



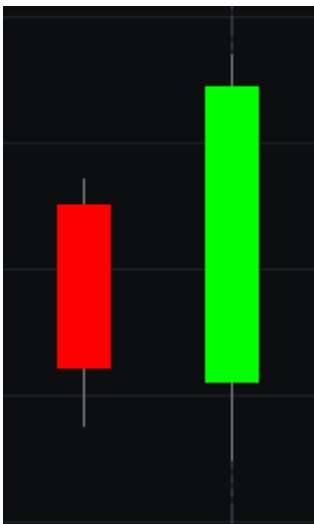
CALL OPTIONS EDGE

Call Options Edge Settings & Rules

- We use this strategy on a 195 minute chart. This splits the trading day into two equal bars.
- We have a buy signal if the previous bar closes red and then have a bullish engulfing candle. The bullish engulfing candle is defined as follows (example at the bottom of the document):
 - The open of the current bar is less than the close of the previous bar.
 - The close of the current bar is greater than the open of the previous bar.
 - The low of the current bar is less than the low of the previous bar.
 - The high of the current bar is above the high of the previous bar.
- After we have a signal, we will look at the Average True Range (ATR) of the stock that produced the signal. We use a 20-bar setting for the ATR and also use this on the 195 minute bar chart. We take the current ATR of the stock and double it to find our option price. We will select the following week's expiration that most closely matches this number.

- For this strategy, we will not trade any options under \$1.00 or any options over \$5.00 to help create consistency and decrease option volatility. If the price we need for an option doesn't fit within this range we will pass on the signal.
- We use a -50% stop and a +25% target once entered into a position.
- The first bar of the day closes at 12:45 PM ET. This is when the majority of the trade signals will occur. Trades can also be sent at the end of the trading day between 3:20 PM ET and 3:45 PM ET but this will occur less frequently.

Bullish Engulfing Example



High is greater than the high of the previous bar.

Close is higher than the open of the previous bar.

Open is less than the close of the previous bar.

Low is less than the low of the previous bar.