

Intro: Why this strategy?

Excellent opportunities for lower-risk option trades are found with Delta neutral strategies (e.g. The Ride Trade), where profits are feasible even if the market moves in abrupt, unanticipated directions. The Best Strategy affords the benefits of Delta neutrality, but it is **more discretionary and uses “technical analysis”** to better position the trade at inception, with some adjustments made in accordance with where the market is moving relative to support and resistance levels to increase the potential for profit and avoid severe losses.

I developed this strategy as my students requested an additional technique that might complement our other approaches. Like most of my strategies, this strategy is an income trade which benefits primarily from time decay (Theta positivity). A major distinction with the Ride Trade, my most profitable, most frequently utilized strategy thus far, is that the Best Strategy is Vega negative. This trade benefits from a reduction of options Implied Volatility (IV). While the Best Strategy uses charts to support trading decisions, I ultimately remain a Delta neutral trader. Therefore, when Delta reaches a certain value, action is taken to curtail excessive directional risk.

As with the Ride Trade, this strategy is designed for persons who do not want to be glued to trading platform screens. Just 10-15 min per day (at the end of each trading day) should be sufficient to monitor and manage the Best Strategy.

You'll notice both RUT and SPX indexes, rather than index ETFs (IWM or SPY), are chosen for this strategy. These index option vehicles bring substantial efficiency and profitability potential. Fewer contracts are required (lower trading fees) and there are added potential tax advantages (these index options are 1256 contracts—taxed as 60% long-term gains, 40% short-term gains in the United States). Also, these indexes options are cash settled, which means we can leave the trade until expiration with no stock assignment risk. The profit potential of a one-lot Best Strategy trade is \$2000.

For more aggressive traders I have the SPY Speed Trade, that can be used with SPX also. Sometimes, when market is calm, I am trade this strategy that uses weeklies. But not so often because short-term options present higher risk.

The Best Strategy uses a structure commonly called **Broken Wing Butterfly (BWB)** in the options terminology. A mastery of this trade is best recognized in the adjustments