WHERE DIVERSIFICATION LEAPS ACROSS BORDERS

Welcome to FX Options From NASDAQ OMX

Now individual investors can diversify their portfolios with FX Options from NASDAQ OMX. Trade on global economic and political events via spot FX Options in your existing options account and receive U.S. dollar settlement.

LEARN MORE AT NASDAQTRADER.COM/FXOPTIONS OR CALL +1 215 496 5550
ADD A FEW
new friends
TO YOUR
NETWORK.

Your friends are each worth $50 in cash, 5 commission-free online equity and option trades,* or a $50 Amazon.com Gift Card** when you refer them to TD Ameritrade.

*Referral reward offer valid for existing clients who successfully refer a new TD Ameritrade account that is funded with at least $2,000 within 90 days from the date of referral. Offer is not valid with internal transfers. TD Ameritrade Institutional accounts, accounts using the Amerinvest service, or with other offers. Taxes related to TD Ameritrade offers are your responsibility. Retail value totaling $500 or more during the calendar year will be included in your consolidated Form 1099. Limit one offer per qualified referral. TD Ameritrade reserves the right to restrict or revoke this offer at any time. This is not an offer or solicitation in any jurisdiction where we are not authorized to do business.

$50 Cash—Please allow 1-2 business days from the time the referred individual has opened and funded their TD Ameritrade account with the required $2,000 minimum to receive your $50 credit to your account. Offer is not transferable. Offer not available to Individual Retirement Accounts (IRAs) or other tax-exempt accounts.

5 commission-free trades—Five commission-free internet equity or option trades will be credited to your account 1-2 business days after the referred individual has opened and funded a new TD Ameritrade account with the required $2,000 minimum. Commission-free trade award value based on $9.99 online commission pricing. Offer limited to qualified internet equity or option orders. Commission-free online trades are not transferable. Qualified commission-free internet equity or option orders must execute within 90 days of account funding. You are still responsible for any contract, exercise, and assignment fees charged on option orders. Options involve risk and are not suitable for all investors.

**$50 Amazon.com Gift Card—Please allow 4-6 weeks from the time the referred individual has opened and funded their TD Ameritrade account with the required $2,000 minimum to receive your $50 Amazon.com Gift Card. $50 Amazon.com Gift Card offer is not valid for Individual Retirement Accounts (IRAs) or other tax-exempt accounts. Clients must have valid U.S. mailing addresses. TD Ameritrade is not responsible for merchandise purchased with this gift card. TD Ameritrade and Amazon.com are separate, unaffiliated companies and are not responsible for one another’s services and policies.

Amazon.com is not a sponsor of this promotion. Except as required by law, Amazon.com Gift Cards (“GCs”) cannot be transferred for value or redeemed for cash. GCs may be used only for purchases of eligible goods at Amazon.com or certain of its affiliated websites. For complete terms and conditions, see www.amazon.com/gc-legal. GCs are issued by A2 Gift Cards, Inc., a Washington corporation. All Amazon.com, Inc. & its affiliates. No expiration date or service fees.

TD Ameritrade, Inc. member FINRA/SIPC/WFA. TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank. © 2014 TD Ameritrade IP Company, Inc. All rights reserved. Used with permission.
Trading With A Sour Stomach

In bull markets, sometimes logic goes out the window. So the next time your gut is telling you to get into a trade despite your rules, pick a strategy that tempers your enthusiasm.
For many traders, liquidity is an important part of an overall investment strategy. iShares Silver Trust ETF was created with that in mind. Unlike physical silver, it’s easier to buy and sell — making it an option for investors who seek to maximize returns over the short term. Plus, it’s low-cost, so like other iShares ETFs, it can help you keep more of what you earn.

For details, visit iShares.com/silver

Investing involves risk, including possible loss of principal. The iShares Silver Trust (SLV or the “Trust”) is not an investment company registered under the Investment Company Act of 1940 or a commodity pool for purposes of the Commodity Exchange Act. Shares of SLV are not subject to the same regulatory requirements as mutual funds. Because shares of SLV are intended to reflect the price of the silver held by the Trust, the market price of the shares is subject to fluctuations similar to those affecting silver prices. SLV has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus and other documents the Trust has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting www.iShares.com or EDGAR on the SEC website at www.sec.gov. Alternatively, the Trust will arrange to send you the prospectus if you request it by calling toll-free 1-800-474-2737. There can be no assurance that an active trading market for shares of SLV will develop or be maintained. Buying and selling shares of ETFs will result in brokerage commissions. BlackRock Asset Management International Inc. (“BAMII”) is the sponsor of the Silver Trust. BlackRock Investments, LLC (“BRIL”), assists in the promotion of the Silver Trust. BAMII and BRIL are affiliates of BlackRock, Inc. (together with its affiliates, “BlackRock”). ©2014 BlackRock. All rights reserved. iSHARES and BLACKROCK are registered trademarks of BlackRock. All other marks are the property of their respective owners. IS-11612-0214
Trading With A Sour Stomach
No matter how many rules you strictly follow, there's going to come a time when you just have to trust your gut on a bullish trade. But depending on how confident you are, you can tweak the downside risk to help you sleep better.

News For Show, Vol For Dough
Headlines may come and go. But the volatility resulting from headlines is what can matter most to traders. And before you write off higher-volatility markets, here's a little secret you ought to know.

How To Neuter Your Trade
At some point you may have heard an option trader boast about being a “delta neutral” or “market-neutral” trader. But what do these terms mean and are they really useful? Let's put the debate to rest.

News + Views
Retail options trading is caught in the crossfire of Congressman Camp’s tax proposal. Should you be worried? 
+ Ask the Suit

Evolution of the Trader
If you thought trading started under a buttonwood tree, you'd be wrong. Think monkeys, Darwin, and opposable thumbs.

Capiche?
If you're buying ETFs that track futures like oil and volatility, beware of the “rolling penalty” that could be stealing your profits.

Gear Head
Today’s cool tool two-fer: A Dow-to-gold script from TD Ameritrade’s “Mr. Script” and how to share a chart with your loved ones.

Capiche?
If you're buying ETFs that track futures like oil and volatility, beware of the “rolling penalty” that could be stealing your profits.

Ask the Trader Guy
Our resident guru responds to why all options aren’t created equal, how to size up your vertical spread, and false promises from a dumb clairvoyant.

How To Neuter Your Trade
At some point you may have heard an option trader boast about being a “delta neutral” or “market-neutral” trader. But what do these terms mean and are they really useful? Let's put the debate to rest.

Charts That Rule the World
No doubt you can find lots of charting programs out there. But seriously, why look further? Other than a back massage, thinkorswim® Charts can give you almost anything you need—even if you're not a chart reader.

Charts That Rule The World
No doubt you can find lots of charting programs out there. But seriously, why look further? Other than a back massage, thinkorswim® Charts can give you almost anything you need—even if you're not a chart reader.

plus:
thinkorswim charts q+a
A Quick Howdy

GOT FEEDBACK?
Talk to us about thinkMoney! Take our survey and you’ll qualify for infinite brownie points. tdameritrade.com/tmsurvey or write to us at thinkmoney@tdameritrade.com

thinkMoney®
EDITOR-IN-CHIEF
Kevin Lund
EDITOR
Thomas Preston
ASSISTANT EDITOR
Eileen Sutton
ART DIRECTOR
Tom Brown
DESIGNER
Jennifer Roberts

CONTRIBUTING WRITERS
Nicole Sherrod
John Brodemus
Chesley Spencer
Kira Brecht
Greg Loehr
David Kier

CHIEF PHOTOGRAPHER
Fredrik Brodén
CONTRIBUTING ILLUSTRATOR
Joe Morse

PUBLISHER
T3 Custom
Email: info@t3publishing.com
www.t3publishing.com

Me Go Trade

Let’s face it. No matter how impressively automated your trading system is—custom scans, charts, half eaten Twinkies—at the end of the day, it’s really an educated guess where the stock you’re coveting is going next. Though your indicators all point to up or down, you don’t really know for sure—which means your level of confidence in the trade sits on a spectrum. Of sorts.

In other words, it’s more of a data driven gut feeling that ultimately drives your decisions.

You may know which stock you want to trade. But choosing the right option strategy could make a huge difference in your probability of success, depending on how confident you are. And this is where gut meets science. In this month’s cover feature, “Trading on a Sour Stomach” (page 10), we’ll show you whether the difference between feeling a “sure thing” or just “meh” could dictate which strategy you may want to consider for a given trade.

But suppose you don’t already have a system, and you’re just discovering the thinkorswim® trading platform for the first time. Continuing our Special Focus on the finer tools of the platform, we’ll dive into thinkorswim Charts (starting on page 32). Serving up nothing less than the kitchen sink, the Charts page has tools from which even the “I don’t use charts” trader could benefit.

And of course, after you’ve pulled the trigger and entered a trade, at some point, you’ll find yourself in one of two situations—facing a loss or staring at a profit—and not sure what to do next. “How to Neuter Your Trade” on page 24 is a must-read for you nail-biters that could provide some relief.

It’s been said that trading can be traced back to our simian ancestors. As Trader Erectus once wrote on his cave wall while contemplating his next Paleo snack, “mmfph” – which was later translated to “Buy sparingly and sell often.” We agree.

Happy trading!

Kevin Lund,
Editor in Chief, thinkMoney
The information presented in this publication does not consider your personal investment objectives or financial situation; therefore, this publication does not make personalized recommendations. This information should not be construed as an offer to sell or a solicitation to buy any security. The investment strategies or the securities may not be suitable for you. Any and all opinions expressed in this publication are subject to change without notice.

Options transactions involve complex tax considerations that should be carefully reviewed prior to entering into any transaction.

The risk of loss in trading securities, options, futures and forex can be substantial. Clients must consider all relevant risk factors, including their own personal financial situations, before trading. Options involve risk and are not suitable for all investors. See the Options Disclosure Document: Characteristics and Risks of Standardized Options. A copy accompanies this magazine if you have not previously received one. Additional copies can be obtained at tdameritrade.com or by contacting us.


- A forex dealer can be compensated via commission and/or spread on forex trades. TD Ameritrade is subsequently compensated by the forex dealer.
- Futures and forex accounts are not protected by the Securities Investor Protection Corporation (SIPC).

TD Ameritrade, Inc. Member SIPC FINRA NFA

TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank. ©2014 TD Ameritrade IP Company, Inc. All rights reserved. Used with permission. Product and company names mentioned herein may be trademarks and/or registered trademarks of their respective companies.

Transaction costs (commissions and other fees) are important factors and should be considered when evaluating any options trade. For simplicity, the examples in these articles do not include transaction costs. At TD Ameritrade, the standard commission for online equity orders is $9.99, online option orders are $9.99 + $0.75 per contract. Orders placed by other means will have higher transaction costs. Options exercises and assignments will incur a $19.99 commission.

TD Ameritrade was evaluated against 19 others in the 2014 Barron’s Online Broker Review, March 15, 2014, and was awarded 4.5 stars overall (along with 3 others). The firm was ranked 1st in the categories “Best for Long-Term Investing” and “Best for Novices.” TD Ameritrade was also among those listed in the categories Best for Frequent Traders (ranked 4th), Best for Options Traders (ranked 2nd) and Best for In-Person Service (ranked 5th). Star ratings are out of a possible 5. Barron’s is a trademark of Dow Jones. L.P. All rights reserved.
NO MATTER HOW MANY TRADING SYSTEMS YOU TRY, THERE’S GOING TO COME A TIME WHEN YOU JUST HAVE TO TRUST YOUR GUT ON A BULLISH TRADE. BUT DEPENDING ON HOW CONFIDENT YOU ARE, YOU CAN TWEAK THE DOWNSIDE RISK TO HELP YOU SLEEP A LITTLE BETTER AT NIGHT.

IN THE WORLD of numbers and analysis, a gut feeling can seem squishy and out of place. But with trading and investing, there’s no denying that our gut instinct can often help. It can make us confident or wary, no matter the analysis we used to determine a bullish or bearish directional bias. And for the record, it’s not that our analysis is wrong. It’s just that our gut remembers past winners and losers and a different part of the brain engages. It’s right brain vs. left brain. In a word, our gut can provide a reality check.

Now, some traders might use their gut as a “go, no-go” indicator. The “go” is all in with long stock, for example. The “no-go” is sit on your hands and do nothing. But there’s a smarter approach that may help fine-tune your trading instincts. Figure out whether your gut is making you slightly confident, semi-confident, or very confident in your bias. Let’s look at a few bullish strategies that may match what your gut might suggest.

WORDS BY THOMAS PRESTON

TRADING WITH A SOUR STOMACH
THE SORT-OF-CONFIDENT BULLISH TRADE
SHORT, OUT-OF-THE-MONEY PUT VERTICAL

When looking at a stock, you might believe it will go up—at least that’s what your analysis is telling you. But your gut isn’t quite as psyched about it. It’s telling you that the stock might not go up, and might drop. Since the out-of-the-money (OTM) put vertical has a defined max loss and defined max profit, it might be an appropriate strategy when you’re sort of confident in the direction you think the underlying will go.

A bullish short OTM put vertical is made up of a short OTM put, and a long OTM put that’s further OTM than the short put. This trade is designed to produce a credit, which is the max profit the trade can make (less transaction costs). The max loss is the difference between the strikes minus that credit.

What the short OTM put vertical does is potentially profit not only if the stock rallies, but also if it sits at its current price, or even drops a bit. More than a bit would mean the stock drops below the short strike plus the credit received, in order to incur a loss. As long as the price of the stock is higher than the strike price of the short put at the expiration of the options, this position can be profitable. A long stock position, for example, can’t do that. If the price of the stock doesn’t go up, or drops, the long stock position isn’t profitable (not counting possible dividends). The short put vertical can also have a lower margin requirement than long stock. That means you don’t need to tie up a lot of your trading capital in a sort-of-confident trade.

THE SEMI-CONFIDENT BULLISH TRADE
NAKED, SHORT OUT-OF-THE-MONEY PUT

Huh? a naked short option if you’re only semi-confident? That may sound risky, but hey, at thinkMoney, we don’t flinch. A short OTM put takes in a credit (the premium received for selling the put), which is its max potential profit (less transaction costs). The max potential loss is the strike price of the put minus the credit you realize for selling it. That’s the loss that would occur if the price of the stock goes to zero. And it’s that large potential loss that might be raising eyebrows for the semi-confident trader. The strategy also includes a high risk of purchasing the underlying stock at the strike price when the market price of the stock will likely be lower.

But think about it. The short put has no more risk than long stock. The losses for both are large if the price of the stock drops sharply, let alone goes to zero. But here’s an advantage for the short OTM put—the price of the stock can sit where it is, or even drop a bit by expiration, and the short OTM put can still be profitable. Long stock can’t do that (save, for possible dividends). A short OTM put also has no greater margin requirement than long stock. In a margin account, the margin on a short put can be lower than on long stock, and in an IRA, the margin on a cash-secured short-put position and a long stock position can be roughly the same.

The short OTM put and the short OTM put vertical share some characteristics. So, what makes the short OTM put the choice for the semi-confident trade? The short OTM put can have a higher credit than a short-put vertical, and thus larger potential profit. If the short put of the short-put vertical and the short put are at the same OTM strike price and same expiration, the credit for the short OTM put vertical will be lower than the credit for the short put. The difference is the cost of the long-put component of the short-put vertical. The short put gives you potentially more profit than a short-put vertical in exchange for a higher margin requirement and higher potential risk. That’s why it may be a choice if you’re a bit more confident in your bullish bias.
THE CONFIDENT BULLISH TRADE

LONG, AT-THE-MONEY CALL VERTICAL

A long at-the-money (ATM) call vertical could be the choice as a “very confident” trade. A bullish long ATM call vertical is made up of a long slightly, in-the-money (ITM) call and a short OTM call in the same expiration. You pay a debit when you do this trade, and the debit of the long ATM vertical is its max possible loss. The max potential profit is the difference between the strike prices, minus the debit paid, including transaction costs, and occurs when the stock price is higher than the strike price of the short OTM call at expiration. That means the price of the stock has to go higher for the ATM vertical to profit. It can’t just stay at the same price or drop, like it can for the short OTM put, or short OTM put vertical. If the stock drops, the long ATM vertical will likely lose some money, and the max loss happens when the price of the stock drops below the strike price of the long call at expiration.

The long ATM call vertical may be a confident choice because it can have a higher delta than an OTM short put vertical, or even a short put—meaning, it can be more responsive to a rise in the stock price. But if you’re so confident, why not just buy stock, or a long call for that matter? Neither caps your upside potential, so why choose it?

Compared to long stock, the long ATM call vertical can have less potential risk, for one. Nothing is guaranteed to go higher. If the stock does drop sharply, the loss on the long stock can be much greater than on the long vertical. Also, the long ATM call vertical can have a lower margin requirement than long stock. That means that you tie up less of your trading capital with verticals.

Compared to a long call, the long ATM vertical can be less sensitive to changes in volatility (vega) and time (theta), because the vertical has both a long and short option in it. The negative vega in the short option offsets the positive vega in the long option, resulting in a net-lower vega than a single long option. Likewise, the negative theta of the long option is offset by the positive theta of the short option, resulting in a net-lower time decay than a single long option.

THE KEY IS UNDERSTANDING THAT YOUR GUT drives strategy, not trade size. The smart way to implement confident analysis is with a strategy that not only reflects that confidence, but also can have lower risk, lower margin requirements, and opportunity to profit if you’re directional bias proves wrong. Remember, your gut gets you in the game. Your brain hopefully gets you paid.

**FIGURE 3:** Long ATM call vertical. The lowest probability of success among the three strategies discussed here, but the greatest possible reward when you’re feeling warm and fuzzy about the direction of the trend. For illustrative purposes only.
Access granted.

Get an exclusive look into how “The Suit” uses thinkorswim.

With the new sharing feature in thinkorswim, you’ll discover how our experts use the platform and which tools they rely on most. You can also generate new ideas and share your platform setup with friends, followers, and the myTrade® community.
THE TWEETS

- @TDANSherrod: Today I’m working on our 2015 Strategic Plan. And I’m putting the things that my Twitter followers ask for FIRST.

- @NewShoesHere: Does the Strategic Plan include how to play pocket Aces under the gun? 😊

- @TDANSherrod: No but it does include a new tab called “High Probability Racehorse Handicapping.”

- @MichaelComeau: Please add Pac-Man to the thinkorswim platform. I will trade more, I swear.

- @TDANSherrod: We already have Tetris. And Mine Sweeper.

- @MichaelComeau: Yes—but Pac-Man is a must. Come on, I’m not asking for Ms. Pac-Man here.

- @panthersfan1234: @JaviFusco Since you made it into a magazine, now you’re never gonna shut up. Thanks a lot, @TDANSherrod… :D

DA QUIPS

- On trading vanity
  It is quite possible that I just might be the best looking day-trader in all of Alabama, if not the world.
  Joe

- On take-backs
  There are no Mulligans in trading.
  Pat

Important Information
These comments are excerpts from chat rooms, emails, and tweets submitted by TD Ameritrade clients, and their views may not reflect those of TD Ameritrade. Testimonials may not be representative of the experience of other clients and are no guarantee of future performance or success.
Ask The Suit

A little Q&A with Nicole Sherrod, Managing Director, Trader Group at TD Ameritrade

Q: What’s new in the world of education at TD Ameritrade? Any new events coming up?

A: Yes! Here’s a short list of some of the latest and greatest:

Market Drive events. My work BFF, JJ Kinahan, hooked us up with some amazing sponsor partners this year so we can bring our TD Ameritrade Market Drive events to even more cities and to larger venues. (Thanks CME, BlackRock, Barclay’s, and CBOE!*) If you’re not familiar with these events, in a word, get off your derrière and go. “In a city near you” you’ll get a day of royal treatment learning all kinds of thinkorswim® tips, as well as mingle with other trading fanatics. And, of course, you’ll be inducted into our trading “inner circle.” Find out more here: www.tdameritrade.com/registerformarketdrive.

thinkorswim Chat Rooms. Don’t forget about the great education going on daily in thinkorswim Chat Rooms. If you’re looking for something topical it’s there, it’s colorful, it’s unedited. And our “on air” talent keeps stepping up their collective games to drive even more impact from these events. Just fire up thinkorswim, and select Support/Chat in the upper right of the screen. Then select the Chat Rooms tab.

And for the Ladies. Finally, there’s one other thing that we’re working on. You might not know this, but the readership of this esteemed publication skews to the male side. Yup, it’s a fact that women are not as invested as men. But we’re going to change all that. That’s right—developed by ladies for ladies, we’re launching new educational content designed to empower women to focus on building even greater wealth and investing savvy investing in the markets (tdameritrade.com/up). Why say it here? Because I want you to share a link with the women you care about—your sisters, daughters, friends, mothers, and yes, even wives.

* CME, BlackRock, Barclays, CBOE, and TD Ameritrade are separate and unaffiliated companies and are not responsible for each other’s services or policies.
Toys for Traders
A few of our latest trading faves

thinkorswim®

TRADE FLASH
This toy displays trade-related events as they happen—such as analyst up/downgrades, block trades, trade imbalances, events on the trading floor, and more. To trade on a “Flash,” just click on the symbol in the Trade Flash feed and you’ll be sent to the Trade tab.

MY TOOLS
Instead of scrounging around all the submenus for your favorite indicators or chart functions, this toy gives you easy access and one click for each of your faves. Apply it to one or all the charts, or just those detached. To turn on My Tools, bring up Chart Settings and look under the General tab, bottom right.

ISE SPREAD BOOK
This old tool has been turned back on to let you see all the working spread orders on the ISE that your peers are trading. Similar to the regular spread book, you can search for all types of spreads (verticals, butterflies, etc.) for any symbol traded there to analyze for your own purposes.

If it Ain’t Broke, Don’t Tax It
Will a tax proposal that picks on retail option traders survive?

•
Words by Rachel Koning Beals
Illustration by Joe Morse

Can I interest you in a little light reading? House Ways and Means Committee Chairman Dave Camp, a Michigan Republican, has issued a 979-page door stop called the “Tax Reform Act of 2014.” In his defense, an overly complex U.S. tax code requires nothing short of a beefy rewrite. And there among the fine print of the “Tax Reform Act of 2014,” mark-to-market treatment will snag listed options that retail investors favor in the sweeping list of changes.

AND THERE AMONG THE FINE PRINT OF THE “TAX REFORM ACT OF 2014,” MARK-TO-MARKET TREATMENT WILL SNAG LISTED OPTIONS THAT RETAIL INVESTORS FAVOR IN THE SWEEPING LIST OF CHANGES.

options market. Options’ tax treatment has been “well-settled” for 30 years, argues the Options Industry Council. Other potential problems, according to tax-law firm Chapman and Cutler: Valuation of lightly traded derivatives; attempting to price as individual products embedded derivatives whose “value” may depend on what happens with the entire trade; and perhaps most importantly, expecting investors to pony up taxes on money they don’t actually have in hand.

Stay tuned. Camp has some bipartisan support, but the proposal faces a long road, especially in a midterm election year that may give Congress a facelift. Picking on retail derivatives is just the tip of the iceberg for a proposal that takes on individual and corporate tax rates, and many more complexities. For now, a red pen awaits its call.
HEADLINES MAY COME AND GO. BUT VOLATILITY IN REACTION TO THOSE HEADLINES IS WHAT CAN MATTER MOST TO TRADERS. AND BEFORE YOU WRITE OFF HIGHER-VOLATILITY MARKETS, HERE’S A LITTLE SECRET YOU OUGHT TO KNOW.
good news, bad news, news you consider important, news you ignore. Of course, how you interpret news is up to you. But there’s no mistaking the one signal—implied volatility—that can tell us how the market itself feels about news. Simply put, implied vol measures the magnitude of an index or stock’s potential price change. It goes up when the market is uncertain or fearful about what a headline might mean for future price changes, and down when news makes the market confident.

Sometimes, though, market volatility itself becomes news. And talking heads sound the alarm when the VIX—the Chicago Board Options Exchange (CBOE) volatility index—spikes higher. The VIX might not be reacting to news at all. But scary headlines about volatility can make novice investors skittish and afraid to act.

Sure, it’s a free country. And you can choose to trade or not, depending on your nervous system. But savvy traders understand that higher volatility may actually signal potential opportunities. In fact, veteran traders may use strategies that leverage the very thing that’s often scary to novices. How? Because they understand that when the VIX is higher, options premiums don’t just increase in lockstep. They do so exponentially.

**LEG BONE CONNECTED TO THE SHIN BONE**
Traders know the VIX is calculated using out-of-the-money (OTM) SPX options prices. Those prices move higher and the VIX goes up, when traders buy them as a hedge or speculation against a large SPX price change. When option prices move lower because traders are selling in expectation of smaller price changes, the VIX moves lower. The relationship is essentially mechanical.

Traders may have an idea that short-option strategies like short straddles, for example, present opportunities when implied vol is higher, and wait for a higher VIX before they either open positions or increase position size. The higher the volatility, the higher the credit received for a short straddle—all other things like SPX price, strike price, and time to expiration being equal. That higher credit can mean higher potential profits and wider break-even points for a short strangle, which is why the strategy may be more attractive when volatility is higher. That said, short strategies in higher volatility environments pose great risk due to the wild swings that could drive a short option deep in the money very quickly. For that reason, you will always need to be aware of the increased risks as volatility increases, but as it does, how much higher is the credit?

**PUT TO THE TEST**
Let’s use some actual numbers for the dollar amount that a change in the VIX means to SPX prices. The difference between the VIX at 14, and the VIX at 20, is due to SPX option prices. But how much higher are the SPX options when the VIX is at 20, than when it was at 14? A little bit higher, a lot higher, or somewhere in between?
To answer that, I did a little study using the thinkBack tool on the Analyze tab of thinkorswim®. thinkBack lets you look at end-of-day stock-and-option prices for every trading day going back to 2003. Set the date in the upper-right-hand corner to open up the stock and option prices for that date. It’s very handy for this type of analysis.

I looked for trading days where the SPX prices were very close—only a few points difference—and where the expirations were the same number of days in the future. The dates I found were July 9, 2013, and October 8, 2013. That removed much of the influence of the SPX price, and days to expiration on the prices of SPX options. The main reason for any difference in the option prices would be volatility. So, same SPX price, same days to expiration. Only the VIX is different. Here’s what I found:

The table above is divided into two sections showing SPX options with nine days to expiration, and 37 days to expiration. The strike prices are down the middle. On the left hand side are out-of-the-money SPX option prices, when the VIX was 14.50. On the right are out-of-the-money SPX option prices when the VIX was 20.34. The strike prices 1650 and lower, show SPX put prices, and the strike prices 1655 and higher, show SPX call prices. You want to look only at out-of-the-money options because their values are purely extrinsic, and clearly illustrate the impact of higher and lower volatility on their prices.

The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The VIX at 20.34 is 40% higher than the VIX at 14.50. You might think that the SPX option prices are higher by a similar amount but they’re not. In the case of the 1500 puts with 9 days to expiration, with the VIX at 14.50 they were .20. But with the VIX at 20.34 they were 1.35, or rather 6.5x greater. The 1500 puts with 37 days to expiration were 2.85 with the VIX at 14.50, but 7.55 with the VIX at 20.34—more than 2.5x greater.

The 1650 puts with 9 days to expiration, which were closer to the money, were 13.00 with the VIX at 14.50, and 18.55 with the VIX at 20.34. That’s 1.4x higher, which is closer to the increase in the VIX. The

Important Information

Naked option strategies involve the highest amount of risk and are only appropriate for traders with the highest risk tolerance. Backtesting is the evaluation of a particular trading strategy using historical data. Results presented in thinkBack are hypothetical, they did not actually occur and they may not take into consideration all transaction fees or taxes you would incur in an actual transaction. Past performance of a security or strategy does not guarantee future results or success. Results could vary significantly, and losses could result. Spreads and other multiple-leg option strategies can entail substantial transaction costs, including multiple commissions, which may impact any potential return. Supporting documentation for any claims, comparison, statistics, or other technical data will be supplied upon request.
Evolution of the Trader

The recent discovery of the “T-DNA,” or trader’s genetic code, has led scientists to piece together the thinkMoney family tree. Who knew we all share a double helix started by our favorite little creature way back when?

1st LEVEL:

**Calliputibus Volarensis**

OPPOSABLE THUMB CREATES ADVANTAGE OVER OTHER APES BY ALLOWING 5 LOTS

**Trader Neanderthalensis**

EXTRA-LARGE FOREHEAD PERFECT FOR BEATING AGAINST TREE WHEN CLOVIS POINT TRADE GOES BAD

**Trader Erectus**

UPRIGHT STATURE APPLIED TO OPTION MARKETS AND CREATES VERTICALS
NONAGENARIAN DOES
PRECISE PORTFOLIO
REBALANCES TO KEEP
WHIPPERSNAPPERS
AT BAY

GALLIC KING OF
TRADERS CORNERS
MILK MARKET, SETS
FRANCE UP AS CHEESE
CAPITAL IN PERPETUITY

BUYS TOPS,
SELLS BOTTOMS,
REPEATS

EDICT FORCING
ENGLISH SUBJECTS TO
TAKE OTHER SIDE OF
ROYALS’ LONG OPTION
TRADES LEAVES STEIN
RULER PENNILESS BUT
LOVED BY MILLIONS

CONSTANT PANIC
AND DIRE WARNINGS
LEAVE WANNA-BE
BEAR WITH NO TIME
TO ACTUALLY TRADE

BEARISH DRUID
TRADER PAINTS SELF
BLUE IN ATTEMPT TO
CONFUSE COLOR-
BLIND BULLS

DELIGHTS IN THE
SIGHT OF A FLOCK
OF ATM BUTTERFLIES
EXPANDING AT
EXPIRATION

PENCHANT FOR
17-LEGGED OPTION
TRADES LEADS PUZZLED
ROMAN TRADER TO
RENAME HIS CITY
“BYZANTIUM”

MUCH TO HIS MOTHER’S
DISMAY, LIVES LIKE
HE TRADES—AT THE
THIRD STANDARD
DEVIATION

WORKS LIMIT ORDERS
SO AGGRESSIVELY THAT
US MINT IS CONSIDERING
SUB-.01 INCREMENTS
SO EXCHANGES CAN
KEEP UP

LIVES LIKE
HE TRADES—AT THE
THIRD STANDARD
DEVIATION

“BYZANTIUM”

SO AGGRESSIVELY THAT
US MINT IS CONSIDERING
SUB-.01 INCREMENTS
SO EXCHANGES CAN
KEEP UP
HOW TO NEUTER YOUR TRADE

At some point you may have heard an options trader boast about being a “delta neutral” or “market neutral” trader. But what do these terms mean, and are they really useful? Let’s put the debate to rest.

Words by Thomas Preston Photograph by Fredrik Brodén
But add the terms “market” or “delta” and the real fun begins. Why? Because “market neutral” and “delta neutral” are trading terms—often confused, confusing, and used interchangeably. Is a market-neutral strategy always delta neutral? Or can a delta-neutral strategy be market neutral? Rather than get into a semantic argument, let’s define them, then explore how you can apply them.

**DELTA WHAT?**
Delta neutral means that the delta of a portfolio or given position—how much money it will make or lose if a stock price changes $1.00, all other factors being equal—is zero, or close to zero.

A simple position like a straddle, or a portfolio holding a lot of different options, can have cumulative delta close to zero, and be considered delta neutral at the onset of a trade, but not likely for long. Delta-neutral trading kicks in when the need arises to “neutralize” deltas, or rather, reset the position’s delta to zero. Market makers employ this technique when there’s too much directional risk—or in trader-speak, too many positive or negative deltas (see sidebar, right)—in a given position. Market makers continuously buy and sell options, and perhaps hedge each option trade with stock. For them, their profits arise from the bid/ask spread, and they don’t want to lose those profits if the stock or index moves in a given direction.

For example, if an order comes into an exchange to buy **out-of-the-money** (OTM) calls, the market maker takes the other side of the trade by **shorting** those calls. The short calls have negative delta, and can lose money if the stock rallies. The market maker may immediately buy stock shares to generate positive deltas, to offset the call’s short deltas. If the stock rallies, he’s hedged. Or, he might see an order for someone trying to buy puts. If he takes the other side of that trade by shorting puts, that too, could generate positive deltas to hedge the short calls. It’s complicated, but being delta neutral keeps the market maker’s directional risk low. In that sense, **delta neutral** is a response to a question about an existing position. How many deltas does that existing position have, and how can they be reduced? More on that later.

**AS FOR MARKET NEUTRAL...**
Market-neutral trading, however, is much closer to what retail traders—you and me—do. We might create a specific strategy as a market-neutral trade, if we believe the stock price or index will stay in a range, or at least not move past certain price levels. The market bias is neither bullish nor bearish, and the expectation is the stock won’t move much at all. Hence, it’s market neutral. For example, think short strangles or iron condors. These market-neutral strategies typically start without a bias, and result in positions that we choose

---

**FIGURE 1:** Checking deltas. To view the deltas of each position or your entire portfolio in thinkorswim, 1) click the little “wrench”-looking thingy in the upper right of the Position Statement section of the Monitor page. Then 2) add “delta” in the menu of options to add to the columns. For illustrative purposes only.
based on price, probability, or potential return vs risk.

Now, market-neutral strategies often have very low deltas, at least when trades are initiated. How so? A short strangle, for example, composed of a short out-of-the-money (OTM) call, and short OTM put in the same expiration, can have a very low delta, if the call’s and put’s strike prices are roughly the same number of points OTM. The short call has a negative delta, and the short put has a positive delta.

Combining the negative delta of the short call and the positive delta of the short put, the delta of the short strangle is close to zero. But a near-zero delta doesn’t always mean market neutral. For example, consider a long at-the-money (ATM) call vertical in options with single points between strikes. The long ATM call option might have a delta of .50, and the short-call option at the first OTM strike might have a delta of .46. The net delta is .04, which is pretty small. But that long-call vertical has a decidedly bullish bias, and is not market neutral. It could lose money if the stock just sits where it is. So, small delta doesn’t mean market neutral.

By the way, you can always see the delta of your current positions on the Monitor page of the thinkorswim® platform (see Figure 1). It’s one of the columns in the “Position Statement” section of that page. To add delta, click on the little “wrench” icon in the upper-right-hand of the Position Statement section, and find “delta” from the list of available columns.

**RUBBER, MEET ROAD**

So, hopefully you now understand the difference between delta neutral and market neutral, but how can you use it? Is delta neutral solely for market makers? No. Retail traders, too, can employ delta-neutralizing strategies in an effort to protect profits and reduce losses. Unlike a market maker who neutralizes delta—i.e., gets the delta of a trade close to zero, on a trade-by-trade basis—retail traders may just want to reduce delta on a losing trade to help defend against further losses, or on a winning trade to potentially capture profits. Let’s see how.

Consider a scenario with a stock price at $50 and a short 47 strike put for a 1.00 credit. This strategy loses if the stock price drops, and profits if the stock price rises. It has a positive .30 delta when you first put the trade on, and a breakeven point at $46.

**Defend against losses.** If the stock drops to $48, the put will likely be losing money, and its delta rises to, say .45. Your strategy now has more delta (directional) risk to it, with the potential to lose a growing amount of money if the stock continues to drop.

Now, you could just buy back the short put, but maybe you think the stock might stop dropping, or even rally a bit. A way to “defend” the short put would be to reduce the higher delta by selling a call against it.

If the 50 call has a .35 delta, selling it for 1.20 would generate negative -.35 deltas, and leave you with a short 47/50 strangle with a current delta of positive .10. Selling the call also adds to the credit of the overall strategy, which increases the potential profit to 2.20 (minus transaction costs), and lowers the downside breakeven point to $44.80. Yes, you are adding risk to the position if the stock rallies sharply. But if the stock continues to drop, you could roll the short call to a lower strike to realize even more credit, which would lower the downside breakeven point further.

**Capturing profits.** On the other hand, let’s say the stock rallies from $50 to $53, and the short 47 put is now profitable with a delta of .15. Rather than adding upside risk by shorting a call to reduce the already-low delta, you might buy the 48 put with a delta of -.20, for example, if it’s trading for less than the credit you took in for selling the 47 put. If you can buy the 48 put for .75, you’d not only reduce your delta from + .15 down to -.05, you’d also have the long 47/48 put vertical on for a net .25 credit (minus transaction costs).

**Important Information**

Multiple-leg option strategies can entail substantial transaction costs, including multiple commissions, which may impact any potential return. These are advanced option strategies and often involve greater risk, and more complex risk, than basic options trades.

**These are two simple examples** of reducing a position’s delta. You can use verticals or other spreads, for example, to reduce delta in a defined risk way. But if you understand the logic of choosing a specific option or spread based not only on how much it neutralizes the delta of a position, but also on how it can potentially enhance or improve the resulting cumulative position, you’ll be able to think more strategically about individual positions, and even your entire portfolio.
COOL SCRIPT #1
THE DOW-TO-GOLD RATIO
• Words by David “Mr. Script” Kier

When asked to describe a widespread problem and then offer a solution I thought they meant for something like global warming. But alas, it was to solve a problem related to thinkorswim using thinkScript®, the do-almost-anything-we-didn’t-think-of tool. If you’re new to thinkScript, see the left sidebar to learn more.

For my first trick, I want to show you how to build a chart that displays the ratio of the Dow Jones Industrial average to the price of gold. Despite the name, the “Dow-to-Gold Ratio” is used by many traders to tell how overpriced the S&P 500 (SPX) might be. (See Figure 1.) You can see historically as the SPX hit new highs, gold was also at highs, and the ratio remained relatively low. But at the time of writing, as SPX continues to rise, gold is going down. So SPX is becoming expensive valued in gold as well as U.S. dollars.

BUILD-A-RATIO
The Dow-to-gold ratio has been used to analyze everything from stock-market moves to predicting upcoming interest-rate decisions. We aren’t going to delve into Dow-to-gold theories, but rather describe how to see this ratio on thinkorswim. The problem we face is you can’t enter ratios in the symbol entry box on thinkorswim. So we need to think outside the (symbol entry) box to solve this one.

Starting on the thinkorswim Charts tab, bring up a one-year daily chart of the S&P 500 index by entering SPX in the symbol box. We’re going to build a study for a lower sub-graph of the chart in which the displayed data will be independent of the charted symbol—meaning, you can change the symbol without changing the new study. Once you see an SPX chart, fire up the thinkScript Editor by following the sidebar “Scripting from the Charts.” Then enter the following script:

1. #hint: Ratio Chart
2. declare lower;
3. Input symbol_1 = ”/YM”;
4. Input symbol_2 = ”/GC”;
5. Plot ratio = close(symbol_1) / close(symbol_2);
6. ratio.AssignValueColor(if ratio >= ratio[1] the Color.UPTICK else Color.DOWNTICK);

After you’ve entered the above code, press Apply and OK and you’ll see a chart similar to Figure 2, with the Dow-to-gold indicator at the bottom.

Now let’s break down the code line by line to help you figure out how you got there.

FIGURE 1: How overpriced is it? The Dow-to-Gold ratio (the lower indicator above) helps you see how overpriced the SPX (upper chart) might be relative to the ratio. For illustrative purposes only.
1. **Line one** is a note which doesn’t affect your script but is used to keep track of each section’s goal. In our example we created “fancy note” by using the key word hint. This tells the thinkScript Editor to place the little help bubble next to our custom script in the Edit Studies and Strategies.

2. **Line two** tells the script this is a study by default that belongs on a lower subgraph. This is used with studies that don’t relate, or will not scale, to the chart’s price graph.

3. **Lines three and four** allow you to change the ratio symbols without editing the script. You can customize these two inputs in the study parameters similar to how you customize pre-defined studies. Since we are building the Dow-to-gold ratio, I used the futures for each of these specific products.

4. **Line five** is the math, the heart and soul of the script. We are simply taking the first input symbol and dividing it by the second, thus making it a ratio.

5. **Line six** makes the study pretty. The AssignValue-Color function allows us to color the line as the ratio changes. If the ratio moves up, we color the line as our Uptick. And if it moves down, as our Downtick.

   Congrats, you have your own Dow-to-gold ratio chart. And since you solved this in a smart way, you now can create any ratio chart you desire simply by editing the symbols in lines 3 and 4. If you’re new to scripting, be sure to read our primer on scripting in thinkMoney, Winter 2014 issue. We may not have solved global warming today, but we did make one small step for a legion of traders!

---

**THINKORSWIM SHARING**

**ONE WORLD. LET’S SHARE IT.**

*Words by Chesley Spencer*

With over a bajillion possible customizations available, thinkorswim can be a little intimidating. Users often ask “how do I set up my platform like [insert celebrity trader here]?” Trying to replicate another trader’s setup used to be quite the exercise, but now it’s as easy as a button click.

The Sharing Center enables users to share and consume a dozen different flavors of platform customizations by way of a web link. Each one of these platform functions has its own “Share” option that, when clicked, will generate a link to a web address which can then be given to anyone. Users can share their workspaces, watchlists, order or alert templates, trade grids, charts, scan queries, thinkScripts (studies, strategies, columns, and alerts), or flexible grids.

As we mentioned, each sharable function has its own share button, generally located where that function is set up. For example, the button for a single chart is at the top of the chart’s border. The grid sharing button is in the grid menu, etc. Figure 1 shows many, but not all, of the locations where these links can be created.

Once you select a share function, a new window will appear with the option to share the content directly with myTrade®, or to create an HTML link which can then be posted anywhere you like on the Internet. Keep in mind: you’ll need a myTrade username to create a link (so others can see the source). This can be created under the Tools tab in myTrade. From myTrade, click on “Settings,” edit your Display Name, then click “Update Settings.”

When shared content is loaded into the platform, it will either save a copy to load later (such as a Workspace), or pop-out in a discrete window (such as a chart). This way, you’ll always have the chance to save your setup.

---

**Important Information**

myTrade is a service of myTrade, Inc., a separate but affiliated firm. In order to use the service, you must create a myTrade profile, and conform to the myTrade terms of use. TD Ameritrade is not responsible for the services of myTrade, or content shared through the service.
ATTACK THE MARKET FROM ALL SIDES.


AUGUST 18-20, 2014 | DALLAS HYATT REGENCY

FEATURED KEYNOTE SPEAKERS

T. Boone Pickens
Visionary Entrepreneur

Get the latest on the energy market—and why you should care.

Ken Fisher
Forbes Columnist

Find out how a veteran money manager is handling today's market.

Learn more at investoolsconferences.com/thinkmoney
“Hey kid, you wanna come work for me?”
That was thinkorswim® founder Tom Sosnoff, talking to Mike Barwacz thirty years ago on the trading floor of the Chicago Board Options Exchange (CBOE). Happily for us, Barwacz said yes, and first clerked for Sosnoff before moving into the OEX pit as a market maker in his own right. Back then, Barwacz took a lot of grief for his trading badge which read “SYZ” (pronounced “size”)—an ironic acronym since he started as a one- and two-lot trader.

As fate would have it, the acronym spoke volumes about Barwacz’s ambition and drive. Still a passionate trader geek, he’s now Director of TD Ameritrade’s Trade Desk and oversees teams in Chicago, Fort Worth, and Canada. Not surprising, he draws heavily on 22 years of knowledge and wisdom from the trading floor to ensure trade-desk reps have the right stuff to talk to clients about even the most complex options strategies.

Barwacz is called the unofficial mayor of Chicago for good reason, and walking the CBOE trading floor with him takes some time. He seems to know everyone and loves to talk trading strategies. We wondered how his years on the floor helped shape who he is today.

Meet the Mayor
TD Ameritrade’s Mike Barwacz runs the innovative Trading Desk with old-school principles.

Mike, tell us about those early days at the CBOE.
It was the mid-1980s and options were getting hot. That was the buzz. At one point the OEX (S&P 100) was the biggest pit in the world and had almost 600 guys. Tom Sosnoff, JJ Kinahan and I, we all stood very close to each other. We were like family. The best days were when you really couldn’t leave, because there was so much paper (orders), and you were sweating through your coat. It was great. The energy, the competitiveness, having a broker yell something out, and you being the first on the ticket.

You were at thinkorswim in the early days, right?
I joined thinkorswim (when it was an independent brokerage) in 2007 and helped guide the Chicago office through TD Ameritrade transition after the merger. Hiring people from the floor is what made thinkorswim so special. Floor traders are a different breed. We have a different gene. As competitive as it was, there was also honor and etiquette, which we took off the floor as well. We knew how to talk to clients and explain things in a clear, simple manner. That’s the benefit of coming to TD Ameritrade. It’s like a family here.

What are your three trading rules to live by?
Don’t panic, manage your winners, learn from your mistakes.

What’s the bigger goal ahead for Trade Desk?
At the time TD Ameritrade bought thinkorswim, about 6% of their trades were options. Now, it’s 40%. We wanted customer-service reps to be able to answer complex phone calls about option strategies. So, in the last year and a half, we’ve combined trade desks into the “One Trader Group,” and taken reps through a rigorous training. We make sure all our trade-desk reps trade, or paper trade. They’ve got to have skin in the game. We hire people who are passionate about trading.

I heard a rumor you like to “initiate” unsuspecting guests?
Well, I’ve been called the “Entertainment Committee.” So yeah, if you’re visiting TD Ameritrade’s Chicago office on business, I’d likely be the one showing you around. We might make it over to the Motel Bar for an introductory shot of Malör (an infamously terrible-tasting, Chicago-made liquor, by the way). That’s all I’m going to say.
NO DOUBT YOU CAN FIND LOTS OF CHARTING PROGRAMS OUT THERE. BUT SERIOUSLY, WHY LOOK FURTHER? OTHER THAN A BACK MASSAGE, THINKORSWIM® CHARTS CAN DO ALMOST ANYTHING YOU’D NEED A CHART TO DO—EVEN IF YOU’RE NOT A CHART READER.
WANT TO KNOW A LITTLE SECRET? When the thinkorswim® platform was first built, it didn’t have charts. It’s not that the development team couldn’t build chart functionality. It’s just that as ex-market makers, we didn’t think to add them because we hadn’t really used them.

Then two things happened. One, customers started to ask for charts. And two, we figured out some cool chart functionality that would help traders who didn’t do technical analysis.

I won’t bore you with how to interpret the hundreds of technical studies or chart drawings the platform supports. You’ll find volumes of books on that subject. I want to focus on the stuff you may not have seen—the cooler stuff that’s easy to overlook.

Let’s shine a light on some of the features that chartists and non-chartists alike can use in day-to-day trading. These instructions will be based on the Charts page unless otherwise noted.

OVERLAYS
An overlay is when you have two or more different stocks or indices displayed on the same chart. It’s a way to see relative performance—whether one is over- or under-performing another. It can be a measure of relative strength, and it’s also handy if you’re doing pairs trades. (See Figure 1.)

Here’s how you do it:
1—Look in the upper-right-hand corner for the Studies button. Click on it, then hold the cursor over “Add Study” to see the expanded menu.
2—Hold the cursor over “Compare With” at the bottom of that menu. You’ll see for example a list of default index symbols like DJX and SPX, as well as “Custom Symbol” at the top. If you click on one of the index symbols, or enter another symbol when you click on “Custom Symbol,” a chart for that symbol is overlaid on the chart.

For example, if you have a chart for DJX and you select SPX from the list of indices, an SPX line chart will be displayed along with the DJX chart. The vertical axis on the left-hand-side will be scaled for the overlay symbol so the high-and-low range fits on the same chart as the original symbol. That’s how the SPX, whose price is 10x the price of the DJX, can be displayed on the same chart. You can also go back to the “Compare With” menu and add more indices or custom symbols.

To take overlays one step further, click on the “Style” button in the upper-right-hand corner, then click on “Settings.” Now in the “Chart Settings” window, click on the “Price Axis” tab and check the “Show Price as Percentage” box. That switches the vertical axis on the left-hand side of the chart to show the percentage change each symbol has had from the first date on the left-hand side of the chart, to the current day. This makes it easier to compare performance of two symbols with different prices.

BACKTESTING*
You can test trading strategies based on technical indicators, and see the profit-and-loss performance right on the charts. The charts have what we call “Strategies,” which are simulated long-and-short entry and closing points determined by a technical indicator. You can code your own strategy, which is beyond the scope of this article, but I’ll show you how to get started:
1—Click on the “Edit Studies” icon in the upper-right-hand corner.

FIGURE 1: Comparing Notes. Use the overlay function in thinkorswim, to compare two stocks, or in this case a stock to the SPX (pink line).

FIGURE 2: Real test, fake money. Backtest a strategy first. Then view the entry and exit points on the chart, as well as a P/L before committing real dollars.
2—In the window that pops up, click the “Strategies” tab on the upper-left corner.

3—On the left-hand-side you’ll see a list of the default strategies available. To make the strategies “work,” you need to add commands that will show both “long entry” (LE) and “short entry” (SE), at a minimum.

4—For practice, look for the “BollingerBandsLE” and “BollingerBandsSE” strategies in the list. Those are the long-entry and short-entry commands based on Bollinger bands. Double click on each one and it will be added to the list of studies and strategies on the charts in the main body of the “Edit Studies and Strategies” window.

5—Click the “Apply” button in the lower-right-hand corner of the window, then the “OK” button.

You should see “BollingerBandsLE” and “BollingerBandsSE” labels on the chart, indicating simulated buying and selling 100 shares of stock based on the Bollinger Band test. To see the profit and loss of those simulated trades, place the cursor directly on one of the labels, and right click to open a new menu. Click on “Show Report” in that menu to open the “Strategy Report” window. There you’ll find the buy-and-sell signals, and profit-and-loss data for the strategy.

And by the way, if you want to buy or sell the chart’s stock shares for real, right click in the chart’s main body and select “Buy” or “Sell” from the drop-down menu. Plus, on the far-right-hand side of the chart window, you’ll see tabs for “Trade,” “Time and Sales,” “Level II,” etc. This lets you add windows with those features next to the chart window. That can basically set up charts as your go-to page for stock and futures trading needs.

**LOOKING INTO THE FUTURE**

OK, not even thinkorswim has a crystal ball. But Charts let you see future dates to the right of the current date. This helps you locate upcoming earnings and dividend dates, for example, as well as helps you extend drawings like trend lines into the future so you can identify possible price targets. The process?

1—Click on the “Style” button in the upper-right-hand corner and click on the “Settings” choice in the drop-down menu.

2—Click on the “Time Axis” tab in the “Chart Settings” window.

3—Now look for the “Expansion Area” control. You can enter a number in the field for “bars to the right”—say, 50—then click the “Apply” button on the window’s bottom-right-hand corner.

That will add empty space to the right of the current date on the chart (see Figure 3). Once you’ve done that, you can extend a trend line or other drawing into that space. Place the cursor directly on the trendline and right click. Select “Extend to Right” from the drop-down menu and you’ll see that line in those future dates.

A study that’s built specifically for those future dates is the Probability of Expiring Cone (Figure 3 also). This draws the upper-and-lower bounds of a stock’s or index’s price range that theoretically encompasses a level of probability.

One way to add the cone study is to click on the

**FIGURE 3: Peeking at the Future.** By adjusting the chart to stop 50 bars from the right (shaded area), you can view future earnings and dividend dates. Add a probability cone (pink curve line) to estimate the probability range in which a stock will trade prior to those dates.
“Edit Studies” icon in the upper-right-hand corner and find “Probability of Expiring Cone” from the list of studies on the window’s left-hand side. Double click to add it to the list of chart studies. You’ll also find two fields to edit for the study. The “period” is the number of future dates for which the probability cone is calculated, and the “prob range,” is the probability the projected range covers. The default “prob range” is 68%, which corresponds roughly to one standard deviation. Set it to 95% to see a cone that covers two standard deviations, or 99%, to see a cone that covers three standard deviations.

THESE FEATURES REALLY JUST SCRATCH the surface of charting functionality. But hopefully you now have an idea of their scope and how to access them. Each of the described menus has other choices that lead you to other functions. Go ahead and continue to explore the charts to see just how hard you can make them work for you.

Important Information

*Backtesting is the evaluation of a particular trading strategy using historical data. Results presented are hypothetical, they did not actually occur and they may not take into consideration all transaction fees or taxes you would incur in an actual transaction. And just as past performance of a security does not guarantee future results, past performance of a strategy does not guarantee the strategy will be successful in the future. Results could vary significantly, and losses could result.

myTrade is a service of myTrade, Inc., a separate but affiliated firm. In order to use the service, you must create a myTrade profile, and conform to the myTrade terms of use. TD Ameritrade is not responsible for the services of myTrade, or content shared through the service.

Supporting documentation for any claims, comparison, statistics, or other technical data will be supplied upon request.

---

### How to...Find and Chart Your Next Trade

It’s easier than you think. Just ask three questions.

**WORDS BY DAVID KIER**

1. **Choose the subset of stocks** you would like to scan from the drop-down next to the words “Scan in.” There, you can see predefined categories as well as all your personal watch lists, and GICS classified industry lists.
2. **Choose All Optionable** if you only want to see stocks with listed options.
3. **Select “Add Stock Filter”** below the “Scan in” drop down to add a stock filter to the existing set of criteria.
4. **Choose Last and enter a minimum** and maximum price of the stock.
5. **Now click the “Add Study Filter” button.** Use the drop down to select the “Price Performance” group and choose “Price Direction.” The default inputs for this filter are “CLOSE” and “increased,” which we’ll keep. But you might want to increase the number of bars of data to more than 3.
6. **Sort for the most heavily traded** by choosing the “sorted by” dropdown to the left of the scan button. Select “Basic Price & Quote” menu and choose “Volume.”

**STEP 1: SCAN THE UNIVERSE**

Using Stock Hacker in the Scan tab of thinkorswim’s trading platform, refer to Figure 1. There you can scan the world of stocks with your own criteria, containing the list of stocks to scan, your filters, and all the price data your heart desires. Then…”

---

**FIGURE 1:**

Legal Hacking. Scanning for trades with Stock Hacker is as simple as choosing the list, then your parameters, and sorting how you want the results to show. For illustrative purpose only.

**FIGURE 2:**

Chart the Trade. Once you find a stock in Stock Hacker, right click and choose “TOS Chart.” Then answer the questions above. For illustrative purpose only.
7— In the next menu choose “Descending.” Then press “Scan.”

The results will appear at the bottom of the screen like orderly soldiers. If you’re not happy with them, you can always edit the filters.

**STEP 2: MASTER THE UNIVERSE**

Okay, maybe not the actual universe, but you can attempt to determine where the stocks in your world are going by charting them in the thinkorswim Charts. Just right click on any symbol in the scan results and choose “TOS Charts.”

If you’ve never charted, you should try to answer three basic questions:

1— What’s the trend?
2— How strong is the trend?
3— Where do I get in?

To help us with these questions, we’ll add three studies: simple moving average, volume, and Relative Strength Index, and make a couple of minor adjustments to the parameters.

Referring to Figure 2, change your chart to a one-year daily chart. Then, from the studies menu in the upper right corner of your chart, add SimpleMovingAvg and RSI-Wilder. Click on the SimpleMovingAvg and edit the length of the study to 50. You don’t have to add volume since it is already turned on by default. However, if your volume isn’t displayed you can add it within the Settings menu.

Once you’ve got thinkorswim Charts set up, you can answer the three questions:

**One:** Is the stock clearly trading above the simple moving average (blue line in chart) or has it recently crossed above the line?

**Two:** does the indicator line in the RSI-Wilder cross from below the 30 line to above the 30 line recently?

**Three:** is the volume increasing or higher than normal (bars are higher than prior bars, indicating more traders committing to the trade)?

**WHILE THERE’S NEVER A GUARANTEE** that a trend will continue, if you’ve answered “yes” to all three of these, then there’s a good chance you may have filtered for a stock or two smack dab in the heart of a bullish run. Happy trading!

---

### FAQs.

#### Q: How can I synchronize drawings across multiple chart windows with the same symbol?

**A:** If you have a drawing like a trend line or a price level on a chart, you can have that appear at the same price level on another chart, even if it has a different time scale. Click on the “Style” button, then click on “Settings.” In the “General” tab of the “Chart Settings” window, you’ll see “Synchronize” with a checkbox for “Drawings” and “Crosshair Position” in the middle of the left-hand side. If those are checked, you can get a drawing displayed on a daily chart and a minute chart, for example, that have different price scales without your having to recreate the drawing.

---

### PRECISION CHARTING

**HOW TO EDIT YOUR STUDIES**

In thinkorswim Charts, if you click on the “Studies” button in the upper-right-hand corner and hold the cursor over “Add Study,” you’ll see dozens and dozens of different technical-analysis tools you can add to a chart. But if you know your studies, you’ll know that most of them have parameters that can be changed—things like the number of data bars used in the study, or like the K period and D period in Stochastics, for example. There’s a fast way to edit those inputs and parameters.

1— In the upper-right-hand corner, look for the “Edit Studies” icon that looks like a test tube releasing a drop of liquid. It’s a couple inches to the left of the “Studies” button.

2— Click on that icon to open the “Edit Studies and Strategies” window.

3— In that window’s main area, you’ll see any studies you’ve loaded on the chart. Hold the cursor over the study you want to edit and click the “gear” icon on the right-hand side. That opens the controls to change the study’s inputs, as well as color formats.
These days, trading terms may not be as complicated as “supercalifragilisticexpialidocious.” But close. Like flying nannies, market words are weird and wonderful. Understanding references like “contango” and “backwardation” could hold the secret to your success when you try to make sense of price moves in ETF products whose values are tied to futures contracts.

Remember a futures contract is an agreement to buy or sell something—like oil, for instance—at some time in the, well, future. In general, futures prices differ from “spot prices,” which represent real-time cash prices.

If a future price trades higher than the spot, this is called “contango.” If a future price trades lower than the spot, this is called “backwardation.” Note the following table.

| 30-day future price—contango | $105 |
| Cash (spot) price            | $100 |
| 30-day future price—backwardation | $95 |

For illustrative purposes only.

As an example, crude oil is said to be “in contango” when longer-dated contracts trade at increasingly higher premiums over cash. This premium exists to cover the costs, for instance, of paying the storage for the oil between now and a futures expiration. As the contract gets closer to expiration, this premium begins to “decay,” until the price of the expiring future matches the cash.

For instance, assume a cash price of $100 per barrel, and $105 for a 30-day futures contract. If oil’s cash price remains unchanged, then 30 days later the expiring futures contract will also be worth $100. If you had bought the futures contract, you just lost $5.

**Burned by Oil Rolls**

If you’re trading futures-based ETFs, beware of the “rolling risk”

**Just a Spoonful of Sugar...**

What does this have to do with your trading life? Even though you’re trading an ETF, in reality you’re trading futures contracts (at least through the fund manager) because products such as oil ETFs—derive their prices from futures. The goal of an oil ETF isn’t simply to track the price of oil. It’s to track the price of oil using near-month oil futures.

As a fund’s near-term futures contracts approach expiration, those contracts need to be rolled over into longer-term futures expirations so the fund avoids being forced into taking physical delivery of all that crude.

And when the market is in contango, guess what? You end up paying more for the longer-term contract than what you receive from selling the shorter-term contract, and the net price of your investment goes down. This is called “roll decay,” and with oil futures expiring every month, this decay can really add up.

**REMEMBER THAT**

just because a market is in contango, and longer-term futures cost more than shorter-term contracts, that doesn’t necessarily ground your investment. It’s just a headwind to keep track of. Given that the value of oil, volatility, or whatever it is you’re trading, could go up, this change in the cash price might be enough to offset ‘roll decay’. Or it might not. You may not have to clean chimneys, but watch the words that make the market. And above all, always work to understand the products you’re trading.

**Important Information**

Carefully consider the investment objectives, risks, charges and expenses before investing. A prospectus, obtained by calling 800-669-3900, contains this and other important information about an investment company. Read carefully before investing.

Commodity ETFs may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. Commodity ETFs may be subject to greater volatility than traditional ETFs and may not be suitable for all investors. Unique risk factors of a commodity fund may include, but are not limited to the fund’s use of aggressive investment techniques such as derivatives, options, forward contracts, correlation or inverse correlation, market price variance risk and leverage. This information is for educational purposes only. This is not a recommendation to trade any specific security.
Introducing CBOE Short-Term Volatility Index℠ (VXST℠) options and futures, with weekly expirations.

By tracking 9-day expected volatility, Short-Term VIX is particularly reactive to changes to the S&P 500® Index. So now you have the opportunity to capture more risk premiums with weekly expirations. Capitalize on sudden market events. Better manage near-term risk. And help take advantage of volatility for the here and now.

Download the Short-Term VIX quick reference guide at ShortTermVIX.com
Tweet with dollar-sign tag $VXST
Q: Hey, Trader! When I look at options, I usually see that out-of-the-money (OTM) puts have a higher price than OTM calls that are the same distance out of the money. And sometimes I see stocks whose OTM calls are higher than the OTM puts. What’s going on and why?

T: That, my friend, is volatility skew in action. Vol skew, for short, is when the implied volatilities of the options in a particular expiration aren’t all the same. If you look at a graph of the implied vols, they usually slope up, and away, from the ATM strikes. And the slope is often steeper for the OTM puts than the OTM calls. This is because investors often buy OTM puts as a hedge against long stock, and sell OTM calls as either a covered call, or to finance buying the put. That buying-and-selling pressure drives the implied vols of the puts higher than the calls, which in turn makes the puts look more expensive than the calls. But when calls are more expensive than the puts, the slope of the call skew is steeper than the put skew, and that can happen when the stock has a lot of speculative activity. Investors who believe a stock might make a big move higher may buy calls, which can drive those particular values, and implied vols, higher.

Q: Why do my AAPL* options look so strange after the stock split 7-1?

T: No matter how strange things look, remember that the split itself doesn’t change the value of your position. That said, let’s look at an AAPL option pre- and post-split. If the August 560 put is trading for $14.00 and has .33 delta, it would be worth about $1400 value, and 7 80 puts at $2.00 also have a $1400 value. Now, the delta of the 80 put will still be about the same as the 560 put, .33. And if AAPL drops the same percentage post-split as pre-split, a $3.00 drop would be about $.43. That means the 80 put would increase by about .142. Since you have 7 of the 80 puts, 7 x $14.20 = $99.40, which is nearly the same as the pre-split change in value. That means the risk of your position doesn’t change from pre- to post-split.

Q: Hey, Trader! Greetings! My name is Zyphro and I come from the year 2514. I wish to bestow upon you all the Fed announcements from your time until mine so your future self can be wealthy!

T: Um, thanks Zyphro, but even if I knew what the Fed numbers were going to be, I’d still have no idea which way the market would move. Seriously, that stuff is a coin flip. Interpreting Janet Yellen’s statements is a job all by itself. I’m too busy actually trading. But if you know the future, can you tell me if this burrito I’m about to eat will keep me up all night?

Important Information
*Security symbols displayed for informational purposes only. This is not a recommendation to trade any specific security. Multiple-leg option strategies can entail substantial transaction costs, including multiple commissions, which may impact any potential return. These are advanced option strategies and often involve greater risk, and more complex risk than basic options trades.
Bring out the option trading machine in you.

Stay on top of the option market with thinkorswim® platform tools.

You eat iron condors for breakfast. You straddle the market like it’s nobody's business. When it comes to option trading, you think you know it all, right? Think again. There’s a world of option opportunity out there. And we keep bringing you the innovative tools to help take it on. Slice and dice data like never before with option statistics. Scan thousands of optionable stocks in seconds with dynamic scanning. It’s no wonder why Barron’s named us among the “Best for Options Traders” five years in a row.*

Learn more at tdameritrade.com/options
**The Token Glossary**

Terms you might stumble across in this issue.

**tdameritrade.com**

---

**OUT OF THE MONEY (OTM)**

An option whose premium is not only all "time" value, but the strike is away from the underlying equity. For calls, it's any strike higher than the underlying. For puts, it's any strike that's lower.

**AT THE MONEY (ATM)**

An option whose strike is "at" the price of the underlying equity. Like out-of-the-money options, the premium of an at-the-money option is all "time" value.

**IN THE MONEY (ITM)**

An option whose premium contains "real" value, i.e. not just time value. For calls, it's any strike lower than the price of the underlying equity. For puts, it's any strike that's higher.

---

**Long Straddle**

A market neutral, defined risk position, composed of an equal number of long calls and puts of the same strike price. The strategy assumes the market will break out one way or another, in which case, a profit occurs when one side of the trade gains more than the other side loses. Breakeven points are calculated by adding and subtracting the total debit to and from the strike price of the options.

**Short Straddle /Strangle**

A market-neutral strategy with unlimited risk, composed of an equal number of short calls and puts of the same strike price (straddle) or two different strike prices (strangle), resulting in a credit taken in at the onset of the trade. The strategy assumes the underlying will stay within a certain range, in which case, as time passes and/or volatility drops, the options can be bought back cheaper than the credit taken in, or expire worthless; resulting in a profit. Breakeven points of either strategy at expiration is calculated by adding the total credit received to the call strike and subtracting the total credit received from the put strike.

**Theta**

A measure of an option’s sensitivity to time passing one calendar day. For example, if a long put has a theta of -.02, the option premium will decrease by $2.

**Vega**

A measure of an option’s sensitivity to a 1% change in implied volatility. For example, if a long option has a vega of .04, a 1% increase in implied volatility will increase the option premium by $4.

**Delta**

A measure of an option's sensitivity to a $1 change in the underlying asset. All else being equal, an option with a 50 delta (also written as .50) for example, would gain 50 cents per $1 move up in the underlying. Long calls and short puts have positive (+) deltas, meaning they gain as the underlying gains in value. Long puts and short calls have negative (-) deltas, meaning they gain as the underlying drops in value.

**Theta**

Theta g1s

**Vega**

Vega

**Delta**

Delta

---

Short

To short is to sell an asset, such as an option or stock that you don't own in order to collect a premium. The idea being that if you believe the price of the asset will decline, you can buy back (or "cover") your short at a lower price later. Your potential profit would be the difference between the higher price you shorted at and the lower price you covered.
1/ GENERAL DISCLAIMER
The information contained in these articles is not intended to be investment advice and is for illustrative purposes only. Be sure to understand all risks involved with each strategy, including commission costs, before attempting to place any trade. Clients must consider all relevant risk factors, including their own personal financial situations, before trading. Past performance of a security or strategy does not guarantee future results or success. Transaction costs (commissions and other fees) are important factors and should be considered when evaluating any options trade. Options involve risk and are not suitable for all investors. Supporting documentation for any claims, comparisons, statistics, or other technical data will be supplied upon request. It is not possible to invest directly in an index.

2/ OPTIONS STRATEGIES
Trading options involves unique risks and is not suitable for all investors. Mini-options do not reduce the per share cost or price of options.

The long put strategy provides only temporary protection from a decline in the price of the corresponding stock. Should the long put position expire worthless, the entire cost of the put position would be lost.

A long call option position places the entire cost of the option position at risk. Should an individual long call position expire worthless, the entire cost of the position would be lost.

Spreads, condors, butterflies, straddles, and other complex, multiple-leg option strategies can entail substantial transaction costs, including multiple commissions, which may impact any potential return. These are advanced option strategies and often involve greater risk, and more complex risk, than basic options trades. Be aware that assignment on short option strategies discussed in this article could lead to unwanted long or short positions on the underlying security.

The naked put strategy includes a high risk of purchasing the corresponding stock at the strike price when the market price of the stock will likely be lower. Naked option strategies involve the highest amount of risk and are only appropriate for traders with the highest risk tolerance.

Naked option strategies involve the highest amount of risk and are only appropriate for traders with the highest risk tolerance.

The risk of loss on an uncovered call option position is potentially unlimited since there is no limit to the price increase of the underlying security.

Option writing as an investment strategy is absolutely inappropriate for anyone who does not fully understand the nature and extent of the risks involved.

A covered call strategy can limit the upside potential of the underlying stock position, as the stock would likely be called away in the event of substantial stock price increase. Additionally, any downside protection provided to the related stock position is limited to the premium received. (Short options can be assigned at any time up to expiration regardless of the in-the-money amount.)

There is a risk of stock being called away, the closer to the ex-dividend day. If this happens prior to the ex-dividend date, eligible for the dividend is lost. Income generated is at risk should the position moves against the investor, if the investor later buys the call back at a higher price. The investor can also lose the stock position if assigned.

The maximum risk of a covered call position is the cost of the stock, less the premium received for the call, plus all transaction costs.

Rolling strategies can entail substantial transaction costs, including multiple commissions, which may impact any potential return. You are responsible for all orders entered in your self-directed account.

Supporting documentation for any claims, comparisons, statistics, or other technical data will be supplied upon request.
Swipe, drag, and tap your way through the market.

Our mobile trading apps are optimized for the iPad®.

**TD Ameritrade Mobile**
This easy-to-use app is packed with trading essentials and innovative functionality. Place trades, discover potential investments with Snapstock™, and access enhanced third-party research.

**TD Ameritrade Mobile Trader**
Act on your most sophisticated trading strategies with this technologically advanced app. Trade equities, multi-leg options, futures, and forex; view live, streaming international CNBC feeds and premium video content from tastytrade®;* and test-drive theories with paperMoney®.

Choose your app at tdameritrade.com/mobileapp.

*TD Ameritrade and tastytrade, Inc. are separate, unaffiliated companies. TD Ameritrade is not responsible for any third-party content or opinions presented.

iPad® is a registered trademark of Apple, Inc.

The paperMoney software application is for educational purposes only. Successful virtual trading during a one-time period does not guarantee successful investing of actual funds during a later time period — market conditions change constantly.

Market volatility, volume, and system availability may delay account access and trade executions.

The risk of loss in trading securities, options, futures, and forex can be substantial. Clients must consider all relevant risk factors, including their own personal financial situation, before trading. Option, futures, and/or forex trading privileges subject to TD Ameritrade review and approval. Not all account owners will qualify. Futures and forex accounts are not protected by the Securities Investor Protection Corporation (SIPC).

TD Ameritrade, Inc., member FINRA/SIPC/NFA, is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank. © 2013 TD Ameritrade IP Company, Inc. All rights reserved. Used with permission.