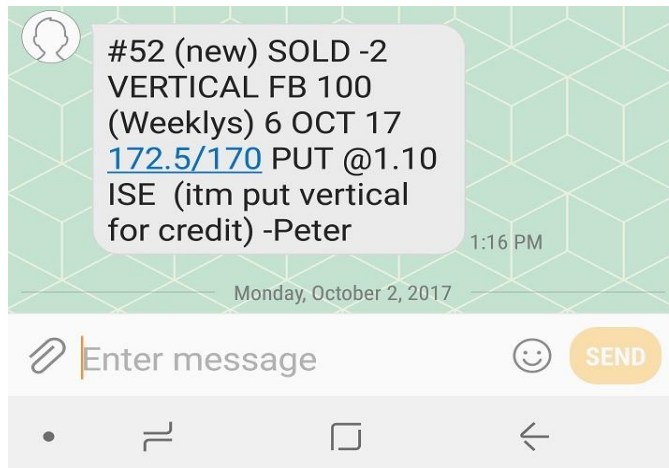


How to Understand Peter's Trade Alerts

This document is intended as a reference guide to understanding the text alerts that I send out in real-time in the **Weekly Options Advisory**. For purposes of illustration, I will use actual trades that have been placed in the advisory since inception and also discuss some of the mindset behind the trades so users can understand the trading philosophy and the reasoning behind why these orders are placed. The snapshots below are direct screenshots my phone and also from the thinkorswim platform. If you are a newer trader, my hope is that after reading this document you will have a much better understanding of complex spreads and how to enter them.

Convention:

All text alerts will be presented in the same format every time. All will always start the same way with a trade number. Every trade is numbered and the number in the text will reference the trade number in the .pdf of the excel spreadsheet which you receive nightly. Let's look at an example:



Let's parse the text to understand what each part means:

#52 (new) SOLD -2 VERTICAL FB 100 (Weeklys) 6 OCT 17 172.50/170 PUT @ 1.10 ISE (itm put vertical for credit) - Peter

"#52" - This is the number of the trade which corresponds to the trade's number in the spreadsheet where all trades are tracked.

"new" - This indicates that the trade is a new trade and that the transaction is one to open. This is not an adjustment to or closing of a current trade that is open. *If you were a brand new signup to the advisory and this was the first text you received, it would be ok to take this trade. If you do not see the word "new" after the trade number, then the trade is an adjustment or closing of a current trade that is already open. If you were a brand new signup to the advisory and you received such a text, it would not be ok for you to take that trade. Instead you should wait for the next "new" trade to come out and then follow along with the transactions related to that trade.*

“SOLD” - This indicates that options contracts were sold. If they were bought, the text would read “BOT”. Note that these are orders which have already been filled in a live, real-money, thinkorswim account and the texts are cut and pasted directly from the filled orders section of the platform. Traders should make best efforts to place the trade expeditiously so as to get a fill as similar to the advisory as possible. Most trade orders are posted once we are filled on our side. When you see either “SOLD” or “BOT”, this is the case. Sometimes I will work an order at limit either for the day or GTC. Those texts will look different and will say “SELL” or “BUY” rather than “SOLD” or “BOT”. I will show an example of a limit order type trade later on in this document.

“-2” - The -2 here refers to the number of contracts that were sold. Note that if contracts are sold, then the number is negative, if they are bought then it would be a positive number and will have a ‘+’ in front of the number. The basic contract sizes in the Weekly Options Advisory will always be between 1 and 8 contracts. The sizing is based on an account size of \$25,000 and traders should adjust their size upwards for every multiple of \$25k in their accounts.

“VERTICAL” – This is the type of trade being placed. In this case a vertical spread which means that the first strike referenced has been sold and the second has been bought. You will see more on the different trade types as you read through all of the examples in this document.

“FB 100 (Weeklies)” - This is the symbol being traded, in this case Facebook. The 100 is rather meaningless and just implies that the options are of the standard series where each contract corresponds to 100 shares of stock. Thinkorswim started adding this once mini-options which control just 10 shares of stock were made available. Finally, Weeklies simply tells you that it is a weekly option as opposed to the regular monthly expiry which are the options that expire on the 3rd Friday of each month.

“6 OCT 17” - This is referencing the actual option series that is being traded in. The first number is the expiration date, then the month, and the second number is the year. So in this example we are selling FB options that are in the October 6th, 2017 series.

“172.50/170 PUT” - These are referencing the actual strikes being traded. As we mentioned above, the trade is a vertical which has been sold. Thus we have sold 2 contracts of the 172.50 put and bought 2 contracts of the 170 puts. This makes us short the 172.50/170 put vertical.

“@ 1.10 ISE” – This is simply the price that we got filled at and the exchange where the order was executed. ISE, PHLX, CBOE are typical exchange codes you will see.

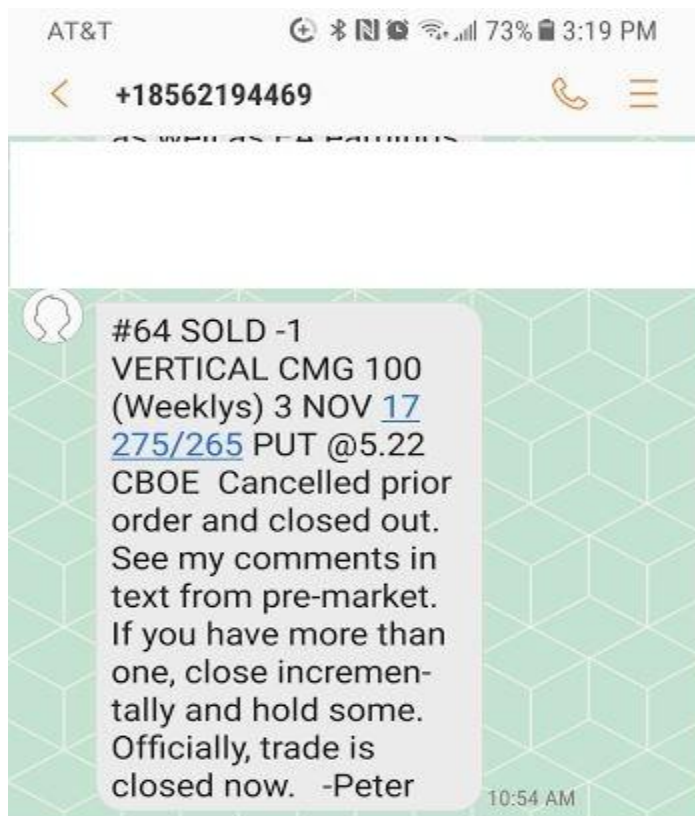
“(itm put vertical for credit) – Peter” – If space permits, I may or may not add a note to the text giving some extra clarity to what is being done. Some trades will have these notes and some will not. I make best efforts to add comments below each text in the nightly *ShadowTrader Weekly Options Advisory Daily Update* email which you should be receiving nightly between 4 and 4:30pm EST.

****An important note.** For brevity and cost (messages are charged to us in multiples of segments which are 160 characters), some texts will have certain parts deleted which are not important to the trade and don't affect the spirit of the idea at all or what is being conveyed. If you have already read through the above, then you can already imagine which portions those may be. Parts such as "100" or "Weeklies", or the exchange code at the end are sometimes deleted from the text before sending in order to get the text smaller and into a more manageable size. The important parts of the text that are completely necessary will always be there.

Different Trade Types

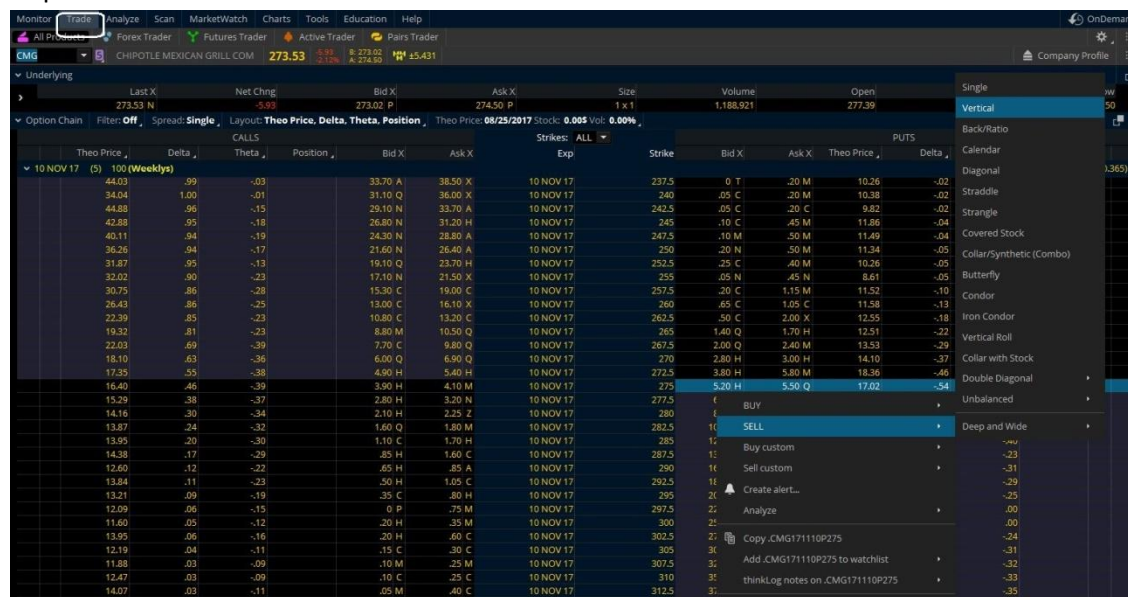
Let's look at more examples from actual trades and learn how to place them using the thinkorswim platform...

Vertical Spread

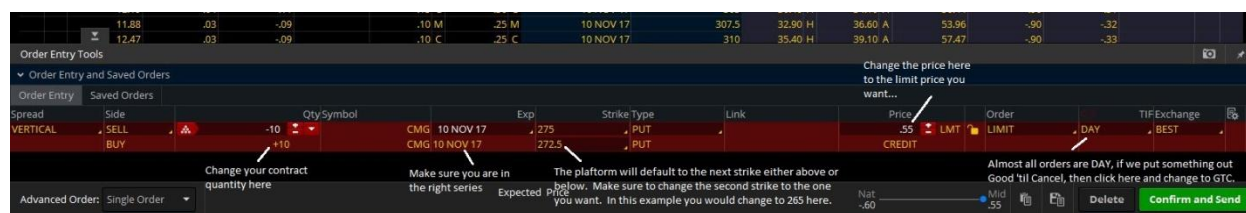


In this text I am selling a vertical spread that is part of an ongoing trade. We know this because it does not say "NEW" after the trade number. Vertical spreads can be either long or short. They are initiated long in order to capture a move in a certain direction. If long their maximum profit is the distance between the strikes minus the debit paid. They can also be initiated short in order to receive a credit with a defined risk of the distance between the strikes minus the credit received.

To place this trade:



From the Trade tab on your thinkorswim platform, right click on the first strike in the trade text (in this case 275) and mouse over “SELL” and then click “vertical” from the second pop up list that will appear.



The trade will appear at the bottom of your screen. Make whatever changes to strikes, price, time in force, etc as per the instructions above and click the green “Confirm and Send” button.

Iron Butterfly



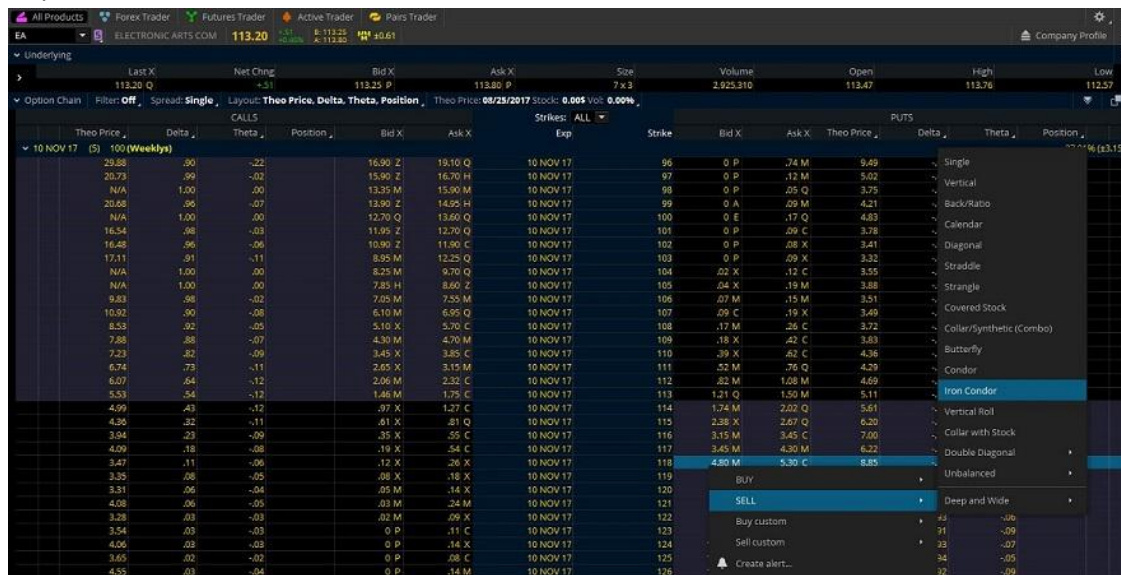
This is an opening trade as an Iron Butterfly. An Iron Butterfly is a credit collection strategy on a stock that we feel will be range bound until the expiry. It is always initiated for a credit and is a simultaneous

sale of a call vertical and a put vertical, both of whose strikes are at the money (ATM). As thinkorswim doesn't have a trade designation for this trade in its trade types, you will have to select "Iron Condor" and adjust the strikes. Note that in the text it will always still read "IRON CONDOR" even after the strikes are changed. The first strike (118 in this example) is always the mid strike. Note how it appears twice in the text because you are selling both the 118 call and the 118 put.

Note also that in contrast to the example given in the "Convention" section of this paper, this is a working order and as such the trade text says "SELL" instead of "SOLD" and there is also "[TO OPEN]" in the text as well. I will also put the word "WORKING" into the text. The trade is being placed at limit of \$2.50 credit and is working at the time that it was texted. If the trade gets filled at our price, then another text will follow alerting subscribers that we have been filled.

As it is impossible to lose on both the call and put side of the IB, the maximum risk of the Iron Butterfly is the width of one of the verticals minus the credit received. In this trade for instance the risk is \$1.50 per contract: $\$122-118$ (or $118-114$) = 4, minus \$2.50 credit received = \$1.50. The objective of the Iron Butterfly trade is never to assume that the options will expire on the mid strikes and you will keep the entire credit but rather to try and close the spreads before expiry for about 75% or less of the credit received. Thus in this trade a good outcome would be to buy back the Iron Butterfly for a \$2 debit, pocketing \$0.50 per contract for our trouble. These trades work well in the weekly timeframes with anywhere from 8-10 calendar days to expiry. We will often enter these trades on a Wednesday or Thursday using options that expire on Friday of the following week. Monday or Tuesday of the following week is a good time to start looking to close them. In our experience, the Iron Butterfly works very well in a wide range of conditions and can be exited for a very small loss if there is a large move in either direction just after entry. If the stock stays within the strikes, the odds of closing for a profit are quite good.

To place this trade:



From the Trade tab on your thinkorswim platform, right click on the first strike in the trade text (in this case 118) and mouse over "SELL" and then click "Iron Condor" from the second pop up list that will appear. That will bring up the Iron Condor order entry as below:



Note that it will be stacked up as selling a call vertical and then selling a put vertical below it. So be careful because the mid strike is not the two middle strikes in the order. The mid strikes are actually the first and third. When you receive the text to close the trade, then you would choose "Buy...Iron Condor" from the drop down and again adjust your strikes and sizes accordingly before sending.

Broken Wing Butterfly



A broken wing butterfly is simply a butterfly that has one of its wings further out from the mid strike than the other wing. It's still buying one, selling two, and buying one but the wing strikes are of unequal distances from the body. Let's refresh on regular butterflies first before getting into the broken wing.

Regular or straight butterfly:

- +1 XYZ 100 call
- 2 XYZ 105 calls
- +1 XYZ 110 call

Buy for \$1.75 debit

****Note**, we are going to forgo a comprehensive discussion on how to buy a regular butterfly as it will be obvious once traders read up on how to enter BWB's and Unbalanced Butterflies.

In XYZ stock, we could buy the above butterfly with the assumption that the stock would stay flat and trade between 100 and 110. If enough time goes by, the price of the spread would expand and we could sell it for a profit. Note how the butterfly is really just two verticals, one long and one short. Because their profit and loss potentials negate each other if price is above 110 at expiry, the goal would be for price to remain within the confines of the outer strikes preferably as close to 105 as possible. At 105 at expiry, the butterfly would theoretically be worth \$5. A regular butterfly will always trade at a debit. If the distance between the strikes is small and the stock has high volatility, then the cost of the butterfly could be very cheap, but it will always be a debit.

A broken wing butterfly is a bit different, let's look at the trade again:

BOT +3 BUTTERFLY CMG 100 (Weeklys) 29 SEP 17 297.50/295/285 PUT @ -.42 CBOE

In the trade I am buying 3 Chipotle put butterflies in the Sept29th series. The buy and sell amounts of a broken wing fly are the same as a regular fly in that you buy the first strike, sell two of the second, and buy one of the third. The difference is that the 3rd strike is further away from the middle than the first. Note how instead of buying the 292.50 put we are buying the 285 put instead. Even though a spread was bought, note that the price is negative at -.42. In real dollars this means that \$42 is being collected per spread. In this trade since 3 were sold we collected \$126 for buying the spread. It's very important to check if the price is negative or positive when receiving a text. As the thinkorswim platform will call this a butterfly and not say "bwb" or Broken Wing, you need to look to the price to see if it's a credit or not. Any butterfly that is texted as being bought for a negative number must be a broken wing.

What is the purpose of the BWB?

The purpose of breaking out one of the wings of the butterfly is simply to accept some risk in return for collecting a credit or lowering the debit of the butterfly considerably. In a regular butterfly, the only risk to the trade is the debit paid. In a broken wing butterfly there is risk because the vertical that is being sold is wider than the vertical that is being bought. Recall from our discussion above about butterflies that a butterfly is nothing more than a long vertical and short vertical whose short options occupy the same strike.

There are three main scenarios where the BWB is used:

As a credit collection vehicle: In this instance, the BWB is used as an alternative to a short vertical spread or naked single option as a method of collecting a credit that is theoretically safer. It is safer because you are putting a long vertical in front of your short vertical. As such, the spread will react in a much more benign manner when prices are moving towards the short strike. If trader A believes that support in XYZ is at \$50 and that XYZ will remain above that price for the next two

weeks, he could either sell a 50/45 put vertical, sell the a \$50 or lower put outright, or buy (yes, buy, not sell) a 52.50/50/42.50 put bwb . All three of these will result in a credit to his account but their risk profile will be very different. The vertical will have limited risk from \$50 down to \$45, resulting in a total risk of \$5 less the credit received. The single option will have risk from \$50 all the way down to zero. Lastly, the BWB will have risk from \$47.50 to \$42.50 resulting in \$5 of risk less the credit received.

Note how even though there is the same \$5 of risk in the bwb versus the vertical, the BWB can actually make \$2.50 of profit if price closes at \$50 at expiry. In fact, the price of the BWB will often expand in your favor allowing you to possibly sell the spread for a second credit. Think about this for a moment if you are new to these concepts and contemplating them for the first time. As time goes by if all other factors remain the same, there is more theta to be drained from the 50/42.50 short put vertical than there is from the 52.50/50 long put vertical.

There is much more that could be written about the benefits of buying broken wing butterflies as replacements for vertical spreads for the purpose of collecting credits. This is a very varied and nuanced strategy. For the purposes of this document and understanding the text messages we'll leave it here.

As the credit side of a risk reversal: In our CMG example trade, note how the BWB one of two transactions that make up the entire trade. The BWB in this case is being used to generate a credit that is then being spent on a debit spread on the call side.

As a directional play: If the BWB is wide enough, meaning with greater distance between all the strikes, then it can be effectively used as a directional play; one which can be entered for little to no cost or perhaps even a small credit. In such a trade, there is the tradeoff between the risk of the stock moving too far in the intended direction and the inexpensive price of entering the position. A good thing to always remember is that the options market only pays you when you take on risk.

If you thought that XYZ was going to move from \$50 to \$60 but not much further than \$60, a smart play may be to buy the 50/60/80 call butterfly for far less than it would cost to buy the 50/60/70 fly or the 50/60 vertical.

To place this trade:

The screenshot shows the Thinkorswim interface for CMG. The main table displays various options with columns for Theo Price, Delta, Theta, Position, Bid X, Ask X, Exp, Strike, Bid X, Ask X, Theo Price, Delta, Theta, and Position. A right-hand menu is open, showing various spread strategies, with 'Butterfly' selected. A 'BUY' button is visible over one of the rows in the table.

With your trade tab open on the thinkorswim platform, right click on the middle strike and mouse over “BUY” and from the next pop-up select “Butterfly”.

You will then have the order entry screen as shown below:

The screenshot shows the 'Order Entry' screen. It features a table with columns for Spread, Side, Qty, Symbol, Exp, Strike, Type, Link, Price, LMT, Order, TIF, and Exchange. The table contains three rows representing the butterfly spread components. Annotations include 'change sizes' pointing to the quantity column and 'change the 3rd strike to make it lower (higher on a call)' pointing to the strike column of the third row. A 'Confirm and Send' button is visible at the bottom right.

Change the size to whatever size you are trading. Then click on the third strike (the lowest one) to change it to the proper strike. This is the most important step as the spread will default to a regular butterfly when the order entry pops up. Adjust your limit order price accordingly and click “Confirm and Send”. It should be mentioned here that complex spreads tend to take longer to fill than simple verticals or singles. Be patient and wait for your price.

Risk Reversal

We can use the same trade alert to discuss risk reversals since that is what this trade was. Traditionally, a risk reversal is a hedging strategy where you sell a call and then use the proceeds to buy a put. This would normally be done by a trader who wants to hedge off a long position. The short call decreases the profit potential of the long stock but also decreases the cost of the put protection which will protect whatever gains the trader may have in the long stock or protect against losses. At ShadowTrader I use the term risk-reversal a bit more loosely. I use the term as a catchall that defines all trades where either call spreads are being sold to finance put spreads (a bearish play) or put spreads are being sold to finance call spreads (a bullish play). Let's take another look at this CMG text which we will use as an example.

BOT +3 CMG 100 (Weeklys) 29 Sep 17 297.5/295/285 PUT @ -0.42 CBOE & BOT +1 VERTICAL CMG 100 (Weeklys) 29 SEP 17 310/312.50 CALL @ 1.20 CBOE Risk reversal, net cost \$0.06cr – Peter

When you receive a longer text of this sort, the first thing you should note is the presence of the “&” symbol within the text. The “&” means that there are actually two trades to be made and more than likely the trade is a risk reversal. In order to follow along properly and have a similar outcome to the advisory you must do both legs of the trade. While put and call spreads cannot be entered simultaneously on the thinkorswim platform, do your best to get both orders in as soon as possible, starting with the more complex spread. More complex spreads are harder to fill, thus it's advantageous to get those orders in as soon as possible before working the vertical.

Because the goal of the risk reversal as used by ShadowTrader is to place a directional bet with little to no debit, the two sides must often be placed in a ratio and not of equal size in order to get to (or close to) a zero total debit. In our CMG example, we are buying 3 put bwb's and using the credit to buy just 1 call vertical. The three put bwb's at \$0.42 credit each brings in \$1.26 total and the one call vertical costs \$1.20 which nets out to a 6 cent credit as it says at the end of the text. If CMG remained between 297.50 and 310 right up to expiry and no adjustments were made, we would keep our 6 cents and move on to the next trade. While not quite the outcome we were expecting, it's a whole lot better than being in an expensive call or call spread that is eroding in value every day that CMG doesn't rally.

Unbalanced Butterfly



The unbalanced butterfly is one in which the number of contracts is placed in a 1,3,2 formation rather than the traditional 1/2/1. In contrast to a regular butterfly which is buying one contract at the first strike, selling two at the middle, and buying one further out, the unbalanced butterfly buys one at the first strike, sells three at the middle and then buys two further out. Similar to how a regular butterfly is actually a long vertical and a short vertical with the same short strike, the unbalanced butterfly is a long vertical and TWO short verticals all having the same short strike.

Although there is no special spread title of “UNBALANCED” within the trade, the trade text does have two distinct marks which communicate that the spread is unbalanced. Those marks are the “1/3/2” and the “~” which come right before “BUTTERFLY”.

The three uses for unbalanced butterflies are the same as the three discussed above for broken wing butterflies with a couple of nuanced twists.

As a credit collection strategy: Unbalanced flies can be used to collect credit. When analyzing unbalanced butterflies, you’ll notice that they often trade for a credit even with equal distance between the strikes. The only thing to consider here is that you are selling two verticals along with the one you are buying (+1/-1 and -2/+2 = +1/-3/+2). I mention this here just so people understand the increased risk. When breaking the unbalanced butterfly into two verticals, remember that you are short 2 verticals against the one that you are long.

As the credit side of a risk reversal: Essentially used the same way as if it was a bwb. Not much difference, just always be aware of the added risk.

As a directional play: While it can be very tempting to get into unbalanced flies all the time for directional plays, it is very important to understand that they are only a valid setup when time is relatively short. Using unbalanced flies directionally when there is a good amount of time to expiry can be dangerous as when the stock moves in the intended direction too quickly, you’ll have the two short verticals working harder against you than the long vertical is working for you. A sound strategy is to buy unbalanced flies for credits or small debits on Thursdays or early Fridays with the mid strike at a price level that you think will be the “pin” for options expiry.

To place this trade:

24 NOV 17	Theo Price	Delta	Theta	Position	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Theo Price	Delta	Theta	Position
	143.31	.97	-.09		54.80	56.35	24 NOV 17	260	.14	.24	70.38	-.02	-.05	
	133.72	.97	-.09		49.85	51.40	24 NOV 17	265	.15	.26	67.45	-.02	-.06	
	123.83	.97	-.09		44.90	46.40	24 NOV 17	270	.18	.35	65.21	-.03	-.07	
	118.76	.96	-.09		42.45	43.95	24 NOV 17	272.5	.19	.33	64.42	-.03	-.07	
	113.62	.96	-.09		40.05	41.50	24 NOV 17	275	.25	.38	64.12			
	108.38	.96	-.09		37.60	39.05	24 NOV 17	277.5	.31	.45	63.55			
	103.59	.96	-.09		35.30	36.35	24 NOV 17	280	.39	.53	62.73			
	100.53	.95	-.10		32.90	34.30	24 NOV 17	282.5	.51	.63	62.04			
	97.41	.94	-.12		30.45	31.90	24 NOV 17	385	.52	.73	61.46			
	93.80	.93	-.12		28.15	29.50	24 NOV 17	287.5	.78	.95	61.86			
	90.31	.91	-.14		25.85	26.85	24 NOV 17	290	.96	1.13	62.05			
	88.81	.89	-.16		23.65	24.60	24 NOV 17	292.5	1.21	1.39	62.25			
	88.56	.86	-.19		21.45	22.70	24 NOV 17	295	1.51	1.63	62.11			
	87.45	.83	-.22		19.35	20.45	24 NOV 17	297.5	1.86	2.00	62.42			
	85.38	.80	-.24		17.35	18.40	24 NOV 17	300	2.29	2.49	63.11			
	83.19	.76	-.25		15.45	16.20	24 NOV 17	302.5	2.81	3.00	63.48			
	82.51	.72	-.28		13.65	14.50	24 NOV 17	305	3.45	3.70	64.52			
	81.21	.67	-.30		11.95	12.50	24 NOV 17	307.5	4.15	4.50	65.31			
	79.44	.63	-.31	+4	10.45	10.90	24 NOV 17	310	5.05	5.30	65.90			
	78.30	.57	-.32		9.05	9.45	24 NOV 17	312.5	6.05	6.35	67.27			
	76.15	.52	-.32		7.65	7.95	24 NOV 17	315	7.30	7.60	68.89			
	75.93	.47	-.32		6.50	6.90	24 NOV 17	317.5	8.45	8.85	69.90			
	74.88	.42	-.31		5.45	5.80	24 NOV 17	320	9.85	10.40	71.23			
	73.55	.37	-.30		4.50	4.85	24 NOV 17	322.5	11.40	12.00	73.05			
	72.06	.32	-.28	-8	3.65	3.90	24 NOV 17	325	13.15	13.70	74.95			
	71.60	.28	-.26		3.05	3.30	24 NOV 17	327.5	14.90	15.60	76.88			
	70.96	.24	-.24		2.50	2.63	24 NOV 17	330	16.70	17.55	78.98			
	70.70	.20	-.23		1.99	2.24	24 NOV 17	332.5	18.65	19.60	81.31			
	70.09	.17	-.20		1.60	1.83	24 NOV 17	335	20.70	21.80	83.88			
	68.96	.14	-.18		1.27	1.40	24 NOV 17	337.5	22.90	24.10	86.68			
	68.99	.12	-.16	+4	1.05	1.14	24 NOV 17	340	25.25	26.50	89.71			
	68.92	.10	-.14		.79	.99	24 NOV 17	342.5	27.75	29.10	92.98			
	68.66	.08	-.12		.62	.80	24 NOV 17	345	30.40	31.85	96.50			
	68.48	.07	-.11		.48	.68	24 NOV 17	347.5	33.20	34.75	100.28			
	67.85	.05	-.09		.39	.50	24 NOV 17	350	36.15	37.80	104.33			
	67.44	.04	-.08		.30	.40	24 NOV 17	352.5	39.25	41.00	108.65			
	67.57	.04	-.07		.24	.32	24 NOV 17	355	42.50	43.85	113.25			
	67.69	.03	-.06		.15	.29	24 NOV 17	357.5	45.90	47.35	118.15			

On the trade tab of your thinkorswim platform, right click on the middle strike and mouse over “BUY”, then ‘UNBALANCED”, then select “BUTTERFLY” and left click.

This will bring up the trade as shown below.....

Order Entry	Symbol	Exp	Strike	Type	Price	Order	TIF	Exchange
BUY	TSLA 24 NOV 17	24 NOV 17	337.5	PUT	-.50	LIMIT	DAY	BEST
BUY	TSLA 24 NOV 17	24 NOV 17	335	PUT		LIMIT	DAY	BEST
BUY	TSLA 24 NOV 17	24 NOV 17	332.5	PUT		LIMIT	DAY	BEST

****please read the notes in the picture above****

- Don't attempt to change the size on the middle strike, you won't be able to get to the 1/3/2 ratio you are looking for. Adjust the top and bottom sizes and the middle will fall in line automatically.
- Sometimes an unbalanced fly has consecutive strikes and sometimes you break out the third strike to receive a larger credit. So kudos to you if you noted that the TSLA trade that is being used as an example here is actually an *unbalanced broken wing butterfly*.

Back Spread



There is much confusion about what a back spread is and what is a ratio spread. It all stems from the fact that when choosing this as a trade type there is only one choice which is "BACK/RATIO". This is why most people assume that the spread is called back ratio.

Similar to calendars and diagonals, the back or ratio applies to that which is further away, but in this case in price and not time.

A back spread is when you BUY more options than you sell and those options are further away from the money.

A ratio spread is when you SELL more options than you buy and those options are further away from the money.

Example: XYZ is trading at \$50. You think it's going a lot higher, so you buy the 50/55 back spread for a \$3 debit. This means that you sell one 50 strike call and buy two 55 strike calls for a \$3.00 debit.

Example: XYZ is trading at \$50. You think that it's going higher but not by too much so you sell the 50/60 ratio spread for an \$0.85 credit. In this case you have bought one call at \$50 and sold 2 calls at \$60.

While I am a huge fan of ratio spreads and employ them constantly in my own trading, they are not a trade that will probably ever come up in the advisory due to their large margin requirements. They require and tie up an inordinate amount of capital and thus are not appropriate for the model account that we trade or for clients that have similar sized accounts.

The back spread is only used for one purpose and that is to capitalize on direction. It is a good spread to have in your toolbox when you believe that a stock is about to make an outsized move. You would not use a back spread to capture a smaller move or if you believe that a stock is going to trade within a range.

The purpose of using the back spread as opposed to buying single calls is that the back spread is cheaper. The reason it is cheaper is because you are selling a call vertical in front of the single call you are buying. In this way you are getting the single call at a discount in return for taking on the risk of being short the spread in front of the long option. The wider your back spread is the less expensive it will be but the stock will have to move that much further in order for you to make money because you will have to overcome the wide short vertical before your long option makes money. Obviously when placing the back spread you must be cognizant of the average volatility and range of the stock you are playing. You would not for instance buy a \$20 wide back spread for a credit in AT&T, but you might in Priceline.

To place this trade:

24 NOV 17	Theo Price	Delta	Theta	Position	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Theo Price	Delta	Theta	Position
100 (Weekly)	.74	-.69			36.50 Q	39.40 Q	24 NOV 17	1692.5	7.10 Q	10.40 M	160.11	-.27	-.69	
	.72	-.72			34.80 Q	37.90 M	24 NOV 17	1695	7.70 N	9.50 M	151.70	-.28	-.66	
	.70	-.73			33.00 Q	35.80 M	24 NOV 17	1697.5	8.00 Q	10.50 M	154.06	-.30	-.69	
	.69	-.75			31.20 Q	34.30 Q	24 NOV 17	1700	9.50 Q	10.90 M	154.83	-.32	-.70	
	.67	-.77			29.50 Q	32.60 M	24 NOV 17	1702.5	9.40 Q	12.50 M	155.16	-.33	-.71	
	.65	-.78			27.80 Q	31.10 Q	24 NOV 17	1705	10.40 Q	12.40 M	152.01	-.35	-.71	
	.63	-.79			26.10 Q	29.20 M	24 NOV 17	1707.5	11.60 Q	12.80 M	151.97	-.37	-.71	
	.61	-.78			24.60 Q	27.10 M	24 NOV 17	1710	13.00 Q	14.20 M	157.41	-.39	-.74	
	.59	-.78			22.90 B	25.40 M	24 NOV 17	1712.5	13.30 Z	16.80 Q	162.76	-.41	-.77	
	.57	-.79			21.60 Q	24.00 Z	24 NOV 17	1715	14.30 Z	17.00 M	159.38	-.43	-.76	
	.55	-.81			20.10 Z	23.10 Q	24 NOV 17	1717.5	15.20 Q	18.30 M	160.35	-.45	-.76	
	.53	-.83			19.30 Q	22.00 M	24 NOV 17	1720	16.80 Q	18.40 M	158.44	-.47	-.75	
	.51	-.83			17.90 Q	21.00 T	24 NOV 17	1722.5	17.50 Q	19.20 M	155.15	-.49	-.73	
	.49	-.80			16.60 Q	18.50 M	24 NOV 17	1725	18.60 Q	22.30 M	164.12	-.51	-.76	
	.46	-.80			15.50 Q	17.30 Q	24 NOV 17	1727.5	19.80 Q	21.60 M	155.06	-.54	-.71	
	.44	-.79			14.20 Q	16.30 M	24 NOV 17	1730	20.60 B	24.00 M	158.31	-.56	-.72	
	.42	-.78			13.20 Q	15.20 M	24 NOV 17	1732.5	22.30 N	26.50 M	165.91	-.58	-.74	
	.40	-.78			12.20 Q	14.80 Q	24 NOV 17	1735	24.10 Q	25.90 M	158.46	-.60	-.69	
	.38	-.77			11.10 Q	13.80 Q	24 NOV 17	1737.5	25.40 Q	30.40 N	173.17	-.61	-.74	
	.37	-.77			10.50 Q	13.20 Q	24 NOV 17	1740	26.60 Q	28.50 M	158.84	-.65	-.65	
	.34	-.74			9.40 T	12.10 Q	24 NOV 17	1742.5	28.90 Q	33.70 Q	177.69	-.65	-.72	
	.32	-.70			8.50 T	10.50 Q	24 NOV 17	1745	30.60 Q	35.10 N	177.71	-.67	-.70	
	.31	-.70			7.7				37.00 N	38.00 N	177.27	-.69	-.68	
	.29	-.70			7.1				40.70 Q	38.00 N	177.18	-.71	-.65	
	.27	-.67			6.6				44.60 N	40.70 Q	181.19	-.72	-.64	
	.26	-.66			6.1				49.00 C	42.00 N	181.92	-.74	-.62	
	.24	-.65			5.6				49.00 C	44.60 N	190.02	-.75	-.63	
	.23	-.64			4.1				49.00 C	49.00 C	199.82	-.75	-.65	
	.21	-.58			3.1				49.70 T	49.70 T	183.36	-.79	-.54	
	.18	-.48			3.1				49.80 Q	49.80 Q	182.42	-.81	-.50	
	.18	-.53			2.4				55.00 C	55.00 C	212.84	-.79	-.63	
	.16	-.49			3.7				57.10 Q	57.10 Q	215.36	-.80	-.62	
	.16	-.51			2.2				59.50 N	59.50 N	207.18	-.82	-.54	
	.16	-.52			2.2				62.00 C	62.00 C	221.48	-.82	-.58	
	.14	-.45			1.1				64.00 C	64.00 C	227.00	-.82	-.58	
	.13	-.46			2.1				65.50 Q	65.50 Q	219.03	-.85	-.51	
	.13	-.46			1.1				68.50 Q	68.50 Q	233.66	-.84	-.56	

Right click on the first strike which would be the lower one if a call back or the higher one if a put back and mouse over BUY and then Back/Ratio. Left click on Back/Ratio. Note: If this were a ratio spread you would select "SELL" first and then Back/Ratio.

That will bring up your order entry as follows...

Spread	Side	Qty/Symbol	Exp	Strike	Type	Link	Price	Order	TIF	Exchange
BACKRATIO	SELL	10	PCLN 24 NOV 17	1745	CALL		7.90	LIMIT	DAY	BEST
	BUY	20	PCLN 24 NOV 17	1750	CALL					

Change your contract size accordingly. Most ratios and backs are 1:2 but they can really be any ratio you like such as 2:3 or 1:3. Be creative within the confines of good risk management. Change your price and hit "Confirm and Send".