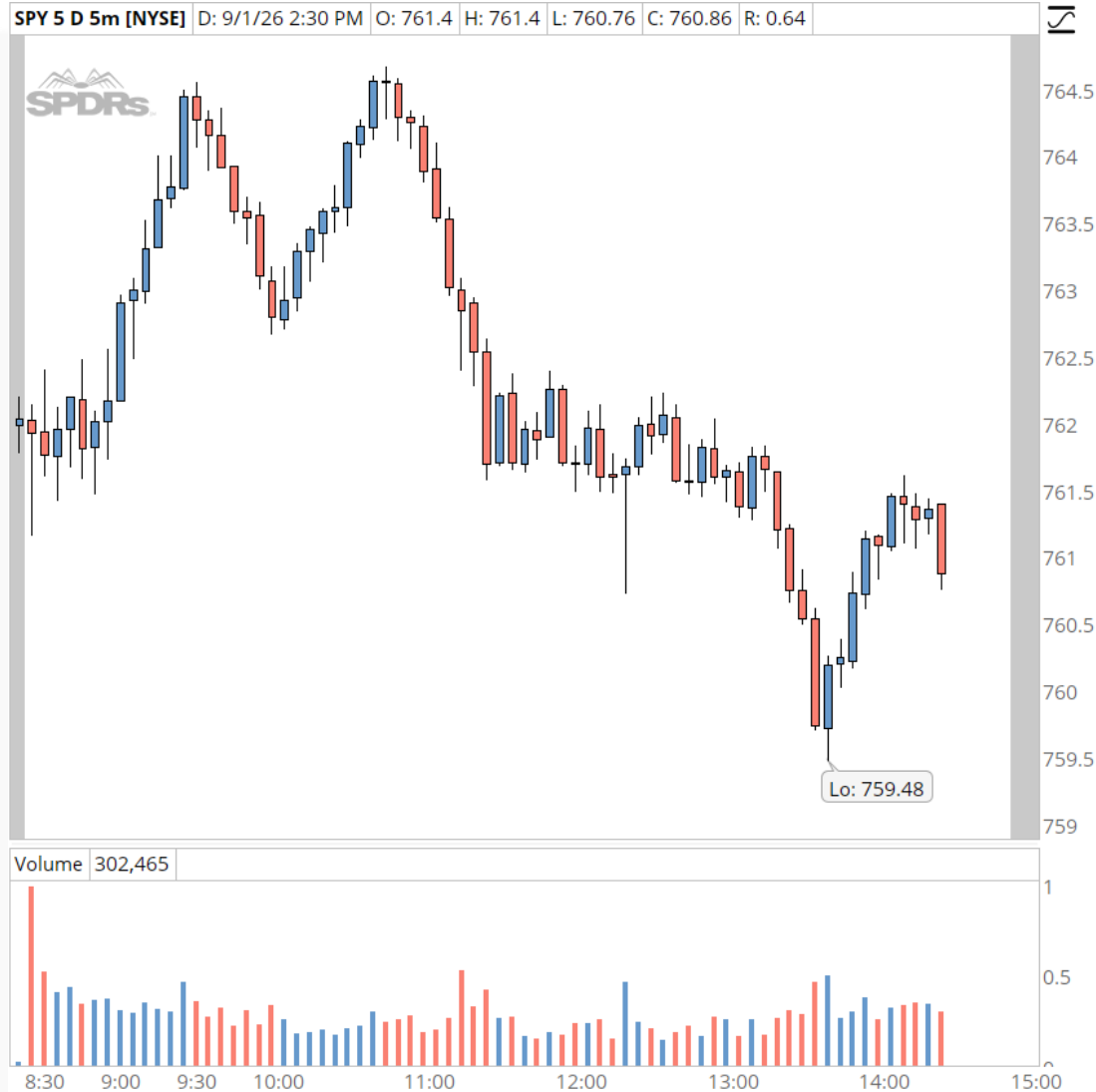
TSLA Risk Reversal (UR) Setup



SPY Risk Reversal (DR) Construction

SPY															State Street SPDR S&P 500 ETF Trust															761.245															-5.805															-0.76%															B: 761.23															A: 761.26															ETB															NYSE															±0.846															EXTD 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SPY Risk Reversal (DR) Setup



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.

- Good Daily Option Volume (> 500K Average Ideal)
 - Ensures tighter Bid/Ask Spreads on Option Contracts

Any Stock with a reasonable Option Market can be used for Risk Reversal Trades.
Mostly only watching Stocks that are 'In Play'

Setup Identification: Technical

Risk Reversal (UR)

- Parabolic Reversals
 - Fast Price Reactions
 - Tight Risk
 - Debit Position can be managed quickly
 - Credit Position can remain for additional credit decay

Risk Reversal (DR)

- Booty Reversal
 - Slower Setup
 - Single Setup and Execution
 - Easier Management
- Failed Breakout Reversal
 - Slower Setup
 - Lower Expectation of Move (depends on Range)



Setup Identification: Option Market

Parameters to Check in Option Market:

- Premium: Ensure Credit Leg is worth adequate Credit for Risk
 - Don't sell a 1 Strike Vertical for .05 Credit; not worth risk.
- Choose ATM or Slightly OTM Debit for Higher Delta Exposure on Reversal
- You don't have to have equal Debit and Credit Exposure
 - Higher Volatility Markets may have better Credit
 - Lower Volatility Markets offer cheaper Debit Positions
 - Balance your Risk Exposure with Market Conditions

Do I want maximum directional exposure? Buy Call/Put

Do I want to sell premium and define my risk? Sell Put/Call Spread

Do I want to finance directional exposure with premium? Risk Reversal

Trade Execution and Management

Entry Confirmation:

- **Defined by Reversal Type**
- Prepare Option Structure during Setup Identification Phase
 - Market hasn't reversed yet, but is giving signals
- Consider selling Credit when Market is at Key Level
 - Higher Credit Collected
- Consider adding Debit when Price Reversal is triggered
 - Better Confirmation

Trade Management:

- If **Right Quickly**, consider:
 - Taking partial profits
 - Raising stops
 - Removing the short option
 - Letting a remaining position run
- If **Right Slowly**, consider
 - Removing Debit Leg (The underlying may eventually move in your direction, but theta decay can erode the option's value)
 - Focusing on Credit Side

Trade Invalidation

Define the **invalidation point** before entering.

"What price action proves my reversal thesis wrong?"

Trade Management:

- The Level you're attempting to reverse against should drive the exit
- Debit Management and Credit Management should be done simultaneously if trade is a reaction reversal
- Credit Management may be slightly different if using Spreads
 - Risk Tolerance may be tolerable if price moves sideways

Special Considerations and Rules



Don't start with the option strategy. Start with the reversal.

- First determine **why you believe price is reversing, where you're wrong, and how far you expect the move to travel.** Then choose the option structure that best expresses that thesis.

Calls and Puts provide straightforward directional exposure.

Credit Spreads allow you to monetize a thesis that price will hold beyond a level while keeping risk defined.

Risk Reversals allow you to combine directional exposure with premium selling to potentially reduce the cost of the trade—but they also introduce additional obligations and should be sized accordingly.

Questions?



jarad@bearbulltraders.com



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

