Giga Certainty

Member Handbook

Disclaimer

Giga Certainty is not a financial advisor.

All information provided is for educational purposes only, and does not constitute financial advice. Past performance is not necessarily indicative of future results.

We do not offer technical support. While we routinely maintain our website, videos, and member tools to ensure proper functionality, any issues related to third-party platforms or software—including Interactive Brokers, YouTube, Microsoft Excel, Adobe PDF, and others—should be directed to the respective service providers.

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Overview

Overall, the Giga Certainty trading system[1] (hereinafter referred to as "the System") is designed to generate profits through options by capturing gains from movements in the underlying asset's price, changes in implied volatility, and the time value of the options themselves.

The **Underlying Asset**, also known as the "instrument", includes stocks, bonds, commodities, interest rates, market indices, and currencies. The System may use options on the following underlying assets to capture trading opportunities:

- U.S. stock market indices and ETFs
- VIX index and related ETFs
- U.S. sector ETFs
- Individual stocks (primarily U.S.-listed)
- Hong Kong market index ETFs
- Gold ETFs
- WTI crude oil ETFs
- Bitcoin ETFs

Compared to directly trading the underlying assets, using options offers significant advantages:

1. Extremely low cost. The price of an option (premium) is often as low as 1–2% of the underlying asset's price. The minimum trading unit for options is one contract, and in this system, each contract corresponds to 100 shares of the underlying asset. In other words, using options allows you to control the same quantity of the underlying asset at just 1–2% of the cost.
2. Confidently leverage high gearing. For example, suppose the underlying asset is priced at $100, and a call option with a strike price[2] of $100 expiring in 3 weeks is priced at $1. Buying one option contract costs $100, while purchasing the equivalent 100 shares of the underlying asset would require $10,000. If the underlying price rises to $102 at expiration, the option would be worth $2[3]. This

[1] Please visit https://gigacertainty.yoursuccessreport.com/, register an account, and become a paid member.
[2] The strike price of a call option refers to the price at which the option holder can purchase the underlying asset. For more details about options, please refer to Part 1: Essential Options Knowledge.
[3] Since the strike price is $100, it means that even if the underlying asset is currently worth $102, the option holder can still buy it at $100. If they sell it immediately, they would make a $2 profit. Therefore, the option is worth $2.

results in a 2% return for holding the asset versus a 100% return for holding the option. Since the maximum risk of this trade is simply the upfront premium paid for the option, this high leverage is built into options and does not involve additional risk. On the other hand, if we catch a strong trend, we can also roll the option position to continuously keep our maximum risk within a predefined level.[4]

3. Be friends with the black swan. When you buy options, even if your market prediction is wrong and the underlying asset moves sharply in the opposite direction, your maximum loss is limited to the premium paid. On the other hand, in extreme market events like those in 2020, the built-in leverage of options can generate returns of tens or even hundreds of times the initial cost.
4. Adapt to all market conditions. By designing different option strategies, we can not only go long or short on the underlying asset. We can also profit when the asset is expected to make a large move in an uncertain direction—or even when it trades sideways for a period of time.

Of course, no tool is without flaws. Buying options involves three types of risks that require attention and management—these will be briefly introduced in Part 1.

Lastly, in this guide, we use the trading platform of Interactive Brokers[5] (hereafter referred to as "IB") and our proprietary software tools to demonstrate how to follow this system for options trading. Please refer to the following videos to familiarize yourself with the IB platform and learn how to configure the interface:

Best Practice 1 Configure Mosaic

https://gigacertainty.yoursuccessreport.com/resources#section-8fcd07623c10

Best Practice 2 Configure Option Trader

https://gigacertainty.yoursuccessreport.com/resources#section-42c44de3749e

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[4] When the underlying asset is at a high level, this becomes extremely advantageous for option investors.

[5] Interactive Brokers (abbreviated as "IB", NASDAQ: IBKR) is a widely used low-commission broker and trading platform for investing in U.S. and global stock markets, as well as a broad range of asset classes. Register for an IB account using the invitation link below.
https://ibkr.com/referral/zhili468
*Newly registered users may receive up to $1,000 worth of IBKR stock as a bonus.
*Instant cash in your account (in USD or most global currencies) earns a higher annual interest rate than most banks and financial institutions.
*Currency conversions within the account are executed at interbank mid-market rates, minimizing exchange losses.
*Funds in your account are protected by the U.S. Securities Investor Protection Corporation (SIPC) for up to $500,000.

Part 1: Essential Options Knowledge

To make it easier to reference, here is a summary of the options knowledge you need to follow this system's trades. Brief reminders will also be provided later when explaining specific trading instructions.

Let's start with two examples to illustrate the trading instructions provided by this system:

The first strategy, a Buy Call (purchasing a single-leg Call), is the simplest options strategy. It is the most common method for taking a bullish position on the underlying asset. In this example, the trading system provides an instruction to buy a Call option on the underlying asset ZZZ, with an expiration date of YYYYMMDD and a strike price of $x. The starred annotation explains how to determine the appropriate strike price $x.

Buy ZZZ YYYYMMDD $x CALL
* $x: Delta≈m

Another strategy, the Buy Call Spread (a bullish vertical Call spread), is also a commonly used method for taking a long position on the underlying asset. In the example below, the trading system provides an instruction to buy a Call option on ZZZ with an expiration date of YYYYMMDD and a strike price of $x, while simultaneously selling a Call option on ZZZ with the same expiration date but a strike price of $y. As with the previous example, the starred annotation explains how to determine the appropriate strike prices $x and $y.

Buy ZZZ YYYYMMDD $x CALL
Sell ZZZ YYYYMMDD $y CALL
* $x: Delta≈m
* $y - $x = n

Buy Put (purchasing a single-leg Put option) and Buy Put Spread (a bearish vertical Put spread) are commonly used options strategies for shorting the underlying asset. The trading instructions provided by the system follow a similar format and will be explained in detail later in this guide.

Now, let's explain some specialized terms used in options trading.

Underlying Asset

Every option is not created in a vacuum—it is always tied to an underlying asset. This underlying asset (often referred to as the "Underlying") can be a stock, an index, an ETF, a futures contract, a currency, an interest rate, or any other tradable financial instrument. For example, an option based on a stock is called a stock option, and one based on a futures contract is called a futures option, and so on. At its core, an option is the right to buy or sell an asset. The asset that the option holder has the right to buy or sell is what we call the underlying asset.

Option Term and Expiration Date

An option is a time-limited right — every option contract comes with a specific expiration date. This date determines how much time remains before the option expires (its "term"). As a result, for the same underlying asset, a one-year option will generally be more expensive than a six-month option, due to the longer duration.

In our trading system, expiration dates are indicated in the format **YYYYMMDD**, where **YYYY** is the year, **MM** is the month, and **DD** is the day. For example, a trade instruction might specify "**20241220**," meaning the option expires on **December 20, 2024**.

Strike Price of an Option

An option, as the right to buy or sell an underlying asset, must specify a particular price at which the transaction can occur — this is called the strike price. For example, **SPY 20241220 600 CALL** refers to a call option on SPY that expires on December 20, 2024, with a strike price of $600. A Call option gives the holder the right to buy the underlying asset (in this case, the SPY ETF). Since SPY options are American-style options[6], the holder of this call may exercise the right to buy SPY at $600 per share at any time before the expiration date.[7] This action is called "exercising the option".[8]

However, the instructions provided by this system are generally in the following format:

Buy SPY 20241220 $x CALL

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[6] American-style options can be exercised at any time before expiration. In contrast, European-style options are typically settled in cash at expiration.

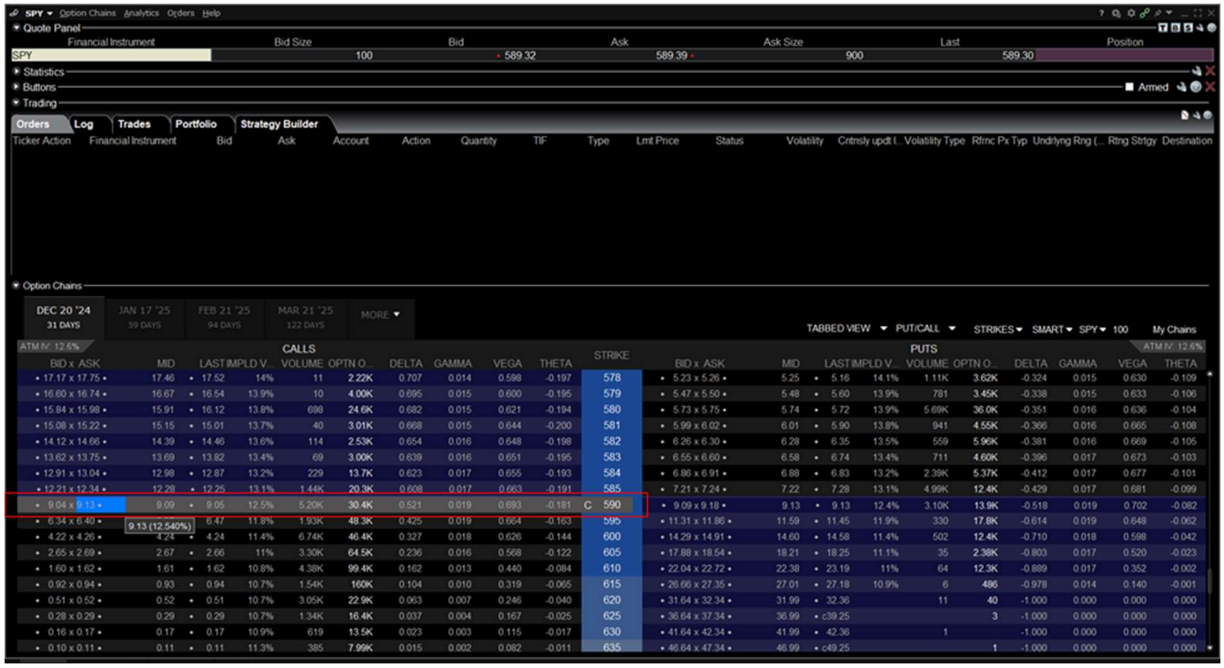
[7] This only explains the rights of a Call option holder; it does not necessarily mean that exercising the option will result in a profit.

[8] For a Put option, the holder has the right to sell the underlying asset at the strike price. See the following sections for more details on Calls and Puts.

* $x: Delta ≈ 0.5

That is to say, when the system provides a trading instruction, it will specify the expiration date of the option to be purchased. However, it will not specify the exact strike price due to the following two reasons:

1. Option prices change rapidly—not only due to the movement of the underlying asset's price, but also due to factors such as implied volatility and the risk-free interest rate. Instead of specifying a strike price, specifying a Delta[9] is often more appropriate for an options trade at a particular point in time. Therefore, the sample trading instruction above asks you to buy a SPY call option expiring on December 20, 2024, with a strike price of $x. At the time of purchase, this Call option should have a Delta of approximately 0.5.
   The image below shows an example using the IB options trading interface[10]. As highlighted in the red box in the lower-left corner, the SPY call option with a strike price of 590 expiring on December 20, 2024 has a Delta of 0.521, which closely matches the instruction. So, at that moment, this is the option you should buy.



[9] Delta is one of the Greeks used as an advanced metric in options trading. In this guide, we won't go further into the Greeks. Simply put, Delta measures the profit potential of an option. A Call has a positive Delta, while a Put has a negative Delta—reflecting their opposing directions (long vs. short). The greater the absolute value of the Delta, the higher the profit potential of the option.

[10] It lists all relevant option data for the selected underlying asset across various expiration dates and strike prices.

2. As shown in the image above, data on the market's option buying volume and open interest is fully transparent. If a large number of users follow the same trading instruction from this system and buy options with the same expiration date and strike price, that activity will become highly visible on the option chain — making it an easy target for market exploitation.

When purchasing a spread strategy, the trading instruction provided by the system will be in the following format:

Buy SPY 20241220 $x CALL
Sell SPY 20241220 $y CALL
* $x： Delta≈0.5
* $y - $x = 40

The instruction requires buying a SPY Call option expiring on December 20, 2024, with a strike price of $x. At the time of purchase, this Call should have a Delta of approximately 0.5. Referring to the options chain shown above, the appropriate strike price would be 590. The instruction also requires selling a SPY Call option with the same expiration date (December 20, 2024) but with a strike price of $y. Additionally, the instruction specifies that $y - $x = 40, so the appropriate strike price would be 630.

At the point in time reflected in the options chain above, the actual trading operation should be carried out as follows:

Buy SPY 20241220 590 CALL
Sell SPY 20241220 630 CALL

Call, Put, Call Spread and Put Spread

A Call is a bullish option, while a Put is a bearish option. Buying a Call gives the holder the right to purchase the underlying asset at the strike price, whereas buying a Put gives the holder the right to sell the underlying asset at the strike price. As shown in the sample options chain above, for any given expiration date, each strike price has both a Call and a Put available—making these the two most fundamental forms of options.

Earlier, we introduced the Call Spread (a vertical spread using Calls) as an example. A Call Spread involves buying one Call option while simultaneously selling another Call option with the same expiration date but a different strike price. Similarly, a Put Spread (a vertical

spread using Puts) involves buying one Put option while simultaneously selling another Put option with the same expiration date but a different strike price.

When the underlying asset's Implied Volatility[11] is high—causing option prices to become expensive—traders often use vertical spreads (Call or Put spreads) to mitigate the impact of elevated volatility. In certain market conditions where the underlying asset is range-bound for an extended period, these spreads can also serve as tools to generate cash income.

Straddle

Buying both a Call and a Put with the same strike price and expiration date creates a Straddle. This strategy essentially takes both a long and short position[12], and is best suited for situations where Implied Volatility is low but the underlying asset is expected to make a significant move—either up or down—in the near term.

Buy Option and Sell Option

Simply put, Buy Option means paying cash to acquire an option (or an option spread), while Sell Option means selling an option (or an option spread) to receive cash[13]. In this sense, the buyer and the seller of an option (or option spread) are counterparties to each other.

At expiration, if the option (or spread) held by the buyer is worth more than the original cost, the buyer can sell (i.e., close) it for a profit. Naturally, as the counterparty, the seller must buy back the option (or spread) at a higher price than they originally received, resulting in a loss.

Note: To avoid severe losses for sellers, this trading system only uses the following types of options or option strategies:

Buy Call (buying a single-leg Call), Buy Put (buying a single-leg Put)
Buy Call Spread, Sell Call Spread
Buy Put Spread, Sell Put Spread

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[11] Implied Volatility (IV) is also a key concept and metric in options trading. When following this system, all you need to understand is that an increase in implied volatility generally makes options more expensive.
[12] Because betting on both directions (buying both a Call and a Put) creates an asymmetric payoff, a significant short-term move in the underlying asset—regardless of direction—often results in the profit from one leg (the correct direction) outweighing the loss from the other.
[13] Note: This cash is not equivalent to our profit.

Buy Straddle (i.e., Buy Call + Buy Put)
Buy Butterfly (i.e., Buy Call Spread + Buy Put Spread)

Position Size and Risk Exposure

As an effective capital preservation strategy, we define 1%[14] of the total capital as the Basic Position Size (BPS). For example, if your starting capital is $20,000, your initial BPS should be around $200. After a period of growth, if your capital increases to $30,000, the BPS can be adjusted to approximately $300.

The trading instructions provided by this system will recommend an allocated position size in terms of BPS (Basic Position Size). Most of the time, the recommendation is 2 BPS, while in fewer cases it may suggest 1/4 BPS, 1/2 BPS or 1 BPS.

The minimum trading quantity for options is 1 contract. For the underlying assets traded in this system, 1 contract generally represents 100 units of the option. For example, 1 contract of SPY 20241220 590 CALL means 100 Call options on SPY with a strike price of 590, expiring on December 20, 2024. As shown in the previous option chain example, the price per Call is $9.09. If the allocated position size for this trade is $1,000, then you can only buy 1 contract[15]. The Risk Exposure[16] for this position is $909.

Risks to Consider When Using Options

As mentioned above, all options have an expiration date. Time value is a key component of an option's price.[17] With each passing day, this time value decreases, and the rate of decline accelerates as expiration approaches. On the expiration date, the time value of an option drops to zero. This time value decay works against option buyers and benefits option sellers. Since most trades in this system are on the buying side, we closely monitor time value changes and adjust positions accordingly.

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[14] This ratio can be adjusted based on your own situation, but it is recommended not to exceed 2%.
[15] As you can see, if your total trading capital is relatively small, it may not be feasible to trade SPY options. Fortunately, there are other underlying assets that can serve as substitutes for SPY. When actual trading instructions are issued by the system, alternative suggestions will be provided. SPY is used here for illustrative purposes only.
[16] In this system, we define Risk Exposure as the potential maximum loss of a position—whether it's a single-leg option or an option combo. Detailed explanations on how to calculate risk exposure for different strategies will be provided later. Please manage the risk exposure of each trade carefully and avoid deviating significantly from the position size you've allocated for that trade.
[17] There are also other factors such as Intrinsic Value, Implied Volatility, and the risk-free interest rate, which we will not elaborate on here.

For option buyers, the maximum risk is fixed at the outset—it's simply the cost of purchasing the option. However, for option sellers, especially those who sell uncovered (naked) single-leg Calls or Puts, the risk can be significant. If the underlying asset moves sharply in an unfavorable direction, the losses from a naked short position can grow uncontrollably.

That's why this system only sells options with protection—specifically, only Call Spreads or Put Spreads. When following this system in actual trading, it's essential to regularly check your positions to ensure no single-leg Calls or Puts are being sold without protection due to operational errors. Strictly control selling-side risk.

Option prices are influenced by many unpredictable factors. Every trade in this system is designed to withstand unexpected events as much as possible—and even to take advantage of them when they occur.

If a trade instruction calls for buying an option that expires in more than a month, do not substitute it with a shorter-term option, even if the latter is cheaper. Likewise, if the instruction is to sell a Call Spread or Put Spread, never sell a naked Call or Put, even if doing so initially brings in more cash[18].

[18] As mentioned earlier, this cash is not our profit.

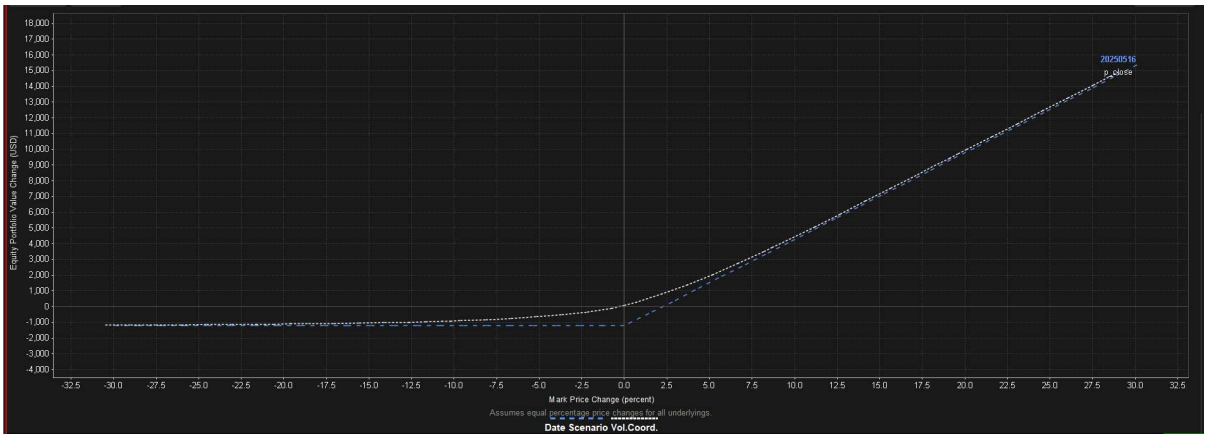
Part 2: Long Strategies

When going long, the System will provide trading instructions in the following format.

1. Buy Call

   Buy ZZZ YYYYMMDD $x CALL
   * $x: Delta ≈ m

   This trading instruction indicates the purchase of a single-leg Call option. The underlying asset is ZZZ, and the option's expiration date is YYYYMMDD. The strike price is denoted by $x, and according to the asterisked note, the Delta of this strike price should be approximately equal to m (where m > 0).



   The profit and loss (P&L) chart of this type of option position is shown above. The horizontal axis represents the price movement of the underlying asset (displayed as a percentage change), while the vertical axis indicates the profit or loss of the option position. The white line shows the current P&L curve of the position at various underlying prices, and the blue line represents the P&L curve at expiration.

   The risk exposure of this position is the amount of cash paid to buy the Call. Therefore, based on the position size allocated to this trade, you can calculate how many contracts of the Call you can afford to buy.

Our proprietary Excel tool, Giga Certainty Position Manager (referred to as GCPM), can automatically connect to Interactive Brokers and retrieve real-time options data. It also calculates the expected risk exposure of each option position, the breakeven price of the underlying asset, and a variety of other key metrics.
Note: Your computer must have Interactive Brokers' Trader Workstation (TWS) and the TWS API (Trader Workstation Application Programming Interface) installed. Before opening GCPM, make sure that Trader Workstation is already running and logged in.

After receiving a Buy Call trade instruction, go to the "Long Strategy" worksheet in GCPM and locate the "Buy Call" section. The cells with a yellow background are for data entry. From left to right, the input fields are: Underlying Symbol, Expiration Date in US format, Expiration Date as a numeric sequence, Strike Price, actual Trade Cost (usually does not require manual input), Trade Quantity (in Lots/Contracts).

The cells marked with a red dashed border are key reference data and metrics for this strategy (either automatically calculated by GCPM or retrieved from Interactive Brokers). From left to right, they include: Break-even Price (i.e., the underlying must be equal to or above this price at expiration for the position to break even or turn a profit), Estimated Market Price (the expected current price of the option), Risk Exposure (automatically calculated based on the entered trade quantity), Current Delta of the option, Underlying Price (current price of the underlying asset).

Other option strategies follow a similar layout, so the same details may not be repeated in later explanations.

We have prepared a tutorial video for our members on how to place a Buy Call order using the Interactive Brokers trading platform. Please visit this link:
How to Buy Call in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-2f9deb3a9bf4

Close a Buy Call Position

Strong recommendation: When we issue a closing trade instruction, the entire options position should be closed. Do not leave any part of the position open in hopes of a rebound or to save on commissions (by letting the option expire naturally).

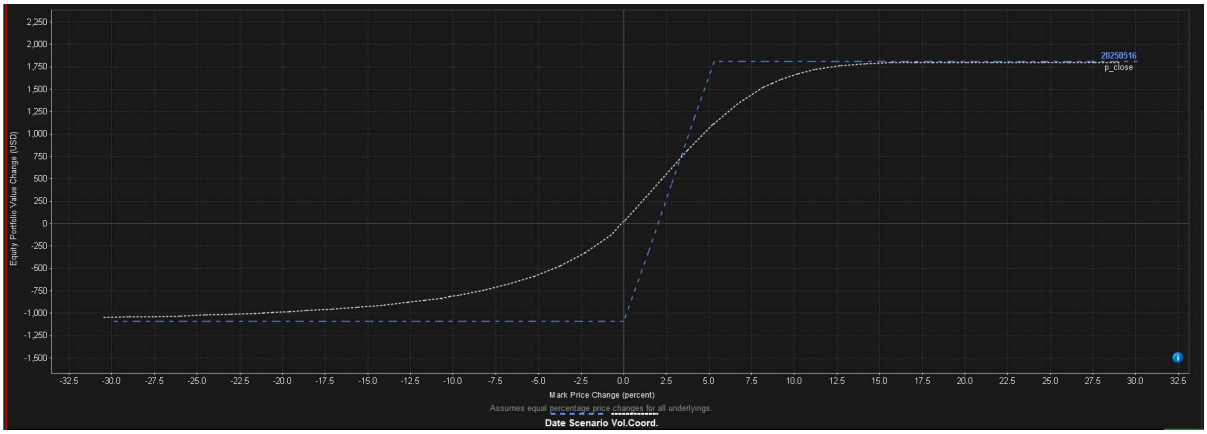
A Buy Call position requires an upfront cash payment at the time of opening. When closing the position, you receive cash in return. If the amount you receive is greater than what you initially paid, the trade results in a profit; otherwise, it's a loss. Therefore, the objective when closing a Buy Call is to collect as much cash as possible under current market conditions.

For instructions on how to close a Buy Call position on the Interactive Brokers trading platform, we've prepared a tutorial video. Please visit:
How to Close A Buy Option (Spread) Position
https://gigacertainty.yoursuccessreport.com/resources#section-085cb41df44b

2. Buy Call Spread

Buy ZZZ YYYYMMDD $x CALL
Sell ZZZ YYYYMMDD $y CALL
* $x: Delta≈m
* $y - $x = n

This trade instruction requires buying a Call option. The underlying asset is ZZZ, and the option expiration date is YYYYMMDD. The strike price is $x, and according to the starred note, this strike price should have a Delta approximately equal to m (>0). At the same time, the trade instruction also requires selling another Call option on the same underlying asset with the same expiration date. The strike price for this sold Call is $y. According to the starred note, $y should be greater than $x, with the difference between the two being n.



The profit and loss (P&L) chart for this option position is shown above. The horizontal axis represents the percentage change in the underlying asset's price, while the vertical axis shows the P&L of the option position. The white line indicates the P&L curve based on the current time and the underlying price, while the blue line shows the projected P&L at expiration.

The risk exposure of this option spread is equal to the cash paid for buying the Call minus the cash received from selling the Call (in this type of spread, the cash outflow is always greater than the inflow). Based on the position size allocated for this trade, you can then calculate how many contracts of the Call Spread you can afford. Similarly, GCPM can automatically calculate various key metrics for the Call Spread strategy.

The Buy Call Spread tool is also located on the "Long Strategy" worksheet. You'll see that the Buy Call and Sell Call legs each have their own row. Once you input the number of lots for the Buy Call, the corresponding Sell Call quantity will be automatically calculated and displayed (shown as a negative value).
In addition to the Break-even Price (the underlying asset price must be equal to or above this level at expiration for the position to be profitable) and the Risk Exposure of the position, there are several other indicators you can refer to when opening a position.

In the chart above, Column L contains two red dashed boxes: the lower box shows the estimated market price of the Buy Call Spread; the upper box displays the maximum Reward-to-risk Ratio, calculated based on the estimated price. In general, a higher ratio is better, though we do not set a minimum standard for this ratio when entering a position.

For the tutorial video on how to place a Buy Call Spread order on the Interactive Brokers trading platform, please visit:
How to Buy Call Spread in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-47390cc06a2e

Close a Buy Call Spread Position

A Buy Call Spread also involves paying cash upfront when opening the position and receiving cash when closing it. If the amount received upon closing is greater than the initial cost, the trade results in a profit; otherwise, it incurs a loss. Therefore, the goal when closing a Buy Call Spread is to recover as much cash as possible under current market conditions. However, it's important to note that the maximum amount receivable when closing a Buy Call Spread is limited to the difference between the two strike prices.

For the tutorial video on how to close a Buy Call Spread on the Interactive Brokers trading platform, please visit:
How to Close A Buy Option (Spread) Position
https://gigacertainty.yoursuccessreport.com/resources#section-085cb41df44b

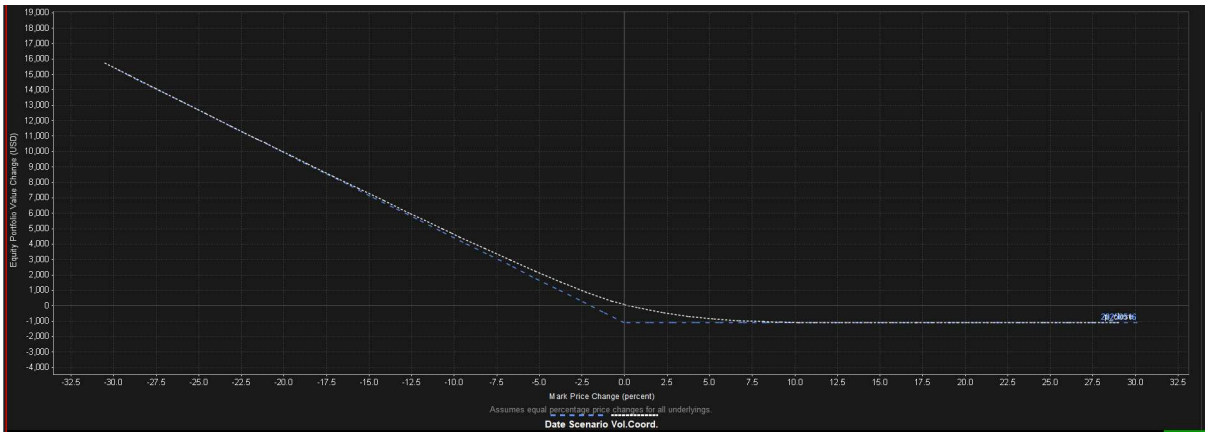
Part 3: Short Strategies

When taking a short position, the System will issue trading instructions in the following format.

1. Buy Put

   Buy ZZZ YYYYMMDD $x PUT
   * $x：Delta≈m

   This trading instruction indicates the purchase of a single-leg Put option. The underlying asset is ZZZ. The option's expiration date is YYYYMMDD. $x refers to the strike price, and as noted in the asterisked annotation, the Delta of this strike price should be approximately equal to m (<0).



   The profit and loss chart of this option position is shown above. The horizontal axis represents the percentage change in the underlying asset's price, while the vertical axis indicates the profit or loss of the option position. The white line shows the current profit and loss curve of the option position at different underlying prices, and the blue line represents the profit and loss curve at expiration.

   The risk exposure of this option is the amount of cash paid to buy the Put. Based on the position size allocated to this trade, you can calculate how many contracts of the Put to buy. Similarly, 'GCPM' can automatically calculate various indicators for the Buy Put position.

After receiving the Buy Put trading instruction, go to the 'Short Strategy' worksheet in GCPM and locate the 'Buy Put' section. The data required for input (highlighted in yellow) and the reference indicators (in red dashed boxes) are almost the same as those for Buy Call. Please refer to the relevant instructions. However, pay special attention: for the Buy Put strategy, the underlying asset must be less than or equal to the break-even price at expiration for the position to break even or be profitable.

To learn how to place a Buy Put order on the Interactive Brokers trading platform, please visit this video:
How to Buy Put in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-53cd44a53fc3

Close a Buy Put Position

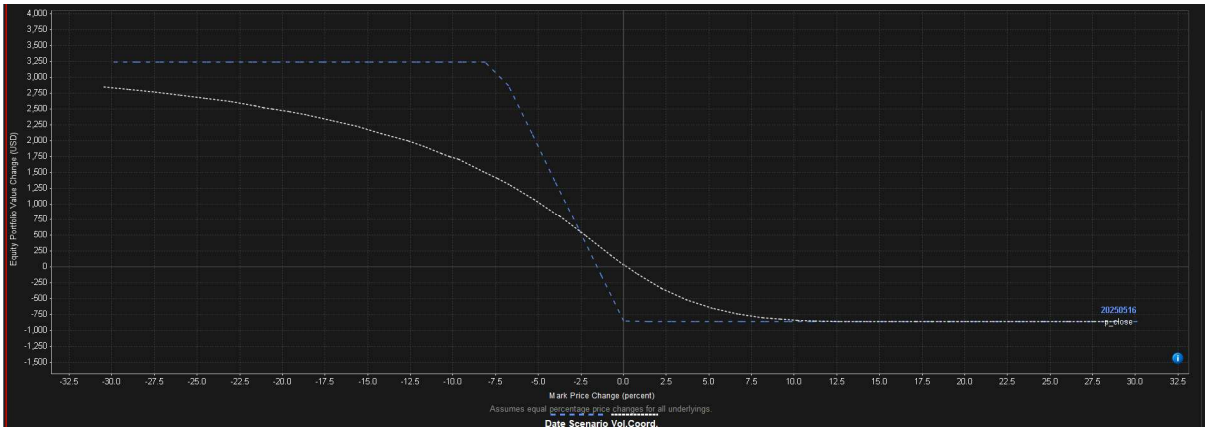
Buy Put also involves paying cash when opening the position and receiving cash when closing it. If the amount received upon closing exceeds the initial cost, the trade is profitable; otherwise, it results in a loss. Therefore, the goal of closing a Buy Put position is also to recover as much cash as possible under current market conditions.

For the tutorial video on how to close a Buy Put position on the Interactive Brokers trading platform, please visit:
How to Close A Buy Option (Spread) Position
https://gigacertainty.yoursuccessreport.com/resources#section-085cb41df44b

2. Buy Put Spread

Buy ZZZ YYYYMMDD $x PUT
Sell ZZZ YYYYMMDD $y PUT
* $x: Delta≈m
* $x - $y = n

This trade instruction indicates buying a Put option. The underlying asset is ZZZ, and the option expires on YYYYMMDD. The strike price is $x, which, according to the starred note, should have a Delta approximately equal to m (where m < 0).
At the same time, the instruction also requires selling another Put option on the same underlying asset and with the same expiration date. This Put has a strike price of $y. According to the starred note, $x should be greater than $y, and the difference between them should be n.



The profit and loss (P&L) chart for this options position is shown above. The horizontal axis represents the percentage change in the price of the underlying asset, while the vertical axis shows the profit or loss of the options position. The white line illustrates the P&L curve of the current options position under different underlying prices, and the blue line represents the P&L curve at expiration.

The risk exposure of this options spread is equal to the cash paid to buy the Put minus the cash received from selling the Put (in this type of spread, the net cash outflow is always positive). Based on the position size allocated for this trade, you can calculate how many contracts of the Put Spread you can buy. Likewise, GCPM can automatically calculate various key metrics for the Put Spread position.

The Buy Put Spread tool is also located in the “Short Strategy” worksheet. The data you need to input (highlighted in yellow) and the reference metrics (highlighted in red dashed boxes) are almost identical to those for the Buy Call Spread, as described earlier. Similarly, it's important to note that for a Buy Put Spread strategy, the underlying asset price must be less than or equal to the breakeven price at expiration in order for the position to break even or be profitable.

For the tutorial video on how to place a Buy Put Spread order on the Interactive Brokers trading platform, please visit the following link:
How to Buy Put Spread in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-645228991da5

Close a Buy Put Spread Position

Buy Put Spread also involves paying cash when opening the position and receiving cash when closing it. If the cash received upon closing is greater than the amount paid to open the position, the trade results in a profit; otherwise, it incurs a loss. Therefore, the goal when closing a Buy Put Spread is to collect as much cash as possible under current market conditions. However, note that the maximum amount you can receive when closing a Buy Put Spread is limited to the difference between the two strike prices.

For the tutorial video on how to close a Buy Put Spread using the Interactive Brokers trading platform, please visit:
How to Close A Buy Option (Spread) Position
https://gigacertainty.yoursuccessreport.com/resources#section-085cb41df44b

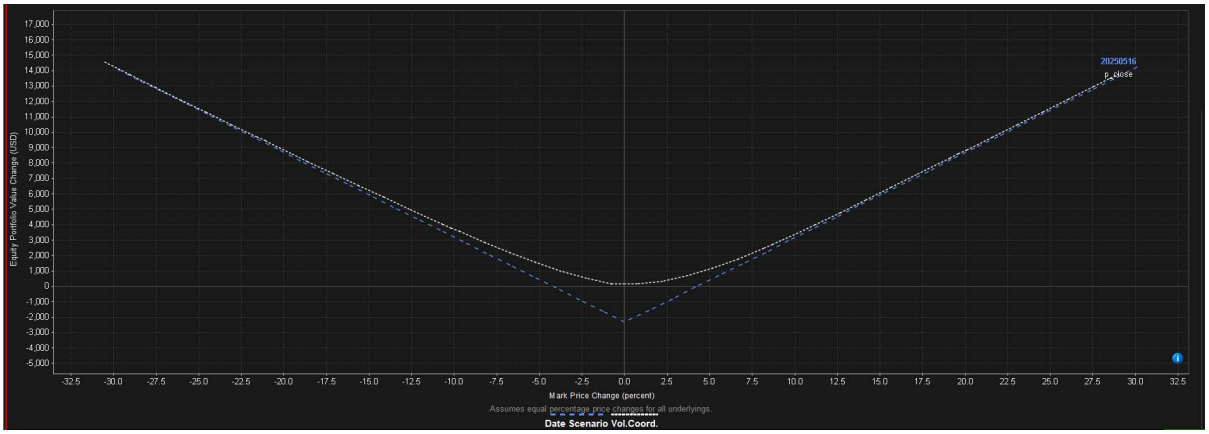
Part 4: Dual Strategy (Long Volatility)

Placing trades in both directions essentially means betting that the underlying asset will experience a significant price movement in either direction. In such cases, the System will provide a trading instruction in the following format.

Buy Straddle

Buy ZZZ YYYYMMDD $x CALL
Buy ZZZ YYYYMMDD $y PUT
* $x: Delta ≈ m
* $y = $x

This trading instruction indicates that you should simultaneously buy a single-leg Call and a single-leg Put. The underlying asset is ZZZ. The option expiration date is YYYYMMDD. The strike prices $x and $y are indicated, and according to the starred note, the Call option should have a Delta approximately equal to m. For the Put, you should select the same strike price as the Call (i.e., $y = $x).
Note: Even when using the same strike price, the Put's Delta (in absolute value) may slightly differ from the Call's.



The profit and loss (P&L) chart for this option position is shown above. The horizontal axis represents the percentage change in the price of the underlying asset, while the vertical axis shows the P&L of the option position.

The white line illustrates the current P&L curve of the option position at different underlying price levels, while the blue line represents the P&L curve at expiration.

The risk exposure of this option combo is the total amount of cash spent to buy both the Call and the Put. Based on the position size allocated to this trade, you can calculate how many contracts of the Straddle can be purchased. The “GCPM” tool can automatically calculate various indicators for a Buy Straddle position.

The Buy Straddle tool is located in the “Dual Strategy” worksheet of the GCPM. You will see that there are one row for buying the Call and another for buying the Put. Input your data into the yellow-highlighted cells (most of which are in the Buy Call row), and the corresponding values for the Buy Put will be automatically calculated and displayed.
At expiration, a Buy Straddle position has two break-even prices, as shown in the symmetric shape of the payoff diagram mentioned earlier. GCPM automatically calculates these break-even points. In the image above, the left red dashed boxes display the two break-even prices — one above and one below the current price of the underlying asset. At expiration, the position will break even or be profitable only if the underlying asset’s price is greater than or equal to the upper break-even price, or less than or equal to the lower break-even price. The right red dashed box shows the risk exposure of the position — which is the total cash paid to open both the Call and Put legs of the straddle.

About the tutorial video on how to open a Buy Straddle position on the Interactive Brokers trading platform, please visit this link:
How to Buy Straddle in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-bb2782af2750

Close a Buy Straddle Position

A Buy Straddle also involves paying cash to open the position and receiving cash when closing it. If the amount received upon closing is greater than the initial cost,

the position yields a profit; otherwise, it results in a loss. Therefore, the goal when closing a Buy Straddle is to collect as much cash as possible under current market conditions.

To learn how to close a Buy Straddle position on the Interactive Brokers trading platform, please watch the tutorial video at the following link: https://gigacertainty.yoursuccessreport.com/resources#section-cb107e0ab666

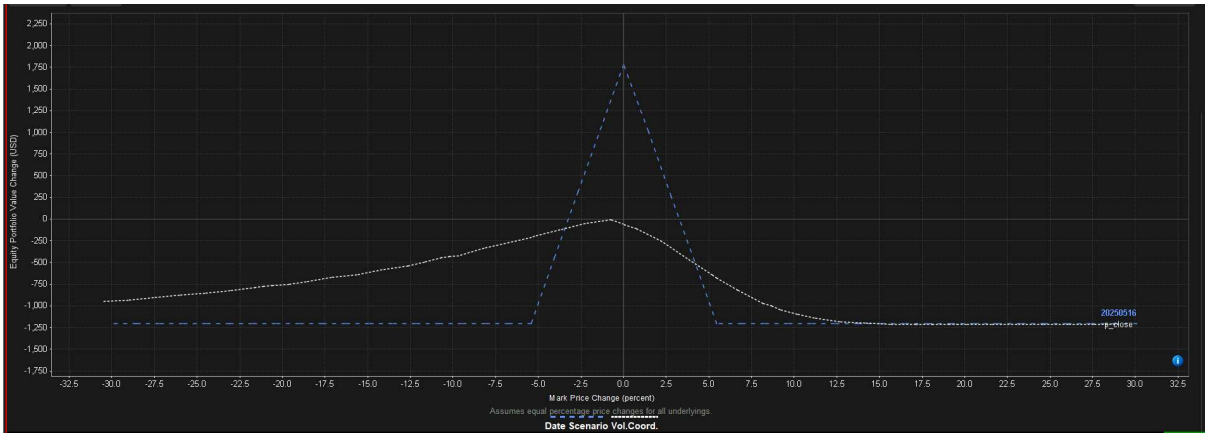
Part 5: Neutral Strategy (Short Volatility)

When market conditions—particularly volatility—meet certain criteria, we can profit without needing to predict the direction of the underlying asset's movement. In these cases, we're betting that the price will remain within a certain expected range, regardless of whether it moves up or down. Under such circumstances, the system will issue trade instructions in the following format:

Buy Butterfly

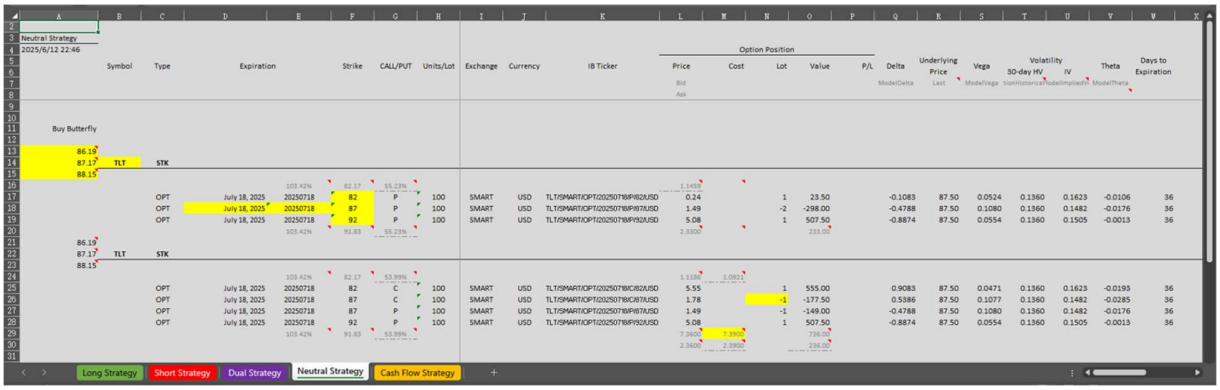
Buy ZZZ YYYYMMDD $y CALL
Sell ZZZ YYYYMMDD $x CALL
Sell ZZZ YYYYMMDD $x PUT
Buy ZZZ YYYYMMDD $z PUT
* The underlying asset's current price must fall within the range of m to n
* **$x** should be as close as possible to the current price of the underlying asset
* **$y**: close to the expected **lower** target price
* **$z**: close to the expected **upper** target price
* Profitable Range > 50% (the higher, the better)
* Reward-to-risk Ratio > 1 (the higher, the better)

This trading instruction is relatively complex. First, we must confirm that the current price of the underlying asset ZZZ falls within the specified price range from m to n. Next, the trading instruction indicates that you should buy a single-leg Call and a single-leg Put, while simultaneously selling another single-leg Call and Put. The expiration date for all options is YYYYMMDD.
$x, $y, and $z indicate the strike prices. Note that the sold single-leg Call and Put should both have the strike price $x. So, the first step is to determine $x, which should be as close as possible to the current price of the underlying asset. $y should be as close as possible to the lower projected price target based on volatility. $z should be as close as possible to the upper projected price target based on volatility. The distance between $x and $y should be equal to the distance between $x and $z. Later in this guide, we will explain how GCPM can automatically calculate the upper and lower projected price targets based on implied volatility.



The profit and loss (P&L) chart of this options position is shown above. The horizontal axis represents the price movement of the underlying asset (expressed as a percentage change in the chart), and the vertical axis represents the P&L of the options position.

The white line shows the P&L curve of the current options position based on different underlying prices at the present moment, while the blue line shows the P&L curve at expiration.



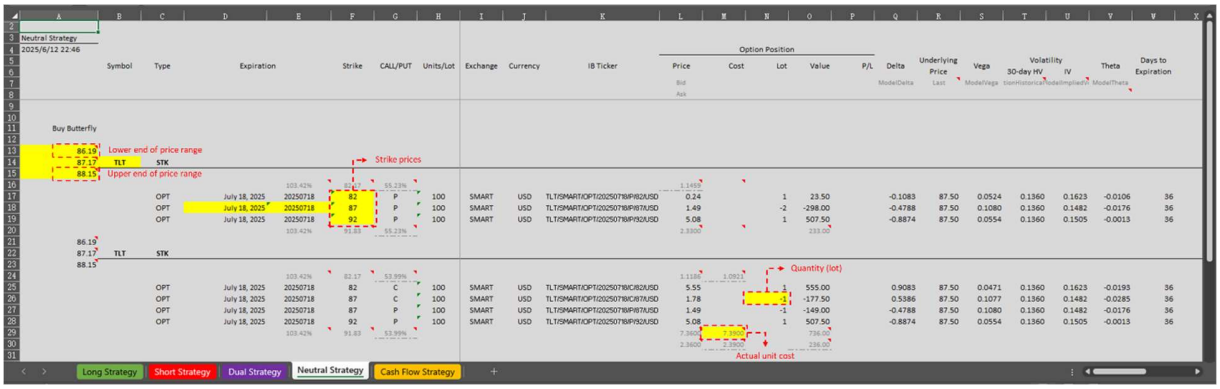
The Buy Butterfly tool is relatively more complex. In the “Neutral Strategy” worksheet of the GCPM, you'll see two separate options combo displayed. Except for two differences, they are essentially the same.

First, the top combo sells two Put options with a strike price of 87, while the bottom combo sells one Call and one Put, both with a strike price of 87.

Second, due to the difference in structure, the pricing of the two combos will also differ.

In theory, both combos yield the same profit and loss performance. However, considering risk management factors, we use the second combo in actual trading.

The first combo is retained in the tool for the purpose of calculating certain metrics more conveniently.



Here's a brief overview of this tool.

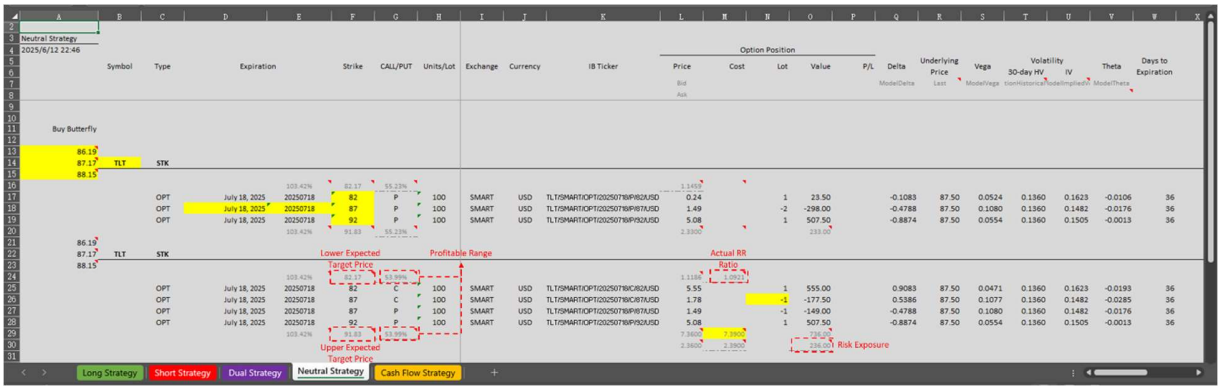
The yellow-highlighted cells are input fields, as with other strategies. Aside from the standard entries explained earlier, the Buy Butterfly strategy has a few unique input requirements:

On the far left of the worksheet, inside the red dashed box, you'll find two fields for the lower and upper bounds of the underlying asset price range — these correspond to m and n in the trade instruction. The middle value between m and n (i.e., the midpoint) must be calculated manually and entered into the center cell of that section.

On the left-central area, inside another red dashed box, you'll need to input three strike prices, corresponding (from top to bottom) to $y, $x, and $z as given in the trade instruction. Once you fill in these three values in the first combo, the second combo will auto-populate accordingly.

On the far right, there's a yellow cell that requires a negative integer input — this represents the number of Calls to be sold. All other option quantities in the strategy will be calculated automatically based on this value.

At the bottom, another yellow-highlighted cell requires the estimated market price for this combo from Interactive Brokers. This is used to calculate the actual maximum Reward-to-risk Ratio of the trade.



The cells marked with a red dashed box in the image above are key reference metrics for the Buy Butterfly strategy. On the far left, you'll find the expected lower and upper target prices, automatically calculated based on implied volatility. These two target prices are used to determine the appropriate strike prices $y and $z in the trade instruction.

The two adjacent red dashed cells show identical values — they represent the lower and upper Profitable Range. The trade instruction requires both to be greater than 50%, and the higher, the better.

The red dashed cell near the center of the image displays the actual Reward-to-risk Ratio, calculated based on the broker's estimated market price entered in the yellow cell below. The trade instruction requires this ratio to be greater than 1, and the higher, the better.

The red dashed cell on the far right shows the risk exposure of the Buy Butterfly position. The number above it represents the total cash outlay (note: this is greater than the risk exposure). In this option strategy, the total cost of buying the Call and Put will always exceed the total premium received from selling the Call and Put. The difference between the two is the net outlay (denoted as p). However, the risk exposure for this strategy should be p – ($x – $y)[19]. Next, based on the position size allocated for this trade, you can determine how many Butterfly contracts to purchase.

The Buy Butterfly tool and opening position process are relatively complex. We've prepared a dedicated tutorial video to explain each step and detail. Please visit the following link:

How to Buy Butterfly in IB TWS

https://gigacertainty.yoursuccessreport.com/resources#section-7c327d5f4383

[19] It is also equal to p – ($z – $x).

Close a Buy Butterfly Position

Buy Butterfly also involves paying cash when opening the position and receiving cash when closing it. If the amount received upon closing exceeds the initial cost, the trade is profitable; otherwise, it results in a loss. Therefore, the goal when closing a Buy Butterfly position is to collect as much cash as possible under the current market conditions.
The Buy Butterfly is essentially a Buy Call Spread plus a Buy Put Spread, arranged symmetrically (i.e., the differences between their respective strike prices are equal). The maximum amount that can be received when closing a Buy Butterfly position is twice the width of that strike price difference.

About the tutorial video on how to close a Buy Butterfly position on the Interactive Brokers trading platform, please visit:
https://gigacertainty.yoursuccessreport.com/resources#section-f8b3537e3ec4

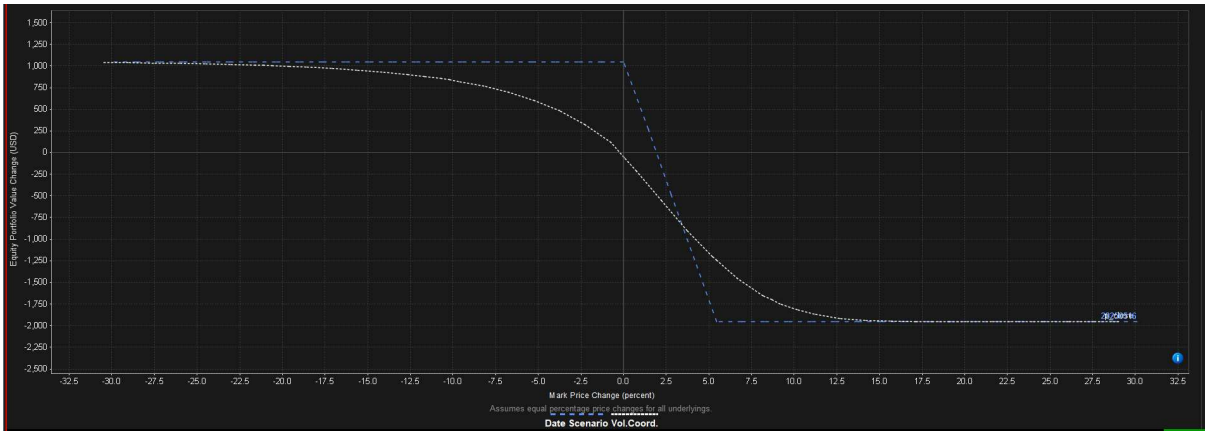
Part 6: Cash Flow Strategies

When implied volatility is high (typically during a stock market decline), or when the underlying asset enters a sideways (range-bound) phase, we can sell Call Spreads or Put Spreads to generate cash income. In this System, these are referred to as cash flow strategies.

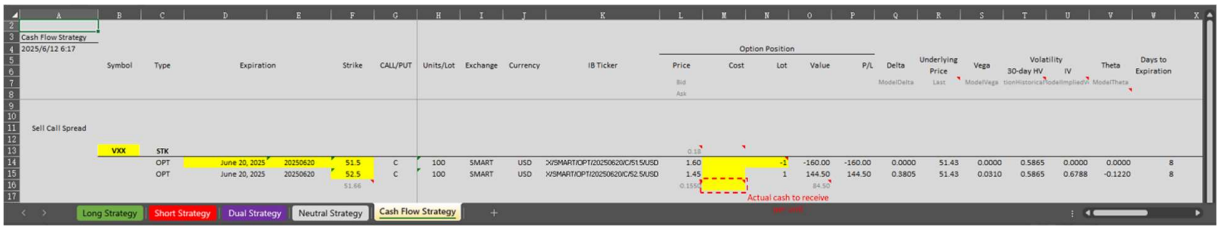
1. Sell Call Spread

   Sell ZZZ YYYYMMDD $x CALL
   Buy ZZZ YYYYMMDD $y CALL
   * $x：Delta≈m
   * $y - $x = n
   * Reward-to-risk Ratio > r (the higher, the better)

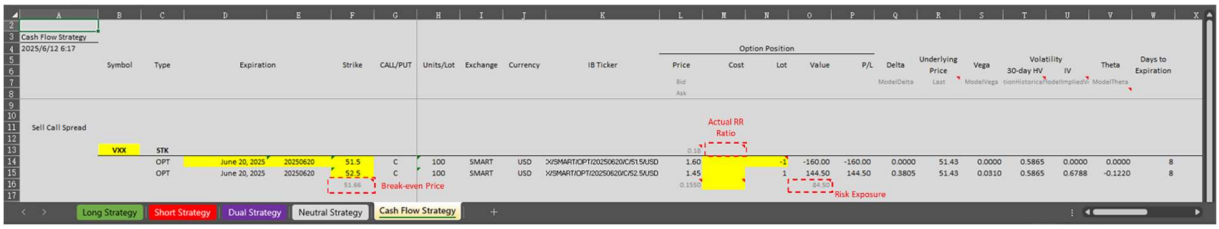
   This trade instruction indicates selling a Call option. The underlying asset is ZZZ, and the option expiration date is YYYYMMDD. The strike price is denoted as $x, and according to the starred note, the Delta of this strike price should be approximately m (>0).
   At the same time, the instruction also requires buying a Call option on the same underlying asset with the same expiration date, but with a strike price of $y. According to the starred note, $y should be greater than $x, and the difference between them should be n.



The profit and loss chart for this options position is shown above. The horizontal axis represents the percentage change in the price of the underlying asset. The vertical axis represents the profit or loss of the options position. The white line indicates the profit/loss curve of the position based on different prices of the underlying asset for the current moment. The blue line shows the profit/loss curve of the position at expiration.



The “Sell Call Spread” tool is found on the “Cash Flow Strategy” worksheet in GCPM. As shown, there are two option rows. Enter a negative integer in the quantity cell of the first option (indicating the sell leg), the quantity for the second option (buy leg) is calculated automatically. Please pay special attention to the red dashed cell—it must contain the broker’s estimated price for the spread (i.e., the amount of cash you will receive for each Call Spread sold).



The red dashed cell in the figure above highlights the key metrics for the “Sell Call Spread” strategy. On the far left is the Break-even Price—this is the price the underlying asset must be less than or equal to at expiration for the position to break even or turn a profit.

In the middle is the Reward-to-risk Ratio, which must meet the requirements specified in the trading instruction. Once the estimated price from Interactive Brokers (as described earlier) is entered, the worksheet will automatically calculate this ratio.

On the far right is the expected risk exposure for this combo, as calculated by the worksheet. Based on the position size allocated for this trade, you can then determine how many contracts of the Call Spread can be sold.

The method for calculating the risk exposure of selling a spread[20] is different from that of buying a spread. For example, in this Sell Call Spread, the premium received from selling ZZZ YYYYMMDD $x CALL (assume it's P1) is greater than the premium paid for buying ZZZ YYYYMMDD $y CALL (assume it's P2). The net cash received when establishing the position is P1 - P2, and the maximum potential loss is n - (P1 - P2). This value should be considered the risk exposure for the Sell Call Spread.

The Sell Call Spread tool and its order placement process are also relatively complex. Please visit the following video to learn the detailed steps and procedures:
How to Sell Call Spread in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-e7c7464c608e

Close a Sell Call Spread Position

When opening a Sell Call Spread position, you receive cash. Therefore, when closing the position, you will need to pay cash. If the amount paid is less than the amount initially received, the trade results in a profit; otherwise, it incurs a loss. The goal when closing a Sell Call Spread is to pay as little cash as possible under current market conditions. However, note that the maximum amount you may need to pay to close a Sell Call Spread cannot exceed the difference between the two strike prices.

Closing a Sell Call Spread involves most of the essential knowledge and techniques used in closing various option positions. Considering specific points to watch out for on the Interactive Brokers trading platform, we've created a detailed tutorial video. It serves as the first video in our options closing series. Please visit the following link:
How to Close A Sell Call Spread Position
https://gigacertainty.yoursuccessreport.com/resources#section-5a1eb5ff9cc7

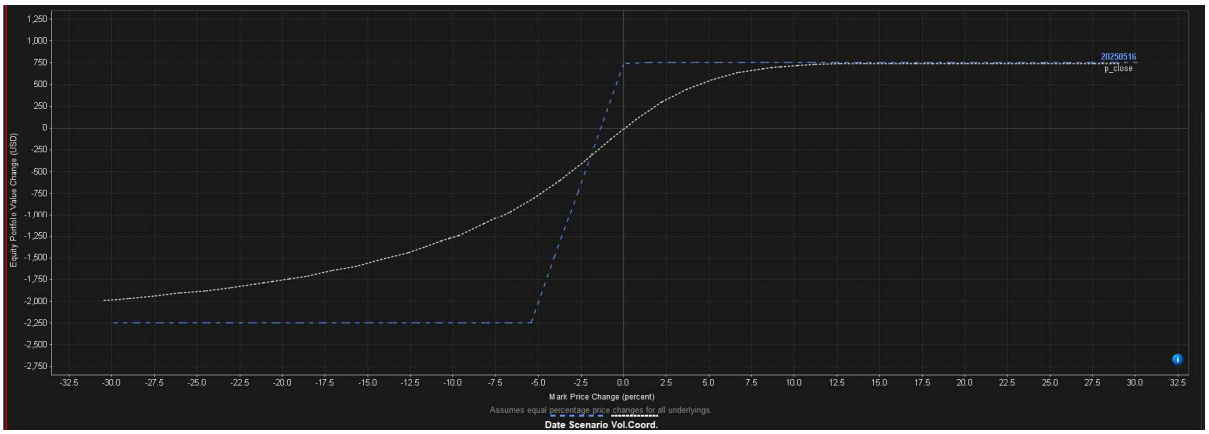
2. Sell Put Spread

Sell ZZZ YYYYMMDD $x PUT
Buy ZZZ YYYYMMDD $y PUT

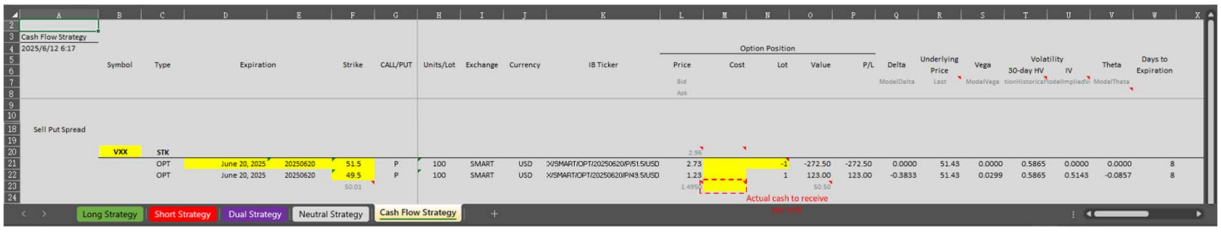
[20] That is, the maximum potential loss of a sold spread. For buying options (spreads), the risk exposure is simply the premium paid.

* $x：Delta≈m
* $x - $y = n
* Reward-to-risk Ratio > r (the higher, the better)

This trade instruction indicates selling a Put on the underlying asset ZZZ, with an expiration date of YYYYMMDD. The strike price $x is specified, and according to the starred annotation, this strike should have a Delta approximately equal to m (<0). At the same time, the instruction also requires buying a Put on the same underlying asset and with the same expiration date, but at a different strike price $y. As noted, $x should be greater than $y, and the difference between them should be n. Likewise, the Reward-to-risk Ratio must exceed the value r specified in the trade instruction, and the higher the ratio, the better. The GCPM tool can automatically calculate this metric.



The profit and loss diagram for this options position is shown above. The horizontal axis represents changes in the underlying asset's price (displayed as percentage changes in the chart), while the vertical axis shows the profit or loss of the options position.
The white line illustrates the current P&L curve of the position across different underlying prices, and the blue line shows the P&L curve at expiration.



The “Sell Put Spread” tool is also located in the “Cash Flow Strategy” worksheet of GCPM. As shown in the figure, this combo also includes two options. The quantity for the first option (the one being sold) should be entered as a negative integer, while the quantity for the second option will be automatically calculated.
Also, please pay special attention to the cell marked with a red dashed border in the figure. You need to enter the Interactive Brokers valuation for this combo — that is, the amount of cash received for selling one Put Spread.

The cells marked with a red dashed border in the figure represent key indicators for the “Sell Put Spread” strategy. On the far left is the Break-even Price — the price at which, if the underlying asset is greater than or equal to it at expiration, the position will break even or be profitable.
In the center is the Reward-to-risk Ratio. This ratio must meet the requirement specified in the trade instruction. Once you input the Interactive Brokers valuation (as described earlier), the worksheet will automatically calculate this ratio.
On the far right is the estimated risk exposure for this combo, as calculated by the worksheet. Based on the position size allocated to this trade, you can then determine how many contracts (lots) of the Put Spread can be sold.

The risk exposure of a Sell Put Spread is similar to that of a Sell Call Spread. In this Put Spread, the premium received from selling ZZZ YYYYMMDD $x PUT (assume it's P1) is greater than the premium paid for buying ZZZ YYYYMMDD $y PUT (assume it's P2). Therefore, the net cash received at the time of opening the position is P1 - P2, while the maximum potential loss is n - (P1 - P2). We should treat this amount as the risk exposure of the Sell Put Spread.

For the tutorial video on Sell Put Spread, please visit the following link:
How to Sell Put Spread in IB TWS
https://gigacertainty.yoursuccessreport.com/resources#section-b0e586a431e0

Close a Sell Put Spread Position

A Sell Put Spread also involves receiving cash when the position is opened and paying cash when it is closed. If the amount paid at closing is less than what was received at opening, the trade results in a profit; otherwise, it results in a loss. Therefore, the objective when closing a Sell Put Spread is to pay as little cash as possible under the current market conditions. Likewise, it's important to note that the maximum amount payable when closing a Sell Put Spread cannot exceed the difference between the two strike prices.

For the tutorial video on how to close a Sell Put Spread on the Interactive Brokers trading platform, please visit:
How to Close A Sell Put Spread Position
https://gigacertainty.yoursuccessreport.com/resources#section-5b56adeb0d5a

Part 7: Partial Closeout

There are two additional special cases when it comes to closing options positions. Please visit the corresponding tutorial videos for detailed information.

1. Closing only the sold leg of an options spread.

   How to Close Part of A Position _ Only The Sold Option
   https://gigacertainty.yoursuccessreport.com/resources#section-58851b97a10d

2. Exercise Option

   How to Close Part of A Position _ Exercise Option
   https://gigacertainty.yoursuccessreport.com/resources#section-30505a109c13

— End of Member Handbook —