



# Option Strategies to Repair Losing Positions

Thursday May 19, 2022

# S&P500 Futures Chart (Continuous)



# EURUSD

pceresna published on TradingView.com, May 19, 2022 11:34 UTC-4

Euro / U.S. Dollar, 1D, FXCM O1.04615 H1.05932 L1.04605 C1.05922 +0.01307 (+1.25%)



TradingView

# Oil Futures (continuous)

pceresna published on TradingView.com, May 19, 2022 11:35 UTC-4

CRUDE OIL FUTURES (JUL 2022), 1D, NYMEX O106.96 H108.55 L103.24 C107.91 +0.87 (+0.81%)



TradingView

# Gold Futures (continuous)

pceresna published on TradingView.com, May 19, 2022 11:36 UTC-4

Gold Futures, 1D, COMEX O1815.1 H1848.2 L1808.4 C1847.2 +31.3 (+1.72%)



TradingView

# 10 Year T-Note Futures (continuous)



# Option Strategies to Repair Losing Positions

# Traditional Repair

- Traditional repair strategies involve dollar cost averaging
- Shortcoming is during bear markets, stock drop deeper and sell off longer than most people expect



# Using example of Walmart post earnings scenario

- Investor speculates that the previous low on WMT at \$132.00 was going to hold
- Investor buys 100 shares at \$132.00

# Using example of Walmart post earnings



# Using example of Walmart post earnings scenario

- Investor is proven wrong as TGT earnings drives another day of aggressive selling
- WMT proceeds to drop another \$12.00 down to \$120.00

# Using example of Walmart post earnings



# Using example of Walmart post earnings

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
WMT	\$120.00	100	\$132.00	\$13,200.00	\$12,000.00	- \$1,200.00

# Option Strategies for Asymmetric Repair Strategies

## Goal:

- Get out of the position without a loss
- Lower the breakeven point
- Do not increase downside risk through strategies like dollar cost averaging

# Marrying A Ratioed Call Spread

# Scenario: **Investor 1** – Tradition Dollar Cost Averaging

- Buy 100 shares more at \$120.00

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
WMT	\$120.00	200	\$126.00	\$25,200.00	\$24,000.00	- \$1,200.00



# Scenario: **Investor 2** – Add Ratioed Call Spread

- **Buy** 1 June \$122.00 call
- **Sell** 2 June \$127.00 calls

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
June \$127 call	\$1.85	-2	\$1.85	-\$370.00	-\$370.00	\$0.00
June \$122 call	\$3.70	1	\$3.70	\$370.00	\$370.00	\$0.00
WMT	\$120.00	100	\$132.00	\$13,200.00	\$12,000.00	- \$1,200.00

# Scenario - 1 month later – Walmart at \$100.00

## Investor 1

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
WMT	\$100.00	200	\$126.00	\$25,200.00	\$20,000.00	- \$5,200.00

## Investor 2

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
June \$127 call	\$0.00	-2	\$1.85	-\$370.00	-\$0.00	+\$370.00
June \$122 call	\$0.00	1	\$3.70	\$370.00	\$0.00	-\$370.00
WMT	\$100.00	100	\$132.00	\$13,200.00	\$10,000.00	- \$3,200.00

# Scenario - 1 month later – Walmart at \$127.00

## Investor 1

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
WMT	\$127.00	200	\$126.00	\$25,200.00	\$25,400.00	+\$200.00

## Investor 2

Underlying	Price	Quantity	Average Price	Cost Base	Market Value	P/L
June \$127 call	\$0.00	-2	\$1.85	-\$370.00	-\$0.00	+\$370.00
June \$122 call	\$5.00	1	\$3.70	\$500.00	\$0.00	+\$130.00
WMT	\$127.00	100	\$132.00	\$13,200.00	\$12,700.00	- \$500.00

# The Strategy is Simple – The Implementation is Tricky

- When do you implement?
- When do get out?
- Do you cutoff the upside for a lower cost or pay a debit to leave room for a recovery?
- Do you adjust the trade if the stock keeps dropping?



*Free LIVE Webinar*

# Trade Repair Strategy

LEARN TO MANAGE YOUR DOWNSIDE  
DURING A MARKET CRASH

Sunday May 22<sup>nd</sup>, 2022  
at 11:00am ET

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Have questions?  
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