



HUNTRADERS

How
NOT

to earn 300% with options in 1 year.

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Introduction

The story starts in March of 2012 and ends in April of 2013, the **profit is around 300%**. The title has already made it clear: **it is not allowed to do this**. The reason it is forbidden will be elaborated on later. In the beginning we were trading only some shares, then 1-2 months later we traded only options. Apart from some Vertical Spreads, we focused mainly on **market neutral** positions, and we wanted to gain profit from **option premiums** instead of share price changes. To achieve this, we shorted **Call and Put options month by month** with the same quantity and expiration date - in other words: created **Short Strangle** positions. Many would have found **Condor** positions safer than Strangles, but in this case its **profit was not satisfying enough**. During our trades we chose the risky way: we made decisions based on **Earnings** and chose **high implied volatility** - picked Short Strangle instead of Iron Condor. Many of the **conditions** of Short Strangle trading **have not been kept**. Market neutrality also meant that the **underlying has stayed in the chosen** (and usually wide) **range** (these ranges are visible on the illustrations). Apart from 1-2 exceptions, **we did not close positions before expiration**, the plan was to wait until it expires because the **maximum profit / trade** was realisable at this point. Who does not know the options' theory (or knows but doesn't understand) might think it is like gambling, but we have planned everything carefully.

We did not apply Risk Management, the capital was not kept with stops, but with **Money Management**. The goal was to hold the position until expiration and to be able to achieve maximum profit. This way the use of **Stop Loss** was not always applicable. Therefore, we have not used it. The portfolio **has not been diversified**, which is also against the rules of the profession. The point of the management was the **sizing**, the whole amount on the account was used month by month, also taking margin needs into account.

Option writing is one of the riskiest strategies. The implied volatility should always be considered and never write such amount of options which could cause irreversible damage in the capital. Do not make trades like this!

We wish you successful trading!

Huntraders Team

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