How You Can Make Millions Trading Stock and Options, Just Like Me

By Andrew Keene

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Introduction

Equity options are arguably the most complicated, tradable financial product in the world, and also one with which I have a close relationship. Options helped transform my life; I began my senior year in college not knowing what I wanted to do with my life and career. I interviewed for all for all types of jobs at the campus career fairs – investment banker, financial analyst, you name it, they saw Andrew Ross Keene's resume. But I found myself returning to the trading firms' booths again and again, where I was drawn to the brain-teasers they would ask like 'How many square miles in California?' or 'How much would you charge to wash all the windows in Seattle, and why?'

Long story short, I was hired to trade options by a firm in Chicago, and the rest is history. The path I chose was not one without bumps in the road but it did changed my life. I made the transition from a young kid to a seasoned trader, and made $5.5 million bucks in the process (substantially less after Uncle Sam took his cut).

I wasn't able to simply create this success for myself by showing up on the CBOE trading floor in my trading jacket one day and walking out a millionaire the next. My success, or at least its foundation, was the product of the hard work of others. The traders at my first firm were some of the best I've ever seen, and it was their training and mentorship that has allowed me to trade like I have. It is out of gratitude to them that I write this text today. After all the opportunities options have offered me, I can't bear to continue to see other traders *senselessly lose money trading these products.*

While I'd like to see more profitable options traders, the goal for the text is slightly less ambitious. I simply want to stop other traders from losing money. I compare it to being in Las Vegas, and going up to everyone at every black jack table and telling them, 'Please, don't hit on that 14, the odds are against you.' Of course, I hope this text helps you become profitable. So if you're interested in hearing my story and learning some of the strategies I used in my trading career, please read on.

Andrew Keene
Acronym 'AXK'
October 3, 2013

One Small Favor…

For those who are reading this, I appreciate your time. I believe the following text be worthwhile, and think this will show in your trading. I feel if it saves you from one losing trade, or if it makes you think twice before taking a trade with a poor risk-reward setup, I have done my job.

If you feel this to be the case, I ask you to please take 5 minutes in order write a brief review on Amazon.com.

How Did You Start Trading?

My name is Andrew Keene and I've been trading equity options for the past 12 years. After I graduated from the University of Illinois with a degree in Finance and a minor in Accounting, I wasn't sure what I wanted to do with my life in terms of a career. With some positive reinforcement from my father, I decided to try my hand at trading. I had always excelled at math, but I knew that reading balance sheets, income statements, and sitting in a cubicle wasn't the path for me. I needed action and excitement everyday, coupled with the opportunity to make large amounts of money if I worked hard and did well at my job.

With this being said, I sought (and was granted) on-campus interviews with some of the top trading firms. I ended up beginning my career with Botta Capital Management and worked with some of the best traders that to, to this day, remain some of the best I've ever seen.

I went through the typical clerkship program, starting with 14 other potential candidates. At the end, only 3 of us were deemed worthy of receiving the opportunity to trade. Each morning, I left my parents house in the suburbs at 5:40 am and arrived at Chicago's Union Station. I'd run as fast as I could to the CBOE (Chicago Board Options Exchange), where I would review trade confirmations for senior traders and prepare for the session. After each day, my head would be spinning. We had classes during the day, mock trading after the close, and tests every Friday. To say it was intense would be an understatement.

After 9 months, my hard work was rewarded, and I was allowed to trade with firm capital. At the outset, I received a salary and discretionary bonus. I started in the GE trading pit with 16 other traders. As the 'new guy,' I was viewed as competition for these other traders, who now had to share their order tickets with me. For the next 4 months, two of the most senior traders would simply stand in front of the pit and shake their head whenever I would make a trade. If it were up to them, I would be out of the business. Fortunately for me, the CBOE allowed every trader the right to trade, regardless of age or seniority.

Three years later GE floor volume thinned out so I moved to the Altria pit (this was before they spun the product into MO, PM, KRFT, etc.). I stayed there three years, prior to moving to the Apple pit from 2006 until 2009. Here I enjoyed some of my greatest trading successes, and bore the distinction of being the largest, independent, on-the-floor Apple options trader during this period. This was long before Apple was a $400 billion company, before they'd released their first iPad or even an iPhone. Apple was my favorite stock in the world then, and I still feel as if I have a love affair with it to this day. As the business evolved and electronic trading became more prevalent, I was one of the last equity options traders left on the floor. As markets moved from nickel-wide to penny-wide and weekly options were introduced, it became the worst possible scenario for a market maker like myself. At the same time, it offered unprecedented opportunity for retail traders who wanted to trade options. A retail trader can now trade virtually any option strategy without losing any theoretical ‘edge’ to the market maker. This is similar to going to Las Vegas and playing blackjack in a casino, but without losing any edge to the ‘house’ or to the dealer.

Now I’ve moved upstairs and trade from the computer screen, just like millions of retail customers. I might have an account with higher margin and trade higher volume, but I trade the same markets and get the same order fills as anyone else. Electronic trading has advanced to such a degree I’m able to trade from 7 monitors and 2 computers in the comfort of my office, and don’t need to pay thousands and thousands of dollars per month for a seat lease on the trading floor. I can change my positions from long to short, short to flat, and flat to long with the single click of a mouse. They say businesses (and business owners) must adapt to changing times or go the way of the dodo, and I’m no dodo. At first there was a learning curve, but I love the fact I can show up to work in shorts and flip flops, or even manage my positions from other countries or from the beach on my iPhone.

What are Options and Why Is Reading Order Flow Important?

An option is a contract between the buyer and the seller. There are two types of options: calls and puts.

Calls give the buyer the right, but not the obligation, to buy a specified stock or financial instrument (the 'underlying') at a specified price (the 'strike price') on or before a specific date ('expiration'). The buyer has the right to buy the underlying at the strike price, and the seller has the obligation, but not the right, to sell the underlying should these conditions be met.

Puts give the buyer the right, but not the obligation, to sell the underlying at the strike price on or before expiration. Put buyers have the right, but not the obligation, to sell the underlying stock (or other instrument) at the strike price on or prior to expiration. Alternatively, put sellers are obligated to buy the underlying at the strike price should a buyer choose to exercise these rights.

So what factors determine how these options are priced? Six factors, or price inputs, determine an option 'premium': the stock price, the strike price of the options, the time remaining until expiration, dividends, interest rates, and implied volatility. In general, the more a given stock fluctuates in price on a daily or weekly basis, the more expensive its options will be, and vice versa. Options usually tend to be more expensive prior to earnings reports and other major announcements but decrease in price sharply after the announcement, once the 'uncertainty' has been removed. A good example of this is biotech stocks and drug announcements.

Options are traded for one of two reasons: as speculation or to hedge against a stock position.

Options are bought as speculation a stock will move in a certain direction. Calls may be purchased because a trader believes the stock will move higher prior to expiration. Alternatively, puts may be purchased because a trader believes the stock will move lower prior to expiration.

The terms in-the-money, at-the-money, and out-of-the-money are used to describe the relationship of an option's strike price to the price of the underlying stock. A call is in-the-money when the stock price is above the strike price. Alternatively, a call is out-of-the-money when the strike price is below the strike price. As you might guess, if a call is at-the-money, its strike price is equal to its strike price.

The inverse is true when looking at puts: if the strike price is above the strike price, a put is considered to be in-the-money. A put is out-of-the-money if the strike price is below the stock price, while the at-the-money definition is the same as for calls.

Options are also purchased to hedge against stock positions. Each day, I watch over 2,000 trades in real-time as they hit all the exchanges. I always try to determine, are these orders a hedge against a stock position, or a speculative play? In the eleven years I spent trading on the floor, I learned how to "Read the Tape." Most certainly a combination art and science, it is a skill I have honed over the years. A large part of my trading strategy is based on my ability to do this. By watching for big block option orders, dubbed 'unusual options activity,' I try to determine the positions of Paper. 'Paper' is term originating from the trading floor, when orders were actually written on paper and run to traders in the pits by clerks. It is used to describe large institutions such as hedge funds, mutual funds, or large banks. In other words, institutions who have access to better information – even 'insider' information' – than your average trader or investor. When trading off of unusual option activity, I only want to take trades based on orders I believe to be speculative plays. Given the sensitive, and even illegal, natures of their positions, hedge funds tend to be a secretive bunch. Thus determining if these trades are speculative or a hedge is like piecing together a puzzle.

Let's put it another way: what if you could have taken the same trades as Raj Rajatnam, or SAC Capital's Steve Cohen, the moment they were put on? But I'd go to jail for insider trading, you might say? Not so fast...

The moment an order hits the tape, it becomes public information. I can trade off it, based on the fact that I believe someone placing such a large bet has access to insider information, and it is completely, 100% legal. This isn't a matter of debate, or speculation, ask any SEC lawyer you know. This is why I trade unusual options activity. *And this is why it works.*

Have You Ever Blown Out?

I was lucky enough to be one of the 3 traders at Botta Capital Management offered the chance to trade. I still remember my first month of trading in the pit when a broker asked for a quote on KFT Oct 32.5 Puts. The pit quoted the broker $0.15 at $0.25. This meant we would buy the options for $0.15 and sell them for $0.25. The broker came back and asked if anyone wanted to buy any for $0.175? I was always taught to buy cheap Puts not sell them, because they can explode like sticks of dynamite. I said I would buy a 150 lot of them, which was almost $3,000 worth of options. All the other traders looked at me and thought 'what an idiot,' but I got the last laugh when the company reported poor guidance and the stock sold off. My $3,000 had turned into $37,000, almost overnight. Was I lucky or just a good trader?

This time I had been lucky and learned from my trading firm, 'this firm was not built on selling cheap options.' But this trade helped build me confidence. I had a very successful first year that started me with a base salary with a discretionary bonus. Before long, I moved to an even nicer base with a 50-50 bonus on all my profits after my base, commissions, and seat lease.

Then it was all-uphill for the next few years, as I always made more money than the year before. Like many young traders, I became cocky and thought I was the best, and nothing could stop me. Around this time I crossed paths with a stock called AMAG. I lost $484,500 in AMAG. I know what you're thinking – the stock must've gone out of business, or been taken over. I wish it were that easy; instead, I lost around $16 grand per week for 30 weeks. Talk about death by a thousand cuts! How did I let this happen? Bottom line was, I didn't stay humble, and convinced myself I was smarter than the hedge fund I was trading against.

The hedge fund started the downward spiral by buying the Jun 30 Calls and selling the Sep 40 Calls for even money. The stock was trading $28 so I thought, 'Great, I can sell front month options and sell back month options,' knowing that front month options have fastest time decay. From the outset, this trade worked against me. The hedge fund, or the 'paper,' continued to sell this spread and it got as cheap as a $1.80 credit.

Every time the stock would move higher, I would lose more money on this trade and at one point I was trading 25% of the daily stock volume myself. I didn't listen to my own plan, but I got cocky instead, so I got burned. I had over 1,400 contracts at each strike price, and personally held 75% of the open interest. This is another example showing how reading order flow really works. Since I was down almost $484,500, this means the trader who initiated the trade was making money and crushing me. At one point my broker, CRG, was so upset that I kept losing money, we offered the firm Susquehanna $100,000 to take the position off our hands. They looked at it and said, 'No thanks.'

To this day, I'm not sure what AMAG does as a company, but I know this: the stock taught me a very expensive lesson. No single trader should ever think they are smarter than the stock market. The old timers will tell you, 'the stock market will do whatever will hurt the most people.' Regardless of whether or not this is true, my advice is this: stay humble, trade small (relative to your total book), and never get too cocky.

What is One Rule of Thumb Every Trader Should Follow?

In the trading world everything moves very quickly, and money is no exception. In 2008, my daily P&L swung over $20,000. I was on an 80-20 split with my backers that year, so on an average day my net worth would swing more than $16,000 per day. In other words, I would lose $80,000 on a bad week. There were days when I would make $80,000 in a day and other days when I would lose $50,000 in a day. To say those days were crazy would be an understatement. At Botta Capital I was taught 'if implied volatility looks too cheap, then it is getting cheaper, and if it looks too expensive, it is going higher.'

What does this mean? The old phrase sums it up perfectly: the trend is your friend.

I have many different analogies I use for trading, and one of my favorites is to compare stocks to a pro sports team. If the Yankees have won 6 games in a row and have a winning record, if you were betting even money would you bet on them to win their next game? Of course you would. The stock market is the same way. Ask yourself, is the rally being sold every time, or is each pullback being bought? My best years trading were 2007 and 2008, and each time the market would rally I would get short stocks and long implied volatility. The overall trend tell us that as stocks increase in value, implied volatility will decrease. However, as stocks go down, implied volatility will explode – and very quickly. This is summed up by the phrase, 'We take the escalator up, and the elevator down.' The trend in 2007-2008 was so easy – if we ever rallied, and I mean *ever rallied*, it wouldn't last for more than a few days. When the S&P 500 futures hit their absolute low of 666, I was shorter the overall market than I had ever been before because I thought they were heading to 500. Yes, I lost money when we eventually rallied from that point, but not nearly as much as I made by selling every rally. Once more, please say it with me: *the trend is your friend.*

You can use this statement any way you like. Some traders might like to use it to buy implied volatility every time it gets bid, or other might buy the growth stocks that never seem to go down for more than two days in a row. Or you might use it when the stock market is a bull run, and buy every pullback. Sure, the market can sell off for two or maybe three days, but the trend will always live on. I always say the same thing, that counter-trend trading is one of the hardest strategies to execute successfully. For this reason I've begun to rely on one of the most proven indicators, but one which few traders have heard about, to ensure the trend is on my side: the Ichimoku Cloud.

How Can I use Technical Indicators Like The Ichimoku Cloud?

There are plenty of ways to use technical indicators in your trading. You can choose different intervals such as a 15-minute, 30-minute, or even 60-minute bar for day trading. A bar shows the high, low, open, and close for the price that stock has traded over a certain time period. I usually use the daily chart for pricing, but I also can look at the weekly and monthly chart as well. Traders can use indicators such as MACD (moving average convergence-divergence), RSI (relative strength index), and moving averages. While trading on the floor, I didn't rely so heavily on technical analysis, but since moving upstairs it has become a necessity.

To be a great baseball player, you must be able to hit every type of pitch: fastball, changeup, slider, but most importantly, the curveball. Throughout my years of trading, I have always known that technical analysis was my weakest point. Those who know me will tell you, I always say 'trading education is a never-ending process.' So for the past two years, I have worked hard and spent hundreds of hours focusing on improving my technical trading. Through these efforts, I was fortunate enough to come across the Ichimoku Kinko Hyo. This is commonly referred to as the Ichimoku Cloud, or simply as 'the Cloud.'

The Cloud is a Japanese trading tool based on decades of research, first revealed to the public in the 1960s, that has since been adopted by many Western traders. When translated, Ichimoku means 'first glance,' Kinko means 'bar chart,' and Hyo means 'balance.' Because the Japanese language is character-based and thus very hard to translate, only three books have been written in English on this concept. Furthermore, when translated certain Japanese words and phrases can have multiple meanings, so even these three authors have difficulty agreeing on a common rule or trading plan. One could easily write a whole book explaining just this, so I'll break this down to a few simple concepts. Most importantly, remember the cloud only works well in trending markets, but should not be used with trading range markets or stocks.

The Ichimoku Cloud

Very easily put, if the stock is trading above the cloud it is in bullish territory and if it is trading below the cloud it is in bearish territory. Two parts construct the Ichimoku cloud. One part of the cloud: 1. The midpoint of the 9 and 26 period moving average.. 2. The highest and lowest closing price of the last 52 periods divided by 2, acting very similar to a 50% Fibonacci Retracement.

Moving Period, not Moving Average

The Kijun-Sen line is a 9 period moving average of the highest high and lowest low. This is the shorter moving average and can be viewed as near term support and resistance. The tankan-sen line is a 26 period moving average of the highest high and lowest low. This will also act as a short-term level of support or resistance. If the 9 period average crosses the 26 period moving average to the upside it is a bullish signal. Likewise, if the 9 period average crosses below the 26 period moving average it is a bearish signal.

The Chikou Span

Many Japanese traders consider this the most important of all indicators. This is the current price plotted 26 periods in the past. If the Chikou Span is trading above the bar 26 periods ago it is a bullish signal. If the Chikou Span is trading below the bar 26 periods ago it is a bearish signal. If the Chikou Span is trading equal to the bar 26 periods ago, it is a neutral signal.

Future Cloud

The future cloud helps predict the price in the future. Two parts construct the future Ichimoku cloud. One part of the cloud: 1. The average of the Kinjun-sen and Tenken-sen lines. 2. The highest and lowest closing price of the last 52 periods divided by 2, acting very similar to a 50% Fibonacci Retracement.

I love to use the Cloud for all my charting, but I always have to consider that it only works in trending markets, not trading range markets. Most stocks are not trending, so I have to take this into consideration.

What Are The Greeks, and Why Do They Matter?

As you know now, there are six components that go into an option's price. To properly understand these and how an option's price will move, it's important to understand each of these. The four most commonly used Greeks are delta, gamma, theta, and vega; there is also rho, which is used less someone frequently (you'll soon see why). Understanding each will take you a long way in becoming a better trader. Think of trading options without knowing your Greeks as being like driving a car, but without a speedometer, fuel gauge, or other instruments. Sure, it might get you by for a while, but sooner or later, you're going to get a ticket or wind up stranded, or even blow a gasket (or blow-out your account!).

Some may find this material to be a bit dry, so I've tried to keep it as brief and focused as possible.

Delta

Delta measures the amount an option price changes relative to the price change in the stock price.

Delta for puts will range from -1 to 0 and 0 to 1 for calls; puts have a negative delta as their value moves opposite the stock price– when stock goes up, their price will fall. When the stock price goes down, their price will go up.

If a call has a *delta* of .50, the price of the contract will move $0.50 for a $1 change in the price of the stock. Alternatively, a put with a *delta* of -0.50 will fall $0.50 in price for every a $1 increase in the stock.

As expiration nears, in-the-money call *delta* will approach 1 while out-of-the-money call *delta* will approach zero. In-the-money puts will have a *delta* close to -1 at expiration, while out-of-the-money put *delta* will be close zero. Leading up to expiration, option prices become increasingly sensitive to price changes in the stock, until their movement exactly coincides at expiration. Another way to think of *delta* is the percent chance an option will be at least $0.01 in-the-money at expiration.

Gamma

Gamma is defined as the rate of change in *delta* as a result of a $1 per share price movement in the stock. If *delta* is the speed by which option prices fluctuate, gamma can be considered the acceleration rate at which this change occurs.

Gamma will be the highest when an option is at-the-money, decreasing as the option moves further in- or out-of-the-money. *Gamma* is always positive for long options and negative for short options, and near-term, at-the-money options will exhibit the most dramatic response to price changes in the stock.

Theta

Theta is defined as the rate of decline of an option's time value. Also known as time-decay, *theta* is the theoretical amount call and put values decrease per one-day change in time remaining until expiration.

Theta is highest when an option is at-the-money because these options have the most time value built into the premium. *Theta* is highest immediately prior to expiration.

High *theta* is dangerous for option buyers because put and call premiums can decline very quickly as expiration approaches. Remember, as every option has a buyer and a seller, what is bad for the buyer is good for the seller. So if you're selling options, you'll sleep more soundly knowing they have high theta.

Rho

Rho is defined as the amount by which an option premium will change in response to a change in the risk-free interest rate.

If an option has a *rho* of 10, then for every percentage-point increase in interest rates, the value of the option will increase by $.10.

Vega

Vega is defined as the theoretical amount call and put premiums will change in response to a corresponding one-point change in implied volatility.

Usually, any increase in implied volatility will cause option prices to rise; this is because higher implied volatility indicates an increased range of movement in the stock.

Why Is It So Important To Learn From The Best?

With anything one does in life, a person should always find out who is the best in their field, study their techniques, and mimic their successes. I always feel lucky to have been exposed to the best traders in the industry at Botta Capital Management. While I was clerking, I would study there every move and ask questions constantly in order to improve my knowledge. They knowledge is power, so I constantly tried to improve my options knowledge, as I do to this day. Take the image of a little kid asking 'Why? and 'Why' and 'Why' again, with maybe the occasional 'How?'. That was me, the little kid who is like the sponge and trying to absorb the most amount of knowledge and information possible. This annoyed a lot of the other traders, who got tired of hearing the new kid ask so many questions. I remember being on the CBOE floor and asking my head trader what was probably my 20th question for that day and he finally looked up at me and said, 'Will you shut the f**k up, can't you see I'm trying to read my email?' But with over 100 traders at my firm, there was always someone willing to talk about our shared passion, the options and stock market. Whenever I would go to a bar with a fellow trader, I wouldn't ask them how they were doing but always about trading, and how I could be the best at what I do. I was always taught, and believe to this day, a person should find their true passion in life and be the best at what they do. No matter what it is – teacher, policeman, or even a barista at Starbucks – whatever you do, you should strive to be the best at it.

If you want to learn how to golf, whom do you want to learn from? That's easy, from the best golfer in the world – probably Tiger Woods. If I wanted to learn how to play basketball, I would want to learn from Michael Jordan. I consider myself to be one of the best options educators and traders in the world. Because I am actively trading, I am a better educator. At the same time, by educating others, I make myself a better trader because I am constantly learning. The reason for this is because I have surrounded myself with the best and studied their techniques for over a decade. There are very few educators – at most a handful – who lasted as long as I did on the trading floor. Remember, when I was trading in the AAPL pit there 18 other traders there, but when I left only three others remained. I fought like hell to stay in the pits, but when the options markets went penny wide and weeklys were introduced, it killed business for the on-the-floor market maker. I often say, this is the worst time ever to be a market maker, but the best time ever for retail traders. When I was on the floor, when a broker came into the pit to trade the Apple iPhone announcement they could only trade the front two months, and the market was $0.10 wide. So if AAPL was trading $80 I would be $1.10-$1.20 on the 85 calls, 200 and up. With improved technology and liquidity, and the rise of all-electronic exchanges, traders can trade weekly options at $1.04-$1.06. As I've said, I was faced with the choice of evolving or being left behind. So rather than sit back idly and live off my trading profits, or go into hedge fund consulting, I chose to continue doing what I love and transition to trading from the computer screen.

The transition from the trading floor to the computer screen is not an easy one, and I've seen many successful traders fail. I was determined to succeed, however, and improve my chances I invested in my education. I read dozens of books, watched countless webinars and DVDs, and got my hands on as much material as I could about electronically trading the options market. During this time, I first began to write my own curriculum, starting with my proprietary trading plans. Ever since I can remember, I've wanted to be the best at what I do, and this is truer then ever when it comes to the trading and trader education industry. This is why I spend so much working to keep up with all the knowledge that is out there. The weekend before writing this, I spent 15 hours watching videos on Binary Options. This is the hottest new market, so of course I want know the market and the industry better than anyone else.

When I speak at seminars and other options events, I like to challenge the audience to stump me on an options question. To date, I have yet to have anyone do so successfully. Having successfully traded the toughest, most complicated product in the world – equity options – for over a decade, I don't believe there is a question out there I can't answer.

Are These Really the Techniques You Used To Make Millions?

There is no 'secret' to becoming a profitable trader and you should be skeptical of anyone who tells you otherwise. That being said, the techniques I've outlined in this text served me very well in my trading career and without them I would not have made the money I did.

Reading order flow and watching unusual options activity continues to be one of my most profitable techniques, just like it was on the trading floor. I had two very profitable years in Apple stock when my net profits in AAPL were over a million dollars. Once a week for a year, a Merrill Lynch broker would walk into the pit and sell AAPL put spreads. His acronym was 'HES,' and whenever I would see him coming I would know to get long and sell volatility. How did he know? No clue, but by watching him I made quite a few profitable trades.

By combining order flow with technical indicators like the Ichimoku cloud, I devised my OCRRBTT trading plan to trade profitably off of the floor. Using technical analysis and looking at historical movement, I also trade earnings reports. I often do this using advanced strategies like butterflies and condors, sometimes with weekly options. So much so, in fact, I made use a trading plan for this as well – the HIMCRRBTT trading plan for earnings.

I've used these strategies, along with my non-blow out trading plan where I risk a percentage of my book based on pre-determined confidence scale, to earn the bulk of my trading profits.

So answer the question, yes, these are the techniques I used to make millions trading. By watching order flow, trading earnings, and carefully monitoring risk by always seeking the best possible risk-reward setups, I have made millions trading. In the end, doing so boils down to having the discipline to read and learn, and *to always stick with your trading plan, every single time.*

How Can KOTM Help Me?

Since founding KeeneOnTheMarket.com in February 2012, I've been overwhelmed by the positive feedback and response I've received since. Business is booming, which is great, because I love helping traders improve their P&L through setting up better risk versus reward trades. Everyday in the office, the other traders and I discuss strategies, options set-ups, and reasons why we did or didn't take certain trades. KOTM began as a blog, but I realized I wasn't just content with sharing my market commentary. After all the monetary success options brought me, I wanted to help others *stop losing money* at the very least. One statistics says the average lifespan of a day trader is 18 months (meaning afterwards they blow out their account). Another states that '90 percent of traders lose money.' Both are very troubling to me, but how can the latter be true if every option has a buyer and a seller, and it is a zero sum game? One reason is common mistakes made by many traders, which I have outlined in the next session.

Live Trading Room

Open daily from 8AM- 3:30 PM daily, but never closed. We have audio and visual with market commentary and live trading for all experience levels for 6+ hours. We have traders who trade equities, options, ETFs, futures, and forex. Imagine being able to ask Tiger Woods which club he would use for your next shot or what he thinks of the wind direction. I'm available all day to answer questions in the public member chat forum, or via private message. I'm here to share expertise and offer my take on anything from charting to risk-reward setups, or even implied volatility.

Trade Alerts

Our most popular product. I love twitter and love to tweet, some days I tweet as many as 200 times. Every day I watch 2,000 options trades as they hit all the exchanges, and analyze them to see if I believe the institution behind the trade has an 'edge,' or access to information I do not know about. I tweet out all my trades, the best bullish and bearish setups each day, as well as the most unusual options activity. Basically, I break these 2,000 trades down into the best possible 20 trades, while taking 2-8 trades daily based on the best set-ups I see.

Courses & Workshops

We are currently finalizing the most comprehensive equity option curriculum available anywhere. This includes my three proprietary trading plans, over 500 PowerPoint slides, and over 25 hours of video.

Mentoring & Coaching

We currently offer both 1 on 1 Mentoring and Coaching via Skype and have a Chicago Boot Camp, which includes tours of the CBOE and Board of Trade trading floors, along with a night out with Team KOTM.

Please contact me at Andrew@KeeneOnTheMarket.com anytime for assistance with your individual trading plan. Also, be sure to check our blog at www.keeneonthemarket.com for daily updates on each day's biggest unusual options activity and my daily market recap videos. Thanks again for taking the time to read this, and look forward to hearing from you soon.

What Are The Top 10 Easily Avoidable Mistakes Most Traders Consistently Make?

1. Not Dollar Weighting Their Portfolio
   -Realizing that being long 100 Shares of AAPL at $450 is different than being long 100 shares of FB at $29. Dollar weighted would show that 100 Shares of AAPL is 1500 Shares of FB

2. Adding to Losing Positions
   -Adding to losing positions unless at a predetermined level is a big mistake, and usually doesn't work out.

3. Moving a Stop Loss Point
   -As the expression goes, 'your first instinct is your best instinct.' This can also be read, 'never move a stop,' and following this practice will help you avoid losses from building.

4. Buying too much premium before Earnings
   - So many traders are long too much premium going into earnings, and lose money even if they are correct on direction because of the 'vol crush.'

5. Not Managing Trades at Expiration
   - Everyone's goal should be to not own stock or be assigned at expiration. Remember, $0.02 can make the difference between a long or short stock position at expiration.

6. Pin Risk
   - By buying cheap options close to where stock settles, you can avoid having to worry about another trader exercising an option on you.

7. Always define risk vs. reward
   - Everyone should know the risk-reward setup of every trade they are putting on. If you're not sure of this for a trade, then you shouldn't be making it.

8. Connie Contra trend
   - It is very hard to trade against the trend. If a trader is trading against the trend, they must be sure to have a HUGE reward vs. risk set-up.

9. Waiting too long to close Positions
   - If I sell a $2.50 Call Spread for $1.50 and it moves to $0.10, my risk vs. reward has now changed as well. Now, I am risking $2.40 to make $.10, so closing position like this makes sense.

10. Selling Cheap Call Spreads or Put Spreads

-Selling a $2.50 Call Spread for $0.20 might have a small delta, but if you win on 9 and lose on the 10^{th}, your P&L will all be wiped away. I try to get at least a third of the Spreads Price

Other Resources

CBOE Options Hub

CBOE Options Hub is the Chicago Board Options Exchange's for investors and traders to review options trading information. Go to www.cboeoptionshub.com to find information about new products, corporate announcements, blog posts, tweets, investor relations, The Options Institute and much more.

Execute Success

FinancialJuice

FinancialJuice is a real-time news and social network focused on the trading/investing news space. Based in London, UK, their team works in conjunction with partners to provide an unparalleled level of real-time content for traders to make informed and fast strategic investment and trading decisions. It is essentially the Bloomberg Terminal meets Twitter/Facebook.

Check it out today

Options Playbook

Options Playbook provides the novice trader with all of the information they need to begin trading advanced order strategies. The Options Playbook does an excellent job of explaining how to set up different options spreads and how to calculate your risk, reward, and breakeven. Understanding these concepts is extremely important to any options trader. The Options Playbook will be a valuable resource to the novice trader.

Start learning now

ThinkOrSwim

ThinkOrSwim (TOS) is by far the best trading platform for a retail trader of any skill level. The amount of information and analysis available on the platform is staggering. The ability to trade equities, equity options, currencies, futures and options on futures is seamlessly integrated into the platform. Built to be intuitive, the platform is accessible to traders of any skill level and offers professional level charting options. Any retail trader not using the TOS platform is giving up an edge that is extremely valuable to any trader.

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