



PREMIUM OPTIONS INCOME

Premium Options Income Settings and Rules

- We use a 2 bar Donchian Channel/Price Channel
- We use a 14 bar DMI
- We use a 5 bar RSI

Bullish Signal:

- We look for the signal bar's low to be less than the price channel low from the prior bar
 - The close is not required to be below the price channel low
- We calculate the difference between the close and the low of the signal bar and we divide that difference by the signal bar's range
 - We look for the close to be within 20% of the signal bar's low

Bearish Signal:

- We look for the signal bar's DMIplus to be greater than DMIminus
 - We look for the difference of these DMI values to be greater than 30 but less than 40
 - We look for the signal bar's close to be greater than 90 on RSI
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- All trades will be issued the next market open after the signal bar
 - The target is +50% on the overall position
 - If the trade is positive but the target has not been reached, the trade will be closed for a time stop on the Wednesday prior to expiration
 - If the trade is negative on Wednesday prior to expiration, we will allow one more day of trading action and close the trade on Thursday prior to expiration

We select the spread that is priced at approximately 50% of the spread width

- Example: If the difference in strikes is 2.5, we will look to trade the spread priced most closely to 1.25

We trade the next week expiration

We will avoid new trades if earnings are announced during our planned expiration week