



## Same-Day SPY Trader Settings and Rules

- We define the Initial Balance as the first hour of regular trading hours
- We use the session Volume-Weighted Average Price (VWAP)
- We use the 20-bar average volume to compute the Relative Volume (RVol) score
- We use the 50-bar and 200-bar simple moving averages
- We use the 20-bar Average True Range (ATR) only to select the option
- All indicators are based on the 5-minute chart

### Initial Balance Definition

- The Initial Balance (IB) is defined as the High and Low of the first hour after the open (9:30 – 10:30 AM ET)
- The Initial Balance is considered “set” at 10:30 AM ET once the first hour completes
- The Initial Balance resets at the start of each trading day

### Relative Volume (RVol) Score

- The RVol score measures how busy a bar is relative to normal. The formula is:  $\text{RVol score} = \frac{\text{the bar's volume}}{\text{the 20-bar average volume}}$
- Example: if the average is 1,000,000 shares and 1,500,000 shares trade on that bar, the RVol score is 1.5 ( $1,500,000 \div 1,000,000$ )
- An RVol score of 1.0 is exactly average; 2.0 is twice the average; 0.5 is half

- Each signal requires a minimum RVol score: Bullish Signal 1  $\geq 1.6$ , Bullish Signal 2  $\geq 1.2$ , Bearish Signal  $\geq 2.0$
- A qualifying RVol score confirms participation but is not by itself a trade — the price pattern must also be present

### **Bullish Signal 1 — Look Below and Fail (Long / Call)**

- A 5-minute bar must trade below the Initial Balance Low but close back above it (a “look below and fail”)
- That same bar’s RVol score must be at least 1.6
- That same bar’s close must be below the session VWAP
- When all conditions are met, we buy a call at the open of the following 5-minute bar

### **Bullish Signal 2 — Momentum (Long / Call)**

- Two consecutive 5-minute bars must close above the Initial Balance High (a held breakout — the bar just before the two closed at or below the High)
- That same bar’s RVol score must be at least 1.2
- That same bar’s close must be above both the 50-bar and 200-bar simple moving averages (an uptrend)
- When all conditions are met, we buy a call at the open of the following 5-minute bar

### **Bearish Signal — Look Above and Fail (Short / Put)**

- A 5-minute bar must trade above the Initial Balance High by at least 0.5 ATR but close back below it (a “look above and fail”)
- That same bar’s RVol score must be at least 2.0
- When all conditions are met, we buy a put at the open of the following 5-minute bar

### **Position Management**

- Stops and targets are set on the option premium
- The first profit target is +50% on the option premium
- The stop-loss is -50% on the option premium, applied to the full position and in force only before the first target is hit
- Contracts are split one-half for the first target and one-half as a runner
- At +50% we sell half of the position to recover the bulk of our risk capital
- Once the first target (+50%) is hit and the half is sold, the -50% stop is removed. It does NOT carry over to the runner — we never stop the runner out
- The remaining half (the runner) is held with no profit target and no downside stop, managed only by the 3:30 PM ET time stop
- Only one trade per day; if more than one signal qualifies, the bullish signals take priority; no re-entries after the position is closed

### **Trade Window**

- All trades are issued only between 10:40 AM and 2:30 PM ET

## Time Stop

- All open positions are closed at the 3:30 PM ET time stop, at the open of the next bar
- This ensures no 0DTE options are carried into the closing auction or held to expiration

## Option Selection

- We trade 0DTE SPY options (same-day expiration)
- Bullish signals buy a call; the bearish signal buys a put
- We use 2× the 20-bar ATR as the strike offset: select the same-day SPY strike nearest to the entry price plus 2× ATR for a call, or the entry price minus 2× ATR for a put

## Quick Reference

- **Instrument:** 0DTE SPY options
- **Chart timeframe:** 5-minute
- **Initial Balance:** First hour (9:30 – 10:30 AM ET)
- **Trade window:** 10:40 AM – 2:30 PM ET (all signals)
- **Signals:** Bullish Signal 1 (look below and fail) & Bullish Signal 2 (momentum) → calls; Bearish Signal (look above and fail) → put
- **RVol gates:** Bullish Signal 1  $\geq 1.6$ , Bullish Signal 2  $\geq 1.2$ , Bearish Signal  $\geq 2.0$
- **First target:** +50% on the option premium (close half the position)
- **Runner:** Remaining half — no target, rides to the time stop
- **Stop loss:** -50% on the option premium, full position, before the first target only (no stop on the runner)
- **Strike selection:** Nearest same-day strike to entry price  $\pm 2\times$  the 20-bar ATR (call above, put below)
- **Time stop:** 3:30 PM ET
- **Trade frequency:** One trade per day, no re-entries