

# Credit Spreads Trading Guide & Handbook

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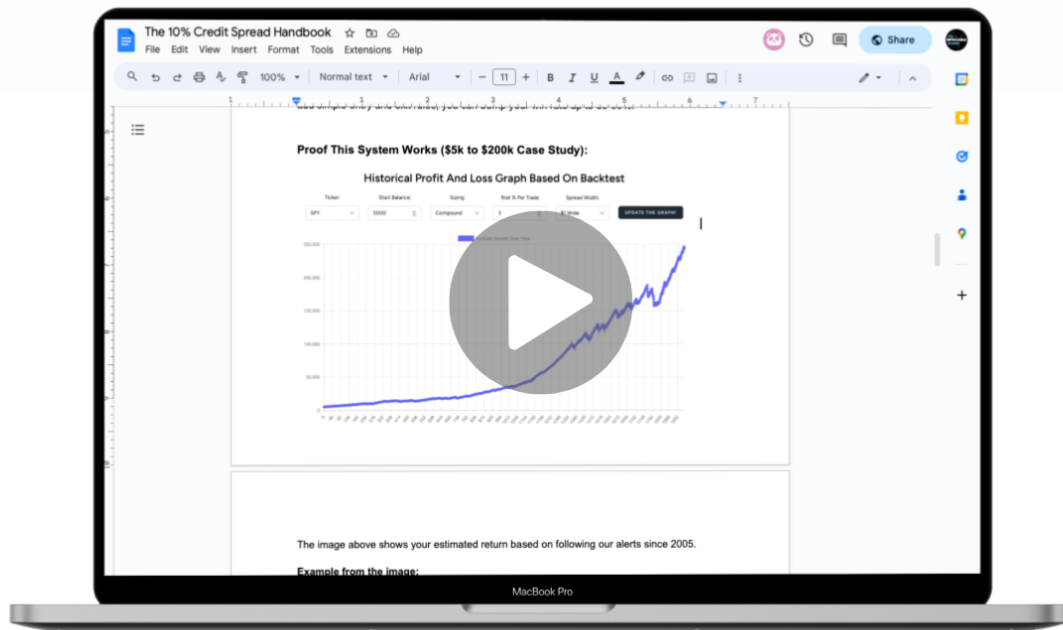
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# [FREE] The Ultimate Credit Spreads Trading System Course

This is a free in-depth companion course for the trading handbook



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## **The Goal:**

Consistently make a 5% every single month using proven credit spread strategies even if you work-full time or have very little free time.

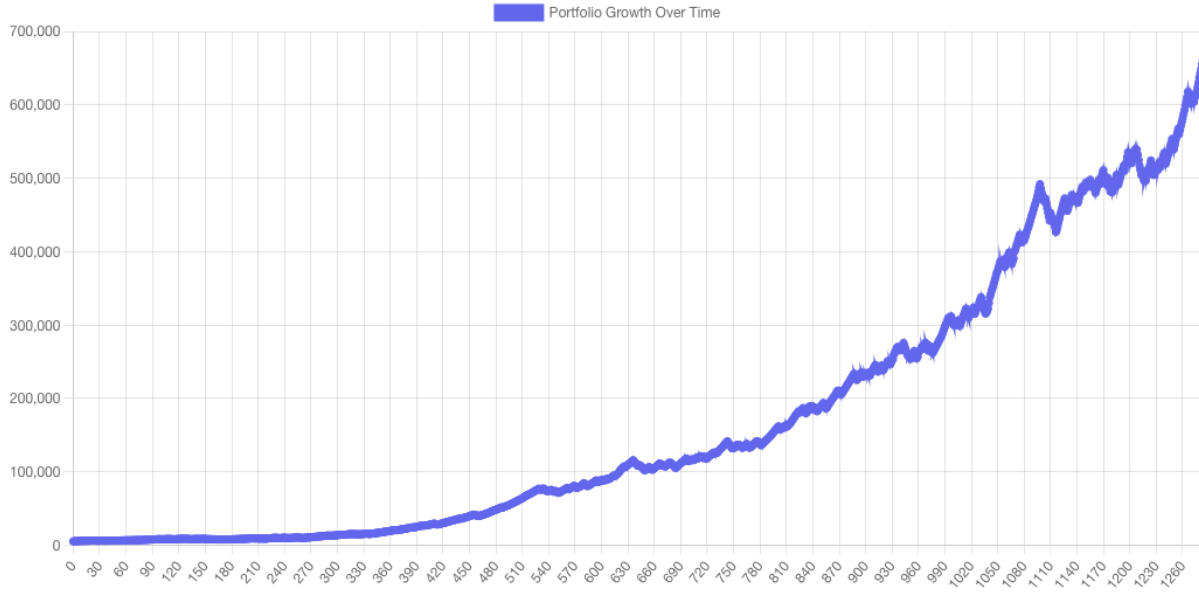
## **The Investment Thesis:**

“The trend is your friend until it bends” - Technical Traders

“If you diversify, control your risk, and go with the trend, it just has to work” - Larry Hite

Trend following is the idea of following the big waves in the market. Trend Following is not predicting future moves or price levels but instead responding to what the market is currently doing. [Mathematical studies](#) have shown that Trend Following achieves superior returns to buy and hold investing especially during market uncertainty.

## Proof This System Works (\$5k to \$600k Case Study):




Starting Balance: <b>\$5,000</b>	Ending Balance: <b>\$668,313</b>	Annualized Return: <b>84%</b>
Time Frame: <b>8 Years</b>	Losers In A Row: <b>5</b>	Max Drawdown: <b>\$86,421</b>

The image above shows your estimated return based on following our alerts since 2015

## 10% Credit Spread Graduates

### Member Spotlight - J.D. Griffin




**3 Fun Facts**  
I'm now a CPA but began my career working in politics.  
I'm a huge Atlanta Braves fan.  
My favorite recurring vacation spot is the Smoky Mountains.

**Background**  
I'm married, have two kids, and work as a CPA for a real estate company. In college, my main interests were history and political science, and I worked after college on political campaigns and for organizations in Mississippi, Kansas, Kentucky, and Washington, D.C. I discovered that a lot about what I loved about campaigns was the data behind it. That, and not wanting to move every year, led me to get my CPA and become an accountant. I'm a graduate of Ole Miss and am a huge Atlanta Braves fan.

[READ THE CASE STUDY](#)

### Member Spotlight - Teena Rose



**3 Fun Facts**  
May last year, she became a GLAMMA, GLAMorous grandMA, to a baby boy.  
Checks the movie rating on IMDB and only watches the movie if it's rated 7 or higher.  
A buttered popcorn fan and also addicted to kettle corn.

**Background**  
I am 61 years old, turning 62 in July. I work as a full-time Community Counselor for a medium-sized Hospice agency in Southern California. I graduated with a bachelor's degree in Broadcast Communications from the University of the Philippines. And yes, I was born and raised in Metro Manila, Phils. I came to the United States when I was 27 years old and started a family after taking my oath for American citizenship in 2002.

[READ THE CASE STUDY](#)

Read the case studies and stories of our members who graduated [here!](#)

## **My Two Proven Strategies (Step By Step):**

There are strategies created for every type of market phase: bullish, bearish, and recovering

### **The Bullish Play Trading Guide:**

This strategy is used during bullish markets and uptrending markets. This is done by using put credit spreads.

Entry Rules (Bullish):

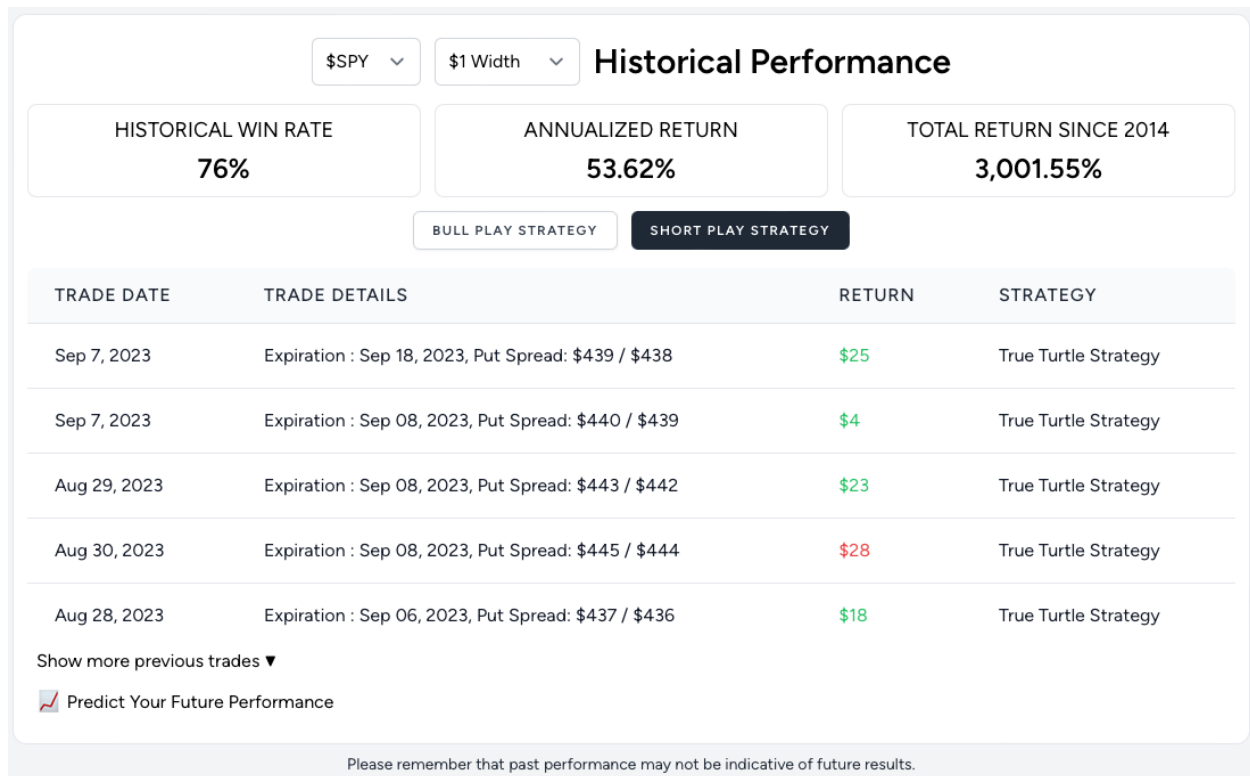
- Look for the following criteria
  - Stock price is greater than 200 Day MA
  - Stock price is less than 3 STD of the 200 Day MA
  - SMA 10 is greater than yesterday's SMA 10 price
  - Stock price daily change is greater than -.15%
- Expiration date
  - Current date + 9 days then round up to the MWF
- Strike price
  - Target a 30 delta
  - Create a \$1 wide strike Put Credit Spread based on the 30 delta short put

Entry Rules (Recovering)

- Look for the following criteria
  - Stock price is less than -3 STD of the 200 Day MA
- Expiration date
  - Current date + 9 days then round up to the MWF
- Strike price
  - Target a 20 delta
  - Create a \$1 wide strike Put Credit Spread based on the 20 delta short put

Get alerts sent straight to your phone and email [when this trade setups here](#)

## The Bullish Play Strategy Backtest:



## The Short Play Strategy Trading Guide:

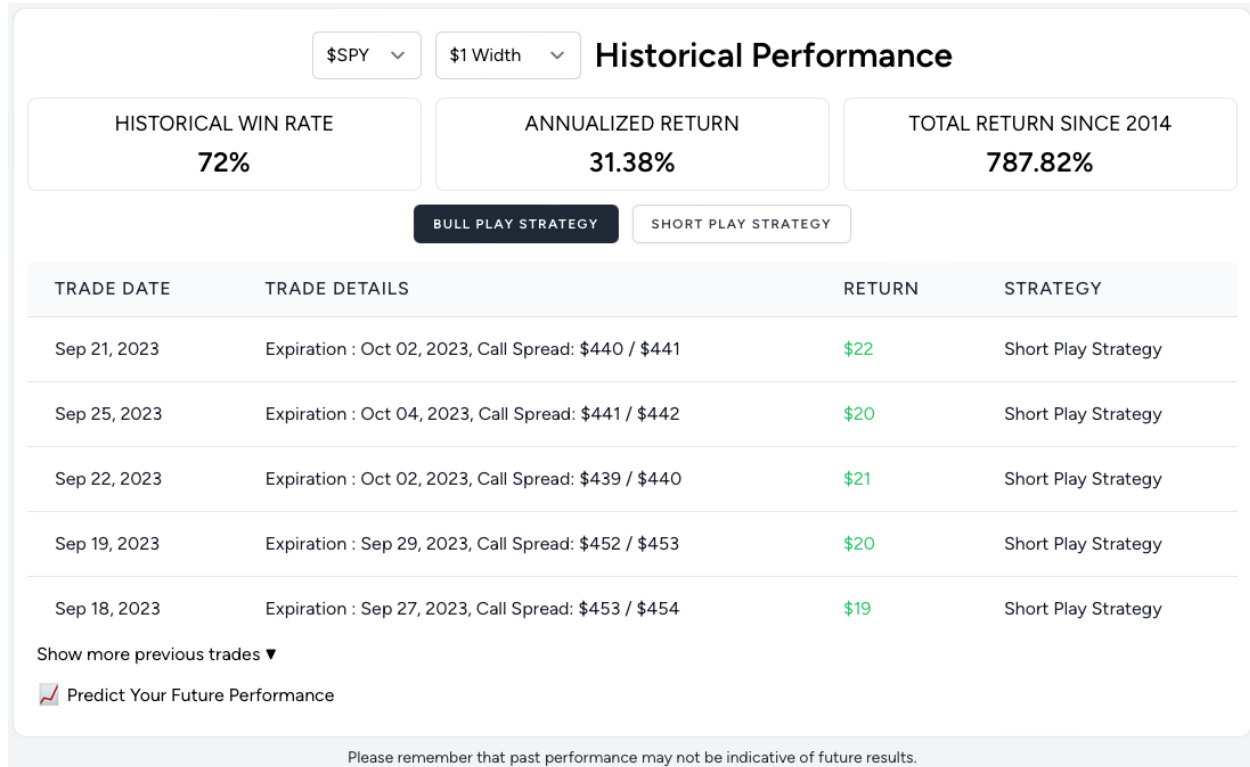
This strategy is used during bearish markets and is downtrending markets. It helps you profit to the downside, and you do this through trading call credit spreads.

### Entry Rules:

- Look for the following criteria
  - SMA 10 price is less than yesterday's SMA 10 price
  - Stock price is less than SMA 10
  - Stock price is greater than -3 STD of 200 Day MA
  - Stock price moved no more than 1% and no less than 1%
  - Stock price is NOT less than 1 STD of 200 Day MA nor greater than the 200 Day MA
- Expiration date
  - Current date + 9 days then round up to the MWF
- Strike price
  - Target a 25 delta
  - Create a \$1 wide strike Call Credit Spread based on the 25 delta short call

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## The Short Play Strategy Backtest:



## The 10% Credit Spreads Trading Rules:

There are few rules that I use to generate a 3-5% a month return and limit my losses. These are statistically proven to increase my win rate because they are based on mathematical and capital preservation principles.

### Close When The Strike Is Broken Rule Exit Rule:

There are multiple ways to manage and close your credit spreads trade. The most profitable approach is to Hold The Trade Until Expiration; however, this method will lead to assignment risk, pin risk, sky high emotions and requires strict adherence to risk management rules. The next most profitable approach is to Close When The Strike Is Broken. This means closing the trade when your short strike is broken.

This exit rule states that if the stock will break your strike price by the market's close, then you should exit the position. This means you will be closing positions in the last 30 minutes of the trading day or early the next morning given your strike price is broken.

### **Minimum Credit Collection:**

You want to make sure you are collecting enough credit based on your historical win rate to give you a long term positive expectancy. This means you need to make enough money on your winners to offset your infrequent but larger losses that occur.

The minimum credit you should aim to collect varies based on the win rate. I provide this minimum credit in the 10% credit spreads inner circle program, but a rough rule of thumb to use (with the strategies shared in this document) is .15.

The minimum credit formula is as follows for \$1 wide:

Minimum credit =  $(55 - .5W) / 100$ , where W stands for the historical win rate

### **Trade Sizing:**

This is an important rule and lesson to remember when trading credit spreads because of how large your max loss tends to be. This is why you should strive to trade small and trade often to increase your number of occurrences and decrease the amount one single loss impacts you. I recommend putting no more than 10% of your account, but realistically, no more than 5% of our account into any one trade.

Using the Close When Strike Is Broken exit rule, your losses will be way less than 5%. This is because we use 5% as our max sizing rule based on the max loss for the trade. However, our actual loss will be around 30-50% of the max loss. Therefore, if you are using 5% of your account per trade, the actual loss per trade will be closer to 1.5-2.5% of your total account since we are closing the trade early and taking a smaller loss than the max loss.

### **Early Exit Rules:**

Exiting position can statistically help you increase your win rate, take profits sooner, and allow you to redeploy your money into another trade faster, but there are some rules with exiting the trade early since the strategies mentioned above assume you are holding until expiration (given that your strike has been broken).

You can exit positions early if you can close the credit spread for .05 or less per spread



### **Rolling A Trade Rules:**

You can roll or re-enter a losing trade in order to increase your win rate and recoup your losses. After a trade has hit the stop loss, then you can either roll or re-enter a trade using the same expiration date and moving the strike price 1% below the short strike price that was broken.

### **The Cool Down Date Rule:**

This is the secret that prevents massive losing streaks that the average credit spread trader faces. Losing streaks will still happen but this will shorten them massively. It's what I call the cool down date which means if a stock hits the stop loss, (outside of rolling) you do not enter any more trades until the expiration day has passed. This means if the trade has expiration date of March 29th and a trade hits a stop loss on March 22nd then you can't enter another trade until March 30th.

**HOPE YOU ENJOYED THIS TRADING GUIDE! A LOT OF WORK WENT INTO THIS AND I HELD NO SECRETS BACK SO...**

**PLEASE SHARE WITH A FRIEND! IT WOULD MEAN THE WORLD :)**