



Kick Butt SPY Options

An introduction to how we trade options to potentially earn a respectable gain in about an hour a day.

2025

TEST EBOOK

Introduction

Congratulations!

You took the first significant step toward learning how to make money with stock options! In fact, this e-book may well be the start of a significant change in your life, provided, of course, you move forward, obtain the proper knowledge, and apply it. I wish you well on this journey!

My name is Hugh. I'm the Head Trader at DayTradeSPY.com, a company that started as a hobby – a fluke, actually.

My background is in auditing in corporate America. Like a good salaried employee, I saved a significant portion of my earnings for my financial advisor to invest for my retirement.

Little did I realize at that time that my investments were so very vulnerable. One day, it hit me: my funds were about half of my initial capital. It would have taken a lifetime of prudent savings and investing to bring it back to life.

Needless to say, I fired my financial advisor and set out to learn how to invest on my own. I took all the courses, attended countless seminars, reviewed endless videos, audio recordings, and books - you name it. I examined most instruments available – equities, foreign exchange, exchange-traded funds, and futures – if it could be traded, I considered it.

Through it all, I made a lot of money and lost a lot of money, but I always took away a lesson from the losses.

Eventually, I started making fewer and fewer bad trades, resulting in good, profitable positions – trades that would secure me a new car, vacations, a new house, and even an airplane – all the things a man in his 50s would want.

My friends took notice. “Hey Hugh, what are you doing?” I'd reply, “I'm day trading stock options on the S&P 500, SPY.” After a while, they persuaded me to teach them my newly acquired skill.

Hence, our business was born.

Of course, we've grown over the years and developed a comprehensive program that can potentially turn even the most novice investor into a successful day trader. Our focus is on delivering the proper knowledge and building discipline in applying that knowledge to make consistently profitable trades.

What are Options?

For many beginners, the idea of making money by trading from a computer, tablet, or smartphone is exciting and empowering. It is compelling, consuming, and can also be dangerous if left uncontrolled.

Options trading is a risky business. However, so are most things of value. You can lose all your money if you do not know what you are doing. Therefore, you must learn as much as necessary to minimize your risk, just as you would master the essential skills of racecar driving before engaging with other high-powered vehicles on a track, competing only inches from each other.

Regardless of your experience, you could be trading against professionals from around the world. While trading is anonymous, unforgiving, and ruthless, it can also be gratifying.

An options trading platform can be overwhelming at first, with its many numbers, codes, and jargon. Undoubtedly, tension creeps in, causing you a clear disadvantage in the market. Just remember to take each part one at a time, breaking down the system, piece by piece, much like learning anything new. Rest assured, you should master the process in due course if you stay with it.

You can read all about options trading from many sources – there is no shortage of material in that regard. However, the best approach is to align with a coach who can guide you along with a well-defined, proven strategy. Stay with your mentor as you navigate this complex maze of information.

I have traded equities, dabbled in futures and forex, but always returned to options. These instruments are derivatives of an underlying stock. Generally speaking, where the stock goes, the option tends to follow, although not always.

Trading options was once the domain of the privileged elite. Financial institutions traded these to hedge their investments in equities. Trading these derivatives is now available to the retail trader on most platforms, the same as equities.

An option is a contract that grants specific rights and obligations. The holder of an option has the right, but not the obligation, to trade a particular stock for a certain price by a specific date. Each option controls 100 underlying shares.

Options have names. If you expect the stock to rise, you would purchase a **call option**. The higher the stock moves, the more valuable your *call option* would typically become. This is called a *bull market*.

Expect a drop in your stock? You would buy a **put option**. These options rise in a falling market. You read that correctly: the lower the market drops, the more valuable *put options* become. This is called a *bear market*.



Options have premiums. This is the price you pay for the contract that allows you to buy or sell the underlying stock.

Options have a strike price. This is the fixed price at which the option holder can exercise the right to buy or sell the underlying stock. At expiration, you hold either worthless **out-of-the-money options** or **valuable in-the-money** options, enabling you to buy the underlying stock.

Options have an expiration date. This is the point at which these time-sensitive instruments expire. If you are *even one cent short of the money*, your option becomes worthless. If you are *in the money*, you can trade the underlying stock.

Options have other variables, known as Greeks, that affect their pricing. The **Delta** represents the rate of change in the option's value relative to the underlying stock. The **Theta** represents the rate of change of the time decay until expiration.

Other factors affect option prices as well, which we address in detail in an upcoming training program.

The Perfect Business

Stock Trading Is not for everyone. If you are comfortable with numbers, you will quickly realize that making money on the market is not that difficult if you know what you are doing. I treat my trading as a business, making rational decisions to earn a substantial income.

Why is that so important? This is because our views of the working world have undergone a dramatic shift. Gone are the days of secure, stable, lifelong jobs – most people will now have multiple careers in their lifetime. Recent college graduates are now applying for jobs that didn't even exist a few years ago. These trends are ongoing, and schools are falling behind in preparing students for the jobs of the future. Throw in other factors, such as pandemic woes, and the jobs market may no longer be desirable.

Perhaps a *job* is not what you want. The acronym J.O.B., which stands for 'Just Over Broke', seems to say it all. Wouldn't you be wise to create your own lucrative career, using your skills to secure your own future instead of relying on someone else?

I see trading as the perfect business. I can trade:

- whenever I want, as long as I have internet access
- wherever I want, no longer bound by geography
- as much or as little as I want, never punching a clock
- with little capital
- to take advantage of favorable tax opportunities

As the perfect business of trading, I have:

- no selling to anyone, especially family and friends
- no overhead to fund and manage day to day
- no inventory to buy, process, store, or sell
- no bosses, franchisors, bankers or suppliers
- no employees to manage
- no customers to always satisfy
- no accounts receivable to try to collect
- no time-consuming commute to work
- no real estate to encumber

Trading is a respectable profession, and you are rewarded for your intelligence and emotional control.

It is also sheer fun!

Options Explained

There really is no mystery to stock options. The example below outlines the concept of trading options.

Imagine that Jim has a house on the edge of town for sale for \$400,000.

I happen to suspect something Jim does not: that the town council will approve the development of a world-class golf course behind Jim's house. This will undoubtedly increase his home's value to, say, \$800,000, literally overnight, once the world finds out his home backs onto the 9th hole.

So, I offer to buy Jim's house for his full purchase price of \$400,000. However, I'm not sure if I really want his house, so instead, I offer Jim \$10,000 for the option to buy his house at its full price at a later date. If I want his house by the expiration date, I pay Jim \$400,000. If not, he keeps the \$10,000 and the house. Jim happily accepts that great deal.

I then take my option to Ann and sell it to her for \$15,000. She can now buy what will be an \$800,000 house for a mere \$400,000, plus the \$15,000 she just paid me. But Ann doesn't really want the house either.

So, Ann takes the option to Mark, who buys it from Ann for \$30,000. And on it goes, until expiration.

I am pleased.

A \$5,000 profit on a \$10,000 purchase equals a 50% profit.

Ann is also delighted.

\$15,000 profit on a \$15,000 purchase = 100% profit

Mark is also thrilled.

He can continue selling the option down the line or buy the \$800,000 house for \$400,000 plus the \$30,000 he paid for the option, increasing his equity by \$370,000 in the process.

And of course, Jim is happy getting his full asking price of \$400,000 for his home.

Therefore, options trading is not a zero-sum game, which is why there is an immense amount of money involved in this activity.

Why the S&P 500?

I trade SPY, which is an exchange-traded fund that tracks the S&P 500. SPY is the short term for SPDR, Standard & Poor's Depository Receipt. Each share trades at about one-tenth of the S&P Index (SPX). Do not get bogged down on the terminology; know where the top 500 stocks on the US markets go, that is where SPY goes.

SPY is the highest-traded stock, the most liquid, often trading around 100 million shares per day. Whatever your order, there is a willing market to trade your position.

SPY has somewhat predictable trading behavior. Once you master our technique, you can assess the stock with a relatively high degree of accuracy, predicting where it is likely to go.

SPY covers all the sectors. There is no single sector or stock that dominates the entire fund, making your position as diversified as possible.

SPY has many choices for options. You can trade for longer-term security, medium-term for a good profit/risk balance, or short-term for exciting movements.

SPY options trade until 4:15 pm ET daily. Other options stop at the market close of 4:00 pm, but SPY generously affords a more extended period in which to close out trades and make money.

SPY enables you to reduce analysis time. I can open my charts at 9:00 am and assess market conditions; no need to do extensive studies or scan the night before.

SPY is somewhat forgiving. Even if you make an error in judgment, you can generally correct the situation through careful management of your positions.

SPY is affordable. You can buy an option for less than \$100, controlling many times its value in stock. It is quite conceivable for even newbies to make money on this derivative. Be sure to read and understand our Disclaimer.

How we Make Money

SPY options provide immense leverage vis-à-vis the underlying stock. You can see outstanding moves on the option if the stock moves just slightly.

Below is a chart showing how SPY moved over an entire day. The date is irrelevant, as there are movements that provide many opportunities to make money on any given day. The detail may be intricate to see, but just view the patterns – open and close around the same price.

SPY opened at about 208.00 and dropped to 207.40 before climbing back up to finish the day at 207.89.

Had you purchased 100 shares at market open, it would have cost \$20,800. We will exclude commissions for the sake of this discussion. Had you been looking to go to the upside, you would still be holding this stock, as it has not risen on this day. In fact, you may be worried about your investment in the short term.



SPY is an expensive stock for many people to trade. Profits may be only incremental at best, as they fluctuate up and down, typically following the economic realities of the day.

As it turned out, this day's trading was relatively flat, having moved only slightly between the open and close.

How the Option Traded

If you had conducted a quick analysis of the market, you would have discovered that *put options* were the way to go. The market was ripe to drop. A *put* gives you the right but not the obligation to *sell* 100 underlying shares of SPY for a certain price. Theoretically, you would sell the stock first, then repurchase it for a lower price, making your profit on that spread.

With options, you can make money in either direction. We do not want the stock; we want to trade the option.

Below is a chart of the put option I would have considered for my own trading. This option expired the same day, making it a higher-risk trade, but I would have been very confident in taking this position.

SPY puts, with the strike price of 208, opened the day at \$0.39, rising to a high of \$0.63 before the market closed. That is a potential profit of a whopping 61%!



Considering that the equity was flat for most of the day, the option delivered in spades.

In this case, I would not aim for a 61% profit target. However, I would be reasonably assured of making 6%, 7%, 8%, or even 10% on this move... in and out on the same day, often in just minutes. That leverage is the power of options!

Is There Really Any Money in This Seemingly 'Nickel and Dime' Trading?

Absolutely!

One put option would have cost $\$0.39 \times 100$ (controls 100 underlying shares) = \$39. Had you earned 10%, you would have earned \$3.90 per contract.

Had you purchased 100 contracts, your entry would have cost \$3,900, and your profit would have been \$390.

Now, here is the beauty of options – you would have completed that trade and made your money by 9:35 am, a mere five minutes into the trading day!

That is a 10% profit, as shown below, had you entered the market at the open for \$0.39 and closed your position at 9:35 am for \$0.43. Not bad, especially considering you're only aiming for 5%!



What we teach is not about nickels and dimes. You can trade one contract or thousands. With SPY, they get filled instantly. Do the math!

It is no wonder that options trading is one of the fastest-growing instruments in the market today. Once traders sample options, they rarely return to trading equities.

But the Market Dropped. How You profit:

In this case, the market dropped. I determined that a drop in the equity was imminent. In fact, I discovered this at 9:05 a.m. ET, as shown in our *Morning Market Analysis*, which is sent daily to members of our *Inner Circle* before the market opens.

Below is a screenshot.

April 15

Proposed Trade:

(9:00) SPY's chart pattern seems to be executing with a drop, as discussed on last night's webinar, fueled this morning by dropping oil prices and overseas markets. The stock is near its upper band, but should it fall under its support, I expect this stock to fall to around 207 before long. A high impact news item is due at 10:00 this morning but other than that, it will be mainly technical trading today.

As I saw the market dropping, buying the equity would have been senseless. Instead, I would have purchased a *put option*, which increases in value as the underlying stock's price drops. In theory, that means I could sell the stock first and then repurchase it at a cheaper price. But, in reality, I do not want the stock; I only want to trade the option. In the end, it is the money I long for, not to hold some useless certificate.

For that reason, we retail traders have a distinct advantage over the big players as they are trading equities. We can execute quick changes and take advantage of rising *and* falling prices, unlike institutions and many fund managers, who can only trade stocks expecting price increases.

That also means that if we are wrong, the market is generally forgiving enough to deliver us some gains.

How did you know SPY was Going to Drop?

I am glad you asked. This is where the challenge is.

As you saw, knowing direction is critical to making a profitable trade. Therefore, as a new trader, you will spend most of your time trying to figure this out.

The simple answer is that several factors affect the stock price. Technical indicators, as shown by the charts, news items, and fundamental indicators, as well as mental factors, all play a role in determining the price.

To give you an idea of the complexity of just the pricing mechanism, one such model, the Black-Sholes method, comes 'fairly close' and is often used to determine options prices.

Below is the basic Black-Sholes equation. Derivatives of this formula make it even more complicated. Rest assured, you don't need to know this formula to trade with us.

$$c = SN(d_1)Xe^{-yT}N(d_2)$$

$$p = Xe^{-yT}N(-d_2) - SN(-d_1).$$

$$d_1 = \frac{\ln(S/X) + (r+a^2/2)T}{a\sqrt{T}}$$

$$d_2 = \frac{\ln(S/X) + (r+a^2/2)T}{a\sqrt{T}} = d_1 - a\sqrt{T}$$

S = Stock Price

X = Strike price of option

R = Risk-free interest rate

0 = Volatility of the relative price change of the underlying stock price

N(x) = Cumulative normal distribution function

Relax!

How did I really know SPY was going to drop? The answer is that I trade the material I teach in our training program. Over the years, we have sifted through all the complexities of options trading and created a less cluttered methodology to help you master options trading.

Our training programs approach options trading with a manageable strategy, showing you what to look for and how to interpret the various factors that affect the market. We use only the indicators necessary to give us the information we need; nothing more, nothing less—no analysis paralysis.

In short, there are plenty of sources to teach you all about the stock market, the never-ending strategies on countless stocks, exchange-traded funds, instruments, and derivatives. Our technique is not one of them. For reasons known only to themselves, most traders tend to complicate things. You will eventually discover that using a straightforward, focused system will help you make more money *and* reclaim your time in the process!

Just imagine spending your precious time doing what you love to do, 'working' on your own terms! Our most successful traders are in control of their income and enjoy balanced lifestyles.

If this appeals to you, our concentrated training programs may be exactly what you are looking for.

We do not engage in spreads, intense premarket analyses, ultra-high-risk naked positions, nightly scans, or anything that consumes your life. Just simpler, focused strategies that have proven their worth!

Remember, options trading is risky, not for everyone, and you can lose your money. Be sure to read and understand our Disclaimer.

How we are Different

Our approach is unlike any other – experience-based theory with practical application and support along the way. Many find our methods uniquely refreshing in an industry that can be frustratingly lonely and ripe with charlatans. Goodness knows, we had to maneuver around them just as many of you have.

As one who was once on the other side, I well remember the anguish of trying to master options trading. Trying to piece the puzzle together, engaging in trial-and-error learning is costly and likely the reason why 95% or more new options traders lose their money and drop out within the first year. As a DayTradeSPY'er, we expect you to be one of the top 5% successful traders.

The primary difference between us and others is that we want to see you succeed, and we have designed our programs to achieve just that. It is about more than what you will read in the course material or glean from studying our videos. Don't get me wrong – they are essential too.

It is about applying your newfound knowledge in practical settings, directly in the real market. It is about having access to expert traders who can answer your questions and show you the ropes. It's about having a coach who will provide fair assessments and encourage you along the way.

Options trading is risky. While no one can guarantee you success, we *do guarantee* that you will lose your money if you do not know what you are doing with options. THAT, is an iron-clad guarantee! Take charge and ownership of your trading. Get the training first, then enter this ruthless world of options.

Ultimately, your success is our success!

DayTradeSPY's Top 26 Greatest Tips, Tricks and Traps

1. **Become the expert.** Master one great strategy you are comfortable with and reap the rewards.
2. **Analysis Paralysis.** It's real, and it's a good idea to remove anything not necessary to your trades.
3. **Learn before you earn.** Options are not like equities. Ignorance is your death knell guarantee.
4. **Time is your enemy.** Know your limit; trade within it. Understand this concept before you trade.
5. **Stay with quality options.** Low prices mean low value and high risk, hardly the bargain you might think it is.
6. **Align with a coach in the know.** Find someone in the know. Talk to us first. We are the SPY experts.
7. **Treat trading as a business.** Learn to make rational decisions for consistent returns.
8. **Manage your money.** Never trade more than you can afford to lose, regardless of how good it looks.
9. **Accept losses gracefully.** Don't take it personally. Any trader who says they never lose is lying.
10. **Be well funded.** There will be a learning curve, even with seemingly simple, straightforward strategies.
11. **Understand yourself.** Learn to control your emotions. Fear, greed, ego and FOMO need to be in check.
12. **Always strive to improve.** Regular sessions with your mentor are invaluable. Take full advantage of them.
13. **Stay connected.** Our *Inner Circle* keeps you abreast of essential changes in the market.

- 14 **Know that the market changes constantly.** And, yes, it is manipulated. Get over it. Work with it.
- 15 **Stop using stop losses.** They do not work for you; they work for the market maker to take your money.
- 16 **Calculate your reward potential *before* taking the risk.** Not all setups are great, not all trades will pay.
- 17 **Watch your leakage, fees and commissions.** They can nibble away at your account if left unchecked.
- 18 **Never chase *out of the money* options.** If you miss one, there is another trade around the corner.
- 19 **Most options lose money.** Word on the street is that 90%+ expire worthless; keep close watch on yours.
- 20 **Watch implied volatility.** This silent killer lurks in shaky markets, sending prices high. Don't get crushed.
- 21 **Be properly equipped.** A dependable computer, fast internet, backup power supply... all required tools.
- 22 **Plan your trade and trade your plan.** You've heard this before; nothing can be more accurate and fitting.
- 23 **Master repairing bad trades.** If nothing else, this bit of advice can save your backside more than anything.
- 24 **Applied knowledge is power... but only if applied.** It is not of much use if you do not actively participate.
- 25 **Always keep it uncomplicated.** Options trading is not that difficult if you know and understand it.
- 26 **Join our Trading Room.** Our training comes alive in a real-time, dynamic environment, 9:20 to 10:30 am ET.

Take Action NOW!

Our programs get you well on the way to potentially making money.

We day trade options on SPY. That's it. This is what we teach. No complex strategies. No confusing jargon. No intimidating formulas, charts, or indicators to thwart your success – just a clear, understandable path to profitable trading.

Here's how you can get involved...

Invest in some training. From individual 'one on one' sessions with an expert to defined self-paced programs, we can get you trading quickly, confidently, and consistently.

Join the *Inner Circle*. Membership gets you *in the loop*. It is essential to stay informed about changes in an ever-evolving market.

Members have access to our *Morning Market Analysis*, proposed trades, follow-up reports, and our Wednesday night interactive Meetups, all archived for later viewing.

This is a natural fit for all traders, from novices to experts alike - highly recommended.

Participate in live trading. Check out our *Trading Room*, a daily meetup for full narration by experienced traders Hugh and veteran Eagle Financial Publications' guru, Jon Johnson.

This interactive, engaging program is designed to teach you how to generate a potentially substantial income while navigating the complexities of options trading in real-time under real market conditions.

Most traders who spend a significant amount of time in this venue tend to do very well. We are so very proud of our members!

There is Nothing That Comes Close! Nothing.

This is just the beginning, offering you a glimpse into how we trade options. There is much more than what is shown in this brief outline.

The more you engage in our programs, the better a trader you will be.

We host free Introductory / Week in Review webinars held at 8 pm ET, Sunday nights.

We can help get you on the right path, effectively and affordably.

We look forward to your success!

"If you want what I have, you gotta do what I do!"

~ Hugh

www.DayTradeSPY.com

Charts courtesy of SchwabThink or Swim®

Disclaimer:

Trading stock options involves a substantial degree of risk and may not be suitable for all investors. DayTradeSPY provides only training and educational information. By visiting our website and accessing our content, you agree to the terms and conditions. Past performance does not guarantee future results. While trading can be profitable, you can lose it all, too. Trade at your own risk.
