



Timeless Strategies, Enhanced by Today's Technology

By Tony Saliba
October 21st, 2020

Options Trading Yesterday vs Today

Open Outcry Days

Hard to calculate and construct a strategy

Today

Dramatic Technologies Available

Much easier to track and calculate

Constructing is challenging

Strategies still make sense, but far easier to access

Executions

Best Price Plus™ (BP+) allows you to get better pricing

Best Price Plus™

By leveraging **superior market data** with **powerful liquidity-providing relationships**, firms like ours offer traders access to previously unseen prices.

- **BP+** gives users **a fill at a specified improved price**, one that is potentially better than the NBBO (National Best Bid & Offer)
- **BP+** can save users upwards of **400%** on commission charges
- Users receive instantaneous, tradable price improvement

US Options Volume

US Equity Options Monthly Total Contract Volume

	2020 (Contracts)	2019 (Contracts)	Total Contract % Change vs 2019
September	632,751,329	360,693,463	75.4%
August	582,394,732	418,770,313	39.1%
July	582,318,225	357,634,292	62.8%
June	651,089,358	340,857,459	91.0%
May	511,622,104	405,895,497	26.0%
April	515,812,617	344,847,772	49.6%
March	590,743,481	365,585,219	61.6%

Data collected from the OCC (www.theocc.com) on October 19, 2020.

What makes the volume increased?

This is a combination of:

1. People being confined to their homes;
2. No sports betting;
3. No trips allowed to Las Vegas;
4. Gov money to ease the crisis of the pandemic coming in;
5. Retirement age people using this as the reason to exit workforce;
6. Active/bullish stock markets;

Has made for a “perfect storm”, leading investors into the US options market.

US Options Volume

US Listed Options ADV Contract Volume

	YTD 2020 (Contracts)	2019 (Contracts)	Total Contract % Change vs 2019
Average Daily Volume	28,631,003	19,440,621	47.3%

Data collected from the OCC (www.theocc.com) on October 19, 2020.

Trading through the Pandemic

My favorite strategies: Butterflies & Condors

1. Condor breakdown: a series of butterflies;
2. Extremely high vols make butterflies extremely inexpensive.

Benefits of Condors:

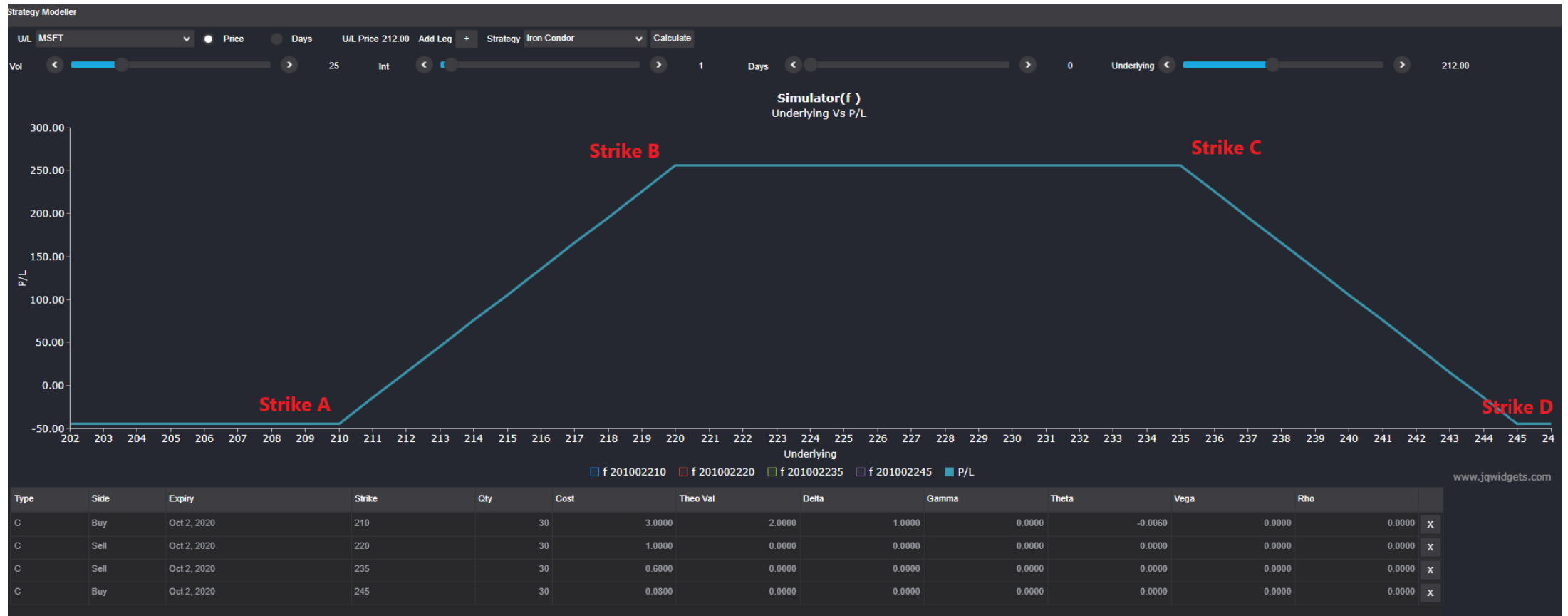
1. Low cost;
2. A fixed risk/rewards profile;
3. Targeting a defined p/l zone;
4. Multiple legs provides various opportunities adjusting risk/reward to market movements.

Condor

Constructing a condor:

1. 4-leg spread: long vertical spread + short vertical spread
2. Four strike prices
3. Choose strike prices based on the market conviction and the target price

Risk Rewards



Next is a trade that I did in September.

I was trading on a leader's signal, who was bullish in Microsoft.

However, the market went in the opposite direction.

I used a condor with some adjustments and turned a loser into a winning trade.

Trade 1: Constructing a MSFT Condor on 9/11

L 210/220-235/245 C Condor

1. Leader's Conviction: Bullish in next 2-3 weeks
2. Entry Date: 9/11/2020, Expiration: 10/02/2020
3. Stock Price: \$205
4. Strategy: Condor with lower and wider strikes,
 - Long 1 MSFT 210/220-235/245 Call Condor at \$2.90

Execution with Best Price Plus: 9/11

Position	Execution Price with BP+	NBBO
L 210/220 - 235/245 C	\$2.90	\$3.04

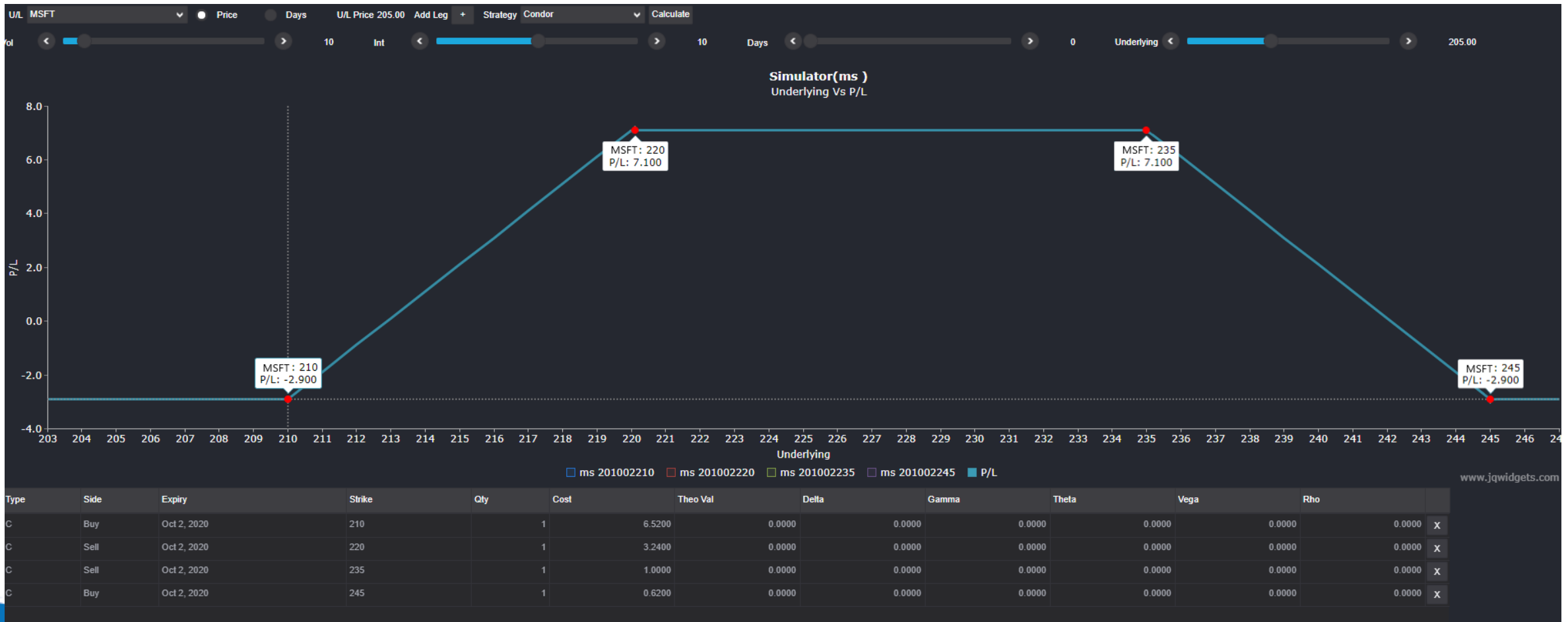
Position	Execution Price with BP+	NBBO
L 210/220 - 235/245 C	\$2.90	\$3.04

Execution with Best Price Plus: 9/11

Account	ExecTime	Status	C...	InstType	Side	Qty	Unde...	Price	Avg Price	Fills	TIF	Symbol	Exchang...
115928	10:25:06.574	Fill		Spread		1	MSFT	2.90	2.90	1/1	DAY	++ MSFT 201002C00210000...	AUTO 1509531-0-0

Position	Downside Breakeven	Upside Breakeven	Max Profit	Max Loss
L 210/220 - 235/245 C	\$212.90	\$232.10	\$7.10	\$2.90

MSFT Condor Payoff



Trade 2: Scaling In from 9/11-9/18

L 210/220-235/245 C Condor

1. Background: MSFT went from \$205 to \$200
2. Leader's Conviction: Still bullish in next 2-3 weeks, target price \$245
3. Expiration: 10/02/2020
4. Strategy:
 - Started a condor with lower and wider strikes
 - Bought 210c, sold 220c, sold 235c and bought 245c
 - Had \$5,000 to risk on the strategy
 - When MSFT started to drop, I scaled into a 30-lot position to lower the cost

From 9/11-9/18, I scaled into my position:

Position	Size	Execution Price with BP+	NBBO	\$ at Risk	Cum \$ at Risk
L 210/220-235/245 Condor	1	\$2.90	\$3.04	\$290	\$290
L 210/220-235/245 Condor	5	\$2.40	\$2.52	\$1,200	\$1,490
L 210/220-235/245 Condor	5	\$2.00	\$2.09	\$1,000	\$2,490
L 210/220-235/245 Condor	5	\$1.61	\$1.70	\$805	\$3,295
L 210/220-235/245 Condor	6	\$1.39	\$1.53	\$834	\$4,129
L 210/220-235/245 Condor	5	\$1.30	\$1.38	\$650	\$4,779
L 210/220-235/245 Condor	3	\$1.17	\$1.26	\$351	\$5,130
Average Cost of 30-Lot Condor	30	\$1.71	\$1.82		\$5,130

Overview of my positions from 9/11-9/18

Date	Position	Size	MSFT Stock Price	Avg Execution Price with BP+	Avg NBBO	Downside Breakeven	Upside Breakeven	Max Profit	Max Loss
9/11	L 210/220 - 235/245 C	1	\$205	\$2.90	\$3.04	\$212.90	\$232.10	\$7.10	\$2.90
9/11-9/17	L 210/220 - 235/245 C	27	\$204-\$198	\$1.77	\$1.88	\$211.77	\$233.23	\$222.21	\$47.79
9/18	L 210/220 - 235/245 C	30	\$200	\$1.71	\$1.80	\$211.71	\$233.29	\$248.70	\$51.30

In the next few days, MSFT started to rally from \$200 to \$213. I started legging out of some of my positions.

Trade 3: Legging Out from 9/22-10/1

Short MSFT 210/220 C Vertical

1. Background: MSFT went from \$200 to \$213.5
2. Expiration: 10/02/2020
3. Strategy:
 - Use multiple ways to leg out my 210/220 c verticals
 - Legging out with [single-leg options](#)
 - Legging out with [vertical spreads](#)
 - Legging out with [ratio spreads](#)

This shows the flexibility the condor strategy.

Execution with Best Price Plus: 9/22-10/1

W		Q		All	None	02 Oct 20-W	09 Oct 20-W	Oct 20	23 Oct 20-W	30 Oct 20-W	06 Nov 20-W	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21
MSFT	ETB	B	211.35	A	211.37	4.11	1.98%	L	211.37	P		V	8,705,706				
CVolume	CDelta	CBABPrice	CBAAPrice	CPosition	▲	Expiry	▲	Strike	PPosition	PBABPrice	PBAAPrice	PDelta	PVolume	AIVol			
14,625	60.6	2.99	3.05	21		2020-10-02		210		1.62	1.67	-39.7	4,243	29			
1,922	6.2	0.14	0.15	-22		2020-10-02		220		8.55	9.45	-88.5	80	31			
3	0.1		0.01	-25		2020-10-02		235		23.10	24.35	-98.1		45			
			0.01	30		2020-10-02		245		33.00	34.30	-98.1		80			

Sold 8 210/220c @ \$2.85

Sold 1 210c @ \$3.10

Bought 5 235c @ 0.01

Execution with Best Price Plus: 9/22-10/1

W	Q	All	None	02 Oct 20-W	09 Oct 20-W	Oct 20	23 Oct 20-W	30 Oct 20-W	06 Nov 20-W	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Ap
MSFT	ETB	B	211.83	A	211.84	4.58	2.21%	L	211.84	P	V	11,482,465			
CVolume	CDelta	CBABPrice	CBAAPrice	CPosition	▲ Expiry	▲ Strike	PPosition	PBABPrice	PBAAPrice	PDelta	PVolume	AIVol			
18,441	64.3	3.20	3.25	18	2020-10-02	210		1.36	1.43	-36.1	7,384	29			
2,564	6.2	0.13	0.14	-17	2020-10-02	220		8.25	8.40	-92.5	146	27			
13	0.1		0.01	-25	2020-10-02	235		23.00	23.75	-95.6		46			
			0.01	30	2020-10-02	245		32.55	33.80	-97.8		81			

Sold 3 210/220c @ \$3.06

Bought 1 220c @ \$0.11

Execution with Best Price Plus: 9/22-10/1

W	Q	All	None	02 Oct 20-W	09 Oct 20-W	Oct 20	23 Oct 20-W	30 Oct 20-W	06 Nov 20-W	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21
MSFT	ETB	B	212.95	A	212.97	2.62	1.25%	L	212.95	P	V	6,369,992			
CVolume	CDelta	CBABPrice	CBAAPrice	CPosition	▲ Expiry	▲ Strike	PPosition	PBABPrice	PBAAPrice	PDelta	PVolume	AVol			
1,521	74.8	3.65	3.75	13	2020-10-02	210		0.76	0.77	-26.0	3,269	30			
4,758	31.4	0.80	0.82	-8	2020-10-02	215		2.83	2.90	-68.2	414	26			
632	1.9	0.06	0.07	-1	2020-10-02	220		7.05	7.20	-94.5	29	26			
7	0.0		0.01	-25	2020-10-02	235		21.95	22.15	-99.9	1	50			
			0.01	30	2020-10-02	245		31.95	32.15	-100.0		0			

Sold 5 210c @ \$3.65 avg
 Sold 8 215/220c (1X2) @ \$2.05

Execution with Best Price Plus: 9/22-10/1

569	95.7	8.45	8.65		2020-10-02	205		0.15	0.16	-3.9	4,839
1,411	90.4	6.10	6.25		2020-10-02	207.5		0.26	0.27	-10.8	3,238
4,465	80.2	3.85	4.00	8	2020-10-02	210		0.51	0.53	-20.9	9,205
13,964	60.4	2.00	2.06		2020-10-02	212.5		1.10	1.14	-40.0	6,998
12,890	33.6	0.77	0.80	-8	2020-10-02	215		2.34	2.41	-66.1	1,217
3,384	12.6	0.21	0.22		2020-10-02	217.5		4.25	4.40	-86.0	93
2,052	1.7	0.05	0.06	-1	2020-10-02	220		6.55	6.75	-94.9	120
1,311	0.4	0.02	0.04		2020-10-02	222.5		9.05	9.20	-96.8	40

Sold 5 210c @ \$4.00

Execution with Best Price Plus: 9/22-9/30

Symbol	InstType	Status	Side	Under...	Price	Avg Price	Description
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	4.00	4.00	MSFT 02Oct20 210.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.50	3.50	MSFT 02Oct20 210.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.75	3.75	MSFT 02Oct20 210.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.50	3.50	MSFT 02Oct20 210.00 C
+MSFT 201002C00215000	Equity Option	Fill	Buy	MSFT	0.75	0.75	MSFT 02Oct20 215.00 C
+MSFT 201002C00215000	Equity Option	Fill	Buy	MSFT	0.75	0.75	MSFT 02Oct20 215.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.50	3.50	MSFT 02Oct20 210.00 C
+MSFT 201002C00220000	Equity Option	Fill	Buy	MSFT	0.11	0.11	MSFT 02Oct20 220.00 C
+MSFT 201002C00220000	Equity Option	Fill	Buy	MSFT	0.11	0.11	MSFT 02Oct20 220.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.20	3.20	MSFT 02Oct20 210.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.10	3.10	MSFT 02Oct20 210.00 C
- - MSFT 201002C00215000	Spread	Fill		MSFT	-0.69	-0.69	- MSFT 02Oct20 215.00 C + MSFT 02Oct20 220.00 C
+MSFT 201002C00220000	Equity Option	Fill	Buy	MSFT	0.12	0.12	MSFT 02Oct20 220.00 C
+MSFT 201002C00220000	Equity Option	Fill	Buy	MSFT	0.17	0.17	MSFT 02Oct20 220.00 C
+MSFT 201002C00210000	Equity Option	Fill	Sell	MSFT	3.05	3.09	MSFT 02Oct20 210.00 C

Position Size at Each Strike

	9/18	9/22	9/29	9/30	10/1
210 C	+30	+21	+18	+13	+8
215 C	-	-	-	-8	-8
220 C	-30	-22	-17	-1	-1
235 C	-30	-25	-25	-25	-25
245 C	+30	+30	+30	+30	+30
Cost	(\$5130)	(\$2545)	(\$1638)	\$1875	\$3825

Trade 4: Expiration Day Legging Out

Short MSFT 210/220 C Vertical

1. Background: continued legging out my 8 lots of the 210/215 vertical, eventually 220c, 235/245 expired **worthless**.
2. Stock Price: **\$206.19**
3. Strategy: Legging out 8 lots of 210/215 at an avg price of **\$1.7**

Recap: MSFT Call Condor

	9/18	9/22	9/29	9/30	10/1	10/2
210 C	+30	+21	+18	+13	+8	0
215 C	-	-	-	-8	-8	expired
220 C	-30	-22	-17	-1	-1	expired
235 C	-30	-25	-25	-25	-25	expired
245 C	+30	+30	+30	+30	+30	expired
Cost	(\$5130)	(\$2545)	(\$1638)	\$1875	\$3825	\$5185

My Thought Process

Why I choose the option trade

1. If I buy 100 shares of MSFT stock:
 - a. I'm risking: $\$205 \times 100 = \$20,500$
 - b. If the stock goes up \$20 to \$225, max profit is: $\$20 \times 100 = \$2,000$
2. If I use options/condor: I can reduce my risk
 - a. I want to risk less than $\$20,500$
 - b. Buy 1 lot of the condor: $\$2.90 \times 100 = \290
 - c. Subsequently legged into 30 lots: $\$1.71 \times 30 \times 100 = \$5,130$
 - d. If the stock goes up \$20 to \$225, max profit is: $\$(10 - 1.71) \times 30 \times 100 = \$24,870$

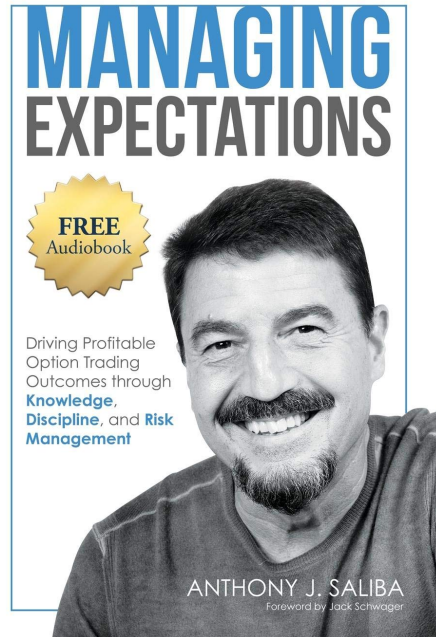
Trades	Capital at Risk	% of Capital at Risk vs Purchasing Stock	Max Profit
Buy 100 shares of stock	\$20,500	100%	\$2,000
Buy 1 lot 210/220-235/245 Condor	\$290	1.4%	\$810
Buy 30 lots 210/220-235/245 Condor	\$5,130	25%	\$24,870

The “10-Percent” Idea

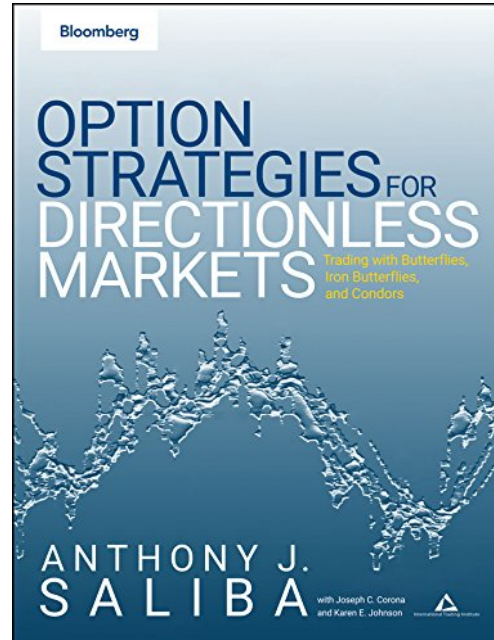
1. If you want to buy 100 shares of ABC stock at \$300:
 - a. You’ll be risking: $\$300 \times 100 = \$30,000$
 - b. If the stock goes up \$20 to \$320, profit is: $\$20 \times 100 = \$2,000$
2. Considering reduce your Capital at Risk to 10%: $\$30,000 \times 10\% = \$3,000$
3. Use options to capture the similar outcome of the stock growth:
 - a. Find a 10-point condor: 310/320-340/350 call condor @ \$2.5
 - b. If you have \$3,000, you can buy $\$3,000 / \$250 = 12$ lots
 - c. 12 lots of this condor max profit: $12 \times \$750 = \$9,000$
 - d. If your condor goes up to \$4.20, you can choose to close out the position and make: $(\$420 - \$250) \times 12 = \$2,040$, which is similar outcome of the stock gain \$2,000

Trades	Capital at Risk	% of Capital at Risk vs Purchasing Stock	Max Profit/Gain
Buy 100 shares of stock	\$30,000	100%	\$2,000
Buy 12 lots 10-point Condor	\$3,000	10%	\$9,000
Close out the 12 lots @ \$4.20	n/a	n/a	\$2,040

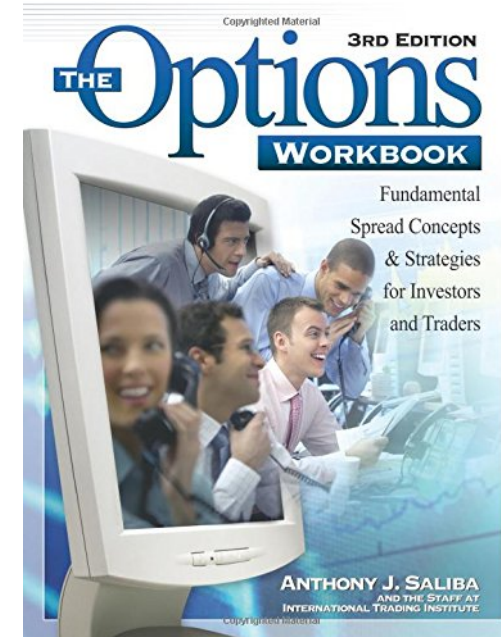
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[Option Strategies for Directionless Markets: Trading with Butterflies, Iron Butterflies, and Condors](#)



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