

# HOW TO SAVE A TRADE THAT'S GOING AGAINST YOU

By Guillermo Diaz,  
Options Trading Pilot

## WHY DO WE LOSE ON OPTIONS TRADES?

Time.

Typically, we run out of time in our options trades & that is the decisive reason a trade is lost.

## WHY DO WE LOSE ON STOCK TRADES?

Patience & Know How.

Both are key in making a failing trade work for us while waiting for it to become relevant again.

## BUT IT DOESN'T HAVE TO END THERE...

The following steps are what we use to save and make money on losing trades.



# HOW TO SAVE AN OPTIONS TRADE

This method works best with longer term contracts (> 45 days).

## **EXAMPLE:**

*You are holding an AAPL call: 155  
strike price, January 2022  
expiration*

*September 2021  
You are down.*

1. **Make sure there is volume.**
2. If you are:
  - a. **Slightly Bearish: sell calls further out of the money.**  
Take the opposite side of your trade – this is often a good move, but not a rule.

*EXAMPLE: Sell 170 strike calls, which are paying  
\$157 per contract*

OR...



# HOW TO SAVE AN OPTIONS TRADE CONT.

2. Continued - If you are:

b. **Bearish: sell puts “a bit” out of the money. ID the expected move & sell puts at that point.**

This strategy double dips on the expected move up that we want, but with a margin of safety.

*EXAMPLE: Expected move for AAPL in January 2022 is about 21 points.*

*Sell 125 strike puts, which are selling \$246 per contact*

3. Buy yourself more time. If the time to expiration is coming up then **roll to the next non-weekly expiration date.**

4. **Short the stock.** If you have a call but you expect that the stock will *decline temporarily* then you can always short the stock if they are “easy to borrow”.



# HOW TO SAVE A STOCK TRADE

Work this strategy in terms of 100 shares since every options contract deals with 100 share equivalents.

## **EXAMPLE:**

*You are holding AAPL stock.*

*September 2021.*

*You are down.*

## **1. Sell calls away from the expected move.**

*EXAMPLE: Sell 155 strike calls, which are paying \$49 per contract **OR***

*Move out to a further date & sell January 170 strike calls, which are paying \$163 per contract*

## **2. Sell puts out of the money.**

This does have the double effect, but it adds a margin of safety since we are away from the current price and close to the expected move.

*EXAMPLE: Sell January 127.5 strike, which are selling \$277 per contract.*



# HOW TO SAVE A STOCK TRADE CONT.

3. **Short the stock.** If you expect the stock to decline temporarily, sell more shares than you own. This is a less commonly used move.

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