

**ez trade**  
INVESTMENT PLATFORM FOR YOUR PEACE OF MIND

## Ez Trading Ideas

Ez Trading Ideas is based on two components:

- Probability Arbitrage
- Volatility Xtreme Situations

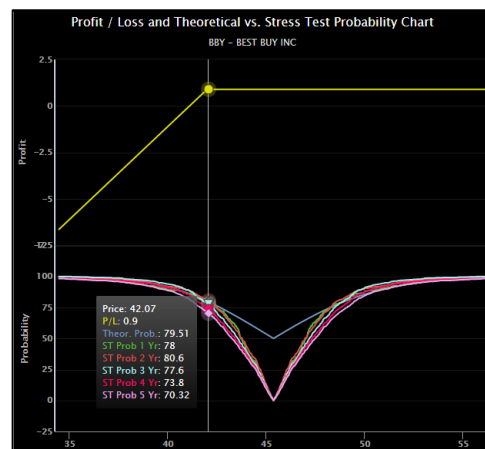
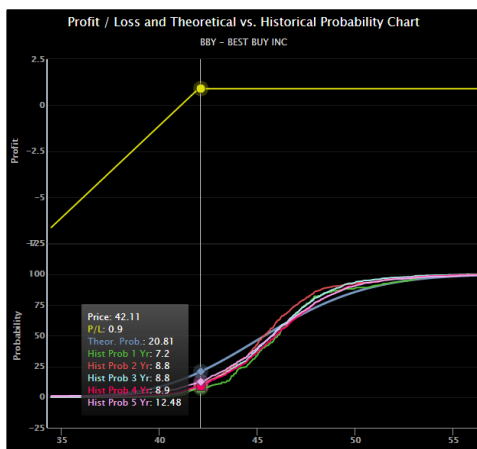
Probability Arbitrage is a method that takes into account discrepancies between the most commonly used probability type, Theoretical Probability, and, our newly introduced, Historical and Stress Test Probabilities.



**Two travelers are walking barefoot in the jungle. Suddenly, a tiger starts running toward them. One traveler jumps to put back on his sneakers. His friend asks him, "Why bother? You think you can run faster than a tiger?" Other traveler calmly replies, "No, but all I need to do is run faster than you!"**

The best way to think about Probability Arbitrage is in the form of that analogy. In order to be profitable, you don't have to beat the market or "outrun a tiger," a trader has to beat their opponent on the other side of the trade.

In option trading, a trader always has somebody on the other side of the trade. If you are buying options, somebody has to sell them to you. If you are selling options, somebody has to buy them from you.





## **How would you feel about going to the hospital and your doctor treats you based on the average temperature of his patients and not based on your personal medical history?**

It is doubtful that any person would find this treatment acceptable. So, we encourage our traders to not always rely on Theoretical Probability when calculating probability and explore other calculation methods.

EzTrade now provides:

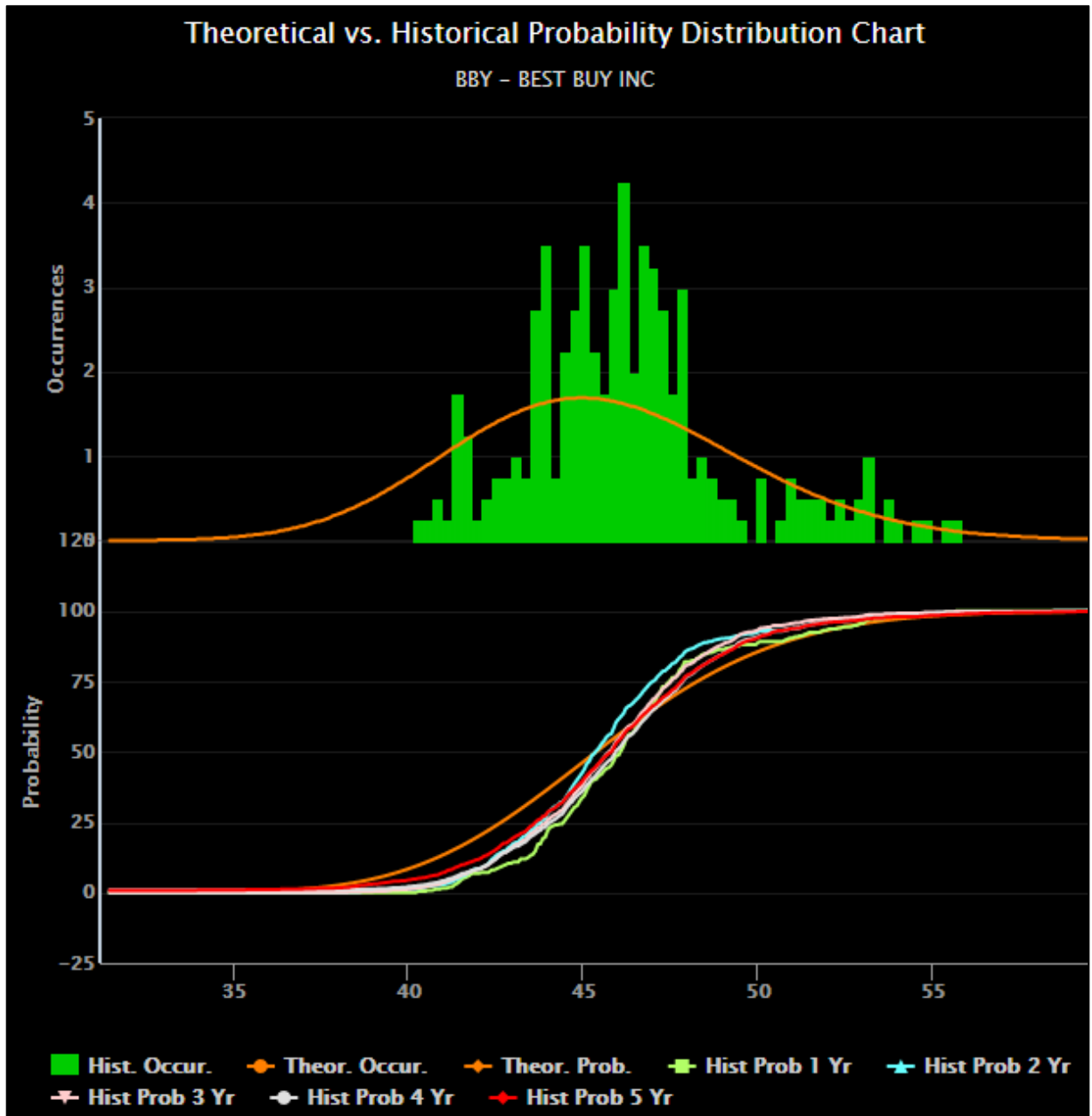
- New Historical and Stress Test probability calculation
- New methodology in calculating Estimated Profit/Loss
- Improvement in strategy analysis
- Better assessment of risk with selected trade

The purpose of our new probabilities is simply:

- Enhance the trader's understanding of a real historical distribution of underlying
- Shift from "the average temperature of the patients" to what reflects individuality of the underlying



While a trader tends to assume the historical distribution of the underlying can be compared to the normal distribution, the reality shows this assumption does not hold true. Take a look at the chart showing an individual stock.





**After seeing the advantages of our new Historical and Stress Test Probability, traders prefer these over the commonly used “one-size-fits-all” analysis method.**

1

**HISTORICAL  
PROBABILITY**

Takes into consideration  
direction of the underlying  
moves

Reflects the specificity of  
each underlying historical  
behavior

2

**STRESS TEST  
PROBABILITY**

Utilizes magnitude of the  
historical movements, as to  
represent capability of the  
underlying to perform  
certain moves without  
taking into consideration  
direction of that move



**When a spring is pulled from both directions, if you know which end will be released, you can safely decide which side to stand on.**

### **Analyze Bullish Strategy** (e.g. Short Put, Put Credit Spread)

If lately the stock has had some large moves in the up direction, the Historical Probability for the bullish strategy would be high.

### **Prepare for Movements**

Each trader can relate to a stock behaving in one direction, then as soon as they got into the trade, it reversed itself. Since a stock has potential to make large moves, a trader need to be prepared for if that trade makes large moves in their direction, or opposite of them.

EzTrade introduced Stress Test probability to reflect the probability of surviving, or ending up profitable in a trade when the underlying asset exhibits the worst case behavior and starts moving against you. Stress Test probability warns a trader about what can be anticipated by getting into a trade. This allows the trader to better understand their investment and set proper expectations.



## **Most commonly used method in analyzing option trades is Volatility Based Trading.**

Seasoned traders use various tools to perform volatility analysis with the expectation that this will give them a competitive advantage over the rest of the market.

Volatility traders believe at certain points that volatility behavior becomes more predictable than the behavior of the underlying asset.

**Historical Volatility** is a measure of the historical movement of the underlying asset and can be seen as a reflection of the market participant's view of the particular underlying asset.

**Implied Volatility** is a characteristic of an option premium that reflects the option markets future expectations of the underlying asset's movement. Implied volatility is a completely different 'animal.' Even if both implied and historical volatilities have a high correlation, they reflect two different points of view on the market and it is very important to understand the variance.



**“Rubber band effect” is when volatility reaches an extreme position, then there is a high probability that it will turn around and start moving in the opposite direction.**



This pattern or “rule” of volatility behavior is the driving force behind volatility based trading. This is why traders are looking for Implied Volatility that is either low or high compared to its historic levels.

**Given this, always consider Volatility Xtreme situations in your trading ideas.**





**One of the main challenges that every option trader experiences is to find out which stock to analyze today when there are over 4500 optionable stocks. How to find trades that gives you 90% probability of success. Ez Trading Ideas on a daily bases provides you with the answers and allows to save time and efforts to find profitable trade.**

Below are track records reports that show performance of the signals that Ez Trading Ideas service provides. "Best Management" column depict results that could be achieved based on the best possible exit. We are realizing that this is practically "not-achievable" results, but we provide them as a bench mark result. "Do Nothing" column illustrate the results that could be achieved if you place the trade and do nothing till expiration. Something like "Set it and forget it" experience.

Put Credit Spread Track Record Results						
Year	Number of Trades	Avg. Trade Duration	Best Management		Do Nothing. Exit on Expiration	
			Profitable Trades	Annualized ROI	Profitable Trades	Annualized ROI
2012	122	31	94.26	130	91.8	24
2013	403	26	98.76	197	97.77	168
2014	287	25	91.64	161	86.41	58
2015	1524	24	97.64	167	94.69	122
2016	998	25	93.89	161	92.79	88
2017	33	14	100	521	100	521
2012 - 2017	3367	25	96.05	175	93.73	117



**Short Put  
Track Record Results**

Year	Number of Trades	Avg. Trade Duration	Best Management		Do Nothing. Exit on Expiration	
			Profitable Trades	Annualized ROI	Profitable Trades	Annualized ROI
2012	321	34	100	258	98.13	247
2013	214	34	96.26	193	85.51	75
2014	1086	33	92.36	199	83.15	33
2015	2290	33	96.94	232	92.75	166
2016	3256	32	98.53	228	96.07	183
2017	114	32	100	274	96.49	251
2012 - 2017	7281	33	97.13	221	92.89	155

**Covered Call  
Track Record Results**

Year	Number of Trades	Avg. Trade Duration	Best Management		Do Nothing. Exit on Expiration	
			Profitable Trades	Annualized ROI	Profitable Trades	Annualized ROI
2012	146	30	98.63	73	96.58	61
2013	87	23	97.7	79	97.7	79
2014	286	28	83.22	39	77.97	26
2015	963	28	92.83	52	90.97	39
2016	943	28	95.23	65	92.36	52
2017	12	20	100	91	91.67	73
2012 - 2017	2437	28	93.19	52	90.56	39

Past performance do not guarantee future results. Option trading involves substantial risk and is not suitable for all investors. You should read ["Characteristics and Risks of Standardized Options"](#) to further understand the risks of trading options.