



# Options Fundamentals

## Ep 16

# Adjustments

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# Disclaimer

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

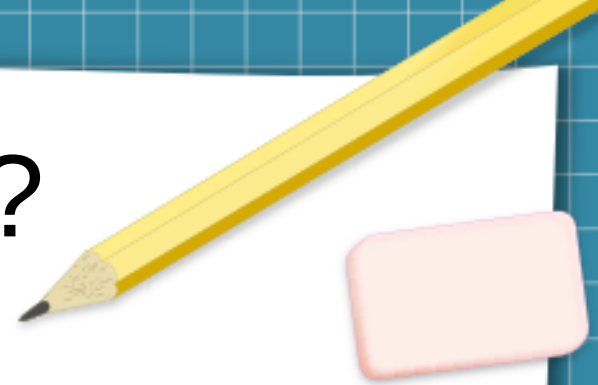
**ENTER AT YOUR OWN RISK**

# What are Adjustments?

A yellow pencil with a black eraser and a pink eraser are positioned in the top right corner of the slide.

- Sometimes the market does not cooperate with a trade
- For some trades, it's possible to make changes to the structure of the trade to extend the time
- Generally, adjustments cost money
  - Make sure it's worth the price
  - Consider changing the expectations of the trade
    - Profit
    - Time

# Should You Adjust?



- Adjustments are not mandatory
- Positives:
  - Sometimes the market comes back, no need to give up too early
  - Some adjustments give you more room increasing your probabilities
- Negatives:
  - Sometimes the market continues not to cooperate
  - You have invested more in the trade, can you get back?

# When to Adjust?



- When is more important than how!
- Adjustments can't save every situation
- Criteria:
  - Break Evens
  - Greeks! Usually Delta
- Don't wait until the trade is already at or past the max loss. Stick to your plan!

# Types of Adjustments

- Verticals – Cut Delta
- Adding / Removing a structure (butterfly, calendar)
- Re-position (move entire trade)
- Long Options, usually puts in big down moves

# Pets vs Cattle



- We love our pets
  - We will spend lots of time and money to keep them well
- Cattle is the a business of a rancher
  - The rancher does not keep a sick cow around
  - A sick cow can ruin the herd

# The Lessons of Pets vs Cattle




- Trades are cattle
- Don't get too attached to a trade
  - Over-adjusting can be tempting
  - Taking bad losses can wreck an account
- Don't give up too easily
- Find the balance that works for you
- Review all trades to check your adjustment strategy and tweak when needed



# Summary



- Adjustments allow traders to buy some more time for a trade to work
- Adjustments should be part of a plan, execution is key
- When is more important than how
- Don't get too attached to a trade. Trades are cattle, not pets
- Adjustments are not mandatory but they are a tool in your trading belt



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