
ODDS Online 6.2 Version (OOL 6.2) Category
TOOL - Option Trading Tool

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ODDS Online 6.2 Version (OOL 6.2)

TOOL - Option Trading Tool

What is the sort order of the High Probability Report in ODDS Online?

The report is sorted by Implied Volatility Percentile, per each stock.

How Do I Calculate the Profit/Loss Of Credit Spreads?

Profit/Loss on Credit Spreads :

Max Profit = Net credit

Max Risk = Difference between strikes - Net credit

Breakeven on Put Credit Spread = Strike price of option sold - net credit

Breakeven on Call Credit Spread = strike price of options sold + net credit

How do I calculate profit/loss for deep in-the-money covered calls, like in the Covered Call Report button?

Following are the profit/loss calculations for Covered Calls:

Max profit occurs if the stock is above the strike price.

Max profit = Strike price - Net Debit.

Losses occur if the stock is below your net debit.

Loss = Net Debit - Stock Price.

Profits less than a max profit occur if the stock is between the strike price and the net debit.

Profit = Stock Price - Net Debit .

What strategy does Chuck Hughes use that can be done with ODDS Online?

He does three different kinds of strategies:

1. Covered Calls
2. Vertical Debit Spreads
3. Straight Option Purchases

ODDS Online allows you to analyze any of these strategies using risk/reward & probability analysis. Realize that Chuck's analysis will not assume the bell curve probability distribution, so his analysis may not evaluate a trade the way ODDS Online does.

Refer to the Online Video Tutorials for Creating Your Own Strategy.

What is Expected P/L in the java applet of ODDS Online, and how do I interpret this number?

Estimated Profit/Loss is a balance between risk, reward, and probability. The amount is given in option dollars. For real money value, you multiply by 100. This formula says that if you have a 90% probability of profit, and if when you win you win \$1, and if when you lose you lose \$4, you should end up with \$5 in the end. If you did this trade 10 times, on average you would expect to make \$0.50 per trade.

Also, it is explained in detail on page 7 of the ODDS Online User's Manual.

With a credit spread, do I keep this until expiration or get out before it expires?

We have faith in our calculations when we implement a credit spread & will therefore hold to expiration. Even if the trade looks like it is going against us, we will still hold, as our probability on a credit spread is so high that it will be profitable, and most times it will turn around and correct itself and be a max winner.

There can be instances where we will buy back the option we sold, and keep the option we bought, to therefore lock in a profit, release our margin, and maybe make additional profit with the option we still hold. But this depends on a lot of things, such as the price to buy it back, if there is a feasible reason to do so, etc.

The goal in a credit spread trade is to let both options expire worthless. If both options expire worthless, then you make a max profit on the trade. You won't win every time, but with probability close to 90%, you will win many more times than you lose.

Can I do an Iron Condor with ODDS Online?

You cannot search for Iron Condors in one of the searches, but you can analyze an Iron Condor by following the instructions in the Creating Your Own Strategy Movie in the video tutorials.

Can I do a basic search using puts and calls only with ODDS Online?

Yes. Select the (All Option Trades) from the (Type of Trade) box, and select (Buy Call) or (Buy Put) and then click the (Search For Trades) button.

What probability should I look for in a trade using ODDS Online, if I want to follow Don's type of trading only?

First, use only the Blue Report buttons, then decide what risk tolerance you have.

To keep it simple, if you want 80-90% probability, you must be doing high-probability strategies, such as credit spreads (High Probability Report) & Covered Calls (Covered Call Report). With both of these strategies, you have a high probability of winning, with a limited profit & risk.

If you prefer unlimited profit, & probability does not matter, use the (High Profit Report) button for straddles. They have unlimited profit, but limited risk, and the probability is anywhere from 40-60%

I only want to do SAFE trades, so what strategy should I use?

Safe option trades would be strategies such as high probability strategies, where you have limited risk & profit for a high probability of winning.

These strategies are credit spreads, covered calls, covered strangles, & covered straddles. There are many ways to use ODDS Online for these strategies, and to learn how, refer to the Online Video Tutorials for High Probability Trades, or refer to the Online User's Manual. If you need to learn about these strategies, we have educational courses available at www.donfishback.com.

A video on how to get started using ODDS Online 6.2

In ODDS Online, what time frame to expiration do I use?

That depends upon which strategy you want to do. To successfully trade options, you need to use the right strategy at the right time, and for the right duration.

As an example, if you want to do what Don Fishback does, use only the Blue Report buttons at the bottom of the Java Applet. Each of these search buttons contain all proprietary filters that Don uses himself for finding the best trades. So, to answer your question, the report buttons use the following:

High Profit Report - 3-6 months in duration

High Probability Report - front month or next month out

Covered Call Report - front month or next month out.

I get an error message when I try to access the buttons at the bottom in ODDS Online. What do I do?

Close all instances of your browser, then open back and log in again. This should take care of it.

How do I use the ratio graph in ODDS Online?

The ratio graph is used to look at 2-different volatilities against each other. Select the 2 you want to compare, and it will divide the first by the second and give you a visual graph to see the comparison.

I used high probability search in ODDS Online, but selected high profit for strategy. Is this correct?

When you are using the java applet, & start at the ODDS SEARCH TOOLS and select "High Probability Search", you also would need to select "High Probability TRADES" under TYPE OF TRADE. The same thing for High Profit Search, use High Profit Trades under TYPE OF TRADE.

If you use the Blue Report Buttons, which are already preset using all of Don Fishback's criterias for each strategy, you need do nothing but click on the stock symbol that takes you to the analysis page to choose the best trade.

In ODDS Online, why do I not come up with the same trade in the Covered Call Search as I do in the Covered Call Report buttons?

That's easy to answer.

The Covered Call Search button (GREEN), is a programmable button for each individual option trader to select their own criterias to find the trades. This search button does not include any of the proprietary filters used by Don Fishback in this search field.

The Covered Call REPORT button (BLUE), is a proprietary search button for Covered Calls that uses all criterias and filters that were created by Don Fishback for finding Covered Calls using his theory ONLY!

How do I know when to exit a credit spread trade in ODDS Online?

The objective with a credit spread is to hold the option to expiration. There are circumstances where you would exit before expiration. Search for How do I handle being exercised? in the knowledgebase. Most often we will hold even an losing trade all the way to expiration. You must remember that we are trading based on the probability of finishing profitable at expiration. Many times the asset will move against our position, only to move back into a profitable situation at expiration. By exiting early, you may turn winning trades into losing trades

Using the High Profit Report & High Probability Report buttons in ODDS Online, how do I select the best trade?

All of the trades listed meet Don's criteria for high or low volatility, and there is no way to know in advance which trade will be the best. We start at the top of the list and work our way down. We then stop searching after we have found one we like, based upon all of the info given.

With ODDS Online, is there a good time of the month to initiate a trade?

It depends upon what type of strategy you are using.

Short term strategies (credit spreads & covered calls) can be affected more than long term strategies (straddles and strangles). The question is applicable only based upon time decay of the options as they approach the expiration day for that month. You will find that you have a harder time finding trades to implement for that month when you are too close to expiration day, as time decay will keep you from getting the premium or credit/debit you need, so you may have to go out to the next month to find feasible trades to fit your criteria.

Can I save copies of reports and then import them into Microsoft Excel?

Yes, absolutely. It's very simple. Bring up the page you want to import on ODDS Online, go to FILE at the top of the page on the left, then select 'save' or 'save page as', depending upon which browser you are using. Select to save to your desktop or wherever you are comfortable, making sure you see the name of the file as it is being saved so you can locate it, then click SAVE.

Now bring up an instance of Microsoft Excel. Click on FILE, then OPEN. Find the file where you saved it; double click on it and it is imported.

If, per chance, you are using a version the 2007 version of Excel, the directions are a little different: instead of clicking on file, you will click on the OFFICE button in the top left, then click on OPEN and follow the rest of the directions above.

Using the blue buttons in ODDS Online, I have not been able to find a trade I like. Why?

The blue buttons in ODDS Online encompass all filters used by Don Fishback for each strategy.

The High Profit Report looks for straddles, which means volatility needs to be extremely low.

The High Probability & Covered Call Report buttons look for credit spreads and deep in-the-money covered calls, which both need high volatility.

Whenever volatility is not high or low but in the middle and stays there for awhile, it will always be more difficult to find either high profit or high probability trades. This is not a bad thing, as it is just letting you know it is not a good time to enter into these strategies and therefore keeps you from getting into trades at the wrong times.

In ODDS Online, how can I know what volatility is right now?

In ODDS Online, you can tell where volatility is (high or low) by accessing different searches. Don Fishback is actually a volatility trader. So, using the blue buttons in ODDS Online, you can easily see if volatility is high or low by the number of stocks listed in each search field.

EXAMPLE -when volatility is low, you will see many stocks listed in the High Profit Report. When volatility is high, you will see more stocks listed in High Probability Report & Covered Call Report. The same goes for the opposite. When volatility is low and the High Profit Report increases the number of stocks shown, the High Probability & Covered Call Reports will have a smaller list, and vice versa, as these different strategies need exactly the opposite levels of volatility to have the perfect trades to implement.

Using ODDS Online, should I put stop losses on my positions?

A- It depends. There is nothing wrong with doing that, if you choose to. However, it is something that Don Fishback only uses as an alert on Covered Calls, and not on any other option trade he does. Realize that if you put a stop loss on a credit spread, as an example, if the trade starts going against you, it will take you out of the trade thereby locking in that loss.

That is the reason we usually do not use stop losses, especially in a trade like a credit spread. We calculate the exact probability of winning on each trade & have faith that our math is correct. ODDS Online does this calculation automatically for us. So, we hold till expiration on our trades (excluding Covered Calls if we hit our alert), because even if the trade may be going against us for a bit, the probability is that it will correct itself and become profitable again before expiration. We believe in that assumption, and it works almost all the time. However, you will have losers sometimes. There is no such thing as 100% probability in option trading.

How does ODDS Online help me get out or exit a trade?

Some have asked about the quote from Dr. Dan A. (who mentioned Mr. Fishback in a New England Journal of Medicine editorial he authored) about how ODDS Online helps you in your exit decision when analyzing an option strategy that we tend to implement: straddles, strangles, credit spreads, and covered calls.

For straddles and strangles, we use the stock price as our target. That is, we want the stock to

move a certain percentage and once it has moved that percent we take our profits. The percent target is found in the detail section of the "High Profit Report" (blue button). If you click on a stock symbol, it will take you to the detail report. Look in the pinkish table in the "Anytime" column, and look in the 3rd row down, which is the "Median Departure from closing price". You'll see a percentage figure. That's how far we expect the stock to move, so that can be your exit target. If the stock moves up or down by that much, you can exit the profitable option. For more information, check out our introductory course Options Trading As A Business.

For credit spreads, we let the options expire. The vast, vast majority of the time the options expire worthless and we keep the premium that we received as a credit when we first put the position on. This should happen 85% - 95% of the time. In the unlikely event that we do have a loss, we don't take any action prior to expiration because the trades are limited risk by design. For more information, check out the E-Book Bonus titled ODDS 101-The Scientific Secret To Amazing, Highly Accurate Options Profits that comes with Options Trading As A Business.

Covered calls are a completely different animal, because you are trading a stock and an option in combination. We look exclusively for deep in-the-money covered calls that have a probability of profit of at least 80%. With those strategies, our exit criteria is to get out of the entire position if the stock drops more than 15% below the strike price. This strategy is not covered in Options Trading As A Business, but it is covered in our Profit Power Seminar.

In the High Probability Positive Return Report in ODDS Online, there are very few stocks listed. Why?

There is a fundamental reason, which is the lack of the volatility. Volatility in the overall volatility index has been dead in the middle or neutral, and the longer it stays there, the fewer stocks you will see in the High Probability Report button. It has been neutral for a few weeks now.

(You can see the level of volatility for yourself on our home page at www.donfishback.com. There is a brightly colored Volatility Thermometer that depicts the overall volatility of the markets.) If you look at this every day it will explain to you what to expect. When the volatility thermometer starts changing from green (which is neutral and where it has been for a few weeks) to yellow, orange, or red, there will be plenty of stocks listed in the High Probability Positive Expected report. The red is the highest, so more stocks then, etc.

When it is green or goes down to blue & purple, levels of volatility are low & therefore it is now a time to find less high probability trades because volatility is not high enough for a feasible profit, so you will find plenty of High Profit stocks listed in the High Profit Report which implements straddle & strangle trades.

In ODDS Online, what are the Green Search buttons for, if Don's methodology is all programmed into the Blue Report buttons?

The green buttons in ODDS Online, are for each individual option trader to select their own primary & secondary criteria to find the best option trade available based upon their own knowledge. These search buttons are not preprogrammed, and do not have any filters built into them that are used by Don Fishback. It is simply a programmable search with no preset filters for each specific strategy.

In ODDS Online, why is there no "sell call" strategy to select?

In ODDS Online, there is no "sell call" strategy because the risk of selling a naked call is so gigantic, that we don't want to have ANY tool that offers any kind of assistance in finding a strategy that is so dangerous. You can find strategies that involve "covered" call selling as part of an overall option strategy, such as: credit spreads, covered straddles, covered strangles, calendar spreads (credit and

debit), vertical debit spreads, and, of course, covered calls. But to analyze a naked call sale the customer will have to find that one on their own.

Be sure to read Characteristics and Risks of Standardized Options for the full explanation of the outrageous level of risk of naked call selling.

How do I find four-way credit spreads in ODDS Online?

If you look in that report search but only see put credit spreads and nothing for call credit spreads, it is telling you that it is not feasible to do anything for call credit spreads or they would be losing trades. Sometimes this can be confirmed by looking at the High Probability Full Report search (blue). This report gives both positive & negative expected returns on each trade, so you can get a better understanding. Sometimes it is best to just do a two-way credit spread, as depicted in each stock's analysis page.

Four-way credit spreads are simple, as they are literally just combining a put spread and a call spread together for one credit. The easiest way to find these is to use the High Probability Positive Expected Return Report button (blue). This search button looks for any positive expected return on any two-way credit spreads, both as call credit spreads and put credit spreads. When you look at the analysis page for each stock, if you see both a call spread and a put spread that meet your parameters, you can combine them into a four-way credit spread. These are best done when that particular stock is neutral with no bias.

How do I find OEX trades in ODDS Online, like is mentioned in the brochure?

The OEX is the S&P 100 Stock Index, and therefore can only be analyzed in the JAVA applet area at the top of the software.

First, in the top right hand corner, change your selection from 'stock' (set by default), to 'index'.

Next, if you want to find trades that customers used in the ODDS Online brochure, those were credit spreads. Follow the directions in the Online Video Tutorials for Finding High Probability Trades.

Just remember that you need to understand that the OEX is a cash-settled American-Style Option that is settled differently than most others & therefore has a greater risk. Be sure to read 'Characteristics & Risks of Standardized Options' available at the CBOE website or through your stock broker before trading any OEX options.

When I do a High Probability Search in ODDS Online on stock indexes, the result says 0.0 Found. Am I doing something wrong?

The answer is simply NO. The software has filters that search for only the stocks or indexes that meet the qualifications to do a High Probability strategy. In your question, the results of 0.0 Found means simply that no stock indexes have a high enough volatility to qualify for a high probability strategy at that time. You need to waste no further time on this consideration.

In Options Trading As A Business, Don states you can use ODDS Online for exits on straddles. How is that done?

Don explains this in the following pdf. [Click here to download it or open it on your computer.](#)

I don't see any ticker symbols in ODDS Online anymore. Why?

We are removing coverage of the ticker symbols in ODDS Online. In ODDS Online, the ticker symbol will no longer be a part of the drop down menu. The reason is due to the new nonstandard symbology that the options markets now use. Every data vendor and brokerage firm seems to use different symbols.

I get different probability and expected profit results on the same trade? Why does probability change?

You may have selected a different volatility expectation, or a different target date before you calculated your trade. The probability result will change if you use a different number of days, or a different volatility expectation. For a full explanation of how probability is calculated refer to our beginner course Options Trading as a Business.

Do I have to set my own target date all the time?

No, the only time you need to set your own target date is when you select your own Buy and Sell quantities in the options chain, and you did not use the ODDS Search for Trades button to select a numbered trade. Trades selected by ODDS Online Search for Trades will automatically use the option expiration date as the target date.

Can I use the Time Machine on the special reports buttons and the search buttons?

No, you can only use the time machine in the main section of ODDS Online.

I'm trying to get a specific option trade. I search for trades and I do not see any results. I only see the list of stocks, or I see a list showing different types of option trading strategies, like straddle, strangle, credit spread etc. What am I doing wrong. I don't see any trades.

You may be entering information out of sequence. You will not get a specific option trade unless you have first retrieved data from a stock that either you specified in the ticker symbol box or you have selected from the ODDS Search Tool menu. Once you have retrieved data on the stock, you can either pick your own trade in the Option chain, or you can select a type of trade through the "ODDS Search Tool Menu". If you use the ODDS Search Tool Menu, you will have to use the Search for Trades button to select a strategy. The result will be a numbered list of trades to select from. Pick a numbered trade, and the correct trade will then appear in the option chain box.

Can you translate a expected profit of .50? What does that mean in dollars?

.50 translates to \$50 for 1 option contract.

Is there something wrong with the Report feature and Search Features? I have not seen any data for a weeks yet when I sue the the Search green tabs it is locating trades with high ODDS?

You will only see data if the search criterion is met. The search features use more than just desirable probability calculations, and therefore, you may not see trade results appear when utilizing the Reports (Blue Buttons) or ODDS Search Tools.

What can happen if you do not close out a put position you bought previously?

Chapter 10, PRINCIPAL RISKS OF OPTIONS POSITIONS
RISKS OF OPTION HOLDERS

4. The exercise provisions of an option may create certain risks for the option holders. If the option does not have an automatic feature, a holder who wishes to exercise must assure that action is taken in a timely manner. See the discussion of "How to Exercise" in Chapter VIII.

On the other hand, if the option has an automatic exercise feature-such as one that will cause the option to be automatically exercised at the expiration if it is in the money by a specified amount- the option may be exercised at a price at which the holder would not voluntarily choose to exercise in view of the transactions costs of exercise or other factors.

It's that last paragraph, found on page 43 of the online/pdf file.

Here's what could happen. It's VERY unlikely, but it is possible. Let's say you buy a \$15 put on a biotech stock for \$50 a piece. You bought 10 of these. Your total out of pocket is \$500. The stock closes on expiration Friday at 14.95. The put is nearly worthless. It's 5 cents in-the-money, and you forgot about it because its value was so low. Over the weekend, the company announces that they have a cure for cancer. The stock opens at \$200. What position do you have?

Because the options have an automatic exercise provision, you are assigned a 1,000 share short position at the strike price, which means you have a loss of \$185,000 on a trade that had a supposed max loss of \$500.

The way to avoid this calamity is to close out the position prior to expiration. Simple as this.

Is there a big difference between ODDS Trademaster & ODDS Online?

There is a big difference between ODDS Trademaster & ODDS Online, as detailed below:

*ODDS Trademaster -is a standalone software, that does not accept any type of data feed. Everything is entered manually.

finding high probability trades, but can calculate the probability of anything occurring.

*ODDS Online name -has the capability of doing just about every option strategy you can

updates automatically at the end of each trading day.

some even including all filters used by Mr. Fishback for implementing specific strategies he uses for trading options himself

the user for their own specific criterias to search through all the data

the options themselves to use for analysis. Some of the data is up to 9- yrs and counting.

Does ODDS Online follow weeklys (yes, the CBOE has deemed that it be spelled that way)?

Yes, ODDS Online does follow weeklys for those stocks, ETFs and indexes upon which weeklys are listed. The volume in weekly options is low, but has been increasing steadily. Here is the CBOE Weekly web site (<http://www.cboe.com/Weeklys>). There, you can get a listing of the underlying assets that have weeklys.

It is imperative that you pay attention to the expiration date when using ODDS Online in order to make sure that you're analyzing the expiration cycle you intend. The ODDS Online reports (High Profit, High Probability and Covered Call reports - blue search buttons) do not include the weekly options in their analysis due to the time horizon of our trading methods. Weekly options do not fit into the time frame for any of our systems.

Does ODDS Online analyze other people's strategies? Specifically, does it analyze calendar spreads?

ODDS Online can analyze any strategy that you can think of, including calendar spreads. But there are a couple of important things to know about calendar spreads before you make such a trade. First, calendar spreads are where you buy an option of a certain type (call or put) in one month, and then sell an option of the same type in a different month.

You can buy a front-month call and sell a longer dated call, or you can sell a front-month and buy a longer-dated one. You can also do either of these strategies for puts.

Let's look at the former: buying a front-month call and selling a longer-dated call. This is a VERY MARGIN INTENSIVE STRATEGY, and here's why. As long as you're holding both options, the position is "covered". The front-month covers the longer-dated. If, however, the one of the options is closed out, it is no longer a spread and the remaining option becomes an uncovered position. This isn't a problem if you close out the call option you sold, because the remaining position is a long call. But if you have this type of calendar spread on and the front-month expiration arrives, and for some reason you don't remove the spread prior to the close that expiration Friday, then the front-month option will expire leaving you with a short call the next trading day. That leaves you with an unlimited risk short call that could result in disaster.

Because of that potential, the exchanges consider a calendar credit spread to be an uncovered position. And because of that, the margin is calculated in the following manner: you fully pay for the front-month call you buy, and you fully margin the short call you sell as if it were a naked short call. THIS IS AN EXTREMELY EXPENSIVE PROPOSITION, and it is a strong deterrent for individuals contemplating the calendar credit spread strategy.

That's why most people trade calendar debit spreads where they sell the front-month option and buy the back-month. In this instance, as long as the strike prices are the same (if they were different strikes, the calendar spread would be called a diagonal), the margin and the risk is the debit. For instance, if a May 50 call is bid 3 and the June 50 call is ask 5, then the net cost would be 2. Therefore, the out-of-pocket expense to you would only be \$200. That is also your maximum risk as long as you close out the position before expiration.

Because the lower cost of calendar debit spread, most people look to implement this version. The thing is, the volatility difference between the months is almost always unfavorable for the strategy.

Think of it this way: a calendar spread is designed to profit from a difference in implied volatilities between two expiration cycles. You want to buy the cheap implied volatility, and sell the expensive implied volatility. Typically, the front-month implied volatility is LOWER than the back-month.

That means the most common calendar spread you are likely to find is where you buy the inexpensive front-month and sell the expensive back-month. The problem, as noted above, is that this is the MARGIN INTENSIVE calendar spread. That's not to say it's bad. It's just that most individuals can't afford to do this kind of spread, or they can't qualify for it.

It is very rare that you find situations where the front-month implied volatility is high and the back-month is low. The typical reason is that there is some underlying reason, such as an impending FDA decision. For that reason, it is very rare that you find good, high quality calendar debit spreads.

And if you do find a calendar debit spread situation, be sure to check the news to make sure that there is not some unexpected event that might be causing the volatility difference. Because the event may be such that, in the real world, our statistical analysis isn't factoring in that "event risk".

What days to expiration are used in ODDS Online, calendar days or trading days?

The answer is both. In the Java applet section of this trading tool, you select what days to expiration you prefer, and these are calendar days. However, in the blue button reports that use specific proprietary filters for certain strategies based upon Mr. Fishback's strategies, trading days are used.

Where can I find out if a stock is in a merger or acquisition?

Here's a great source for mergers and acquisitions:
<http://www.theonlineinvestor.com/mergers/>