

## **Report: The 5 Best Ways to Enter, Exit, and Adjust Option Trades from The Option Professor of OptionProfessor.com**

All option traders find the timing of entering, exiting, and adjusting option trades to be a significant challenge.

There is no single best way to make these decisions. **Risk and option trading go hand in hand, and it is not suitable for everyone.**

Some helpful tips could include:

1. Examine why you believe in the option trade.
2. Evaluate current market conditions.
3. Consider strike prices, expiration dates, and implied volatility.
4. Make decisions to hold, sell, reduce, add, extend, or adjust based on your plan.

**REMEMBER:** Accept and understand that you will get it wrong sometimes, and move on. There is no perfect way—it is not an exact science. However, maintaining discipline may help you avoid emotional trade decisions and reduce avoidable mistakes. You cannot control the markets, but you can control your discipline.

Many of you are trading short-term options, credit spreads, and other strategies, and want to improve your skills and enhance your results. I was trained at the Options Institute in Advanced Options, have traded thousands of options contracts, and have educated thousands of options traders.

**NOTE:** I believe I can help you improve your skills. Let's discuss your option trading challenges. I'll explain options and how I'd trade them.

*One-on-one sessions* have been very helpful for both newcomers and experienced traders alike.

Below, you can see how to contact me. I will share my opinions and observations about entry, exiting, and adjusting option trades.

**It is NOT advice.**

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### **1. Using Technical Analysis to Time Your Entry, Exit, and Adjustments**

One of the most common methods for determining when to enter, exit, or adjust an options trade is through technical analysis. Tools such as moving averages, RSI

(Relative Strength Index), MACD (Moving Average Convergence Divergence), and other indicators can help traders identify optimal points for entry, exit, and adjustments.

For entry, technical indicators like RSI can signal overbought or oversold conditions in the underlying asset. Combining RSI divergence with changes in the direction of moving averages you utilize can help identify turning points. This can be immensely helpful for timing trades and identifying attractive option pricing and opportunities.

For exit, focus on key support or resistance levels where prices may become exhausted. When buying options, **time decay** can erode your premium. When writing options, **volatility spikes** can be a risk, so exiting near these levels can help lock in profits before conditions change.

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## 2. Following Implied Volatility (VIX)

Implied volatility reflects the market's expectation of future price movements. If the underlying market has experienced high price volatility, option premiums tend to rise, reflecting expectations of continued volatility. Conversely, subdued price movements result in lower option premiums.

**KEY POINT:** Changes in volatility often present significant opportunities in options trading.

- Buyers often look for trades when implied volatility is low and exit when it is high.
- Sellers frequently do the opposite, selling during periods of elevated implied volatility to capitalize on inflated premiums.

Momentum traders may also align their trades with changes in volatility and relative strength, hoping to improve trade probabilities. Monitoring implied volatility (IV) and the VIX (Volatility Index) can help refine your timing for entering, exiting, and adjusting trades.

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## 3. When to Sell or Adjust Option Trades

There is no perfect answer to when you should sell or adjust options trades—it is not an exact science. Accept and understand that mistakes will happen, and focus on risk management and trading discipline to minimize emotional decision-making.

### 3 Big Factors to Consider:

1. Time to expiration.
2. Price of the underlying market.
3. Option prices.

Ask yourself these questions:

1. Are the reasons behind the trade still valid?
2. What are the current market conditions?

For example, if half the time to expiration has elapsed, it may be time to reassess whether to hold, sell, or adjust the trade (e.g., changing the strike price, expiration date, or both). Remember: buyers face time decay, and options that expire out of the money are worthless. Sellers benefit from time decay but risk substantial losses if the underlying moves significantly in the money.

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### 4. Using Support and Resistance Levels

Support and resistance levels are crucial for entering, exiting, and adjusting trades. These levels represent historical or psychological price points where buying or selling activity has previously occurred. Moving averages can also be used to establish these levels.

For entry, options on stocks bouncing off support levels or breaking through resistance levels can provide excellent speculative opportunities. For exits, consider targeting price levels near significant resistance (for call options) or support (for put options). Combining support and resistance levels with strategies like short-term options, credit spreads, or strangles can enhance your trading performance.

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### 5. Setting Price-Time Targets for Losses and Profits

To participate in any risk-oriented strategy like options, traders must prioritize position sizing and risk management. Setting predefined levels for taking losses or profits (or adjusting positions) ensures you exit trades methodically, reducing emotional decisions and avoiding common mistakes.

**Before entering a trade**, plan your exit or adjustment strategy. Buyers may decide to exit when:

- The underlying market hits a specific price.
- The option price reaches a certain level.
- A set amount of time has elapsed.

Sellers may exit when:

- The option price or spread reaches a certain level.
- The underlying moves in the money.
- A specific amount of time has elapsed.

To avoid cutting a winner short, some traders use short-term moving averages to ride the move until the price breaks the average. However, remember that an adverse move in the underlying can jeopardize your gains.

**SELLERS BEWARE:** Options cannot drop below zero. When premiums decline to \$0.25–\$0.50, assess whether the risk is worth the reward or if it's time to exit. Large losses can devastate an account, especially if the strategy yields only limited gains. Adjustments can involve changing strikes, expirations, or even direction.

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## Conclusion

The key to executing successful entry, exit, and adjustments in options trading is discipline and strategy. While no approach is perfect, combining technical analysis, volatility tracking, support/resistance levels, and predefined price-time targets can help traders make informed decisions.

To further improve your trading skills, **consider learning from an experienced source in a one-on-one setting.** Exploring real-world examples and gaining insights can significantly enhance your ability to navigate the complexities of options trading.

I look forward to helping you become a better option trader.

**Sincerely,**

Jim


*The Option Professor*

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**REMEMBER:** All investing and options trading involve substantial risk of loss and are not suitable for everyone. Consult your brokerage firm to determine your suitability and risk tolerance. Past performance is not indicative of future results. The information provided is for informational purposes only and does not constitute advice.

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Alert Date	Expiration Date	Stock	Strangle Idea (Call/Put)	Cost	Price Hit	In the Money	Increase (%)
10/13	Dec 20	SOFI	8C / 7P	\$170	\$17	\$900	+500%
08/11	Aug 23	ZS	182.50C / 155P	\$379	\$202.50	\$2000	+500%
10/20	Dec 20	HOOD	28C / 23P	\$356	\$44	\$1600	+400%
10/27	Dec 20	SOUN	4.50C / 4P	\$107	\$24	\$1950	+1800%
09/22	Oct 18	AFRM	27.50C / 22P	\$377	\$44.50	\$1700	+400%
08/11	Sept 20	IBM	202.50C / 190P	\$278	\$217	\$1500	+500%
07/28	Aug 9	IWM	233C / 217P	\$324	\$197	\$2000	+600%
10/27	Dec 20	LYFT	12C / 11P	\$231	\$19	\$700	+300%
10/11	Nov 15	UAL	65C / 55P	\$375	\$93	\$2800	+700%
09/08	Oct 11	CCJ	39C / 35P	\$249	\$52	\$1300	+500%
09/08	Oct 4	AA	30C / 28P	\$227	\$40	\$1000	+400%
08/04	Aug 16	SHOP	62C / 49P	\$275	\$75	\$1300	+400%
11/15	Dec 20	FIVE	105C / 65P	\$320	\$122	\$1700	+500%
09/01	Sept 27	GOOG	170C / 160P	\$400	\$148	\$1200	+300%
10/27	Nov 8	AMZN	202.50C / 170P	\$312	\$212	\$950	+300%
10/10	Nov 29	DIS	103C / 92P	\$359	\$116	\$1300	+300%
12/01	Dec 27	AAPL	245C / 230P	\$349	\$260	\$1500	+400%
10/13	Nov 29	MARA	17C / 14P	\$325	\$30	\$1300	+400%
11/10	Dec 20	AAPL	240C / 215P	\$330	\$255	\$1500	+400%
07/28	Aug 9	INTC	32C / 28P 	\$175	\$19	\$900	+500%

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