How to Trade Credit Spreads for Consistent Weekly Income

Hey There,

Price Headley here.

If you're new to the BigTrends.com community then WELCOME!

It's time to talk about CREDIT SPREADS…

Traders love Credit Spreads because they're one of the quickest ways to improve your consistency while creating steady weekly income opportunities.

I know a lot of you know about credit spreads but I want to talk about several different ways that we use them here, not just bullish and bearish but also including the types of vehicles that we like to use to really optimize your income generation. If you're not familiar with credit spread strategies now, then you should become familiar with them ASAP.

Key Points:

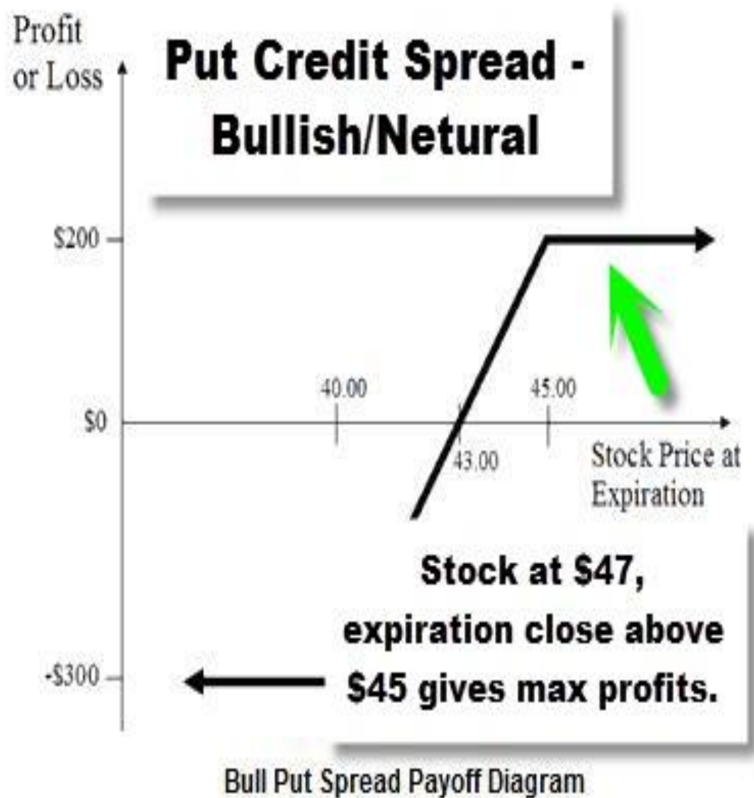
1. How to Make a Consistent Weekly Income,
in any market environment

2. Define Overbought and Oversold for any market, with an adaptive method

3. How to Cash Flow during Volatile Times

Example #1: **Put Credit Spread** = **Flat to Bullish Expectation**

Sell an Out Of The Money (OTM) Put Spread.
(ex: stock at $47, Sell 45 Put & Buy 40 Put, same exp. date)



- With a credit spread, you are positioned well as long as the stock does NOT move dramatically against you.

- A **put credit spread** means you sell a put below the current market prices, and buy a cheaper put further below as insurance. For this trade you receive a credit into your account up front.

- Your goal is to hold on to that credit, which usually occurs as long as the stock price stays above the sold strike price at expiration.

Example #2: **Call Credit Spread** = **Flat to Bearish Expectation**

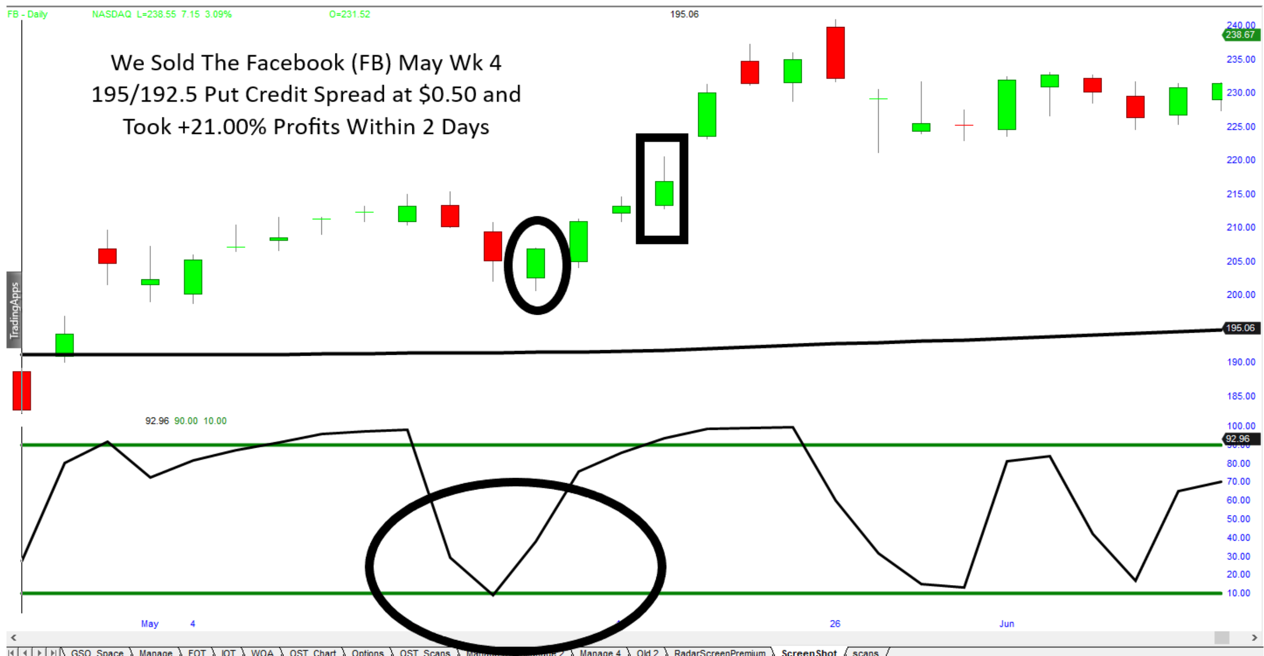
Sell an Out Of The Money (OTM) Call Spread.
(ex: stock at $33.5, Sell 35 Call & Buy 40 Call, same exp. date)

- With a credit spread, you are positioned well as long as the stock does NOT move dramatically against you.

- A **call credit spread** means you sell a call above the current market prices, and buy a cheaper call further above as insurance. For this trade you receive a credit into your account up front.

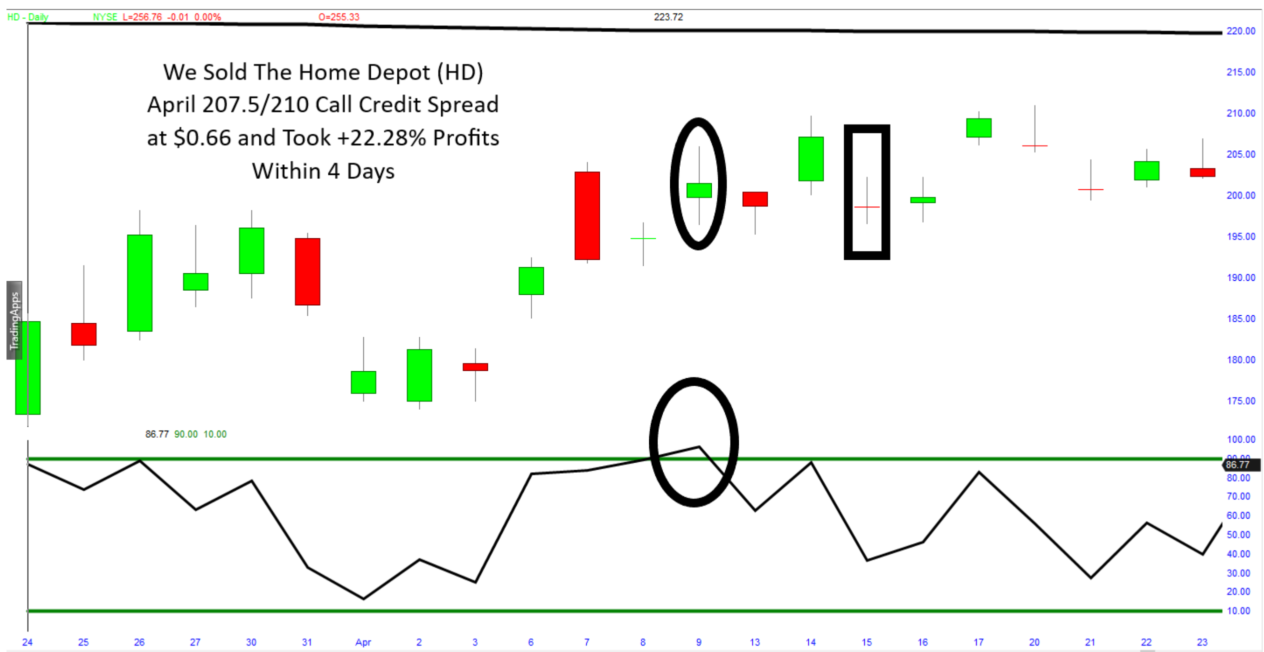
- Your goal is to hold on to that credit, which usually occurs as long as the stock price stays below the sold strike price at expiration.
So what does that look like in action?

Here's an example of a **Facebook (FB)** spread that banked +21% in just a few days…



That works great for a bullish move, but what if you think a stock will drop?

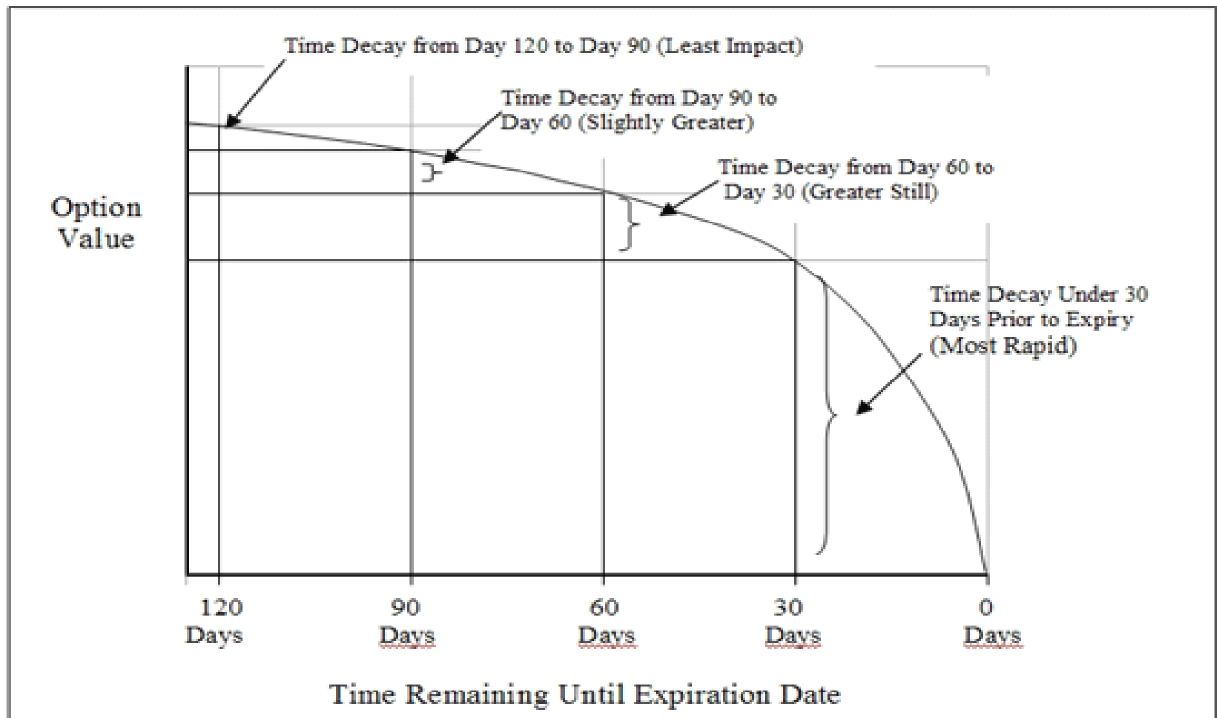
Here's an example of a **Home Depot (HD)** trade that made +22.28% while the market went sideways…



- So how do you know which options expiration date to use?

  The Sweet Spot of Option Time Decay is 1 week or less before expiration…

  <u>**Make Theta** (Time Premium) **Your Friend**</u>



  We then take what I've just discussed and we use Weekly Options to trade Credit Spreads in our ***Credit Spread Trader*** alert service.

  <u>Here are some stats to explain what we look for…</u>

- Holding Period = 3-7 Trading Days, Using Weekly Options
- 3-4 Trades Per Month
- Stock OTM (out-of-the-money) Credit Spreads, issued between 2:30-3:30 PM EST
- Credit Received = 20% to 30% max gain on max risk
- Max risk on a trade will generally be less than $80 per spread due to 1 point strikes (2.5 point strikes are also traded occasionally).

Once you know how to structure Credit Spread trades you simply find a directional bias and then use Credit Spreads to **capture profit as long as the stock doesn't move dramatically against you.**

At **BigTrends**, we use a combination of technical indicators to find our directional bias**. If you're interested in learning specifically how we do this**, then I suggest checking out BigTrends.com! Also, I send out invitations to exclusive webinars when you're on my e-mail list, **so keep an eye out for those also!**

Trade Well,
Price Headley
BigTrends.com

For more information on the ***Credit Spread Trader*** alert service, call us toll-free at 1800-BIGTRENDS (800-244-8736) or email us at clientcare@bigtrends.com