



NEW RULES AFTER NVIDIA SPLIT

DISCLAIMER: These rules are a description of what I did and are a documentation of my actions with myself. When I use the word “you” or any wording that is interpretable as an instruction on what to do, I am speaking to myself, and these words should not be mistaken for recommendations to buy, sell, or hold any securities. These should be seen as me writing my own rules to myself which I am publishing. If one desires financial advice or investment or trading advice, one should seek out the recommendations of a licensed securities advisor.

Due to NVIDIA's recent split, there have been new updates to the rules that were last formulated. This might change as the stock price is actively changing.

We made a few adjustments to keep contracts around the same size that we had been trading since the last update and updated the exit rules.

EXIT RULES

BREAK EVEN RULE

If the average price (mid) of the option drops 5% below the purchase price, the aim should be to break even or achieve a slight profit. To implement this rule effectively, you can set the sale price at a level 3% above your cost basis.

STOP LOSS RULE

If the share price continues to decline after resetting the target to break even and the contract price reaches a level lower than 7-10% below cost, I sell off the security at a loss immediately.

BUY SIGNAL

The buy signals remain the same, although the injunction to ignore buy signals that occur prior to 9:32:30 is canceled. I can use buy signals which occur at any point, even just after the market opens.

WHICH OPTIONS TO BUY

After conducting additional research on viable and profitable options contracts, the revised guidelines for selecting appropriate options for my purchase are as follows:

1. **Strike Price:** Above the current share price or out of the money (slightly in the money contracts also tend to have good volume).
2. **Expiry Date:** Select options contracts with an expiration period ranging from 1-7 days (same week or same day expiry date). Contracts that expire the same day are very volatile, and it is crucial to stick to the exit rules if one wants to use them.
3. **Option Open Interest:** We prefer choosing contracts with at least 2000 in this column or using this filter. (The total number of outstanding option contracts that are currently held by market participants at the end of the previous trading day)
4. **Spread:** We prefer using contracts with a maximum spread of 5% of the ASK price. (If you are trading contracts between 50-150USD then it is 5 cents at the most)

These adjustments have been made to maintain the contract value around \$50-\$250 USD. It is important to note that opting for smaller contracts with the same total investment increases the level of risk associated with the trade.

Using more expensive options contracts is considered more cautious. These can be selected by lowering the strike price or extending the expiry date.

NOTE: As further research continues, some of these quantities may change. We highly recommend booking a coaching session for clarifications or staying tuned for any updates.