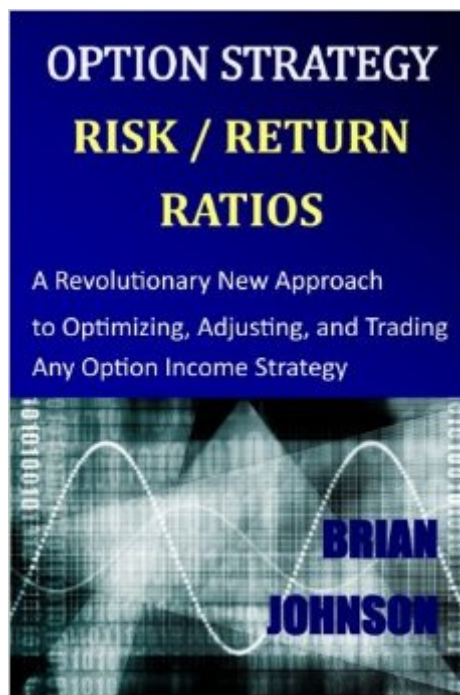# Option Strategy Risk / Return Ratios: A Revolutionary New Approach To Optimizing, Adjusting, And Trading Any Option Income Strategy

Synopsis

Written by Brian Johnson, a professional investment manager with many years of trading and teaching experience, Option Strategy Risk/Return Ratios introduces a revolutionary new framework for evaluating, comparing, adjusting, and optimizing option income strategies. Drawing on his extensive background in option-pricing and on decades of experience in investment management and trading, Brian Johnson developed these tools specifically to manage option income strategies. Unlike crude rules-of-thumb, these revolutionary new tools can be applied to any option income strategy, on any underlying security, in any market environment. Risk and return are timeless concepts in finance and trading, but this is the first time both concepts have been integrated successfully into a consistent approach for managing option income strategies. Option Strategy Risk/Return Ratios is written in a clear, easy-to-understand fashion and explains how to apply risk/return ratios to condors, butterflies, calendars, double diagonals, and even hybrid income strategies. Created especially for investors who have some familiarity with options, this practical guide begins with an examination of option income strategies and is followed by a review of the option Greeks, the building blocks of option risk management. Next, a critique of common adjustment triggers lays the foundation for a detailed explanation of these exciting new tools: option strategy risk/return ratios. Each option income strategy is explained, evaluated, and ranked using these new tools with complete descriptions and graphical examples. The book includes over sixty separate graphs and tables to illustrate how risk/return ratios behave using specific strategy examples in actual market conditions. The risk/return ratios are then used to introduce a new hybrid strategy that combines the best characteristics of the other income strategies. Finally, the last chapter examines practical considerations and prospective applications of these innovative new tools. Not only are the formulas provided for every calculation, but each risk/return ratio is explained intuitively and depicted graphically. For traders who are not mathematically inclined, Option Strategy Risk/Return Ratios also includes a link to an Excel spreadsheet with macros designed to calculate all of the risk/return ratios introduced in the book. About the Author: Brian Johnson designed, programmed, and implemented the first return sensitivity based parametric framework actively used to control risk in fixed income portfolios. He further extended the capabilities of this approach by designing and programming an integrated series of option valuation, prepayment, and optimization models. Based on this technology, Mr. Johnson founded Lincoln Capital Managementâ ™s fixed income index business, where he ultimately managed over $13 billion in assets for some of the largest and most sophisticated institutional clients in the U.S. and around the globe. He later served as the President of a financial consulting and software development firm, designing artificial

intelligence-based forecasting and risk management systems for institutional investment managers. Mr. Johnson is now a full-time proprietary trader in options, futures, stocks, and ETFs primarily using algorithmic trading strategies. In addition to his professional investment experience, he also designed and taught courses in financial derivatives for both MBA and undergraduate business programs. He has written articles for the Financial Analysts Journal, Active Trader, and Seeking Alpha and he regularly shares his trading insights and research ideas as the editor of www.TraderEdge.Net. Mr. Johnson holds a B.S. degree in finance with high honors from the University of Illinois at Urbana-Champaign and an MBA degree with a specialization in Finance from the University of Chicago Booth School of Business.

Book Information

Paperback: 206 pages

Publisher: Trading Insights, LLC (April 22, 2014)

Language: English

ISBN-10: 0692028293

ISBN-13: 978-0692028292

Product Dimensions: 6 x 0.5 x 9 inches

Shipping Weight: 13.1 ounces (View shipping rates and policies)

Average Customer Review: 4.4 out of 5 starsÂ Â See all reviewsÂ (52 customer reviews)

Best Sellers Rank: #404,756 in Books (See Top 100 in Books)   #172 inÂ Books > Business & Money > Investing > Options

Customer Reviews

As I read this compelling book I became more and more eager to use its option strategy. However, upon finishing the book and downloading the Excel spreadsheet that comes with it, I found that the time needed to create risk return ratios made the strategy impractical to use.According to its description on , this book â œâ |includes a link to an Excel spreadsheet with macros designed to calculate all of the risk/return ratios introduced in the book.â • The Excel spreadsheet will not produce any of the bookâ ™s tables and charts. Rather, it calculates one data point for each of three risk/return ratios (RRR). The calculation is based on the price of the underlying stock, the current and historical implied volatilities of that stock, the Greeks (Delta, Gamma, Vega, Theta and Rho) of the spread that was developed from the stock options, and the risk-free interest rate. These data must be transferred from an outside source, such as a trading platform, to the spreadsheet in a Excel-compatible format. In return, the spreadsheet calculates a single data point for each of three

RRRs: a reward that, in my opinion, is not worth the effort.With a basic understanding of Excel, you can create a table that combines the spreadsheetâ ™s inputs and outputs and looks like the tables in the book. The bookâ ™s tables, however, provide nine data points for each RRR while the spreadsheet that comes with the book calculates only one at a time. If your trading platform can calculate Greeks from different stock prices, and you are willing to spend several hours transferring these data to the spreadsheet, you can create a table that provides the same information as those in the book.Figure 1 (attached to this review) includes a table that was created in the above manner.

Option Strategy Risk / Return Ratios: A Revolutionary New Approach to Optimizing, Adjusting, and Trading Any Option Income Strategy TRADING: Intermediate, Advanced, Tips & Tricks and Strategy Guide to Crash It with Day Trading - Day Trading Bible (Day Trading, Trading Strategies, Option Trading, Forex, Binary Option, Penny Stock) Options Trading: A CherryTree Style Trading Book(Options Trading,Options Trading for Beginners,options trading guide,options trading tips,binary options trading,trading options,option strategies) DAY TRADING for EXPERT: Intermediate and Advanced Guide to Crash It with Day Trading - Day Trading Bible (Day Trading, Stock Exchange, Trading Strategies, Option Trading, Forex, Binary Option) Day Trading Strategies: A Beginners Guide To Day Trading (Day Trading, Trading, Day Trading Strategies,Day Trading Books,Day Trading For Beginners,Day Trading Stocks,Options Book 1) Options Trading for Beginners: 7 Steps to Earning $2,000 per Month Option Trading in Less than 20 Hours a Week! (options trading, options trading for beginners, ... stock investing, how to trade option) Passive Income: Learn How To Make Money Online And Become Financially Free (Passive Income, Passive Income Online, Passive Income Streams, Passive Income ... Passive Income Streams,Make Money Book 1) Passive Income: The Little Secrets of Passive Income (passive income ideas, passive income streams explained, passive income secrets): How You Can Create Passive Income With Little Or No Money At All Proven Option Spread Trading Strategies: How to Trade Low-Risk Option Spreads for High Income and Large Returns Day Trading: Day Trading for Beginners - Options Trading and Stock Trading Explained: Day Trading Basics and Day Trading Strategies (Do's and Don'ts and the Small Letters) - 3rd Edition Day Trading: Day Trading for Beginners - Options Trading and Stock Trading Explained: Day Trading Basics and Day Trading Strategies (Do's and Don'ts and the Small Letters) Options Trading: Strategies - Best Options Trading Strategies For High Profit & Reduced Risk (Options Trading, Options Trading For Beginner's, Options Trading Strategies Book 2) Options Trading: Strategies - Best Options Trading Strategies For High Profit & Reduced Risk (Options Trading, Options Trading For Beginner's,

Options Trading Strategies) (Volume 2) Exploiting Earnings Volatility: An Innovative New Approach to Evaluating, Optimizing, and Trading Option Strategies to Profit from Earnings Announcements Day Trading: A Beginner's Guide To Day Trading - Learn The Day Trading Basics To Building Riches (Day Trading, Day Trading For Beginner's, Day Trading Strategies Book 1) PASSIVE INCOME: TOP 7 WAYS to MAKE $500-$10K a MONTH in 70 DAYS (top passive income ideas, best passive income streams explained, smart income online, proven ways to earn extra income) Forex: Using Fundamental Analysis & Fundamental Trading Techniques to maximize your Gains. (Forex, Forex Trading, Forex Strategy, Forex Trading Strategies, ... Forex Trading Books, Trading Strategies) Option Greeks - Options Trading Greeks Simplified And How To Use Them To Profit 'By The Numbers' (Options Trading, Options Trading Strategies, Options Trading For Beginners, Stock Options, Options) OPTIONS TRADING for Beginners: Basic Guide to Crash It with Options Trading (Strategies For Maximum Profit - Option Trading, Stock Exchange, Trading Strategies, Tips & Tricks) The Science Olympiad: Proportions and Ratios: Proportions and Ratios (Imath Readers, Level C)