



HOW TO 10X YOUR STOCK SURGE GAINS

ROSS GIVENS

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The goal of an investor is not just to achieve high returns.
Buying a stock at \$1 and selling it at \$2 is impressive...
But not if it took ten years to happen.

The goal is to compound one's money as quickly as possible.
In my opinion, the best way to do that is by focusing on stocks that are surging right now – the ones with the ability to make large moves very quickly.
Stock Surge Daily will assist you in this process by identifying those names with strong momentum and abundant opportunity for profit.

But there is a way to ratchet up the returns even more... to add a little “juice” and maximize those gains.
And that is by using stock options. And these are used on the same stocks that I find that are at the ready to surge.
And by using options on these same great stocks, you can further capitalize on my work for even great gains in shorter order.

Options, to the uninitiated, can at first be intimidating.
But they don't need to be.
In fact, they are actually quite simple.

A lot of so-called “experts” complicate option trading with confusing and complex strategies.
They even give them cute names like straddles, strangles, iron condors and broken-wing butterflies.
But as with most things in life, the simplest approach is usually the best.
I've been helping investors trade options successfully for years with a very simple strategy.

And today I'm going to share all the details with you.

THE BASICS OF OPTIONS

Let's start with the basics... What are options?
(If you're already familiar with the basics of options, feel free to skip to the next section.)

Options come in 2 forms – puts and calls.
A put option is a bet that a stock will go down.
A call option is a bet that a stock will go up.
You will hear options referred to as “contracts” because technically, that's what they are – a contract between the
buyer and seller.

But today, everything is fully automated and options can be bought and sold instantly just like stocks in almost any brokerage account. And most brokers have streamlined their account processes to make buying options all the easier and hassle-free for investors just like you whether you are an options veteran or just stepping into this part of the markets for stocks.

So don't let the contract jargon scare you.
Let's start with a call option...
There are just 3 components to a call option – the underlying stock, strike price, and expiration date.
A typical option may look something like this: **AAPL Dec22 \$200 call**

AAPL	Dec22	\$200
underlying stock	expiration date	strike price

The first part, **AAPL**, refers to the underlying stock.
This is what you are betting on with the call options. In this case, this would represent a bullish bet that Apple stock will go higher.

Next is the expiration date. **Dec22** stands for December 2022. This is how long the option is good for.

Finally, we have the strike price. In this case, **\$200** per share.
So, this call option is a bet that Apple stock will be above \$200 per share by December 2022.
By contrast, a put option with the same details would be a bet that Apple stock will be BELOW \$200 per share by December 2022.

As I mentioned earlier, stock options are technically contracts between two parties.
Buying this AAPL Dec22 \$200 call option would give you the right, but not the obligation, to CALL the stock away from the other party at \$200 per share.

So, if Apple stock climbed to \$300 per share, you could still buy it for \$200 per share any time between now and December 2022, netting you a profit of \$100 per share (buy for \$200, sell for \$300).
If, however, the price of Apple stock remained below \$200 in December 2022, your call option would be worthless.

And it is easy to understand why.
Who would want to buy AAPL for \$200 per share when you can buy it cheaper on the open market?
If held to expiration, call options only have value if the underlying stock is trading ABOVE the option's strike price.

Make sense?
Put options work exactly the same just on the other side of the trade.
They are a bet that a stock price will go DOWN in value.

Buying a put option gives you the right to PUT that stock to the other party at your pre-determined strike price.

That means that as a buyer and owner of a put option you have the right to sell a stock at a set price for a set period of time even if the actual stock price is much lower.
This is why put options are often used to protect against losses.
Let’s say you own Apple stock, but you are worried it could go down over the next year.
To protect yourself, you buy the AAPL Dec22 \$100 put.

AAPL	Dec22	\$100
underlying stock	expiration date	strike price

The underlying stock and expiration date are the same.
But since you are protecting against the downside instead of speculating on the upside, you choose a strike price below where AAPL is currently trading - \$100.

With this contract, you have the right to PUT your shares of Apple stock to the other party at a price of \$100 each – any time between now and December 2022.

Should they stock stay above \$100, you will not need to execute this contract and it will expire worthless.
If, on the other hand, AAPL fell to a price below \$100, you are protected from any further losses.
So even if the stock went to \$10, you have the right to put, i.e. “sell”, it for \$100 – thus capping your potential loss.

That is how call and put options work.
It isn’t any more complicated than that.
But there are a few more details you should know before proceeding...
First, each option represents 100 shares.

1 OPTION = 100 SHARES OF STOCK

Prices will be quoted on a per share basis, but you need to multiply that number by 100.
For example, the AAPL Dec22 \$200 call may be quoted at \$5.00.
Since we know that is \$5 per share and each option represents 100 shares, the real cost of that call option is \$500
(\$5/share x 100 shares).
An easy trick is to just move the decimal two places to the right.
The other thing you need to know is this...

AS AN INVESTOR, YOU NEVER HAVE TO “EXECUTE” AN OPTION.

Remember, options give you the right but not the obligation to buy or sell a given security at a given price within a given time period.

For example, let's say you purchased 5 of those AAPL Dec22 \$200 call options. Since each contract represents 100 shares and you own 5 of them, you essentially control 500 shares of AAPL stock.

To buy those 500 shares at the \$200 strike price would cost \$100,000.

That's a lot of money.

But guess what?

You don't need to have anywhere near \$100,000 to place this trade.

Because, again, you can never be obligated to call, i.e. buy, those shares.

You are free to sell the options at any time to exit the trade and collect your profits.

The same goes for put options.

What you are buying is the right to “put” those shares to someone at a given price.

But you are not required to own those shares.

In fact, almost no one does.

You can purchase a put option to protect stock you already own as we discussed above.

Or, you can buy it to speculate that a stock will go down in price.

Again, with no requirement that you actually own the underlying stock when you buy a put option.

As I said at the beginning, these contracts are simply bets that a given stock will go up or down in price by a given date.

ADVANTAGES OF STOCK OPTIONS

Now that you are up to speed on how to use them, let's dive in to why.

First and foremost, options create limited risk trades.

With options, you can risk much less money for the same exposure.

If a stock is \$50 a share and you want to buy 100 shares, the cost of that investment is \$5,000.

That's also your risk.

It is unlikely, but the stock could go to zero and you would lose all \$5,000.

But most people wouldn't let that happen.

They use a stop loss, either a physical one or a mental one, where they will get out of the trade.

Using the \$50 stock example, maybe your maximum risk is 20%. You plan to sell if the stock goes below \$40.

So, your risk would be \$1,000 (\$10/share x 100 shares).

Usually, unless it is an extremely volatile stock that just made a huge move, you can get the same investment exposure for less money (and less risk).

A \$50 call option that expires a few months from now will likely cost around \$4. Each option represents 100 shares, so the total investment would be around \$400.

Even if the stock goes to zero, you cannot lose any more than the \$400 you paid for the call option.

So, if you think a big move is coming from an earnings report, FDA (Food & Drug Administration) decision, or other major news event, options are a way to limit your risk while giving you the same amount of exposure and profit potential.

Options can be especially beneficial to small account traders.

For those just starting out without a lot of money to invest, it can be difficult to generate big returns owning stocks – at least in terms of total dollars.

Let's say you have a \$2,000 trading account invested equally among 4 stocks.

Even a 20% gain in one of your holdings (which was once considered a wildly successful year in the market) is only a \$100 profit.

It's not exactly enough to start planning your retirement.

Options make gains of 100% or more far more plausible – something you will need in order to significantly build up your account balance.

As an example, I issued a recommendation to members earlier this year to buy call options on IWM (an ETF that tracks the Russell 2000 index).

IWM rose just 7%, but our options gained over 200%.

When used correctly, options are a way to leverage your dollars to produce a higher percentage return.

Additionally, because of the lower price of the options, you are able to diversify your account further.

The same \$2,000 account could spread those funds across 10 or more option trades to diversify one's risk.

Many of the options I buy are a dollar or less (\$100 per contract), so you would never need to go “all in” on one trade and pray it works out.

This would be more difficult to achieve with stock which often trades for several hundred dollars per share.

DISADVANTAGES OF STOCK OPTIONS

After reading the last section, you might be thinking to yourself, ‘Options sound perfect. Why would I ever trade stock again?’

For all their benefits, options do have one major downside – time.

If it weren't for that pesky expiration date, options would be a license to print money.

I mean... who wouldn't want limited risk with unlimited potential for profits?

Unfortunately, every option expires.

So, there is a downside to buying options versus stock, and it is this...

You have to be right about both the direction AND the time frame.

The expiration date is crucial in determining the value of a stock option.

Let's say that XYZ stock is trading for \$10 today.

You think it will go higher.

So, you buy a \$15 call option.

If the option expires a year from now, there is a decent chance XYZ stock will exceed \$15 per share by then.

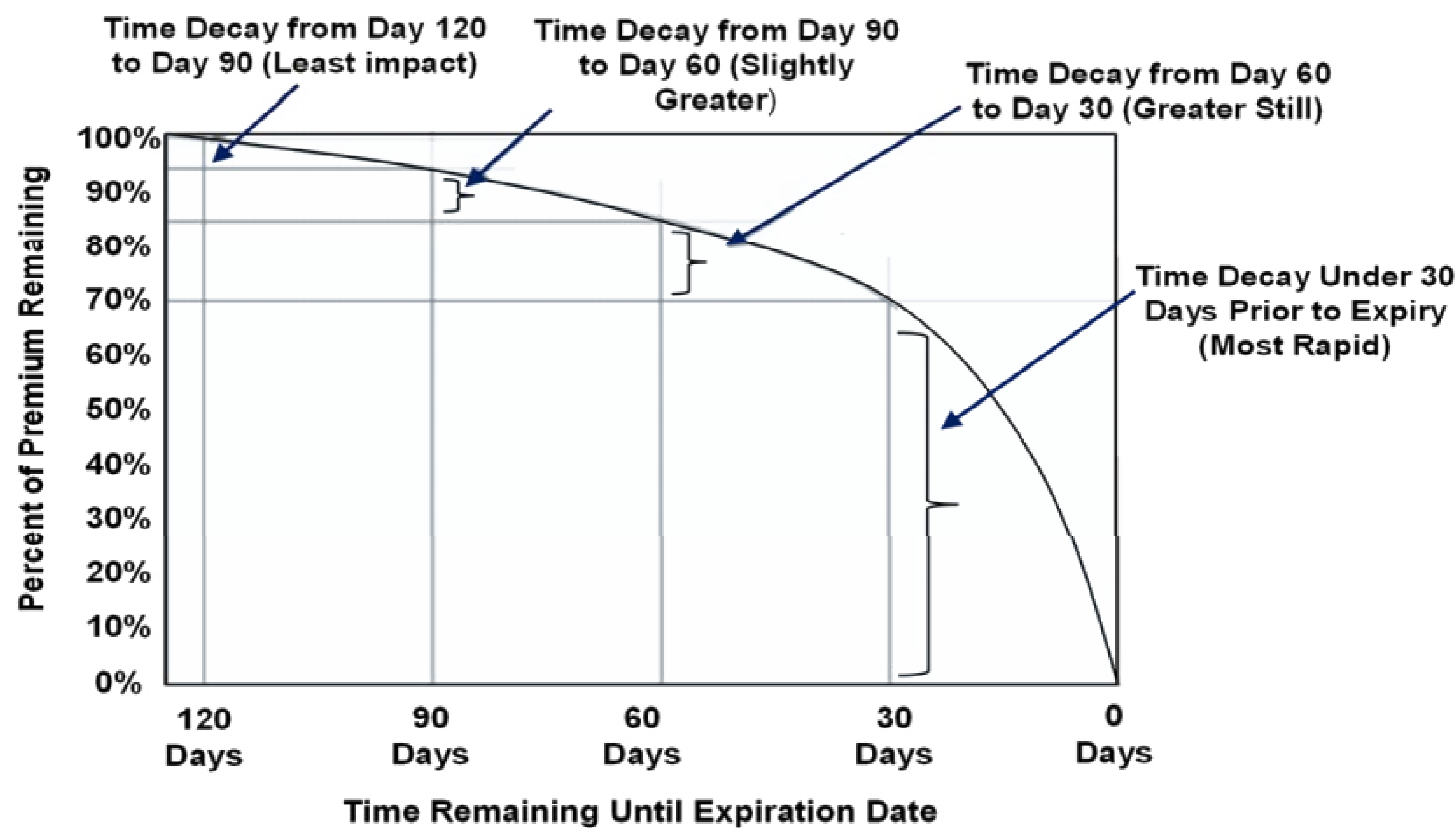
So that option might be priced at \$2.00.

But what if the option expires next month?

The odds XYZ stock will go up 50% in a month are much lower than it doing so in a year.

It is a long shot bet, and that call option has a much greater chance of going to zero and expiring worthless.

This shorter-term option would therefore be much cheaper, likely around 20 cents or less. The concept of options losing value as they approach expiration is known as time decay. If you’ve ever traded options before, you have undoubtedly seen the image below.



This graphic depicts the theoretical value of an option over 120 days if the underlying stock did not move at all. All things being equal, an option will “decay” in value as it approaches its expiration date due to the declining likelihood that the strike price will be met. As you can see, the final 30 days are where this time decay (also referred to as theta decay, but it’s just more fancy jargon) is most severe. For that reason, I never want to own an option within a month of its expiration date. Doing so puts you squarely behind the eight ball, fighting against the clock. Take my advice – don’t do it.

There is simply no reason to handicap yourself in an already difficult game. Short-term options, especially those with weekly expirations, are a sucker’s game. You may get lucky once, but over time, the house will win and your account will dwindle. The only people who benefit from weekly options are option brokers who earn your commissions. The other thing to be mindful of when trading options is position sizing. To make sure you don’t get spread too thin, follow this simple rule – **only risk what you would on the stock.**

In the \$50 stock example earlier, the trader planned to risk \$1,000 on the trade. He INVESTED \$5k in the stock, but only wanted to risk \$1k of it. Don’t make the mistake of buying \$5k worth of options hoping for a home run if you cannot stomach losing the full \$5k. Because trust me, it is a real possibility. You’re also likely to bail early if you trade options too tight. Options are volatile. They need room to move. Invest accordingly.

THE OPTION CHAIN

To place an option trade, you will need to pull up what’s known as an option chain on your trading platform or on your brokerage account online

Depending on which broker you use, it will probably look something like this.

AAPL		APPLE INC COM		134.32		+2.38 +1.80%		B: 134.27 A: 134.28		ETB		NASDAQ		Company Profile							
Underlying																					
Last X		Net Chng		Bid X		Ask X		Size		Volume		Open		High		Low					
134.32 Q		+2.38		134.27 P		134.28 P		1 x 9		77,878,503		132.16		135.12		132.16					
Trade Grid																					
Option Chain		Filter: Off		Spread: Single		Layout: Last X, Delta															
CALLS								Strikes: 6		PUTS											
Last X		Delta		Bid X		Ask X		Exp		Strike		Bid X		Ask X		Last X		Delta			
23 APR 21		(0)		100		(Weeklys)												6.31% (±0.299)			
30 APR 21		(7)		100		(Weeklys)												39.50% (±6.161)			
7 MAY 21		(14)		100		(Weeklys)												34.97% (±7.537)			
14 MAY 21		(21)		100		(Weeklys)												32.90% (±8.619)			
21 MAY 21		(28)		100														32.44% (±9.778)			
		5.74 X		.60		5.55 C		5.65 P		21 MAY 21		132		3.40 H		3.50 C		3.37 C		-41	
		5.10 Z		.56		5.00 C		5.10 P		21 MAY 21		133		3.85 H		3.95 C		3.79 X		-44	
		4.60 Q		.52		4.50 Z		4.60 C		21 MAY 21		134		4.35 B		4.40 Z		4.35 P		-48	
		4.00 T		.49		4.00 C		4.10 C		21 MAY 21		135		4.85 A		4.90 Z		4.92 X		-51	
		3.60 Q		.45		3.55 Z		3.65 C		21 MAY 21		136		5.40 B		5.45 Z		5.42 X		-55	
		3.21 C		.42		3.15 Z		3.25 C		21 MAY 21		137		5.95 C		6.05 Z		6.02 X		-58	

This screenshot from TD Ameritrade’s ThinkorSwim platform shows an option chain for Apple stock. Again, if you are new to trading options, do not let this overwhelm you.

It looks like a lot of data, but all the information you need will come from just a few numbers.

AAPL

APPLE INC COM

134.32

+2.38
+1.80%

B: 134.27
A: 134.28

ETB

NASDAQ

Company Profile

Underlying

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
134.32 Q	+2.38	134.27 P	134.28 P	1 x 9	77,878,503	132.16	135.12	132.16

Trade Grid

Option Chain

Filter: Off

Spread: Single

Last X, Delta

Strikes: 6

CALLS				PUTS					
Last X	Delta	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Delta
> 23 APR 21	(0)	100 (Weeklys)							6.31% (±0.299)
> 30 APR 21	(7)	100 (Weeklys)							39.50% (±6.161)
> 7 MAY 21	(14)	100 (Weeklys)							34.97% (±7.537)
> 14 MAY 21	(21)	100 (Weeklys)							32.90% (±8.619)
> 21 MAY 21	(28)	100							32.44% (±9.778)
5.74 X	.60	5.55 C	5.65 P	21 MAY 21	132	3.40 H	3.50 C	3.37 C	-41
5.10 Z	.56	5.00 C	5.10 P	21 MAY 21	133	3.85 H	3.95 C	3.79 X	-44
4.60 Q	.52	4.50 Z	4.60 C	21 MAY 21	134	4.35 B	4.40 Z	4.35 P	-48
4.00 T	.49	4.00 C	4.10 C	21 MAY 21	135	4.85 A	4.90 Z	4.92 X	-51
3.60 Q	.45	3.55 Z	3.65 C	21 MAY 21	136	5.40 B	5.45 Z	5.42 X	-55
3.21 C	.42	3.15 Z	3.25 C	21 MAY 21	137	5.95 C	6.05 Z	6.02 X	-58

#1 is the ticker symbol of the underlying stock. In this case AAPL. That is the stock you are betting on with options.
#2 is the expiration date. Each date is collapsible, and when clicked, will display all of the available options for that particular expiry.

You will also notice two numbers to the right of the date.
The first number in parenthesis tells you how many days that option has until it expires. My advice is to focus on those options with at least 30 days or more.
The 100 represents the number of shares each option contract represents (think of it as a friendly reminder to multiply those prices by 100).

#3 is the strike price.
Notice that call options become cheaper as you go up in strike and put options become more expensive.

#4 shows the current bid and ask price for that particular option.
Call option prices are listed on the left side and put option prices are listed on the right.

If you choose to buy an option ‘at the market’ you will be filled at the ask price (the lowest someone is offering to sell the option for).
Selling at the market will fill you at the bid price (the highest someone is currently offering to buy the option for).

MY OPTION TRADING CRITERIA

This should get you up to speed on the essentials of trading put and call options.
But to truly master the technique and give yourself the greatest chance of success, there are a couple more variables you need to pay attention to.

These are what separate novice option traders from proficient ones.
And what turns a decent gain into a monster win.
We already covered the first criterion when discussing time decay.
Do not buy options less than 30 days from expiration.
You also don’t want to buy them too far out in the future.
When the expiry is a year or more out, the options are so expensive you are basically just buying leverage and adding a whole lot of risk.
My preference for long options is 3 to 6 months out from expiration.

Criterion #1: 3-6 months from expiration

Next is delta.

AAPL

APPLE INC COM

134.32

+2.38
+1.80%

B: 134.27
A: 134.28

ETB

NASDAQ

Company Profile

Underlying

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
134.32 Q	+2.38	134.27 P	134.28 P	1 x 9	77,878,503	132.16	135.12	132.16

Trade Grid

Option Chain

Filter: Off

Spread: Single

Layout: Last X, Delta

CALLS

Strikes: 6

PUTS

	Last X	Delta	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Delta
21 MAY 21 (28) 100										32.44% (±9.778)
	5.74 X	.60	5.55 C	5.65 P	21 MAY 21	132	3.40 H	3.50 C	3.37 C	-.41
	5.10 Z	.56	5.00 C	5.10 P	21 MAY 21	133	3.85 H	3.95 C	3.79 X	-.44
	4.60 Q	.52	4.50 Z	4.60 C	21 MAY 21	134	4.35 B	4.40 Z	4.35 P	-.48
	4.00 T	.49	4.00 C	4.10 C	21 MAY 21	135	4.85 A	4.90 Z	4.92 X	-.51
	3.60 Q	.45	3.55 Z	3.65 C	21 MAY 21	136	5.40 B	5.45 Z	5.42 X	-.55
	3.21 C	.42	3.15 Z	3.25 C	21 MAY 21	137	5.95 C	6.05 Z	6.02 X	-.58

I have highlighted the delta column in red on the option chain above.

Delta represents how many cents the option will move for every dollar the stock moves.

The \$132 call in the image above has a delta of .60, meaning that option will increase in value by roughly 60 cents for every \$1.00 AAPL stock increases.

Some simple math reveals that you need AAPL to go up \$9.00 per share that month in order for your option to double in value.

If the delta is too high, you are unlikely to achieve a high percentage return.

On the other hand, a very low delta represents a long shot bet that is unlikely to pay off and will probably lead to a 100% loss.

HIGH Delta	LOW Delta
Price Change = BIG	Price Change = SMALL
Percentage Gain = SMALL	Percentage Gain = BIG

I have found the sweet spot to be between 0.15 and 0.35.

This is where you have the potential for very large gains while still maintaining a high win/loss ratio.

Criterion #2: Delta of 0.15 – 0.35

The next thing to focus on is price.

Unlike stocks, which often trade millions of shares every day, options see much less volume – especially on smaller, off-the-radar stocks.

Because of this, the bid/ask spreads are wider.

For a mega cap stock like Apple, that spread may only be 10 or 15 cents (ex. \$4.80 bid x \$4.95 ask).

But take a stock like Lemonade (LMND)...

LMNDLEMONADE INC COM93.92

+3.38

+3.73%

B: 93.69A: 94.85HTBNYSE

Underlying

Last X

Net Chng

Bid X

Ask X

Size

Volume

Open

High

Low

93.92

N

+3.38

93.69

Q

94.85

P

86 x 23

1,955,256

92.05

95.53

91.09

Option Chain

Filter: Off

Spread: Single

Layout: Last X, Delta

CALLS

Strikes: 6

PUTS

Last X

Delta

Bid X

Ask X

Exp

Strike

Bid X

Ask X

Last X

Delta

21 MAY 21

(28)

100

76.45% (±16.308)

8.81

X

.56

7.80

W

8.30

B

21 MAY 21

93

7.00

X

7.50

X

6.80

E

-.44

7.70

Q

.55

7.60

X

8.10

B

21 MAY 21

93.5

7.30

E

8.00

X

8.20

Z

-.45

7.68

E

.54

7.30

P

8.40

B

21 MAY 21

94

7.50

X

8.30

X

7.50

H

-.46

8.03

X

.52

7.00

X

7.40

B

21 MAY 21

95

8.10

I

8.60

P

8.03

I

-.48

7.00

Z

.50

6.50

W

7.00

X

21 MAY 21

96

8.70

H

9.20

X

9.40

Z

-.50

The spread between the bid and ask prices for these options can get over \$1.00.

A dollar may not sound like much, but remember, that’s \$1.00 per share... times 100 shares... times the number of contracts you buy or sell.

Getting a bad fill can cost you hundreds of dollars and start the trade down 15%.
But... this can also be used to your advantage.
Most traders use market orders and settle for buying at the current ask price.
They are content losing out on a nickel here or a quarter there.
But those nickels and quarters add up to big profits on low-priced options.
Let’s look at Tracon Pharmaceuticals (TCON), for example...

TCON	TRACON PHARMACEUTICALS INC COM	7.53	-.02 -0.26%	B: 7.20 A: 7.96	HTB	NASDAQ	MM ±1.757
Underlying							
Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High
7.53 Q	-.02	7.20 Q	7.96 Q	5 x 3	105,052	7.53	7.785
Option Chain							
Filter: Off	Spread: Single	Layout: Last X, Delta					
CALLS				Strikes: 10	PUTS		
	Last X	Delta	Bid X	Ask X	Exp	Strike	Bid X
							Ask X
18 JUN 21	(56)	100					
							101.40% (±2.532)
	0	.97	3.40 A	6.80 N	18 JUN 21	2.5	0 M
	3.50 M	.85	1.20 A	4.70 A	18 JUN 21	5	0 N
	2.30 D	.61	.05 A	3.10 A	18 JUN 21	7.5	.25 A
	.60 N	.32	.35 N	.70 P	18 JUN 21	10	1.30 A
	.50 N	.32	.05 N	1.40 A	18 JUN 21	12.5	3.30 A
	.05 N	.23	0 N	1.00 A	18 JUN 21	15	5.90 A
	1.25 N	.35	0 A	2.15 A	18 JUN 21	17.5	8.10 N

The next strike up from the current stock price is \$10.
Those June \$10 options, which don’t expire for two months, have a spread of \$0.35 x \$0.70 – a 100% difference between the prices to buy and sell.

That’s huge!

Obviously, you wouldn’t want to buy this call ‘at the market’ and pay 70 cents for it. You’d lose 50% instantly if you decided to sell.

So, here’s how you use this situation to your advantage...
By being tactical with your order placement, these spreads often allow you to pad your gains.
Let’s say you make an offer to buy just a nickel above the highest bid and place a buy limit order at \$0.40.
If you get filled, you are now in an advantageous position.

The ask is currently \$0.70. That’s the lowest price anyone is offering to sell this option for.
So maybe you offer yours just below that and place a sell limit order at \$0.65.
Maybe you get filled, maybe you don’t.
Maybe you have to move it a nickel one way or the other.
But if you are patient, you can usually achieve favorable prices on these thinly traded options that will greatly increase your returns.

In the case of TCON, if both orders were filled, you would have netted a 62.5% gain on a trade that went nowhere!
Buy at \$0.40. Sell at \$0.65. 62.5% profit.
Maybe you ended up paying 45 cents. And maybe you only got 55 cents when you sold it.
That’s still a 22% gain before commissions.
On a recent trade recommendation of mine, the bid/ask spread was \$0.15 x \$0.35.
By being patient, one of my members bought the calls for 18 cents.

A week later, the stock had gone nowhere. But he was able to sell them for \$0.35 – almost a 100% gain just by being patient with his buy order.

Now, I am not advocating for the practice of scalping options for nickels.

The point is that 5 or 10 cents in either direction makes a much bigger difference in cheaper options as opposed to more expensive ones.

For that reason, and several others, I find the best success when sticking to low-priced options. I prefer them under \$1.00, but anything below \$2.00 will still give you a nice edge – as long as you are disciplined and make sure to use limit orders when placing your trades.

Criterion #3: Option Price Below \$2.00

Last but not least, volatility.

Specifically, implied volatility.

Implied volatility, or IV, is displayed next to each expiration month on an option chain (highlighted in yellow below).

AAPL		APPLE INC COM		134.32	+2.38 +1.80%	B: 134.27 A: 134.28	ETB	NASDAQ	Company Profile	
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Trade Grid										
Option Chain		Filter: Off	Spread: Single	Layout: Last X, Delta						
CALLS				Strikes: 6		PUTS				
	Last X	Delta	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Delta
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30 APR 21	(7)	100 (Weeklys)					39.50% (±6.161)			
7 MAY 21	(14)	100 (Weeklys)					34.97% (±7.537)			
14 MAY 21	(21)	100 (Weeklys)					32.90% (±8.619)			
21 MAY 21	(28)	100					32.44% (±9.778)			
	5.74 X	.60	5.55 C	5.65 P	21 MAY 21	132	3.40 H	3.50 C	3.37 C	-.41
	5.10 Z	.56	5.00 C	5.10 P	21 MAY 21	133	3.85 H	3.95 C	3.79 X	-.44
	4.60 Q	.52	4.50 Z	4.60 C	21 MAY 21	134	4.35 B	4.40 Z	4.35 P	-.48
	4.00 T	.49	4.00 C	4.10 C	21 MAY 21	135	4.85 A	4.90 Z	4.92 X	-.51
	3.60 Q	.45	3.55 Z	3.65 C	21 MAY 21	136	5.40 B	5.45 Z	5.42 X	-.55
	3.21 C	.42	3.15 Z	3.25 C	21 MAY 21	137	5.95 C	6.05 Z	6.02 X	-.58

IV is represented as a percentage.

The higher the number, the more volatile the underlying stuck and thus more expensive the options.

You will also see a number in parenthesis next to the IV percentage.

This represents the market maker’s implied move by expiration.

In the AAPL example above, the monthly options expiring May 21 are pricing in a stock move of \$9.77 up or down over the next 28 days.

The more a stock is expected to move in relation to its current price, the higher that implied volatility figure will be.

I like to see this number below 40 if I am buying options.

Stocks like Tesla, NIO, and other volatile names can get much higher.

Last year, Kodak options had an IV of 173%. Procter & Gamble, on the other hand, was at 28%.

When the IV is high, you will pay more for the option since the market expects a larger move from that stock. So, even if the stock goes in your direction, it is possible to lose money if it doesn't move enough.

After a wild move in a stock, it is best not to buy call or put options since the volatility will be through the roof. Your only hope of a profitable outcome is if that wild move is followed by an even wilder move and the elevated IV is justified.

Just like time decay, this high implied volatility can handicap you as an option trader and actively work against you.

When options have an extremely high IV, especially anything over 100%, I will not buy them.

These are situations where you want to be SELLING options and collecting high premiums instead.

Criterion #4: Implied Volatility Below 40.00%

That's it.

That's my straight-forward system for trading directional options.

3 - 6 months from expiration. Delta of 0.15 - 0.35. Priced below \$2.00. And implied volatility below 40.00%.

Stick to those rules and you will be miles ahead of the pack.

Thanks for Reading,



Ross Givens
Editor, Stock Surge Daily