Options Fundamentals
Ep 13

Calendars

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Disclaimer

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

What is a Calendar?

- A Calendar is a time spread where you sell nearer term options and buy an equal number of further term options
  - e.g. Sell 1 Jun / Buy 1 Jul - same strike
- Calendars are typically bought at or near the money (unless putting on multiples at the same time)

How do Calendars Make Money?

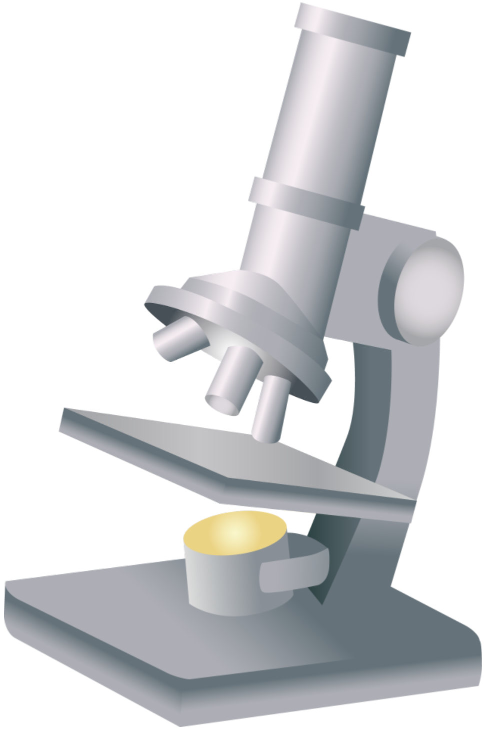
- Vertical spreads are positive theta and negative vega because you sell closer to the money than you buy
- Calendars are positive theta and positive vega because there is more time decay nearer to expiration and more volatility further away from expiration
- Similar to butterflies, calendars do best at or near the short strike and have risk on both sides as the price moves away from the short. (Of course, in a calendar the short and long are the same strike)
- Unlike butterflies, the width of the tent can change with volatility

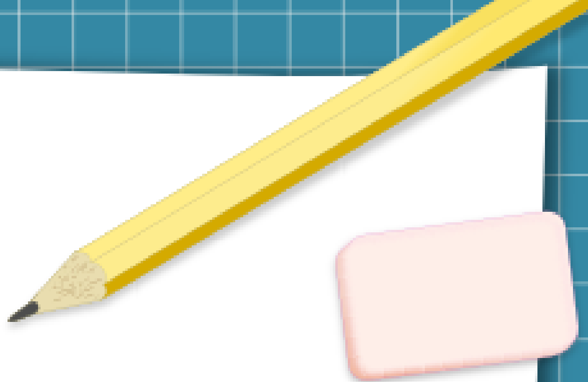
When to use Calendars

- Calendars do best when the IV is on the lower end since they benefit from rising volatility.
- Best when the underlying is somewhat range-bound
- Calendars are one way to play an underlying right before earnings
  - Sell before earnings / buy after earnings

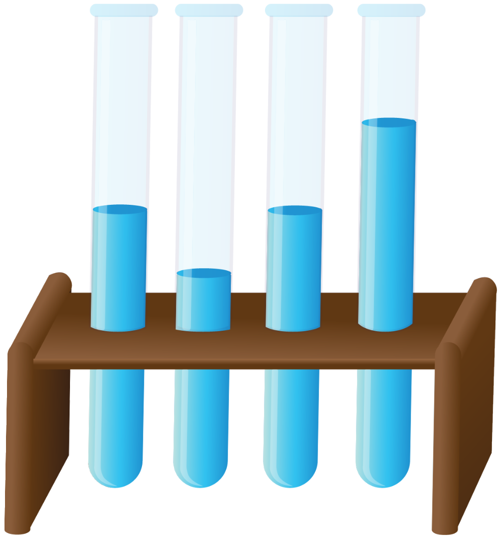
Double Calendars

- Double Calendars are similar to Iron Condors with respect to room, but they are positive vega
- The idea here is you 2 OTM calendars (calls on the high side, puts on the low side)
- Trade-off: More room vs less theta
- Double Calendars are a common adjustment to a single calendar





Off to the Lab!



Summary

- A calendar is a time spread where you sell a front month option and buy a back month option
- It makes money due to the time decay and volatility difference between the options
- Good play when IV is low
- Double calendars provide more room in exchange for less theta

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