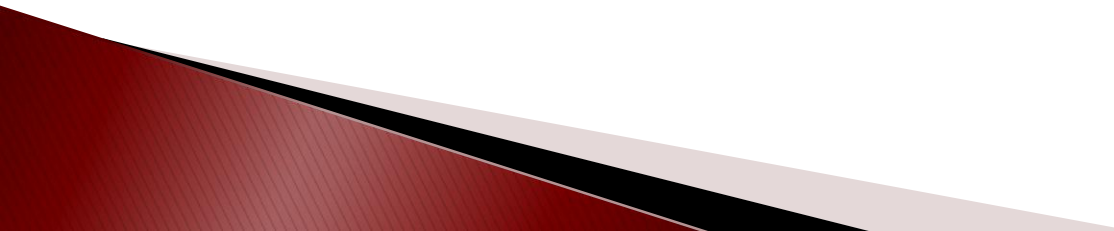


14-Day No-Touch High Prob RUT Iron Condor

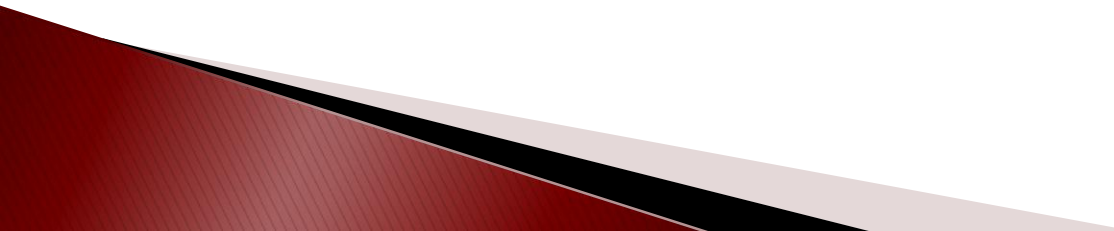


Neil Gillis – Dec 3, 2011

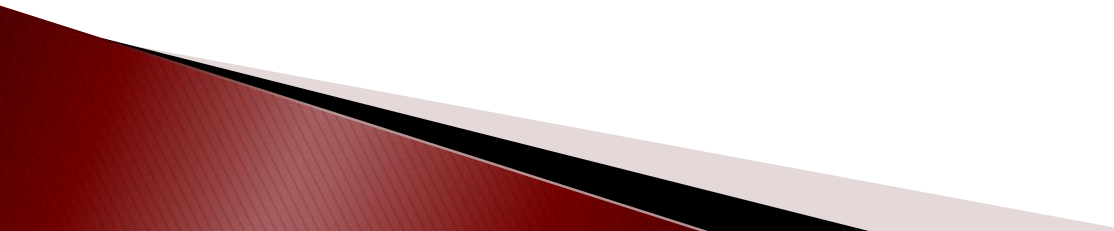
Disclaimer

- ◉ Options involve substantial risk and are not suitable for everyone.
 - ◉ I am not a professional trader.
 - ◉ This presentation is not intended to replace individual research and your *personal* decision to act or not to act on anything presented.
 - ◉ This presentation is for information only and is not a replacement for licensed investment advice.
 - ◉ Or, to plagiarize Marty Nohe, “If something bad happens as a result of action taken based upon information presented, it ain’t my fault and you can’t sue me!”
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Trade Background

- ◉ I learned about this trade while listening to Dan Sheridan mentor one of his students
 - ◉ The student told Dan he had been doing this trade and had doubled his money in one year but had stopped doing the trade after he learned other strategies (with which he was not as successful)
 - ◉ Dan immediately told him to start doing the trade again
 - ◉ No other information was given so I decided to try to figure out how to do this strategy
 - ◉ I back-tested from Jan 2007 to present using ONE software (available to SOM students)
- 

Guidelines

- ◉ Iron Condor (use Puts and Calls)
 - ◉ Enter on Friday, 2 weeks before Expiration, after 11:30
 - ◉ Use 10-Point Strikes & purchase Short Strikes at $\Delta < 10$
 - ◉ 10 Points between Short & Long Strikes
 - ◉ Profit Goal – Income from selling vertical spreads
 - ◉ Max Loss – 1.5 times Income
 - ◉ Adjustments – none (let trade expire or close at max-loss)
 - ◉ Although not usually recommended, in my back-testing, when the trade hit max-loss, I looked at closing only the threatened side, which reduced losses by eliminating commissions & costs involved in closing the unthreatened side. The market never whipsawed back to the good side.
- 

Results

Results – 2007 – 50 Contracts

Month	Margin	P/L	ROI
Jan	\$46,125	\$3,625	7.8%
Feb	\$47,875	\$1,875	3.9%
Mar	\$44,750	\$5,000	11.1%
Apr	\$47,125	\$2,625	5.5%
May	\$47,000	\$2,750	5.8%
Jun	\$46,500	\$3,250	7.0%
Jul	\$47,625	\$2,125	4.4%
Aug	\$44,250	-\$7,320	-17.7%
Sep	\$44,625	\$5,125	11.4%
Oct	\$46,875	\$2,875	6.1%
Nov	\$44,000	\$5,750	13.0%
Dec	\$44,250	\$5,500	12.4%

Results – 2008 – 50 Contracts

Month	Margin	P/L	ROI
Jan	\$43,875	\$5,875	13.3%
Feb	\$43,875	\$5,875	13.3%
Mar	\$45,250	\$4,500	9.9%
Apr	\$45,625	\$4,125	9.0%
May	\$46,125	\$3,625	7.8%
Jun	\$44,875	\$4,875	10.8%
Jul	\$43,750	\$6,000	13.6%
Aug	\$45,375	-\$7,655	-18.0%
Sep	\$46,000	\$3,750	8.1%
Oct	\$43,750	-\$9,420	-22.7%
Nov	\$43,250	-\$10,438	-25.3%
Dec	\$43,000	\$6,750	15.6%

Results – 2009 – 50 Contracts

Month	Margin	P/L	ROI
Jan	\$43,125	\$6,625	15.3%
Feb	\$44,750	\$5,000	11.1%
Mar	\$44,500	-\$9,041	-21.4%
Apr	\$44,500	\$5,250	11.7%
May	\$44,500	\$5,250	11.7%
Jun	\$44,875	\$4,875	10.8%
Jul	\$45,875	\$3,875	8.4%
Aug	\$46,625	\$3,125	6.7%
Sep	\$46,375	-\$5,750	-13.5%
Oct	\$45,500	\$4,250	9.3%
Nov	\$44,875	\$4,875	10.8%
Dec	\$45,250	\$4,500	9.9%

Results – 2010 – 50 Contracts

Month	Margin	P/L	ROI
Jan	\$47,375	\$2,375	5.0%
Feb	\$45,625	\$4,125	9.0%
Mar	\$47,125	\$2,625	5.5%
Apr	\$46,125	-\$7,063	-16.4%
May	\$44,500	-\$9,500	-22.5%
Jun	\$44,375	\$5,375	12.0%
Jul	\$44,375	\$5,375	12.0%
Aug	\$44,125	\$5,625	12.7%
Sep	\$45,500	\$4,351	9.3%
Oct	\$45,375	\$4,375	9.6%
Nov	\$46,500	\$3,250	7.0%
Dec	\$45,625	\$4,125	9.0%

Results – 2011 – 50 Contracts

Month	Margin	P/L	ROI
Jan	\$45,625	\$4,125	9.0%
Feb	\$46,625	\$3,125	6.7%
Mar	\$46,500	\$3,250	7.0%
Apr	\$46,500	\$3,250	7.0%
May	\$45,750	\$4,000	8.7%
Jun	\$45,375	\$4,375	9.6%
Jul	\$46,625	\$3,125	6.7%
Aug	\$43,875	\$5,875	13.3%
Sep	\$44,625	\$5,125	11.4%
Oct	\$42,500	\$7,250	17.0%
Nov (live)	\$4,505	\$470	10.4%
Dec (live)	<i>\$22,725</i>	<i>\$2,150</i>	<i>9.4%</i>

Results – Summary

Year	P/L (raw)	Largest Capital Req'd	Yearly P/L after Slippage	ROI after slippage
2007	\$33,180	\$47,875	\$27,180	56.8%
2008	\$17,862	\$46,125	\$11,862	25.7%
2009	\$32,834	\$46,625	\$26,834	57.6%
2010	\$24,937	\$47,375	\$18,937	40.0%
2011	\$46,120	\$46,625	\$40,120	86.0%

Expiry Month	No. of Cont	Begin	Capital Req'd to start	Comm	PnL (after Comm)	Realized PnL%	Yearly PnL	Largest Capital Req'd	Yearly ROI	Yearly PnL After Slippage	Yearly ROI After Slippage	Would trade get closed by loss = income?
Jan-07	50	5-Jan-2007	\$46,125	\$250	\$3,625	7.8%	\$33,180	\$47,875	69.3%	\$27,180	56.8%	No
Feb-07	50	2-Feb-2007	\$47,875	\$250	\$1,875	3.9%						No
Mar-07	50	2-Mar-2007	\$44,750	\$250	\$5,000	11.1%						No
Apr-07	50	5-Apr-2007	\$47,125	\$250	\$2,625	5.5%						No
May-07	50	18-May-2007	\$47,000	\$250	\$2,750	5.8%						No
Jun-07	50	1-Jun-2007	\$46,500	\$250	\$3,250	7.0%						No
Jul-07	50	6-Jul-2007	\$47,625	\$250	\$2,125	4.4%						No
Aug-07	50	3-Aug-2007	\$44,250	\$500	(\$7,320)	-17.7%						
Sep-07	50	7-Aug-2007	\$44,625	\$250	\$5,125	11.4%						No
Oct-07	50	5-Oct-2007	\$46,875	\$250	\$2,875	6.1%						No
Nov-07	50	2-Nov-2007	\$44,000	\$250	\$5,750	13.0%						No
Dec-07	50	7-Dec-2007	\$44,250	\$250	\$5,500	12.4%						Yes
Jan-08	50	4-Jan-2008	\$43,875	\$250	\$5,875	13.3%	\$17,862	\$46,125	38.7%	\$11,862	25.7%	No
Feb-08	50	1-Feb-2008	\$43,875	\$250	\$5,875	13.3%						No
Mar-08	50	7-Mar-2008	\$45,250	\$250	\$4,500	9.9%						No
Apr-08	50	4-Apr-2008	\$45,625	\$250	\$4,125	9.0%						No
May-08	50	2-May-2008	\$46,125	\$250	\$3,625	7.8%						No
Jun-08	50	4-Jun-2008	\$44,875	\$250	\$4,875	10.8%						No
Jul-08	50	3-Jul-2008	\$43,750	\$250	\$6,000	13.6%						No
Aug-08	50	1-Aug-2008	\$45,375	\$500	(\$7,655)	-18.0%						
Sep-08	50	5-Sep-2008	\$46,000	\$250	\$3,750	8.1%						No
Oct-08	50	3-Oct-2008	\$43,750	\$500	(\$9,420)	-22.7%						
Nov-08	50	7-Nov-2008	\$43,250	\$500	(\$10,438)	-25.3%						
Dec-08	50	5-Dec-2008	\$43,000	\$250	\$6,750	15.6%						No

Expiry Month	No. of Cont	Begin	Capital Req'd to start	Comm	PnL (after Comm)	Realized PnL%	Yearly PnL	Largest Capital Req'd	Yearly ROI	Yearly PnL After Slippage	Yearly ROI After Slippage	Would trade get closed by loss = income?
Jan-09	50	2-Jan-2009	\$43,125	\$250	\$6,625	15.3%	\$32,834	\$46,625	70.4%	\$26,834	57.6%	No
Feb-09	50	6-Feb-2009	\$44,750	\$250	\$5,000	11.1%						No
Mar-09	50	6-Mar-2009	\$44,500	\$500	(\$9,041)	-21.4%						
Apr-09	50	3-Apr-2009	\$44,500	\$250	\$5,250	11.7%						No
May-09	50	1-May-2009	\$44,500	\$250	\$5,250	11.7%						No
Jun-09	50	5-Jun-2009	\$44,875	\$250	\$4,875	10.8%						No
Jul-09	50	2-Jul-2009	\$45,875	\$250	\$3,875	8.4%						No
Aug-09	50	7-Aug-2009	\$46,625	\$250	\$3,125	6.7%						No
Sep-09	50	4-Sep-2009	\$46,375	\$500	(\$5,750)	-13.5%						
Oct-09	50	2-Oct-2009	\$45,500	\$250	\$4,250	9.3%						No
Nov-09	50	6-Nov-2009	\$44,875	\$250	\$4,875	10.8%						No
Dec-09	50	4-Dec-2009	\$45,250	\$250	\$4,500	9.9%						No
Jan-10	50	31-Dec-2009	\$47,375	\$250	\$2,375	5.0%	\$24,937	\$47,375	52.6%	\$18,937	40.0%	No
Feb-10	50	5-Feb-2010	\$45,625	\$250	\$4,125	9.0%						No
Mar-10	50	5-Mar-2010	\$47,125	\$250	\$2,625	5.5%						No
Apr-10	50	1-Apr-2010	\$46,125	\$500	(\$7,063)	-16.4%						
May-10	50	7-May-2010	\$44,500	\$500	(\$9,500)	-22.5%						
Jun-10	50	4-Jun-2010	\$44,375	\$250	\$5,375	12.0%						No
Jul-10	50	2-Jul-2010	\$44,375	\$250	\$5,375	12.0%						No
Aug-10	50	6-Aug-2010	\$44,125	\$250	\$5,625	12.7%						Yes
Sep-10	50	3-Sep-2010	\$45,500	\$250	\$4,250	9.3%						No
Oct-10	50	1-Oct-2010	\$45,375	\$250	\$4,375	9.6%						No
Nov-10	50	5-Nov-2010	\$46,500	\$250	\$3,250	7.0%						No
Dec-10	50	3-Dec-2010	\$45,625	\$250	\$4,125	9.0%						Yes

Expiry Month	No. of Cont	Begin	Capital Req'd to start	Comm	PnL (after Comm)	Realized PnL%	Yearly PnL	Largest Capital Req'd	Yearly ROI	Yearly PnL After Slippage	Yearly ROI After Slippage	Would trade get closed by loss = income?
Jan-11	50	7-Jan-2011	\$45,625	\$250	\$4,125	9.0%	\$46,120	\$46,625	98.9%	\$40,120	86.0%	No
Feb-11	50	4-Feb-2011	\$46,625	\$250	\$3,125	6.7%						No
Mar-11	50	4-Mar-2011	\$46,500	\$250	\$3,250	7.0%						No
Apr-11	50	1-Apr-2011	\$46,500	\$250	\$3,250	7.0%						No
May-11	50	6-May-2011	\$45,750	\$250	\$4,000	8.7%						No
Jun-11	50	3-Jun-2011	\$45,375	\$250	\$4,375	9.6%						No
Jul-11	50	1-Jul-2011	\$46,625	\$500	(\$7,750)	-16.6%						
Jul-11	50	1-Jul-2011	\$46,625	\$500	\$3,125	6.7%						Yes
Rather than start Trade No. 746 at 9:30 I started it at the end of the day. There was a very large move this day (+1.78 SD) and the entry near the top of the day made the difference between a winning and losing trade.												
Aug-11	50	5-Aug-2011	\$43,875	\$250	\$5,875	13.3%						No
Sep-11	50	2-Sep-2011	\$44,625	\$250	\$5,125	11.4%						No
Oct-11	50	7-Oct-2011	\$42,500	\$250	\$7,250	17.0%						No
Nov-11	5	4-Nov-2011	\$4,505	\$25	\$470	10.4%						No
Dec-11	25	2-Dec-2011	\$22,725	\$125	\$2,150	9.4%						

\$154,933

Total

\$47,875

\$2,626

Avg Income per Mo

5.7%

% Return per Mo

say \$500 slippage per month (average)

\$125,433

Total Profit w/ \$500 per month slippage

\$2,126

Avg per Mo

4.6%

% per Mo

55.7%

% per year

If the stop loss had been reduced to the "amount of income" how would the results have changed?

Losses would have been reduced by about \$25k

Profits would have decreased by about \$38k

Misc Info

- ◉ Stockta.com – good site if you're not a “chartist” but want to have an idea where support & resistance are located.
 - ◉ Set Alerts in TOS to let you know when trade is getting close to max loss. Who doesn't know how to use TOS to determine the actual PnL of a trade before the trade has been closed?
 - ◉ The software I used to back-test this strategy was OptionNet Explorer (ONE), a software package that is available to Sheridan Options Mentoring students (which may become available to others in the future).
- 