How I Racked up an 87.5% Win Rate in the Past 12 Months with Three Simple Trading Strategies
Investors now have access to investment strategies that were once only available to professionals. Strategies that allow us to make money in any type of market: bullish, bearish or neutral. **Strategies that are based purely on statistics, probabilities, and a mathematical advantage.**

The barrier to entry is practically nonexistent at this point. Low commissions and powerful trading platforms allow everyone access to a level playing field.

What we need to realize is that investing isn’t all about buying and holding and simply hoping for the best. Investing is about eliminating volatility, smoothing out your equity curve while allowing yourself to make a consistent return regardless of market direction.

This is why I use options.

Options allow me to make money in any type of market, while defining my overall risk. Better yet, as a person who values statistics over hunches or a crystal ball approach, I am able to choose my own probability of success on each and every trade I place. So, even if I’m wrong about my directional assumption I am still able to make a return.

This is why you are here. You are interested in doing the same.

In this report, I’m going to go over the foundational elements that make up my statistical approach to options trading. If you have any questions as you progress through the report, please do not hesitate to email me at andy@cabotwealth.com.

**Use a Statistical Approach to Make Money in Any Market Environment**

I’m always puzzled why so many investors move to cash when the market turns sour, especially when there are risk-defined strategies to take advantage of a volatile and challenging market.

I mean, on the surface, I understand the move, but oftentimes there are far better alternatives, especially if you know how to properly incorporate options strategies.
And if not, well, it behooves us as self-directed investors to learn as much as we can about how to make money in all market environments, not just bullish ones. And that's the beauty of options strategies—they allow us to make money regardless of the overall market trend. It's all in the approach.

Because as we say often here at Cabot Wealth, “No one has a crystal ball!”

So, as investors we have to open up our toolbelt and use strategies that make sense given current market conditions.

Since starting my trading service exactly one year ago, during what were tumultuous and challenging times for investors, our Quant Trader strategies have a track record of 87.9% (29 out of 33 winning trades) for a total return of just under 150%. Our average trade lasted only 20.2 days.

Below are the three main strategies we use in the Cabot Options Institute Quant Trader trading service.

I've gone through numerous examples below to help you have a better understanding of not only the strategies I use, but the high-probability approach that is unique to my Quant Trader service. Statistics, probabilities, the Law of Large Numbers, expected range, disciplined risk management and several other key factors define our high-probability approach. As you read through the report, please do not hesitate to email me with any related questions.

**Bear Call Spreads**

A bear call spread, otherwise known as a short call vertical spread, is one of my favorite risk-defined options strategies.

As the name of the strategy implies, a bear call spread is a bearish--leaning strategy.

But it is important to note that the strategy doesn't require the security to move lower to make money. Unlike the binary nature of stock strategies, a stock can either go up or down with a bear call spread. So, you not only have the ability to make a return when a security moves lower, you can also make money if the stock stays flat or pushes slightly higher.
For example, with SPY trading for 427.10 I want to place a bear call spread with a high probability of success.

Let's take a look at the options chain for SPY going out 28-65 days until expiration, the timeframe I focus all of my trades on within the service.

The July 21, 2023, expiration cycle with 46 days left until expiration falls nicely within our preferred 28-65-day range. As a result, let's take a look at the call strike with an 80%+ probability OTM (out-of-the-money), otherwise known as the probability of success on the trade.

But first, let's look at the expected move or expected range for SPY over the July 21, 2023, expiration cycle.

To the uninitiated, the expected move is the amount that a stock is predicted to increase or decrease from its current price based on the current level of implied volatility. More importantly, 80% of the time the underlying asset stays within the expected range.
Since we are using a bear call spread, we want to sell a call strike above the upper side of the expected move, or 442.
It looks like the 445 call strike, with an 83.93% probability of success, is a good place to start. The short call strike, in this case the 445 call strike, defines my probability of success on the trade. It also helps to define my overall premium or return on the trade.

Once I've chosen my short call strike, in this case the 445 call, I then proceed to look at a 3-strike wide, 4-strike wide and 5-strike wide spread to buy.

The spread width of our bear call helps to define our risk on the trade. The smaller the width of the spread the less capital required. When defining your position size, knowing the overall defined risk per trade is essential. Basically, my spread width and my premium increase as my chosen spread width increases.

For example, using the image above, let's take a look at the 5-strike wide, 445/450 bear call spread.

**The Trade: 445/450 Bear Call Spread**

Simultaneously:

Sell to open SPY July 21, 2023, 445 strike

Buy to open SPY July, 2023, 450 strike for a total net credit of roughly $0.63 or $63 per bear call spread

- Probability of Success: **83.93%**
- Total net credit: $0.63, or $63 per bear call spread
- Total risk per spread: $4.37, or $437 per bear call spread
- Max Potential Return: 14.4%

As long as SPY stays below our 445 strike at expiration in 46 days, I have the potential to make 14.4% on the trade.

Typically, I look to buy back the spread when I can lock in 50% to 75% of the original credit. Since we sold the spread for $0.63, I want to buy it back when the price of my spread hits roughly $0.30 to $0.15. Of course, there are a variety of factors to consider with each trade. And we allow the probabilities and time to expiration to lead the way for our decisions.
But, taking off risk by locking in profits is never a bad decision and by doing so, we have the ability to take advantage of other opportunities the market has to offer, while not tying up too much capital.

**Bull Put Spread**

A bull put spread, otherwise known as a short put vertical spread, is one of my favorite risk-defined options strategies.

As the name of the strategy implies, a bull put spread is, well, a bullish-leaning strategy.

But it is important to note that the strategy doesn't require the security to move higher to make money. With bull put spreads you not only have the ability to make a return when a security moves higher, you can also make money if the stock stays flat or even if the stock pushes slightly lower.

The first step in placing a bull put spread, or any trade, is making sure the security we are interested in is highly liquid. We always want to use the most efficient products possible. It just doesn't make sense to have to make 5% to 15%, possibly more, to get back to breakeven.

**iShares Trust Russell 2000 ETF (IWM)**

IWM is a highly liquid product, and as a result, we can move forward with a potential bull put trade.

With IWM trading for 179.58 I want to place a bull put spread with a high probability of success.
Let's take a look at the options chain for IWM going out 28-65 days until expiration, again, the timeframe I focus all of my trades on within the Quant Trader service.

The July 21, 2023, expiration cycle with 46 days left until expiration falls nicely within our preferred 28-65 day range. Next, let’s take a look at the put strike with an 80%+ probability OTM (out-of-the-money), otherwise known as the probability of success on the trade.

But first, let’s look at the expected move or expected range for IWM over the July 21, 2023, expiration cycle.

**Expected Move – 170 to 189**
Since we are using a bull put spread, we want to sell a put strike below the lower side of the expected move, or 170.

It looks like the 167 put strike with an 80.73% probability of success is where I want to start. The short 167 put strike defines my probability of success on the trade. It also helps to define my overall premium or return on the trade.

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Once I've chosen my short put strike, in this case the 167 put, I then proceed to look at a 3-strike-wide, 4-strike-wide and 5-strike-wide bull put spread to buy.

The spread width of our bull put helps to define our risk on the trade. The smaller the width of the spread the less capital required. When defining your position size, knowing the overall defined risk per trade is essential. Basically, my spread width and my premium increase as my chosen spread width increases.

For example, let's take a look at the 5-strike, 167/162 bull put spread.

**The Trade: IWM 167/162 Bull Put Spread**

**Simultaneously:**

**Sell to open IWM July 21, 2023, 167 strike**

**Buy to open IWM July 21, 2023, 162 strike for a total net credit of roughly $0.52 or $52 per bear call spread**
• Probability of Success: **80.73%**
• Total net credit: $0.52, or $52 per bull put spread
• Total risk per spread: $4.48, or $448 per bull put spread
• Max Potential Return: **11.6%**

As long as IWM stays above our 167 strike at expiration in 46 days, I have the potential to make 11.6% on the trade.

In most cases, I will make slightly less, as the prudent move (and all research backs this up) is to buy back the bull put spread prior to expiration. Typically, I look to buy back the spread when I can lock in 50% to 75% of the original credit. Since we sold the spread for $0.52, I want to buy it back when the price of my spread hits roughly $0.25 to $0.15.

Of course, there are a variety of factors to consider with each trade. And we allow the probabilities and time to expiration to lead the way for our decisions. But taking off risk by locking in profits is never a bad decision and by doing so, we have the ability to take advantage of other opportunities the market has to offer.

**Iron Condor**

One of my favorite risk-defined, non-directional options strategies is known as the **iron condor**.

Yep, weird name, I know.

But an iron condor is not only one of the most powerful options strategies, it’s also one of the best all-around investment strategies that we as investors have at our disposal.

The strategy consists of a short call vertical spread (bear call spread) and a short put vertical spread (bull put spread).

If all the aforementioned seems like a foreign language, no worries. This is a strategy I want all investors to learn, so I’m going to go through the strategy and my approach in a step-by-step process.
As always, the first step in placing an iron condor is making sure the security we are interested in is highly liquid. Again, we always want to use the most efficient products possible. It just doesn’t make sense to have to make 5% to 15%, possibly more, to get back to breakeven.

**Invesco Nasdaq 100 (QQQ)**

QQQ is a highly liquid product, and as a result, we can move forward with a potential bull put trade.

With QQQ trading for 354.90 I want to place an iron condor with a high probability of success.

Let's take a look at the options chain for QQQ going out 28-65 days until expiration – again, the timeframe I focus all of my trades on within the Quant Trader service.

The July 21, 2023, expiration cycle with 46 days left until expiration falls nicely within our preferred 28-65-day range. Next, let's take a look at both the call strike and put strike that have an 80%+ probability OTM (out-of-the-money), otherwise known as the probability of success on the trade.

But before we get there, let's look at the expected move or expected range for QQQ over the July 21, 2023, expiration cycle.
Since we are using an iron condor, we want to sell a put strike below the lower side of the expected move, or 337, and sell a call strike above the upper side of the expected move, or 373.

Starting with the put side, it looks like the 330 put strike with an 83.02% probability of success is where I want to start. The short 330 put strike defines my probability of success on the trade. It also helps to define my overall premium or return on the trade.
Once I've chosen my short put strike, in this case the 330 put, I then proceed to look at a 3-strike-wide, 4-strike-wide and 5-strike-wide bull put spread to buy and typically use the same width for the call side of my iron condor.

So let's look at the call side of our iron condor.

It looks like the 380 call strike with an 86.71% probability of success is where I want to start. The short 380 put strike defines my probability of success on the trade. It also helps to define my overall premium or return on the trade.

Once I've chosen my short put strike, in this case the 380 put, I then proceed to look at a 3-strike-wide, 4-strike-wide and 5-strike-wide bull put spread to buy. Since I chose a 5-strike-wide bull put spread, I'll do the same for my bear call spread.

The spread width of our bull put and bear call helps to define our risk on the trade. The smaller the width of the spread the less capital required. When defining your position size, knowing the overall defined risk per trade is essential. Basically, my spread width and my premium increase as my chosen spread width increases.

### The Trade: QQQ 385/380 – 330/325 Iron Condor

Simultaneously:

- Sell to open QQQ July 21, 2023, 380 call strike
- Buy to open QQQ July 21, 2023, 385 call strike
- Sell to open QQQ July 21, 2023, 330 put strike
- Buy to open QQQ July 21, 2023, 325 put strike for a total net credit of roughly $1.05 or $1.05 per iron condor
• Probability of Success: **86.71% - 83.02%**
• Total net credit: $1.05, or $105 per iron condor
• Total risk per spread: $3.95, or $395 per iron condor
• Max Potential Return: **26.6%**

As long as QQQ stays above our 330 put strike and below our 380 call strike at expiration in 46 days, I have the potential to make 26.6% on the trade.

In most cases, I will make slightly less, as the prudent move (and all research backs this up) is to buy back the bull put spread prior to expiration. Typically, I look to buy back the spread when I can lock in 50% to 75% of the original credit. Since we sold the spread for $1.05, I want to buy it back when the price of my spread hits roughly $0.50 to $0.25.

Of course, there are a variety of factors to consider with each trade. And we allow the probabilities and time to expiration to lead the way for our decisions. But taking off risk by locking in profits is never a bad decision and by doing so, we have the ability to take advantage of other opportunities the market has to offer.

**In Summary**

Remember, when approaching the market from a purely quantitative point of view, it's all about the probabilities. The higher the probability of success on the trade, the less premium I'm able to bring in, but again, the tradeoff is a higher win rate. And when I couple a consistent and disciplined high-probability approach on each and every trade I place, I allow the law of large numbers to take over. Ultimately, that is the true path to long-term success. I'm not trying to hit home runs. I understand that true, consistent opportunities, particularly when seeking income, come with using high-probability options strategies coupled with a disciplined approach to risk management—the latter being the most important.

Again, to reiterate, by using a combination of bear call spreads, bull put spreads and iron condors we have managed to win 29 out of 33 trades since starting our Quant Trader service in all types of markets, bullish, bearish and neutral.

And that's why now is the time to start selling options premium using risk-defined strategies.
About the Expert

Andy Crowder is a professional options trader, researcher and Chief Analyst of Cabot Options Institute. Formerly with Oppenheimer & Co. in New York, Andy has leveraged his investment experience to develop his statistically based options trading strategy which applies probability theory to option valuations in order to execute risk-controlled trades. This proprietary strategy has been refined through two decades of research and real-world experience and has been featured in the Wall Street Journal, Seeking Alpha, and numerous other financial publications.

Andy has helped thousands of option traders learn and implement his meticulous rules-driven options trading strategies through highly attended conferences, one-on-one coaching, webinars, and his work as a financial columnist. He currently resides in Bolton Valley, Vermont and when he's not trading, teaching and writing about options, he enjoys spending time with his wife and two daughters, backcountry skiing, biking, running and enjoying all things outdoors.

About Cabot Wealth Network

Cabot Wealth Network, established in 1970, is a trusted independent source of advice for individuals striving to take control of their investments and find the best stocks. Its investment advisory services deliver high-quality advice to more than 200,000 individual investors and investment professionals in 141 countries. Headquartered in historic Salem, Mass., Cabot Wealth employees take great pride in providing intelligent investment advice and timely, personal service without the hype and fabricated claims. Cabot is a member of the American Association of Individual Investors, Better Business Bureau, Specialized Information Publishers Association, and the Salem Chamber of Commerce.