Twitter Thread by Gregory Scott ■



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THREAD - (Short term Options)

Many of the messages I get regarding options are referencing outside the money (OTM) calls w/ expirations a week or two out (or less)

It's no wonder these traders are often very concerned (even frantic) about the outcome of their trades.

Unless you are an expert technician, and/or have serious market knowledge and intuitive skills, I recommend buying *at least* a month or two of time, and not holding through an earnings report unless you've trimmed your position at a significant profit, or are playing LEAPS.

(LEAPS = Long-term Equity Anticipation Securities
a.k.a. Long term options typically w/ an expiration of longer than a year)

While playing OTM weekly options has the potential for huge returns, & will undoubtedly get your adrenaline pumping, it's also an easy way to lose your■

IF you insist on playing OTM weeklies, be very cognizant of your position sizing.

Each trade should be a *very* small percentage of your account, and you should assume that every trade you make is going to zero.

However, you don't need to play short-term options to make *serious* money over time...

You can still make massive returns on options that have expirations that are 2+ months, even 2+ years out without taking on so much immediate risk.

I can't count the number of times I've seen LEAPS go 1000-2000% over the period of a few months, sometimes a few days/weeks.

Once you take the time to fully understand the power of compounding, you'll be much less likely to want to trade vehicles

with extremely high risk.

In the end, it comes down to your system, and how your personality fits into that. There are some heavy hitters that do well playing far OTM weeklies, but the very few who are consistently successful doing this have significant experience, & watch position sizing very carefully.

Personally, moving away from weekly options was one of the best moves I have made in my career.

When I started placing more focus on consistency, protecting my capital, and compounding my money instead of hitting home runs, my account grew exponentially faster ■

This thread is meant to be food for thought, particularly for those who are just getting into options, or thinking about it.

Options can be very lucrative, but it's good to start slow and gain a comfort level with how and why they move.
Hope this helps a few of you. Cheers ■