

## SPREADS

With this selection, you can analyze vertical bull or bear spreads (either for debits or credits.) A vertical spread is one that uses two calls with the same expiration month but different striking prices. It could also be established with puts. Whether puts or calls are being used, the following statements are true:

- If a lower strike is purchased and a higher strike is sold, that is a bullish spread.
- If a higher strike is purchased and a lower strike is sold, that is a bearish spread.

By clicking on the drop down windows, you are able to see the choices available for your customize searches (this feature is available only in on-line version of this manual and not in pdf format.)

<b>Select SPREAD Type</b>	
Bull Put Credit Spread ▾	
<b>Set Underlying Price Range</b>	
0	< Stock ▾ Price < 1000
<b>Select Volatility and Time</b>	
1 Day Implied Vol. ▾	AND Number of Days to Expiration < 75 ▾
<b>Primary Criteria</b>	
Estimated Profit/Loss ▾	> ▾ 0
<b>Secondary Criteria</b>	
Probability of Success > ▾	50
0	< Option Prices < 1000
<b>Customize Your Report</b>	
<b>Sort By</b>	<b>Sequence</b>
Prime Criteria ▾	Descending ▾
<input type="button" value="Search"/>	<input type="button" value="Reset"/>

## PARAMETERS

### SELECT SPREAD TYPE

- Bull Put Credit Spread – sell the high strike, buy the lower
- Bull Call Debit Spread – sell the high strike, buy the lower
- Bear Call Credit Spread – buy the high strike, sell the lower
- Bear Put Debit Spread – buy the high strike, sell the lower

### SET UNDERLYING PRICE RANGE

- Select Underlying Type (Stocks or Index are your only 2 choices)
- Set Price Range (10 < Stock < 100 Stocks between \$10 and \$100)

### SELECT VOLATILITY AND TIME

- Select Volatility to be used in calculations (default is 1 Day Implied Volatility, but you can change it to 5 Days, 20 Days or 100 Days Statistical Volatility.)
- Number of Days to Expiration defines, which expiration months will be used.

### PRIMARY CRITERIA. CHOOSE ONE OF THE FOLLOWING FIVE. "ESTIMATED RETURN" IS ALWAYS A SAFE CHOICE.

- Estimated Profit/Loss – Profit/Loss weighted by probability of each Profit/Loss happening
- Estimated Return – Estimated Profit/Loss as a percent to investment. Investment is the total debit for debit spreads, and for credit spreads the investment is the difference in the strikes less the initial credit received

### SECONDARY CRITERIONS

- Probability of Success – Probability that Profit would be greater or equal 0. Set the Probability that you required
- Option Price – Set the price range for the Options

### CUSTOMIZE YOUR REPORT

- Sort By – Defines the field that final Report will be sorted by. "Prime criteria" is usually your best choice, since that is what you selected for your Primary Criteria.
- Sequence – Ascending or descending sort

A sample "Spread Report" is shown below. A Bull Put Credit Spread report was selected for this example. This was run using the default parameters, except for the fact that the "Primary Criteria" was set to "Estimated Return." The "Probability of Success" was set to 50% (the default.) Note that the output includes a printout of all of your selection criteria before giving you the individual spreads that it has found.

The Spread Report should be viewed very carefully. In some cases, market makers do not update the bids and offers of options that are deeply in- or out-of-the-money, and thus a spread may look over attractive. Many of these could be eliminated just by looking at current prices and seeing that the credit cannot be achieved with actual prices. Again, remember that something that looks "too good" is probably just that – Remember, there is no free lunch on Wall Street.

# SPREAD REPORT.

*Select SPREAD Type*

*Bull Put Credit Spread*

*Set Underlying Price Range*

*0 < Stock Price < 1000*

*Select Volatility and Time*

*1 Day Implied Vol. AND Number of Days to Expiration 31 - 60*

*Primary Criteria*

*Estimated Return > 0*

*Secondary Criteria*

*Probability of Success > 80*

*0 < Option Prices < 1000*

*All data is as of closing on Friday, 07/31/09 .*

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Nbr.	Symbol	Description	Est. Return	Prob.	1 Day I.V.	Stock Price	Exp. Month	Sell	
								Strike	Price
1	<a href="#">AUXL</a>	AUXILIUM PHARMACEUTICALS INC	5.68	89.14	77.77	30.93	09/19/09	22.5 P	1.35
2	<a href="#">SNDA</a>	SHANDA INTERACTIVE ENTMT LTD	4.97	83.8	68.86	49.58	09/19/09	40 P	1.65
3	<a href="#">LULU</a>	LULULEMON ATHLETICA INC	4.79	82.4	60.79	17.72	09/19/09	15 P	0.75
4	<a href="#">JCG</a>	J CREW GROUP INC	3.78	88.33	55.95	28.16	09/19/09	22.5 P	0.6
5	<a href="#">UA</a>	UNDER ARMOUR INC	3.69	86.95	52.62	24.29	09/19/09	20 P	0.6
6	<a href="#">GS</a>	GOLDMAN SACHS GROUP INC	3.64	87.37	30.24	163.3	09/19/09	145 P	2.09
7	<a href="#">CAT</a>	CATERPILLAR INC DEL	3.58	94.5	44.07	44.06	09/19/09	34 P	0.45
8	<a href="#">IOC</a>	INTEROIL CORP	3.56	81.9	78.73	28.3	09/19/09	22.5 P	1.05
9	<a href="#">MTB</a>	M & T BK CORP	3.45	86.66	42.23	58.32	09/19/09	50 P	1.15
10	<a href="#">JOYG</a>	JOY GLOBAL INC	3.44	87.78	54.16	37.18	09/19/09	30 P	0.8
11	<a href="#">PARD</a>	PONIARD PHARMACEUTICALS INC	3.4	82.22	126.32	7.21	09/19/09	5 P	0.45
12	<a href="#">FDX</a>	FEDEX CORP	3.33	92.65	41.53	67.84	09/19/09	55 P	0.7
13	<a href="#">VLO</a>	VALERO ENERGY CORP NEW	3.29	83.78	36.94	18	09/19/09	16 P	0.39
14	<a href="#">NYX</a>	NYSE EURONEXT	3.29	81.72	40.5	26.95	09/19/09	24 P	0.63
15	<a href="#">VNO</a>	VORNADO RLTY TR	3.27	81.99	45.12	51.02	09/19/09	45 P	1.45
16	<a href="#">HES</a>	HESS CORP	3.13	81.14	37.72	55.2	09/19/09	50 P	1.3
17	<a href="#">QQQQ</a>	POWERSHARES QQQ TRUST	3.12	93.84	24.21	39.45	09/30/09	34 P	0.32
18	<a href="#">DNDN</a>	DENDREON CORP	3.08	89.9	55.17	24.21	09/19/09	19 P	0.5