



Options Fundamentals

Ep 11

Iron Condors

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Disclaimer

This presentation is for educational purposes only. Nothing in this presentation is intended to be trading or financial advice.



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What is a Iron Condor?



- A Iron Condor is a spread composed of 2 vertical spreads
 - Both are credit spreads, one in call, one in puts
 - The short of both spreads in OTM
- Risk is on both sides
- Positive Theta, Negative Vega
- More expensive than butterflies
 - Negative: Bad risk/reward
 - Positive: Good Probability of profit

Types of Iron Condors

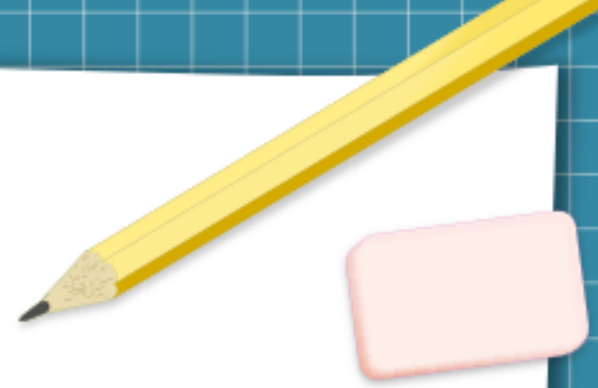
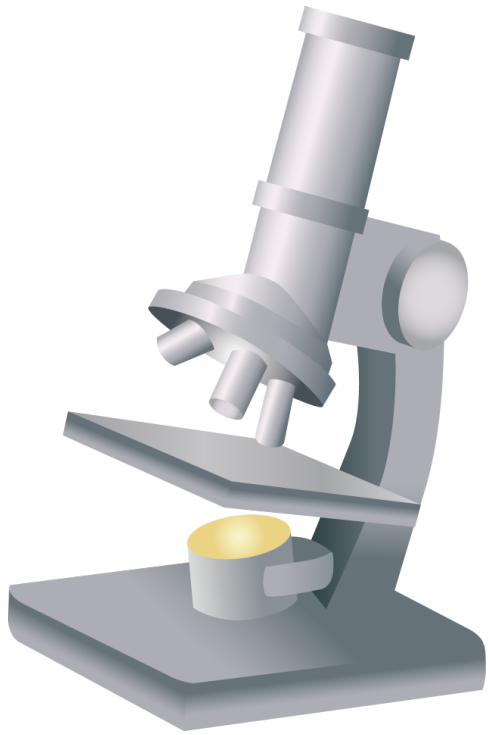


- Placement of the short strikes
 - The further out in the money you go, the higher the probability of profit at expiration
 - The further out of the money you go, the more margin will be required (less credit)
- Width of the strikes
 - Strikes are usually narrow, but the further the width, the more margin will be required
- Can be balanced or unbalanced widths

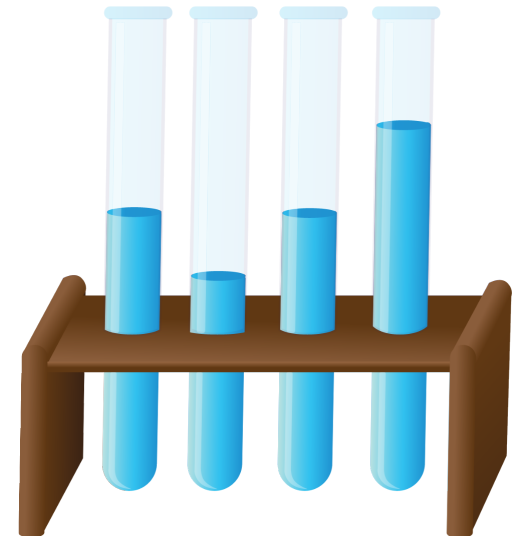
When to Use Iron Condors

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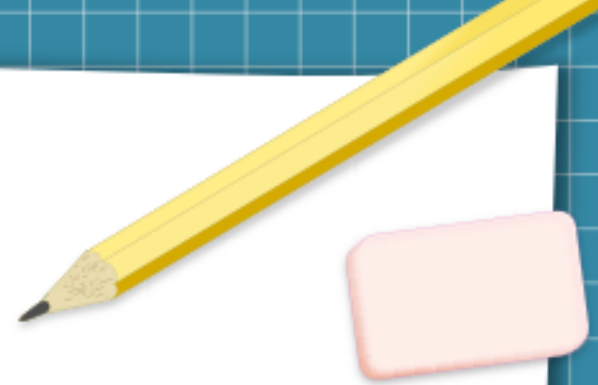
- IV is high
- You're willing to pay for room
- High priced underlyings



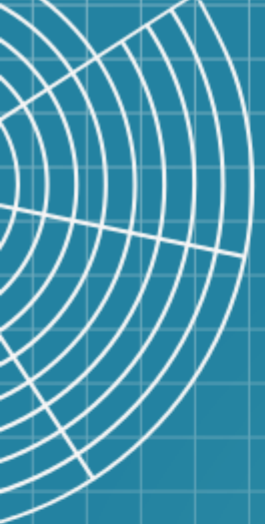
Off to the Lab!



Summary



- An Iron Condor is 2 OTM credit spreads
- Probability is usually high but risk/reward is bad
 - Controlled by width of the strikes and delta selected for the short
- Usually used in high volatility underlyings
- Can be balanced or unbalanced
- Can be adjusted by rolling or removing spreads



Thank you for your time. Let's keep talking!
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