

Choosing an options trade

Assume that you have identified the stock on which you want to make an options trade. Your next step is to choose an options strategy, such as buying a call or writing a put.

The two most important considerations in determining the strike price are your risk tolerance and your desired risk-reward payoff. You can use a risk profile tool or a payoff diagram to visualize the potential outcomes of your trade.

Consider volatility, which measures how much the price of an asset fluctuates over time. Volatility affects both the price of options and the value of your portfolio. You can use historical volatility or implied volatility to estimate how volatile an asset will be in the future.

Anticipate events that may affect the price of an asset, such as earnings reports, dividends, mergers and acquisitions, product launches, etc. Events can create opportunities or risks for options traders. You can use an economic calendar or a news feed to stay updated on upcoming events.

Plan a strategy that suits your objective, risk-reward profile and market outlook. There are many options strategies to choose from, such as covered calls, protective puts, straddles, strangles, spreads, etc. Each strategy has its own advantages and disadvantages. You can use a strategy screener or a simulator to compare different strategies.

Define options parameters, such as expiration date and contract size. The expiration date is when your option contract expires and you must exercise it or let it expire worthless. The contract size is how many

shares of the underlying asset you control with one option contract. Typically, one option contract controls 100 shares of stock. You can use an option chain or a quote tool to find available options with different parameters.

Entering an option trade

Open an options trading account with a broker([webull](#) or [robinhood](#)) that offers options trading. You will need to provide some information about your investment objectives, experience and risk tolerance. You will also need to have enough capital to cover the margin requirements and potential losses of your trades.

Pick which options to buy or sell based on your market outlook, strategy and objective. You can use various tools and resources to find potential options trade ideas, such as Idea Hub or options screeners from Schwab, or NerdWallet's list of best brokers for options trading.

Analyze and compare your options trade ideas using different criteria, such as risk-reward payoff, volatility, events, expiration date, strike price and contract size. You can use a risk profile tool or a payoff diagram to visualize the possible outcomes of your trades. You can also use Schwab's Trade and Probability Calculator to estimate how different factors may affect your option's price.

Place your options trade by submitting an order online through your broker's platform. You need to choose the underlying symbol, then enter the specific option order details (type, expiration, strike price, number of contracts, etc.). Your order will be routed to the market and executed if it meets the available bid or ask price.

Manage your position by monitoring its value and trend over time. Depending on how the underlying asset's price moves, you may decide to close your position before it expires by buying back or selling the option you opened, exercise your option and buy or sell the underlying security if it is in-the-money, or let your option expire worthless if it is out-of-the-money. If you sold an option, you may also be assigned by the buyer and have to buy or sell the underlying security at the strike price.

Exiting an option trade

Exercise your option if it is in-the-money and you want to buy or sell the underlying security at the strike price. This is usually done when you have a long-term view on the underlying asset or when you want to hedge your position. Exercising your option may incur additional fees and taxes.

Let your option expire if it is out-of-the-money and you don't want to buy or sell the underlying security at the strike price. This is usually done when you have a short-term view on the underlying asset or when you want to limit your losses. Letting your option expire means you will lose all of the premium you paid for it.

Offset your option by buying back or selling the same option contract that you opened. This is usually done when you want to lock in your profits or losses, adjust your position, or exit before expiration. Offsetting your option may involve paying commissions and bid-ask spreads.

You can also use different exit strategies to manage your options positions

Exiting completely by closing all of your contracts at once. This is usually done when you have reached your profit target or stop-loss level, or when there is a significant change in market conditions.

Exiting partially by closing some of your contracts and keeping some open. This is usually done when you want to realize some profits and/or reduce some risks while maintaining some exposure to further price movements.

Modifying your trade by rolling up, down, out, or into a different position. This is usually done when you want to extend the duration of your trade, adjust the strike price of your option, or switch from one strategy to another.

To exit an option trade successfully, you need to know what circumstances would lead you to exit and/or make adjustments to the original trade. You also need to place an order online through your broker's platform with the specific details of how you want to exit (type of order, number of contracts, etc.)

How to use an option screener

An option screener is a tool that helps you find potential options trade ideas based on your criteria and preferences. You can use an option screener to filter options contracts by various metrics.

Underlying symbol - the stock or ETF that the option is based on.

Expiration date - the date when the option expires and becomes worthless.

Strike price - the price at which you can buy or sell the underlying security if you exercise the option.

Option type - whether it is a call (*the right to buy*) or a put (*the right to sell*) option.

Bid/ask price - the price at which you can buy or sell the option contract in the market.

Volume/open interest - the number of contracts traded or outstanding for a given option.

Implied volatility - a measure of how much the market expects the underlying security's price to fluctuate until expiration.

Delta/gamma/theta/vega/rho - the Greeks that measure how sensitive an option's price is to changes in various factors, such as underlying price, time, volatility and interest rates.

To use an option screener, follow these steps.

Choose an option screener tool from your broker's platform or a third-party website. Some examples are Idea Hub or options screeners from Schwab, Options Scanner from SlashTraders, Options Screener from Barchart.com, or Options Screener from [Webull](#). Each tool may have different features and filters available.

Enter your criteria and preferences for finding options trade ideas. You can use predefined filters or create your own custom filters based on

your strategy and objective. You can also adjust the range of values for each metric according to your risk-reward profile.

Review and analyze your results from the screener. You will get a list of options contracts that match your selections. You can sort, compare and rank them by different criteria, such as return on capital, probability of profit, risk-reward ratio.

You can also use other tools and resources to further evaluate each option trade idea, such as payoff diagrams, risk profile tools, trade calculators.

The best options trader to follow on Twitter

Gianmarco - [@WheelStrategy](#) - He is the head trader of Options Trading Club and the owner of The Wheel Strategy. He shares his historical trades, win-rate and trade log with his members.

Theta Warrior - [@ThetaWarrior](#) - He is a full-time options trader who specializes in selling premium and theta decay strategies. He posts his trades, charts and educational content.

Panda Options - [@PandaOptions](#) - She is a professional options trader who focuses on selling puts and calls on high-growth stocks. She shares her trade alerts, watchlists and market commentary.

Tom Basso - [@basso_tom](#) - He is a legendary trend follower and former hedge fund manager. He shares his wisdom, advice and tips on trading psychology, risk management and systems.

Charting Options - [@ChartingOptions](#) - He is an experienced options trader who uses technical analysis and chart patterns to find trade setups. He posts his charts, signals and analysis.

Cem Karsan - [@jam_croissant](#) - He is a former hedge fund manager and volatility expert. He shares his views, research and forecasts on volatility, macro trends and market sentiment.

Steve Burns - [@SJosephBurns](#) - He is a veteran trader, author and founder of New Trader U. He shares his knowledge, lessons and quotes on trading, investing and psychology.

Mark Arbeter - [@MarkArbeter](#) - He is a certified market technician (CMT) with over 30 years of experience. He shares his technical analysis, charts and opinions on stocks, indices and options.

Brian Shannon - [@alphatrends](#) - He is a professional trader, educator and author of Technical Analysis Using Multiple Timeframes. He shares his market analysis, videos and trading courses.

J.C. Parets - [@allstarcharts](#) - He is a chartered market technician (CMT), founder of All Star Charts and host of Technical Analysis Radio podcast. He shares his technical analysis, charts and commentary on stocks, commodities, currencies and options.

Free resources for options trading

[BestStockStrategy.com](#) - This website offers a variety of free options trading content, including blogs, YouTube videos and newsletters. It also has a paid membership program that provides real-time trade alerts, coaching and mentoring.

[Real P&L](#) (Karl Domm) - This [YouTube](#) channel features a professional options trader who shares his trades, strategies and analysis. He also has a website where he offers courses, books and tools.

[Tastytrade.com](#) - This website is a financial network that produces live shows, podcasts and videos about options trading. It also has a brokerage platform called Tastyworks where you can trade options with low commissions.

[ProjectFinance](#) - This website offers a step-by-step guide to learning options trading from scratch. It covers topics such as options basics, strategies, pricing, volatility and risk management.

[TradeOptionsWithMe](#) - This website provides 100% free trading education on options and other topics. It has courses, articles, quizzes and tools to help you learn and improve your trading skills.

[Option Alpha](#) - This website is another great site for learning options trading. It has courses, podcasts, blogs and software to help you master options trading.

[SkyViewTrading](#) - This website is more than an options trading course. It offers real-time trade alerts, a trading chat room and a portfolio tracker. It also has videos and articles on options trading.

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