Dear Fellow Retail Trader,

Self–directed options trading is about defining your very own techniques. Techniques that you can repeatedly rely on as you trade from home, to establish consistency. Often, consistency in trading is elusive because many prefer to keep switching methods until they find techniques that stabilize the Profit and Losses in their portfolio. We got tired of switching and unlearned a lot of what was taught by large training firms. We re–engineered our entire trading system, geared specifically for home–based retail options trading. That's what this course is about. You cannot buy reliability, it's a trait that must be built up from a baseline of rigour and discipline. That's what you'll find in every video, one main theme – reliable discipline built into clinically repetitive processes with clear measured outcomes.

Techniques that will transform your own methods, as you adopt them in whole or part to build into your own processes. Discovery of your own turning point in designing reliable methods is when the excitement starts and does not ever stop. No one can guarantee you stellar performance in your portfolio; but, you will have a unique blend of methods – both conventional and unorthodox, to steadily drive your trading towards a profitable direction that will be distinctly different from the path you are currently on. This course is designed for you grow out of – there is no "upgrade". How far you progress beyond here is limited only by your own diligence, curiosity and conviction that self–directed trading is the most effective means to satisfy your life's goals. We are certainly in no position to teach anyone that.

Now, moving onto administrative matters. This entire course is made up of:

- ❑ One Excel spreadsheet, filename: H–O–T Business.xls.
- ❑ 17 videos in total. Videos were recorded on a Mac. Requires QuickTime Player to run, Windows users can download it for free at http://www.apple.com/quicktime/download/
- ❑ 5 PDF files for lessons 1, 2, 3, 5 and 6. Lesson 4 uses the tab in the spreadsheet, there is no PDF file.
- ❑ This welcome letter with a course description in the following pages, which is the 6th PDF file.

This course was designed to be video–based, the 17 videos is estimated to take ~55 Hours to complete. In the following pages, for lessons 1–6 you will find the objectives and issues to solve within that lesson. For the 5 PDF files with the same name as the related videos, these are slides for your ease of reference to follow the transition between slides in the videos. For a lesson that requires you to reference a particular tab in the H–O–T Business.xls spreadsheet, it is stated in the most right column of the grid in the following pages.

The remaining 10 videos are specific to each spread type with their own individual trade plans that are templated as 10 tabs inside the H–O–T Business.xls spreadsheet. We suggest using the associated PDF file with slides or the tab in the spreadsheet to follow what is going on in the video. Each video builds on the prior topics covered. It is recommended that the sequence of videos be followed to make sense of the techniques when you come to viewing each trade plan specific to a spread type. Videos are best viewed in full screen mode on screens 15" and larger.

Kindly note, as the videos are between 2–4 hours in length, pausing the video every hour for a minute, will prevent the video from flickering (which may occur due to multi–hour extended play).

There is no massive manual to print out … there won't be one coming up in the future either. Apologies to those who are fans of documentation.

There is only one overriding aim for you to achieve with the lessons: break out of the mould of convention, to think independently about your own trading methods. As you gain confidence with price discovery, allow your individual curiosity to discover your own trading style. Reluctantly, the level of this course is labelled at the intermediate level. Attending an "advanced' seminar for a few days does not add the required depth into insights of your own trading practices. Reality is, many retail traders raised off the floor remain intermediate for several years, not because we stagnate in our understanding. Advancement comes as you deepen your existing skill set with practice each day.

Your fellow intermediate home options trading crew,

Trading Crew. Retail options traders connecting with the growing global community of self–directed retail traders.

Skype ID: homeoptionstrading E–mail: enquiry@homeoptionstrading.com

Lesson	Objectives and Issues to Solve	Refer to this Video, PDF file and Excel tab inside the H–O–T Business.xls spreadsheet, for the lesson:
1. Asset Allocation Estimated time to complete, based on video's timing … 2 Hrs:12 mins:22 secs.	■ Diversification is re–defined to fit retail traders with smaller sized accounts (typically USD 25K–50K and below), recognizing it is private capital at risk without access to bank loans to fund personal trading from home. – Specific techniques to remove single–stock exposure and risk of trading multiple spread types but still concentrated in equities, effectively rebalancing the portfolio and removing concentration risk in any one particular asset class. – Surfacing the inter–market risks already embedded within a stock, to trade and control these risks directly, instead of not being aware that these risks are contained within the stock. – Removing duplication of the same stock as components listed in Equity–based Index products, by diversifying into other asset classes where equities is not a direct component of the Index. ■ Why conventional retail–based Technical Analysis and Fundamental Analysis fails to systematically weigh the relative strength of outperformance against the relative weakness of underperformance, as volatility alternates between multiple asset classes. – Instead the unique measure of Relative Strength, not the TA Indicator "RSI"; but, a robust and adaptive metric based on straightforward numerator–denominator mathematics replaces Fundamental Analysis. ■ How to synchronize limited retail–based capital with institutional shifts between strong(er)/weak(er) asset classes of Equities, Bonds, Commodities and Currencies using the relevant Indexes and ETFs.	Video: 1 Asset Allocation.mov PDF file: 1 Asset Allocation.pdf Tabs in Excel spreadsheet: "Diversify Asset Class tickers" and "Relative Strength TA & Spread" in H–O–T Business.xls.
2. Point & Figure Estimated time to complete, based on video's timing … 3 Hrs:38 mins:45 secs.	■ Why time–based charts (Candlestick, Heikin Ashi, OHLC, etc.) visually confuse the observation of pure price, as reconciling different time units (Minute/Day/Week) distorts and dilutes how much price actually moves; or, does not move. Price is a continuous variable but time is a discrete variable and placing the two on the same graph fails to depict the purity of price's movement or non–movement. ■ Why patterns in Candlestick, Heikin Ashi, OHLC charts lose their characteristics once mapped onto a distribution curve using frequency and price. ■ Use of Point & Figure charting's percentage scaling method as the valid scaling method to treat price as a continuous variable for which all price points are valid on a logarithmic scale. Price points treated this way then become valid to map onto a distribution curve. ■ Remove misleading effects of time on price by tuning out time's noise amplification, especially under Overbought/Oversold conditions. Removal of fake outs and gaps altogether. ■ Identify obvious Support/Resistance levels affecting pricing of Calls and Puts, making Trend Line recognition and Range Setting indisputable. ■ Calculate Price Targets purely on price alone for a clean computation of Reward to Risk Ratios. ■ Price Reversals recorded by Point & Figure's unique construction means volume activity is already embedded in the reversal counts without having to graph volume separately. Dispenses with the confusion to reconcile price with volume–based and other TA studies, simplifying the set up of P&F charts.	Video: 2 Point&Figure.mov PDF file: 2 Point&Figure.pdf Tab in Excel spreadsheet: "P&F Patterns" in H–O–T Business.xls

Lesson	Objectives and Issues to Solve	Refer to this Video, PDF file and Excel tab inside the H–O–T Business.xls spreadsheet, for the lesson:
3. IV & Skew Forecasting Estimated time to complete, based on video's timing … Part 1: 2Hrs:55 mins:10 secs. Part 2: 2Hrs:43 mins:36 secs.	■ Why reconciling Historical Volatility against Implied Volatility and looking for a HV–IV cross–over fails to be a consistent trading technique. – Historical Volatility calculated as Statistical Volatility using past price movements of the underlying asset with a finite but adjustable number of days is computationally different from Implied Volatility, which is comprised of expected bid–ask estimates that are refined within fixed intervals of expiration cycles and must converge at zero on specific expiration dates. ■ Problem of re–simulating unique macro–economic parameters affecting the Historical Volatility in Asset Classes. As such, Historical Volatility is removed altogether from the trading process, focusing purely on Implied Volatility alone. ■ IV of options (ITM/ATM/OTM) must converge at zero on expiration date; but, price can go anywhere on expiration date (up/down/drifting) … what are the implications? – Trading Implied Volatility effectively boils down to buying time decay at a % point below; or, selling premiums at a % point above the theoretical price of market value that participants are willing to pay/sell for. ■ Isolate the traits of a strike's Moneyness (ATM/OTM/ITM) in constructing different spread types to fit the size of your trading account. ■ Why a spread's construction must forecast Implied Volatility specific to Calls (e.g. Vertical Call), separate of Puts (e.g. Vertical Put) and combined as Calls+Puts (e.g. Iron Condor & Calendar). – Using iVolatiltiy's Hi/Low indicator to forecast +10% rise in IV for Debit spreads and –10% rise in IV for Credit spreads. Plus, analytics for IV Mean Reversion and IV Mean Repulsion. – Assessing the mid–range risk zone of Implied Volatility remaining flat within 60–120 days that is not useful for Debit spreads and flat–lining within 30–60days that is not useful for Credit spreads. – Role of the Relative Volatility Index (RVI) study (absent of price) to filter the Implied Volatility forecast. ■ Treatment of IV as synthetic Time and vice–versa. – Translating the mechanics of the maths of Theta, Vega and Gamma as expressed in the Black–Scholes model, to simulate and control the associated risks for a specific spread type in the trading platform. ■ Time gapping Theta: subsidizing the payment of decay in debit spreads by receiving premium from credit spreads. ■ Criteria for Probability of Touching strikes to enter/exit, automating the monitoring of Implied Volatility alerts and Theta–based break even dates versus price–based break even points. ■ Rejecting the misuse of the Skew as a flawed signal of over/under pricing options. Instead, Skew (Zero, Negative and Positive) will be defined specifically in terms of the frequency of the probability of price distribution. – Treating skew this way sets up a sensible framework to understand the changes in pricing with the Supply of Puts versus Demand for Calls and the changes in pricing of Puts/Calls, as the underlying's price tests/re–tests Support and Resistance levels.	Two Videos: 3–1 IV&Skew.mov and 3–2 IV&Skew.mov PDF file: 3 IV&Skew.pdf Tab in Excel spreadsheet: "IV & Moneyness" in H–O–T Business.xls

Lesson	Objectives and Issues to Solve	Refer to this Video, PDF file and Excel tab inside the H–O–T Business.xls spreadsheet, for the lesson:
4. Greeks Revisited Estimated time to complete, based on video's timing … 1 Hr:12 mins:7 secs.	■ Beyond the definition of Delta, Gamma, Theta and Vega, revisiting these Greeks states clearly how to get more or less sensitivity to a specific Greek by choosing the moneyness of the strikes (OTM, ATM and ITM). – Respond to the changing relationships between Greeks as the product's price trades towards OTM, ATM or ITM. ■ Assess the impact on Greeks with Stock Splits. ■ Beta Coefficient, Beta–weighting Deltas and the difference between Beta versus Correlation. ■ Relationship between Exercise and Assignment, as you toggle between the roles of an options buyer with debit spreads versus an options seller with credit spreads. – How to assess the economic viability of exercising early or not. – Differences in obligation for the option seller between an American–styled product (stock–settled) versus an European–styled product (cash–settled). ■ Categorization of Greeks for Defined Risk spreads with both Limited and "Un"limited Reward – Delta, Gamma, Theta and Vega defined for 15 Credit Spreads, 20 Debit Spreads; directionally these spreads translate into 12 Bullish Spreads, 9 Bearish Spreads and 20 Directionally Indifferent/~Neutral Spreads.	Video: 4 Greeks Revisited.mov PDF file: None, not applicable for this lesson. Tabs in Excel spreadsheet: "Greeks Revisited" and "Defined Risk–Reward (Un)Limited" in H–O–T Business.xls

Lesson	Objectives and Issues to Solve	Refer to this Video, PDF file and Excel tab inside the H–O–T Business.xls spreadsheet, for the lesson:
5. Portfolio and Home Business Estimated time to complete, based on video's timing … 2 Hrs:56 mins:57 secs.	Establishing Performance Parameters for the Portfolio ■ Maximum Return Target is the complete achievement of the "ideal" measure, to stretch your reach beyond the immediate grasp. E.g. 3 x current monthly salary. – Forces persistent evaluation of every part of your trading process to identify improvement. – Evaluate reality of substituting wages/salary/other regular income with trading profits. ■ Minimum Return Target is the lowest acceptable measure, achievable under most market conditions. – Understand why you must re–engineer the processes within your entire trading system, if your portfolio's returns are between the bottom boundary benchmark of the S&P500's Average Annual Returns (10% to ~12% p.a, pre–crisis) and the 3–Month T–Bill. ■ "Halt Trade" Target is when cumulative losses reach a threshold below the Minimum Return Target. – Recognizing the Point of pain that marks failure in grasping the base–line of acceptable returns. – Logic for setting the threshold at ~10% of [60% x original cash balance or Net Liquidating Value]. ■ Drawdown is when any loss lowers the account's highest profit for a given term – Evaluate the relationships between Drawdown, Average Holding Period and Average Trade Turnover, to assess the average number of days it takes you to turn a profit, to add the profit to reduce the losses as a means of recovery to get to a new high. Insights into your tendencies to identify required behavioural changes for clarity in improving trading results ■ Accuracy as measured by the Win / Loss Probability. ■ Responsiveness as measured by the Average Win / Average Loss. ■ Combining Accuracy plus Responsiveness as a sustainable Performance Ratio to moderate % of capital allocated. ■ Implication of linearity of individual position sizing and sensitivity to Greeks for capital allocation per trade. Expected Return calculations ■ Positive / Negative Expectancy and what it means for the processes within your trading system. ■ How many cents in each $1 at risk, can you expect to win? ■ How to work out your yearly expected return. ■ Measuring your efficiency of Cash Utilization – Assessing the rate of cash use as a percentage of available capital that is "fully" allocated. ■ Different ways to view returns vis–à–vis original Cash Balance and Net Liquidity Value. ■ Benchmarking your portfolio's P/L against the market's default performance, risk–free rate of return, other non–equity benchmarks and indices of professionally run hedge funds. ■ Sizing of individual position allocation for the adequate number of contracts to lock–in profit versus reducing exposure during times when losses are incurred. Linearity of the Greeks and position sizing. ■ Guarding against the risk of ruin: why excessive profit concentration in too few trades is unsustainable. ■ Portfolio Metrics linked to Monthly Budget to assess feasibility and how much you need to replace your wages/salary with trading income.	Video: 5 Portfolio.mov PDF file: 5 Portfolio.pdf Tabs in Excel spreadsheet: "Portfolio Metrics" and "Monthly Budget" in H–O–T Business.xls

Lesson	Objectives and Issues to Solve	Refer to this Video, PDF file and Excel tab inside the H–O–T Business.xls spreadsheet, for the lesson:
6. Market Ranges Estimated time to complete, based on video's timing … 1 Hr:59 mins:36 secs.	■ Measuring the Net Change of absolute ranges and Net % for relative ranges to define daily trading ranges as Big, Normal and Dull Days – Theoretically price spreads for entry within 1 Standard Deviation of Normal and Dull Days. Then, exit for profit or limit losses on Big Days with defined extreme readings outside 1 Standard Deviation. – Connecting the implication of the daily market ranges in the Bonds with daily ranges in Equities. – Role of Yield Curve of Treasuries: 5 Year, 10 Year and 30 Year in daily market ranges. – Role of Equity–based Futures: DJIA, Nasdaq100, Russell2000 and S&P500 in daily market ranges. – Role of Seasonal shifts in equities affecting daily trading volume and intensities of daily volatilities. ■ Factoring changes in the Yield Curve (Normal, Flat and Inverted) to appropriately scale the exposure of option trades in equities and the allocation per trade. ■ Gauging the daily Net % trading range of a product by dividing the annualized volatility of the front month by 16 (square–root of 256 trading days), to gauge if it makes sense to Theoretically Price trades within –1σ and +1σ. ■ Effect of Quadruple Witching Hour on the third Friday of every March, June, September and December, on the market range for that particular day. ■ Cycles of Economic Calendar Events and Sector–specific Recycled News affecting the rising and reduction of volatilities. – Relationship between earnings releases in specific sectors and forecasts/economic calendar events within the same period. – Impact of asynchronous/synchronized news with seasonal business cycles of Sectors and Asset Classes. – Effect of collaborative cross–regional government treasury intervention in the markets versus geography specific trade/economic policy implementation on trading ranges. ■ Prominent Macro–economic themes dominating the daily trading ranges for the year ahead. ■ Using Bloomberg as a free resource to globally track the Continuation/Divergence of daily market ranges across US–Asia–Europe then, returning full–circle back into pre–market US trading hours. – Track the relevant Asian Indexes: Nikkei 225, CSI300, Sensex & Nifty, as well as Asian Futures. – Track the relevant European Indexes: DAX, FTSE100 and BE500 and European Futures. – Role of monitoring Bonds, Currencies and Commodities during pre–market US trading hours. – Reading the Futures during US pre–market hours to assess theoretically pricing spreads for entry/exit.	Video: 6 Market Ranges.mov PDF File: 6 Market Ranges.pdf Tab in Excel spreadsheet: see "Macro Outlook" section of any Trade Plan in H–O–T Business.xls

Lesson		Refer to this Video, PDF file and Excel tab inside the H–O–T Business.xls spreadsheet, for the lesson:
10 Spread Types Estimated time to complete is based on video's timing.	Each spread type has its own unique trade plan as an individual tab in the spreadsheet.	There are no PDF files for these trade plans.
	1. ATM–NTM Debit Calendar. 3 Hrs: 35 mins: 53 secs.	Video: S1 Calendar.mov Tab in Excel spreadsheet: 1. ATM–NTM Debit Calendar.
	2. OTM Credit Iron Condor. 3 Hrs: 56 mins: 21 secs.	Video: S2 Credit Iron Condor.mov Tab in Excel spreadsheet: 2. OTM Credit Iron Condor.
	3. OTM Credit Vertical Call. 3 Hrs: 11 mins: 52 secs.	Video: S3 Credit Vertical Call.mov Tab in Excel spreadsheet: 3. OTM Credit Vertical Call.
	4. OTM Credit Vertical Put. 2 Hrs: 51 mins: 49 secs.	Video: S4 Credit Vertical Put.mov Tab in Excel spreadsheet: 4. OTM Credit Vertical Put.
	5. OTM Debit Iron Condor. 4 Hrs: 11 mins: 33 secs.	Video: S5 Debit Iron Condor.mov Tab in Excel spreadsheet: 5. OTM Debit Iron Condor.
	6. NTM Strangle ATM Straddle. 4 Hrs: 08 mins: 10 secs.	Video: S6 Straddle.mov Tab in Excel spreadsheet: 6. NTM Strangle ATM Straddle.
	7. OTM Debit Vertical Call. 3 Hrs: 02 mins: 34 secs.	Video: S7 Debit Vertical Call.mov Tab in Excel spreadsheet: 7. OTM Debit Vertical Call.
	8. OTM Debit Vertical Put. 3 Hrs: 33 mins: 44 secs.	Video: S8 Debit Vertical Put.mov Tab in Excel spreadsheet: 8. OTM Debit Vertical Put.
	9. Back Ratio Call. 4 Hrs: 18 mins: 11 secs.	Video: S9 Back Ratio Call.mov Tab in Excel spreadsheet: 9. Back Ratio Call.
	10. Back Ratio Put. 4 Hrs: 24 mins: 36 secs.	Video: S10 Back Ratio Put.mov Tab in Excel spreadsheet: 10. Back Ratio Put.

End of Document: Legal Disclaimer

There can be significant risk of losses in trading securities, options, futures and foreign exchange. Customers must consider all relevant risk elements including their individual financial circumstances prior to trading. Options involve risks and are not suitable for every investor. Prior to buying or selling an option, an investor must obtain a copy of the Characteristics and Risks of Standardized Options available at http://www.cboe.com/Resources/Intro.aspx.

Alternatively, copies may be obtained from your broker, one of the exchanges or the Options Clearing Corporation. Past results are not necessarily indicative of future performance. Home Options Trading does not guarantee in writing or verbally that material on this website or that taught in the videos or written material contained in the associated files that accompany the videos will result in a profit. Investors need a broker to trade options, and must meet suitability requirements. Historical results do not indicate future performance.

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