

CHEAT SHEET

Weekly Paycheck Training

“Generating an Extra Pay Day Every Week”

Advantages of Selling Weekly Put Options:

- You will “turn” or use capital more frequently
- Shorter-term positions, and more of them
- Less capital required for each trade

Stocks To Sell Weekly Puts:

If you have a positive short-term view on a stock (Slightly Bullish to Bullish) . . .
SELL PUTS.

When to Sell Weekly Puts:

I like Wednesday morning as the best time to sell “weekly’s” for 2 ½ days.

Selecting the Weekly Put:

Time Decay: Weekly options are only open 8 days and time decay is ferocious the closer to expiration. The closer you sell the put to expiration, the less chance for the position to go against you.

Rich Premiums: Look for stocks with high volatility and rich premiums.

Implied Volatility: For weekly’s, 25 is the magic number—looking for Implied Volatility between 25 and 40 (above 55 it gets hairy).

Sell Put Strikes: Sell puts one or two prices out-of-the-money

Liquidity: At least 100 open contracts at the strike price and narrow bid/ask spreads of \$.01 to \$.05 (at most \$.10)

Entering and Exiting the Put Trade:

Enter Sell and Buy-Back Orders at Same Time: Most times, we expect weekly put options we've sold to expire worthless. If you don't want to wait for the option contract to expire, you can enter your "buy back" trade when you enter the "Sell position" with your target price.

Closing a Position: Although the goal is allow our weekly options to expire worthless (good for the seller), don't equate buying back your puts with not having a successful position. You just put cash in your account by doing so.

Anatomy of a Weekly Put Options Trade:

Trade Date: October 22, 2017

Stock: Gilead Sciences (GILD)

Support for the Trade: Gilead Sciences (GILD), the world leader in HIV treatments and arguably the finest pharmaceutical firm on the planet, was in a general uptrend in October.

Step-by-Step Trade Recommendation: Sell the Gilead Sciences (GILD) October, Week Four 84 puts for \$1.00 (one dollar) or \$100 per contract.

1. Sell (not Buy)
2. GILD (stock ticker)
3. October, Week Four (Week in which the option contract expires)
4. 84 Strike price of the stock (underlying stock) supporting the option. (Gilead was trading around \$84.60 at the time)
5. Puts (we are selling puts)
6. \$1.00 (one dollar)—price of each share in the contract
7. \$100 per contract = $\$1.00 \times 100$ (100 shares are in 1 contract) = \$100.00 per contract.

Result: In less than 4 days, the price of Gilead Sciences moved above \$85 and on Friday, October 25th the GILD October, Week Four 84 puts expired worthless.

Cash in Hand: The seller of this trade kept \$100 for every contract of GILD October, Week Four 84 puts sold.

Trade Return: 1.5%

Annualized Return: 76.9%



Michael Shulman's
Options Income Blueprint