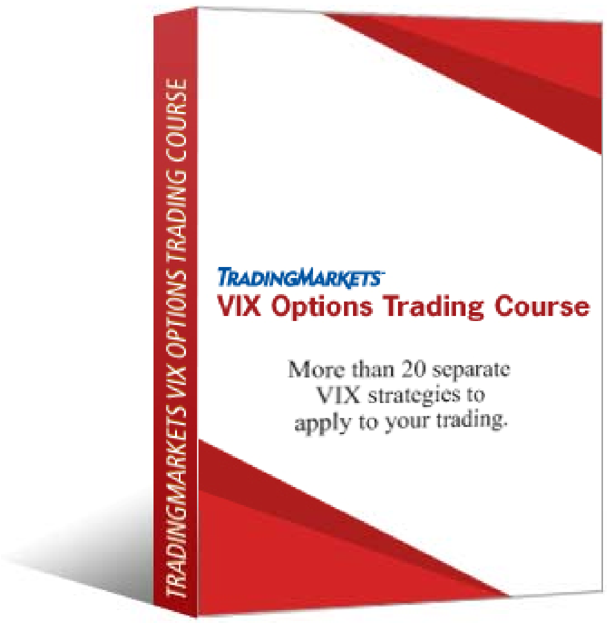
TRADINGMARKETS℠

VIX Options Trading Course



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4. Next, obtain the slides in PDF by going to this link: http://images.tradingmarkets.com/temp/vixclass.pdf

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VIX Options Trading Course

Course Agenda

1. *What is the VIX?*
2. *Short VIX Signals (Fear)*
3. *Long VIX Signals (Complacency)*
4. *Multiple Signals*
5. *Daily VIX Stretch Matrix*
6. *VIX PowerRatings*
7. *Trading the Options*
8. *Additional Strategies and Research*
9. *Questions and Answers*

VIX Options Trading Course

Bonus – S&P Market Timing

No.	Net Profit	Profit Factor	# Trades	Avg Profit/Loss	Avg % Profit/Loss	Avg Bars Held	% of Winners
2	1099.68	3.24	156	7.05	0.72	5.81	80.13
3	1274.26	4.87	133	9.58	0.93	5.73	84.96
4	1339.18	5.63	119	11.25	1.09	5.58	87.39
5	1277.7	5.91	108	11.83	1.14	5.60	87.04
6	1115.61	5.70	91	12.26	1.17	5.79	86.81
7	1128.62	6.72	86	13.12	1.22	5.69	87.21
8	957.46	7.32	76	12.60	1.19	5.75	85.53
9	936.96	7.51	70	13.39	1.30	5.49	87.14
10	860.36	6.76	65	13.24	1.29	5.37	86.15
11	822.08	7.07	60	13.70	1.33	5.30	83.33
12	676.16	6.80	47	14.39	1.36	5.28	82.98
13	535.93	6.84	34	15.76	1.57	5.00	88.24

What is the VIX?

CBOE VOLATILITY INDEX (VIX) OPTIONS

Symbol:
VIX

Underlying:
The CBOE Volatility Index - more commonly referred to as "VIX" - is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index (SPX) option bid/ask quotes. VIX uses nearby and second nearby options with at least 8 days left to expiration, and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index.

Multiplier:
$100.

Strike Price Intervals:
Minimum strike price intervals of not less than $1.00 are permissible, subject to certain conditions. (See CBOE Rule 24.9, Interpretations and Policies .01 for more complete information). Otherwise, strike price intervals shall not be less than $2.50.

CBOE VOLATILITY INDEX (VIX) OPTIONS

Strike (Exercise) Prices:
In-, at- and out-of-the-money strike prices are initially listed. New strikes can be added as the index moves up or down.

Premium Quotation:
Stated in points and fractions, one point equals $100. Minimum tick for series trading below $3 is 0.05 ($5.00); above $3 is 0.10 ($10.00).

Expiration Date:
The Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the expiring month. Here are the expiration dates for VIX options that may be listed through December 2007: (VIX options with expiration dates in BOLD expire on the Wednesday after the 3rd Friday of the month.)

August 22, 2007
September 19, 2007
October 17, 2007
November 21, 2007
December 19, 2007

CBOE VOLATILITY INDEX (VIX) OPTIONS

Expiration Months:
Generally, up to three near-term months plus up to three additional months on the February quarterly cycle.

Exercise Style:
European - CBOE Volatility Index options generally may be exercised only on the Expiration Date.

Last Trading Day:
The Tuesday prior to the Expiration Date of each month.

Settlement of Option Exercise:
The exercise-settlement value for VIX options (Ticker: VRO) shall be a Special Opening Quotation (SOQ) of VIX calculated from the sequence of opening prices of the options used to calculate the index on the settlement date. The opening price for any series in which there is no trade shall be the average of that option's bid price and ask price as determined at the opening of trading. Exercise will result in delivery of cash on the business day following expiration. The exercise-settlement amount is equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by $100.

CBOE VOLATILITY INDEX (VIX) OPTIONS

Position and Exercise Limits:

No position and exercise limits are in effect. Each member (other than a market-maker) or member organization that maintains an end of day position in excess of 100,000 contracts in VIX for its proprietary account or for the account of a customer, shall report certain information to the Department of Market Regulation. The member must report information as to whether such position is hedged and, if so, a description of the hedge employed. A report must be filed when an account initially meets the aforementioned applicable threshold. Thereafter, a report must be filed for each incremental increase of 25,000 contracts. Reductions in an option position do not need to be reported. However, any significant change to the hedge must be reported.

CBOE VOLATILITY INDEX (VIX) OPTIONS

Margin:

Purchases of puts or calls with 9-months or less until expiration must be paid for in full. Writers of uncovered puts or calls must deposit / maintain 100% of the option proceeds plus 15% of the aggregate contract value (current index level x $100) minus the amount by which the option is out-of-the-money, if any, subject to a minimum for calls of option proceeds* plus 10% of the aggregate contract value and a minimum for puts of option proceeds* plus 10% of the aggregate exercise price amount. (*For calculating maintenance margin, use option current market value instead of option proceeds.) Additional margin may be required pursuant to Exchange Rule 12.10.*

CUSIP:

12497K

Trading Hours:

8:30 a.m. to 3:15 p.m. Central Time (Chicago time). CBOE Volatility Index options will not open until the SPX opening rotation is completed.

What is the VIX?

The VIX is a popular measure of stock market volatility. But, more importantly it's used to measure fear and complacency.

When the stock market rises, the VIX usually drops in value as market participants feel safe.

When stock prices drop, the VIX usually rises, as fear begins to take hold.

What is the VIX?

The greater the fear, the higher the VIX goes (as we've recently seen). This is where the bigger edges and potential for gain have occurred.

Eventually though, the VIX reverts back to its mean. In other words it returns to previous levels. This has been proven by the academic world, and is seen in our own statistical research. The CBOE VIX options allow traders to potentially profit from the direction of the VIX and to profit from market volatility. They also give you the opportunity to hedge your portfolio to protect yourself from market declines.

What's the Best Way to Trade the VIX?

Reversion to the Mean
Volatility reverts to its mean. This was shown in the academic world decades ago and it holds true today. What does this mean? It means that when volatility (the VIX) moves too far away from normal levels (especially short term) it tends to reverse back to normal levels.

Options traders can use this information to buy and sell overpriced and underpriced options. As the VIX moves from extreme levels back to normal levels, the options often move accordingly.

VIX Strategies

Short VIX Strategies

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V1 Short

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY's RSI(2) is below 10

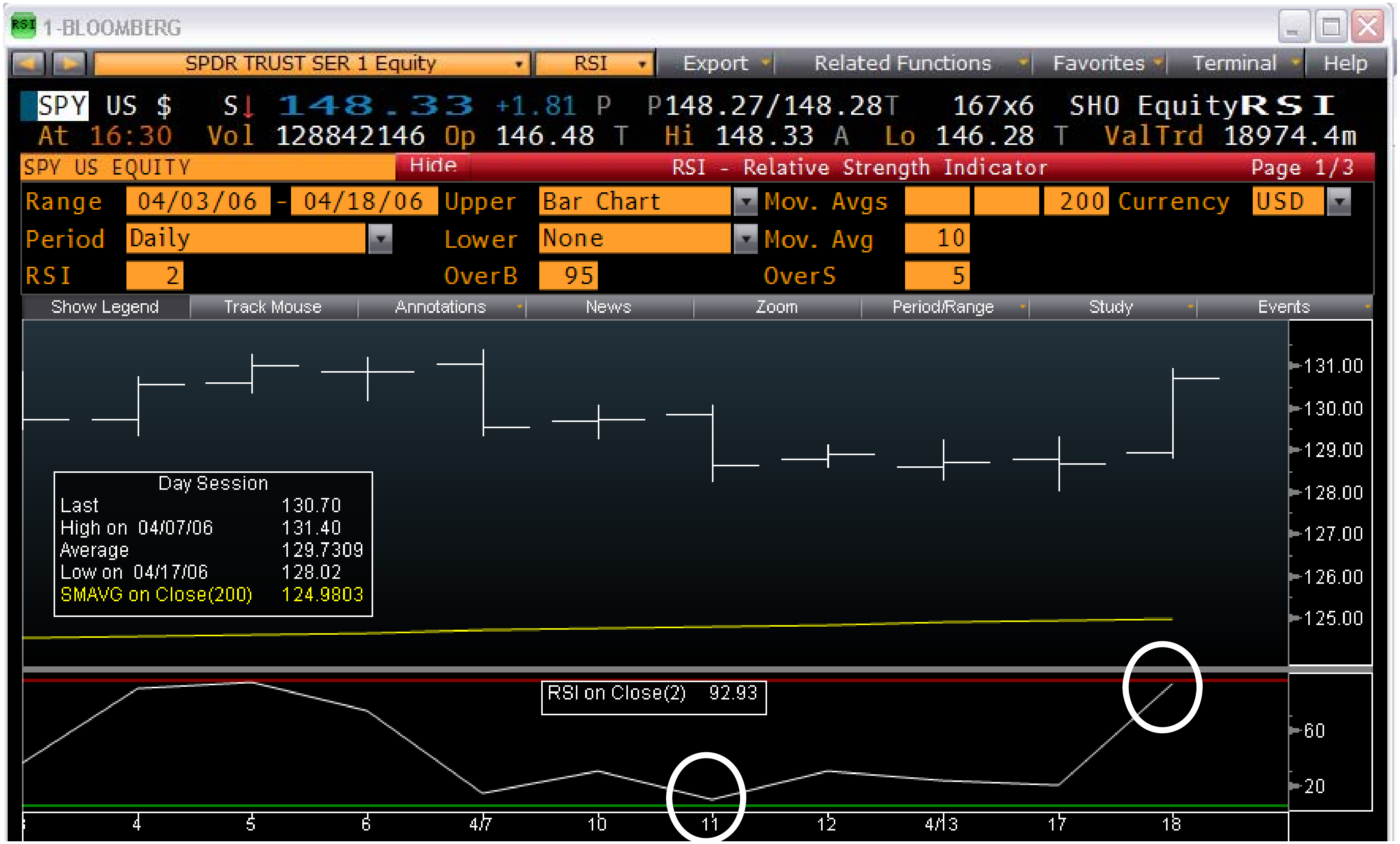
3. VIX closes at least 5% above its 10-day MA for three days in a row

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

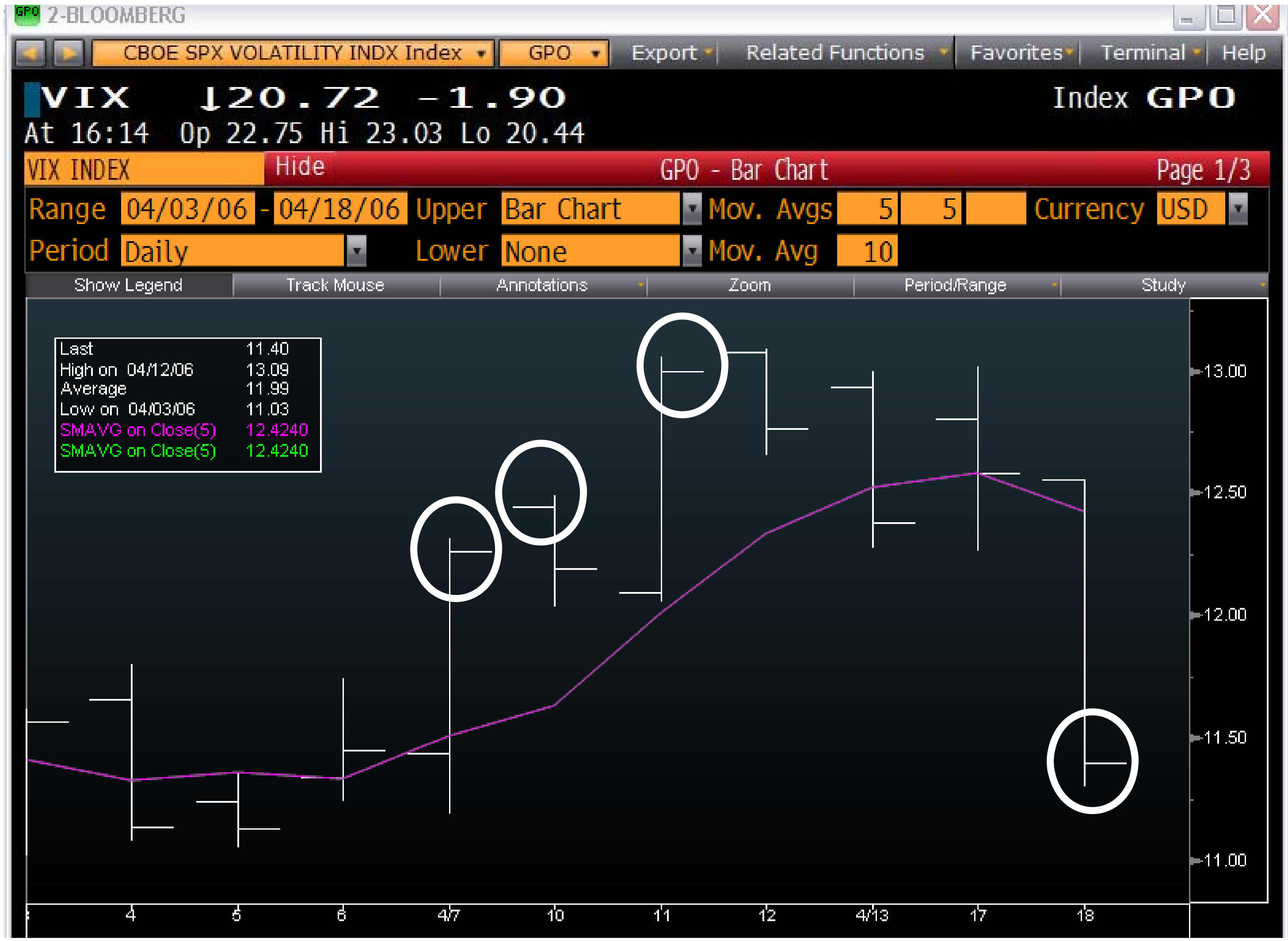
For all systems: We enter at the close and exit at the close



V1 Short Example 4/11 to 4/18

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



V1 Short Example 4/11 to 4/18

VIX Options Trading Course Short Strategy Rules
For all systems: We enter at the close and exit at the close

V1 Short

Number of Trades:	***28***
Average % Profit/Loss:	***9.42%***
Average Bars Held:	***5.93***
Percentage of Winners:	***92.86%***
Winner Average % Profit:	***10.89%***
Losers Average % Profit:	***-9.72%***
Profit Factor:	***14.19***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V2 Short

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY’s RSI(2) is below 30

3. VIX’s open is higher than its yesterday close

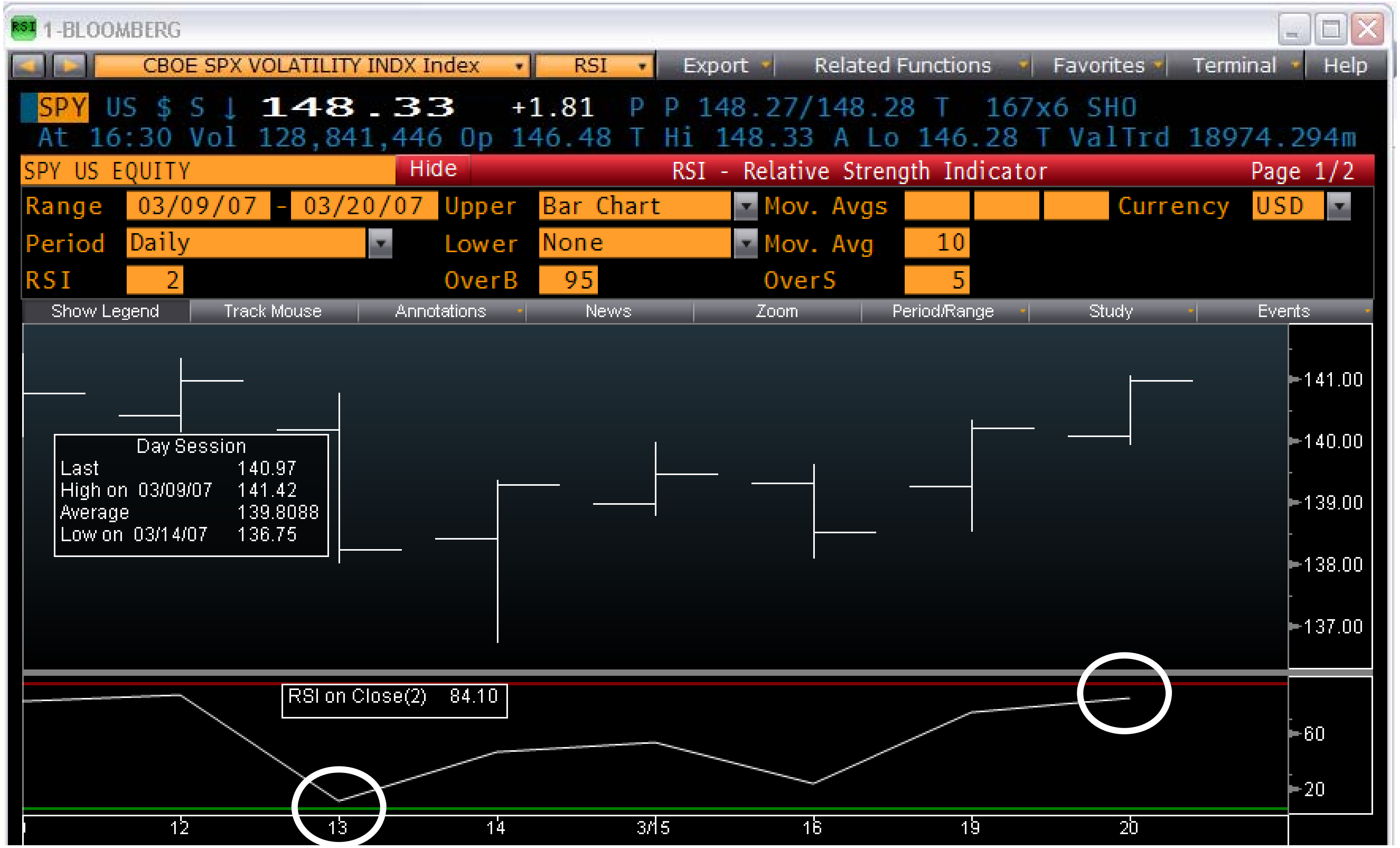
4. VIX's RSI(2) is above 90

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

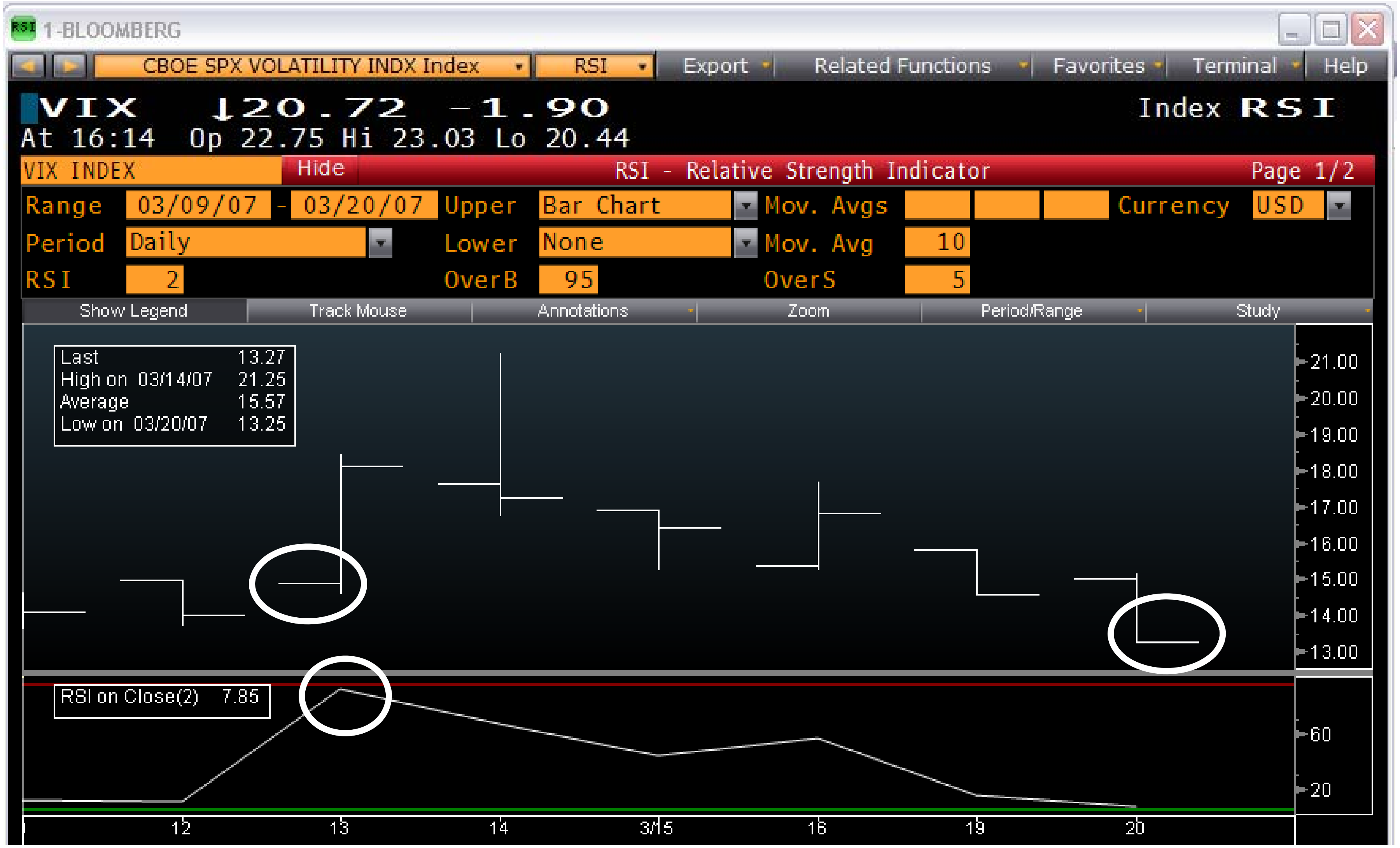
For all systems: We enter at the close and exit at the close



V2 Short 3/13 to 3/20

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



V2 Short 3/13 to 3/20

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V2 Short

Number of Trades:	***87***
Average % Profit/Loss:	***5.99%***
Average Bars Held:	***5.92***
Percentage of Winners:	***88.51%***
Winner Average % Profit:	***9.57%***
Losers Average % Profit:	***-21.58%***
Profit Factor:	***3.66***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V4 Short

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. VIX's close is higher than yesterday, for 5 days in a row

3. SPY's RSI(2) is below 30

Cover/Exit

1. SPY's RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V4 Short

Number of Trades:	***13***
Average % Profit/Loss:	***9.55%***
Average Bars Held:	***4.69***
Percentage of Winners:	***84.62%***
Winner Average % Profit:	***12.03%***
Losers Average % Profit:	***-4.1%***
Profit Factor:	***21.24***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V7 Short

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. VIX's close is higher than yesterday, for 4 days in a row

3. VIX's open is higher than its yesterday high

4. SPY's RSI(2) is below 30

Cover/Exit

1. SPY's RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

V7 Short

Number of Trades:	***21***
Average % Profit/Loss:	***8.84%***
Average Bars Held:	***4.81***
Percentage of Winners:	***90.48%***
Winner Average % Profit:	***10.35%***
Losers Average % Profit:	***-5.54%***
Profit Factor:	***23.91***

Percent B

Definition:

Percent B denotes the difference between the close to the lower Bollinger Band, divided by the difference between the top Bollinger Band to the bottom one.

Averaging period = 5; Standard deviation = 1.

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

Percent B 1

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY's RSI(2) is below 10

3. PercB < 0 two days in a row

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

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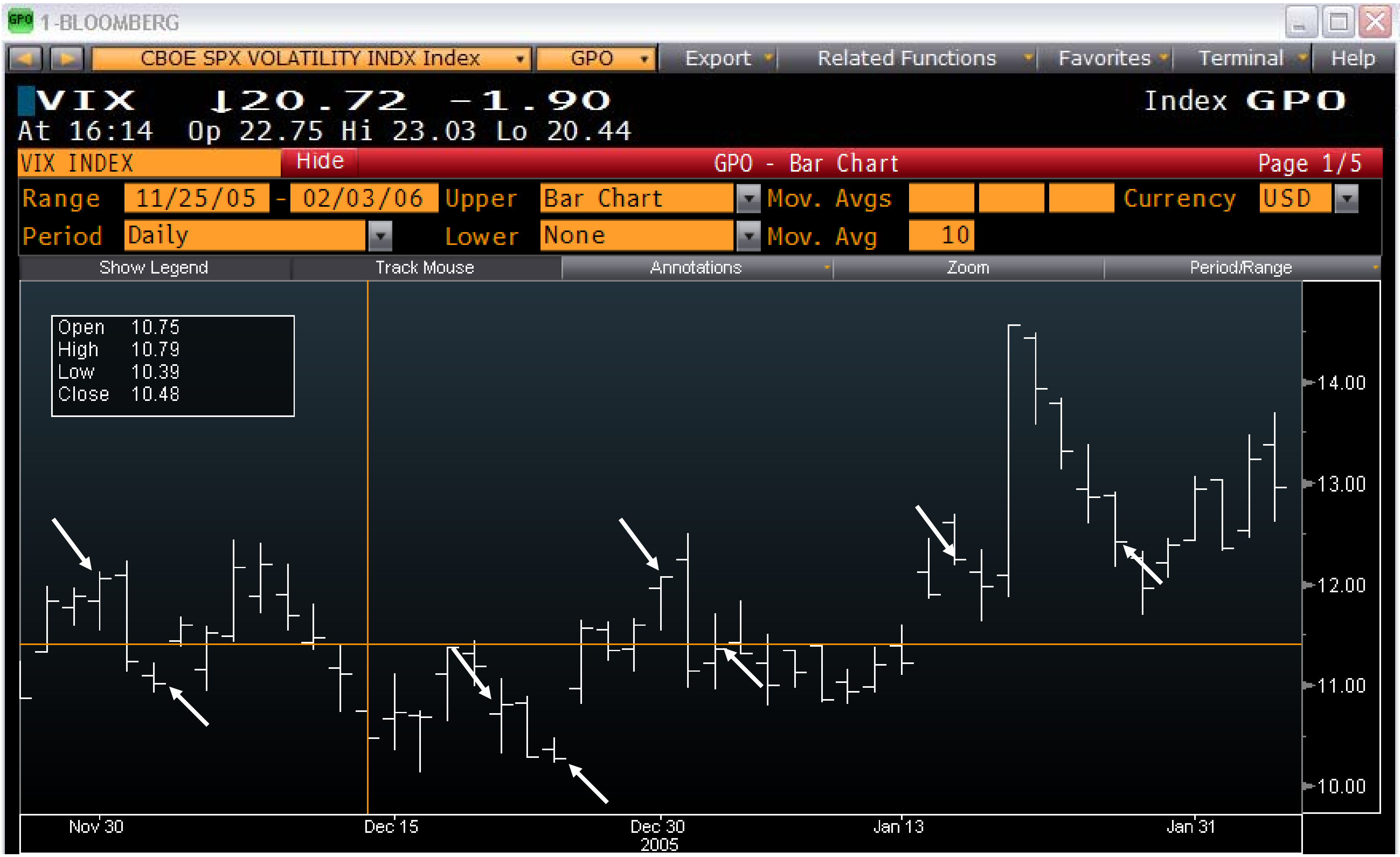
VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

Percent B 1

Number of Trades:	***73***
Average % Profit/Loss:	***7.57%***
Average Bars Held:	***5.99***
Percentage of Winners:	***89.04%***
Winner Average % Profit:	***9.87%***
Losers Average % Profit:	***-11.09%***
Profit Factor:	***9.77***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

Percent B 2

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. PercB < .2 three days in a row

3. SPY closes in the bottom 25% of today's range

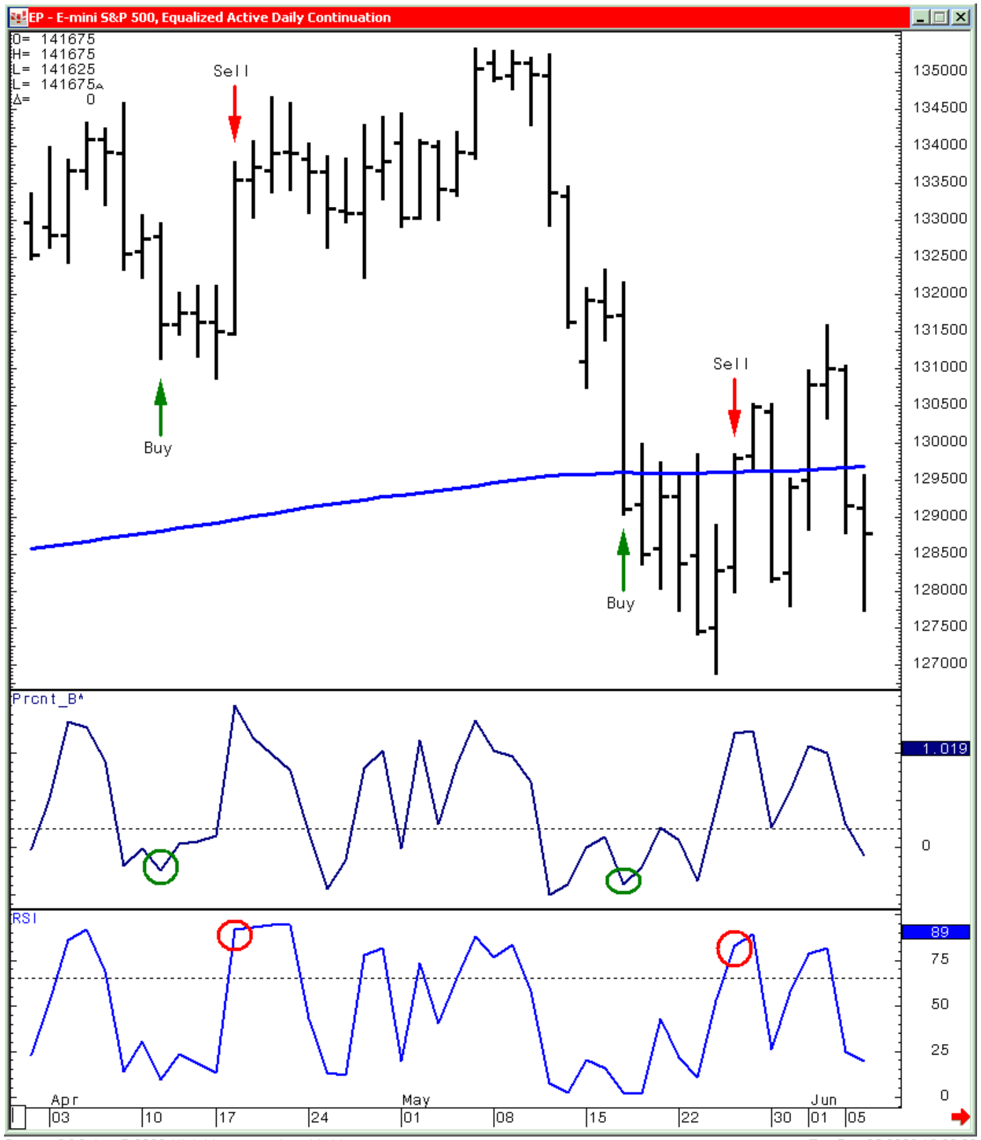
4. SPY's RSI(2) is below 65

Cover/Exit

1. SPY's RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



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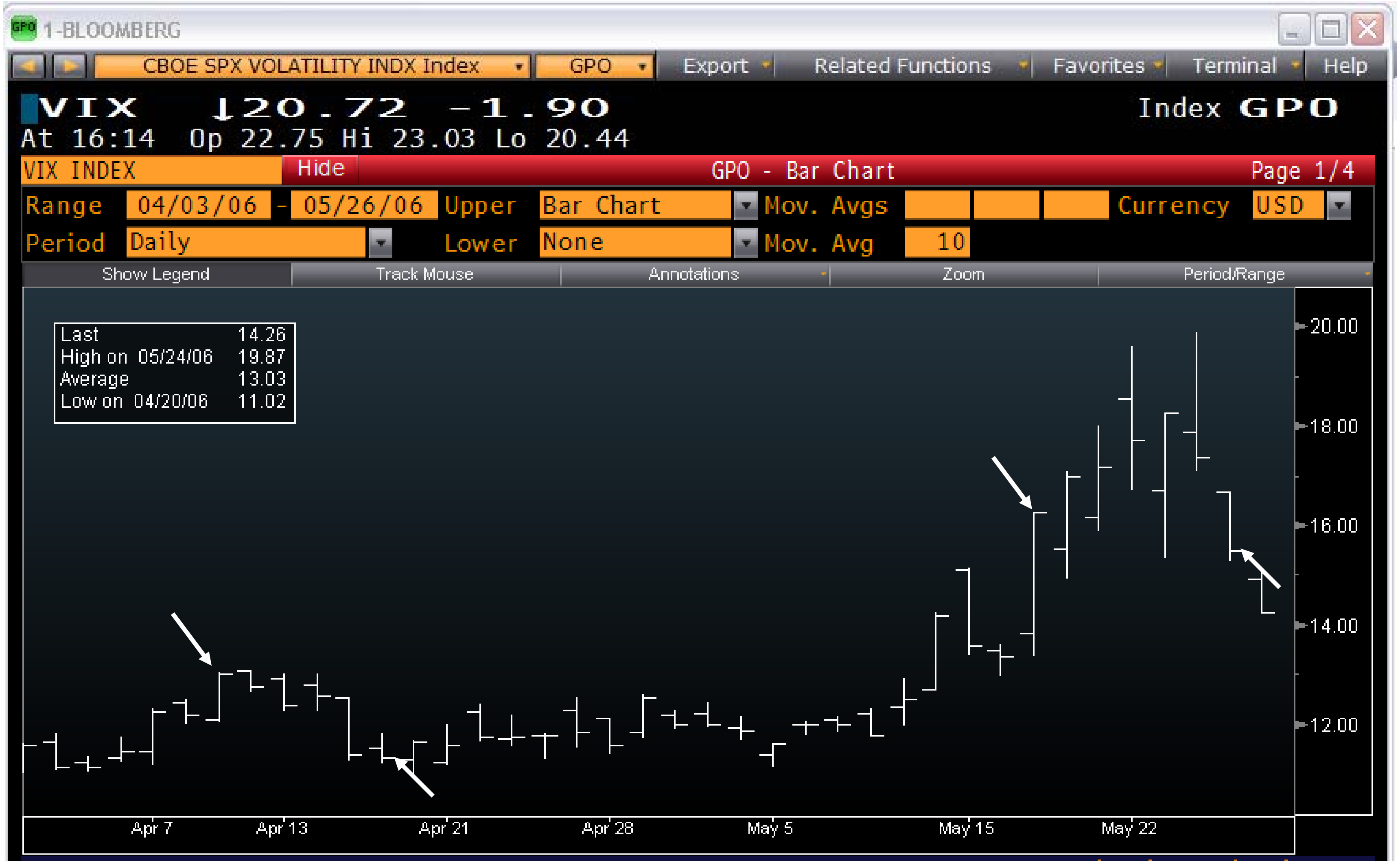
VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



VIX Options Trading Course Short Strategy Rules
For all systems: We enter at the close and exit at the close

Percent B 2

Number of Trades:	***53***
Average % Profit/Loss:	***9.14***
Average Bars Held:	***5.91***
Percentage of Winners:	***90.57%***
Winner Average % Profit:	***10.72%***
Losers Average % Profit:	***-5.96%***
Profit Factor:	***19.36***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

Down 1

Entry Rules

1. SPY's close is lower than its open, for three days in a row

2. SPY's close is above SPY's 200-day MA

3. SPY closes in the bottom 10% of its range

4. SPY's RSI(2) is below 65

Cover/Exit

1. SPY RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

Down 1

Number of Trades:	***36***
Average % Profit/Loss:	***8.02%***
Average Bars Held:	***6.06***
Percentage of Winners:	***94.44%***
Winner Average % Profit:	***9.77%***
Losers Average % Profit:	***-21.75***
Profit Factor:	***7.44***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI1

Entry Rules

1. Sum of SPY's RSI (2) for last three days is below 50

2. SPY's close is above SPY's 200-day MA

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI1

Number of Trades:	***52***
Average % Profit/Loss:	***8.12%***
Average Bars Held:	***5.42***
Percentage of Winners:	***90.38%***
Winner Average % Profit:	***9.80%***
Losers Average % Profit:	***-7.60%***
Profit Factor:	***14.29***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI2

Entry Rules

1. Sum of SPY's RSI (2) for last two days is below 40

2. SPY's close is above SPY's 200-day MA

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI2

Number of Trades:	***119***
Average % Profit/Loss:	***4.97%***
Average Bars Held:	***5.74***
Percentage of Winners:	***83.19%***
Winner Average % Profit:	***8.23%***
Losers Average % Profit:	***-11.17%***
Profit Factor:	***3.78***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI3

Entry Rules

1. Sum of SPY's RSI (3) for last two days is below 45

2. SPY's close is above SPY's 200-day MA

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY's RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI3

Number of Trades:	***73***
Average % Profit/Loss:	***8.72%***
Average Bars Held:	***5.81***
Percentage of Winners:	***90.41%***
Winner Average % Profit:	***10.63%***
Losers Average % Profit:	***-9.33%***
Profit Factor:	***13.1***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI4

Entry Rules

1. SPY's RSI(2) is below 4

2. SPY's close is above SPY's 200-day MA

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI4

Number of Trades:	***32***
Average % Profit/Loss:	***9.80%***
Average Bars Held:	***6.31***
Percentage of Winners:	***90.63%***
Winner Average % Profit:	***11.68%***
Losers Average % Profit:	***-8.38%***
Profit Factor:	***16.26***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI5

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY's RSI(4) is below 25

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI5

Number of Trades:	***74***
Average % Profit/Loss:	***9.04%***
Average Bars Held:	***6.22***
Percentage of Winners:	***89.19%***
Winner Average % Profit:	***10.75%***
Losers Average % Profit:	***-5.10%***
Profit Factor:	***19.96***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI6

Entry Rules

1. SPY's close is lower than the close 8 days ago

2. SPY's 2-period RSI is higher than 8 days ago

3. SPY's close is above SPY's 200-day MA

4. SPY's RSI(2) is below 15

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI6

Number of Trades:	***10***
Average % Profit/Loss:	***11.06%***
Average Bars Held:	***4.9***
Percentage of Winners:	***90%***
Winner Average % Profit:	***12.32%***
Losers Average % Profit:	***-0.28%***
Profit Factor:	***549.39***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI7

Entry Rules

1. SPY's close is lower than the close 2 days ago

2. SPY's RSI(2) is higher than its value 2 days ago

3. SPY's close is above SPY's 200-day MA

4. SPY's RSI(2) is below 30

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI7

Number of Trades:	***36***
Average % Profit/Loss:	***6.04%***
Average Bars Held:	***5.53***
Percentage of Winners:	***83.33%***
Winner Average % Profit:	***8.85%***
Losers Average % Profit:	***-7.99%***
Profit Factor:	***6.57***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

DMI1

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY's Plus DI(3) is below 5

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

DMI1

Number of Trades:	*77*
Average % Profit/Loss:	*7.35%*
Average Bars Held:	*5.47*
Percentage of Winners:	*87.01%*
Winner Average % Profit:	*9.24%*
Losers Average % Profit:	*-5.31%*
Profit Factor:	*13.92*

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

DMI2

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY's Plus DI(2) is below 3

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

DMI2

Number of Trades:	***114***
Average % Profit/Loss:	***6.61%***
Average Bars Held:	***5.68***
Percentage of Winners:	***85.96%***
Winner Average % Profit:	***8.98%***
Losers Average % Profit:	***-7.96%***
Profit Factor:	***8.92***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

DMI3

Entry Rules

1. SPY's close is above SPY's 200-day MA

2. SPY's Plus DI(2) is below 10 for two days in a row

3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

DMI3

Number of Trades:	***146***
Average % Profit/Loss:	***5.12%***
Average Bars Held:	***5.71***
Percentage of Winners:	***81.51%***
Winner Average % Profit:	***7.50%***
Losers Average % Profit:	***-5.34%***
Profit Factor:	***7.28***

DMI5

Entry Rules

1. SPY's close is above SPY's 200-day MA
2. SPY's Plus DI(2) is below 15 for four days in a row
3. SPY's RSI(2) is below 65

Cover/Exit

1. SPY’s RSI(2) closes above 75

VIX Options Trading Course Short Strategy Rules
For all systems: We enter at the close and exit at the close

DMI5

Number of Trades:	***88***
Average % Profit/Loss:	***5.60%***
Average Bars Held:	***5.18***
Percentage of Winners:	***86.36%***
Winner Average % Profit:	***7.29%***
Losers Average % Profit:	***-5.07%***
Profit Factor:	***10.78***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR2

Entry Rules

1. VIX's RSI(5) > 70

2. VIX's RSI(5) today < yesterday

3. VIX closes below its 10-day MA

4. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX closes below its 10-day MA

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR2

Number of Trades:	***18***
Average % Profit/Loss:	***5.56%***
Average Bars Held:	***5.17***
Percentage of Winners:	***94.44%***
Winner Average % Profit:	***5.95%***
Losers Average % Profit:	***-1.13%***
Profit Factor:	***113.12***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR3

Entry Rules

1. VIX's low is greater than the VIX's 10-day MA

2. VIX's close is at least 10% above its 10-day MA

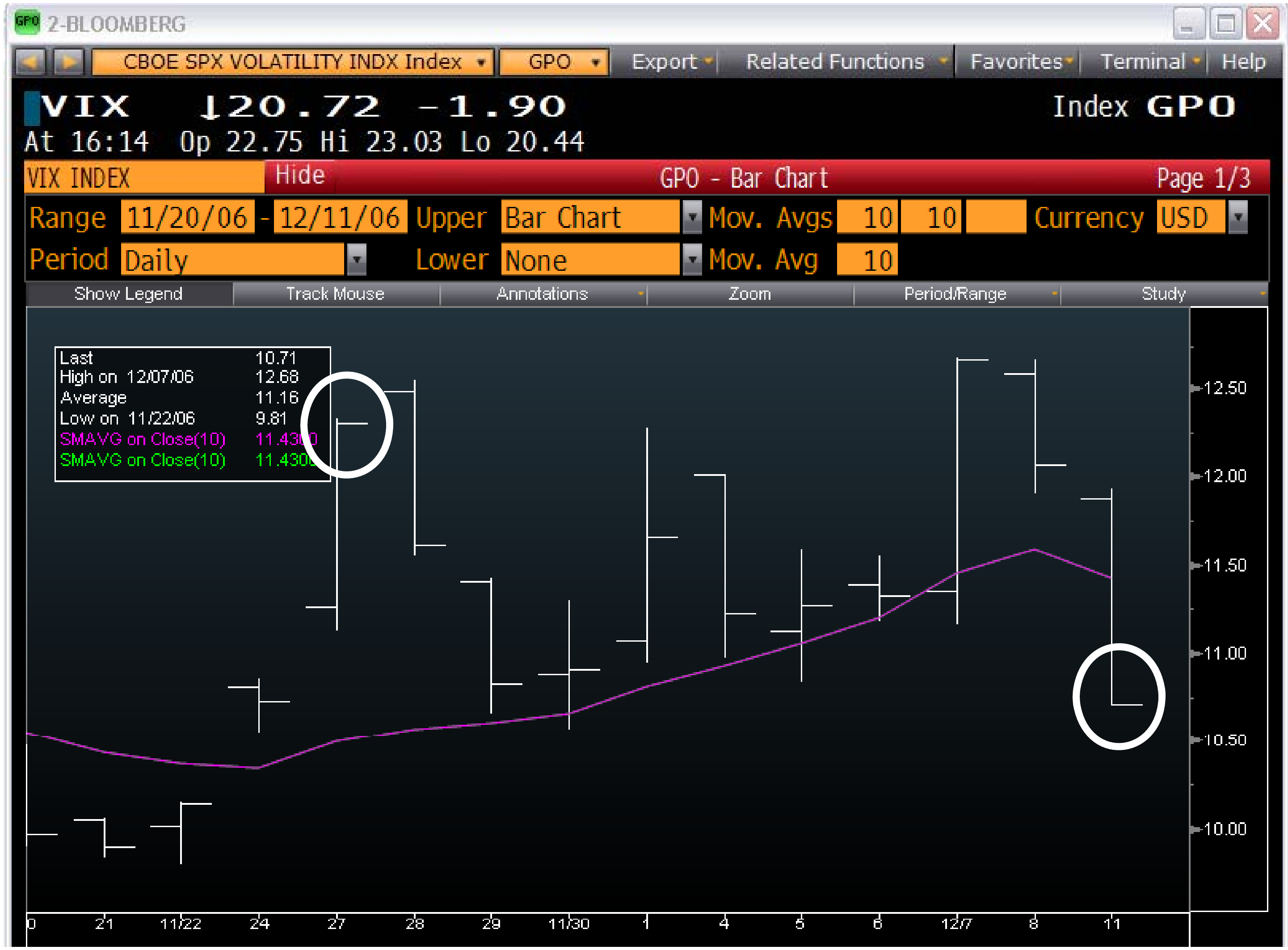
3. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX closes below its 10-day MA

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



CVR3 Example

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR3

Number of Trades:	***61***
Average % Profit/Loss:	***5.81%***
Average Bars Held:	***6.62***
Percentage of Winners:	***86.89%***
Winner Average % Profit:	***10.52%***
Losers Average % Profit:	***-25.33%***
Profit Factor:	***2.76***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR6

Entry Rules

1. Two out of the last three days the VIX makes a new 20-day high

2. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX closes below its 10-day MA

VIX Options Trading Course Short Strategy Rules
For all systems: We enter at the close and exit at the close

CVR6

Number of Trades:	***47***
Average % Profit/Loss:	***8.44%***
Average Bars Held:	***5.64***
Percentage of Winners:	***89.36%***
Winner Average % Profit:	***10.13%***
Losers Average % Profit:	***-5.74%***
Profit Factor:	***17.93***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR8

Definitions

Step (1) The VIX's 10-day EMA minus VIX's yesterday value of 10-day EMA

Step (2) The VIX's 100-day EMA minus VIX's yesterday value of 100-day EMA

Step (3) = Step (1) minus Step(2)

Entry Rules

1. Step (3) > 0.2

2. Step (3) value is the highest over the last 40 days

3. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX closes below its 10-day MA

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR8

Number of Trades:	***45***
Average % Profit/Loss:	***6.81%***
Average Bars Held:	***6.22***
Percentage of Winners:	***86.67%***
Winner Average % Profit:	***11.56%***
Losers Average % Profit:	***-24.08%***
Profit Factor:	***3.08***

CVR11

Definition

Step (1) The VIX's yesterday value of 3-day MA minus VIX's yesterday value of 10-day MA

Entry Rules

1. VIX high is the highest over the last 10 days

2. Step (1) > 1

3. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX closes below its 10-day MA

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

CVR11

Number of Trades:	***39***
Average % Profit/Loss:	***7.02%***
Average Bars Held:	***5.49***
Percentage of Winners:	***89.74%***
Winner Average % Profit:	***9.15%***
Losers Average % Profit:	***-11.66%***
Profit Factor:	***8.89***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI 80

Entry Rules

1. VIX's RSI(2) is above 80 three days in a row

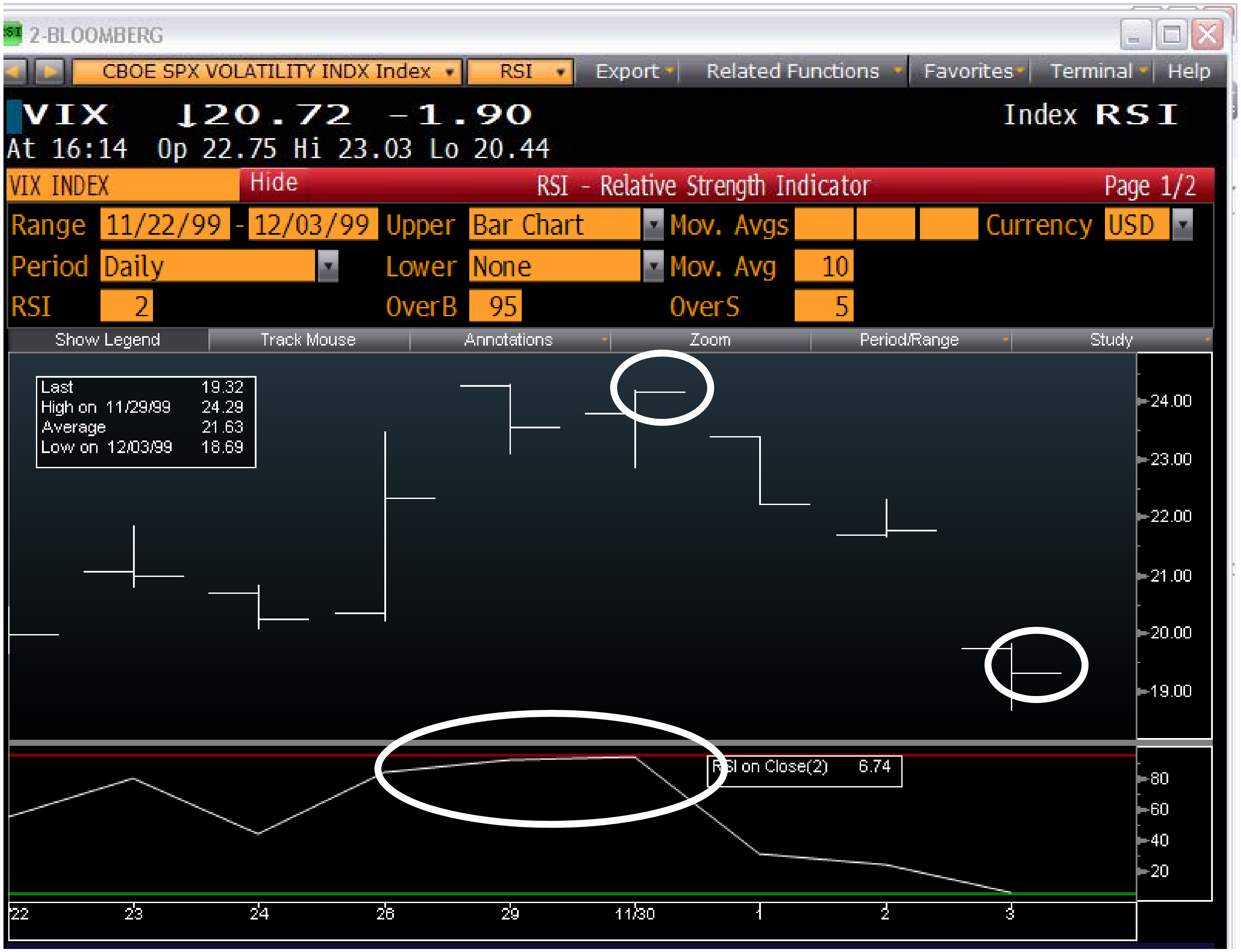
2. SPY's close is above the SPY's 200-day MA

Cover/Exit

1. VIX's RSI(2) closes below 25

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close



RSI 80 Example

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

RSI 80

Number of Trades:	***53***
Average % Profit/Loss:	***7.71%***
Average Bars Held:	***5.64***
Percentage of Winners:	***90.57%***
Winner Average % Profit:	***8.93%***
Losers Average % Profit:	***-4.07%***
Profit Factor:	***22.62***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

4HC

Entry Rules

1. VIX’s close is higher four days in a row

2. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX’s RSI(2) closes below 25

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

4HC

Number of Trades:	***56***
Average % Profit/Loss:	***6.38%***
Average Bars Held:	***5.38***
Percentage of Winners:	***89.29%***
Winner Average % Profit:	***7.72%***
Losers Average % Profit:	***-4.83***
Profit Factor:	***16.69***

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

5HH

Entry Rules

1. VIX’s high is higher than its high yesterday, 5 days in a row

2. SPY's close is above SPY's 200-day MA

Cover/Exit

1. VIX’s RSI(2) closes below 25

VIX Options Trading Course Short Strategy Rules

For all systems: We enter at the close and exit at the close

5HH

Number of Trades:	***24***
Average % Profit/Loss:	***7.04%***
Average Bars Held:	***5.42***
Percentage of Winners:	***83.33%***
Winner Average % Profit:	***10.43%***
Losers Average % Profit:	***-9.89%***
Profit Factor:	***6.24***

VIX Long Rules

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

V1 Long

Entry Rules

1. SPY's close is below SPY's 200-day MA

2. SPY's RSI(2) is above 80

3. VIX's close is at least 5% below its 10-day MA for three days in a row

4. SPY's close is equal or above SPY's 5-day MA

Exit Rules

1. SPY's RSI(2) closes below 35

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

V1 Long

Number of Trades:	***25***
Average % Profit/Loss:	***4.12%***
Average Bars Held:	***4.48***
Percentage of Winners:	***80%***
Winner Average % Profit:	***7.08%***
Losers Average % Profit:	***-7.72%***
Profit Factor:	***3.43***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

V2 Long

Entry Rules

1. SPY's close is below SPY's 200-day MA

2. SPY's RSI(2) is above 80

3. VIX's close is at least 10% below its 10-day MA

4. SPY's close is equal or above SPY's 5-day MA

Exit Rules

1. SPY's RSI(2) closes below 35

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

V2 Long

Number of Trades:	***24***
Average % Profit/Loss:	***5.32%***
Average Bars Held:	***4.63***
Percentage of Winners:	***83.33%***
Winner Average % Profit:	***7.5%***
Losers Average % Profit:	***-5.59%***
Profit Factor:	***5.38***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

Up2

Entry Rules

1. SPY's close is below SPY's 200-day MA

2. SPY's rise over the last 2 days is more than 3%

3. SPY's RSI(2) is above 80

4. SPY's close is equal or above SPY's 5-day MA

Exit Rules

1. SPY’s RSI(2) closes below 35

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

Up2

Number of Trades:	***29***
Average % Profit/Loss:	***4.03%***
Average Bars Held:	***5.10***
Percentage of Winners:	***65.52%***
Winner Average % Profit:	***8.92%***
Losers Average % Profit:	***-5.24%***
Profit Factor:	***2.56***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR2

Entry Rules

1. VIX's RSI(5) < 30

2. VIX's RSI(5) Today > VIX's RSI(5) Yesterday

3. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX closes above its 10-day MA

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR2

Number of Trades:	***13***
Average % Profit/Loss:	***1.51%***
Average Bars Held:	***7.38***
Percentage of Winners:	***69.23%***
Winner Average % Profit:	***5.10%***
Losers Average % Profit:	***-6.57%***
Profit Factor:	***1.58***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR3

Entry Rules

1. VIX's high < VIX's 10-day MA

2. VIX's close is at least 10% below its 10-day MA

3. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX closes above its 10-day MA

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR3

Number of Trades:	***24***
Average % Profit/Loss:	***3.79%***
Average Bars Held:	***9.04***
Percentage of Winners:	***58.33%***
Winner Average % Profit:	***11.94%***
Losers Average % Profit:	***-7.62%***
Profit Factor:	***1.97***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR6

Entry Rules

1. VIX makes a new 20-day low, two out of he past three days

2. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX closes above its 10-day MA

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR6

Number of Trades:	***20***
Average % Profit/Loss:	***2.05%***
Average Bars Held:	***8***
Percentage of Winners:	***55%***
Winner Average % Profit:	***8.14%***
Losers Average % Profit:	***-5.4%***
Profit Factor:	***1.51***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR8

Definitions

Step (1) the VIX's 10-day EMA minus VIX's yesterday value of 10-day EMA

Step (2) the VIX's 100-day EMA minus VIX's yesterday value of 100-day EMA

Step (3) = Step (2) minus Step (1)

Entry Rules

1. Step (3) > 0.2

2. Step (3) value is the highest over the last 40 days

3. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX closes above its 10-day MA

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR8

Number of Trades:	***20***
Average % Profit/Loss:	***5.84%***
Average Bars Held:	***9.15***
Percentage of Winners:	***70.00%***
Winner Average % Profit:	***11.94%***
Losers Average % Profit:	***-8.39%***
Profit Factor:	***3.23***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR11

Definitions

Step (1) The VIX's yesterday value of 10-day MA minus VIX's yesterday value of 3-day MA

Entry Rules

1. VIX low is the lowest over the last 10 days

2. Step (1) > 1

Exit Rules

1. VIX closes above its 10-day MA

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

CVR11

Number of Trades:	***28***
Average % Profit/Loss:	***2.77%***
Average Bars Held:	***8.29***
Percentage of Winners:	***67.86%***
Winner Average % Profit:	***8.97%***
Losers Average % Profit:	***-10.31%***
Profit Factor:	***1.64***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

RSI 20

Entry Rules

1. VIX's RSI(2) is below 20 three days in a row

2. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX RSI(2) closes above 70

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

RSI 20

Number of Trades:	***25***
Average % Profit/Loss:	***2.89%***
Average Bars Held:	***5.68***
Percentage of Winners:	***76%***
Winner Average % Profit:	***6.65%***
Losers Average % Profit:	***-9.04%***
Profit Factor:	***1.79***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

5LC

Entry Rules

1. VIX close is lower than its yesterday close, five days in a row

2. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX’s RSI(2) closes above 70

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

5LC

Number of Trades:	***11***
Average % Profit/Loss:	***4.84%***
Average Bars Held:	***4.64***
Percentage of Winners:	***90.91%***
Winner Average % Profit:	***6.56%***
Losers Average % Profit:	***-12.41%***
Profit Factor:	***3.81***

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

5LL

Entry Rules

1. VIX low is lower than its yesterday low, five days in a row

2. SPY's close is below SPY's 200-day MA

Exit Rules

1. VIX’s RSI(2) closes above 70

VIX Options Trading Course Long Strategy Rules

For all systems: We enter at the close and exit at the close

5LL

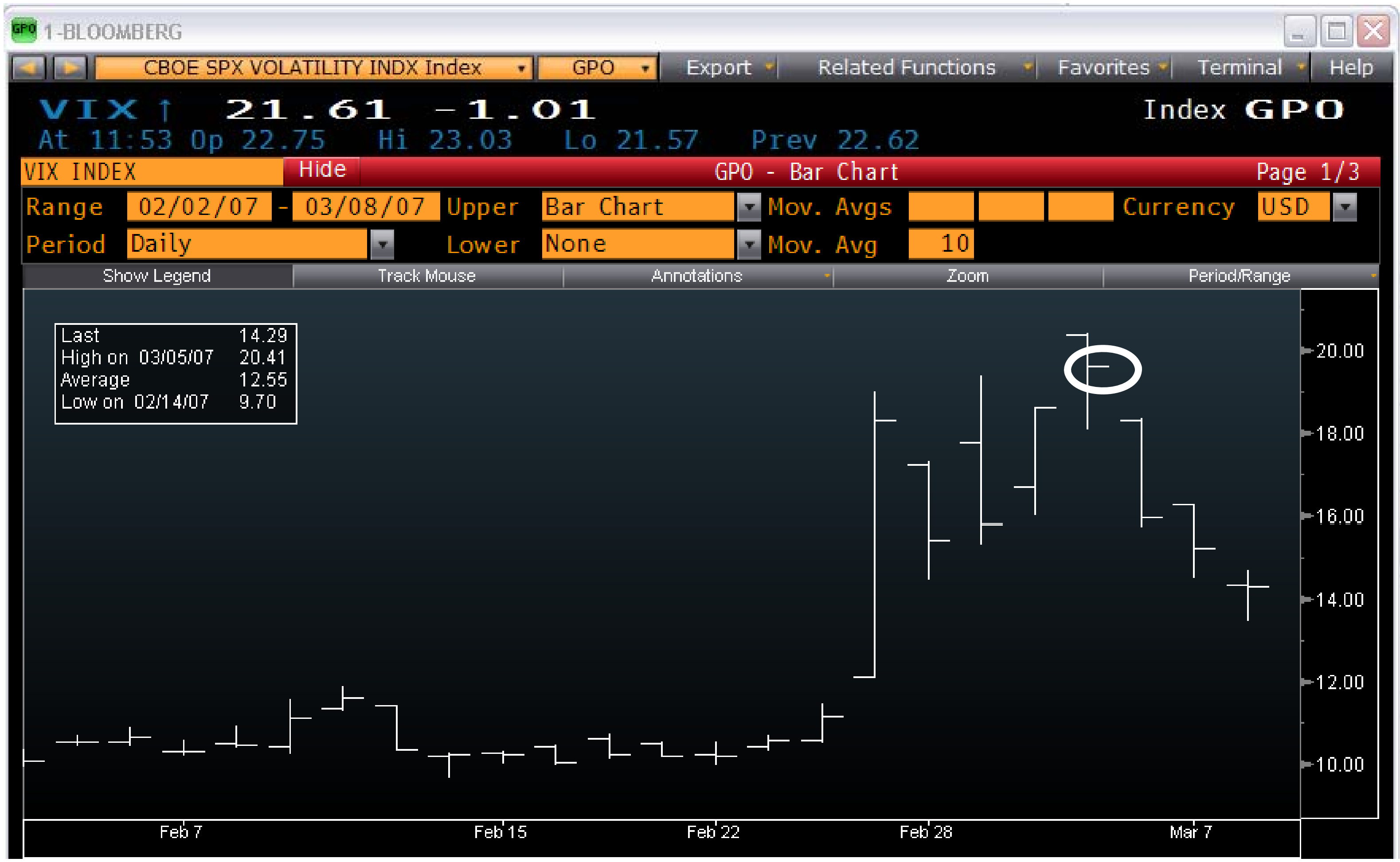
Number of Trades:	***12***
Average % Profit/Loss:	***5.98%***
Average Bars Held:	***5.58***
Percentage of Winners:	***91.67%***
Winner Average % Profit:	***7.74%***
Losers Average % Profit:	***-13.34%***
Profit Factor:	***5.47***

Multiple Signals

The more signals triggering at the same time, the better!

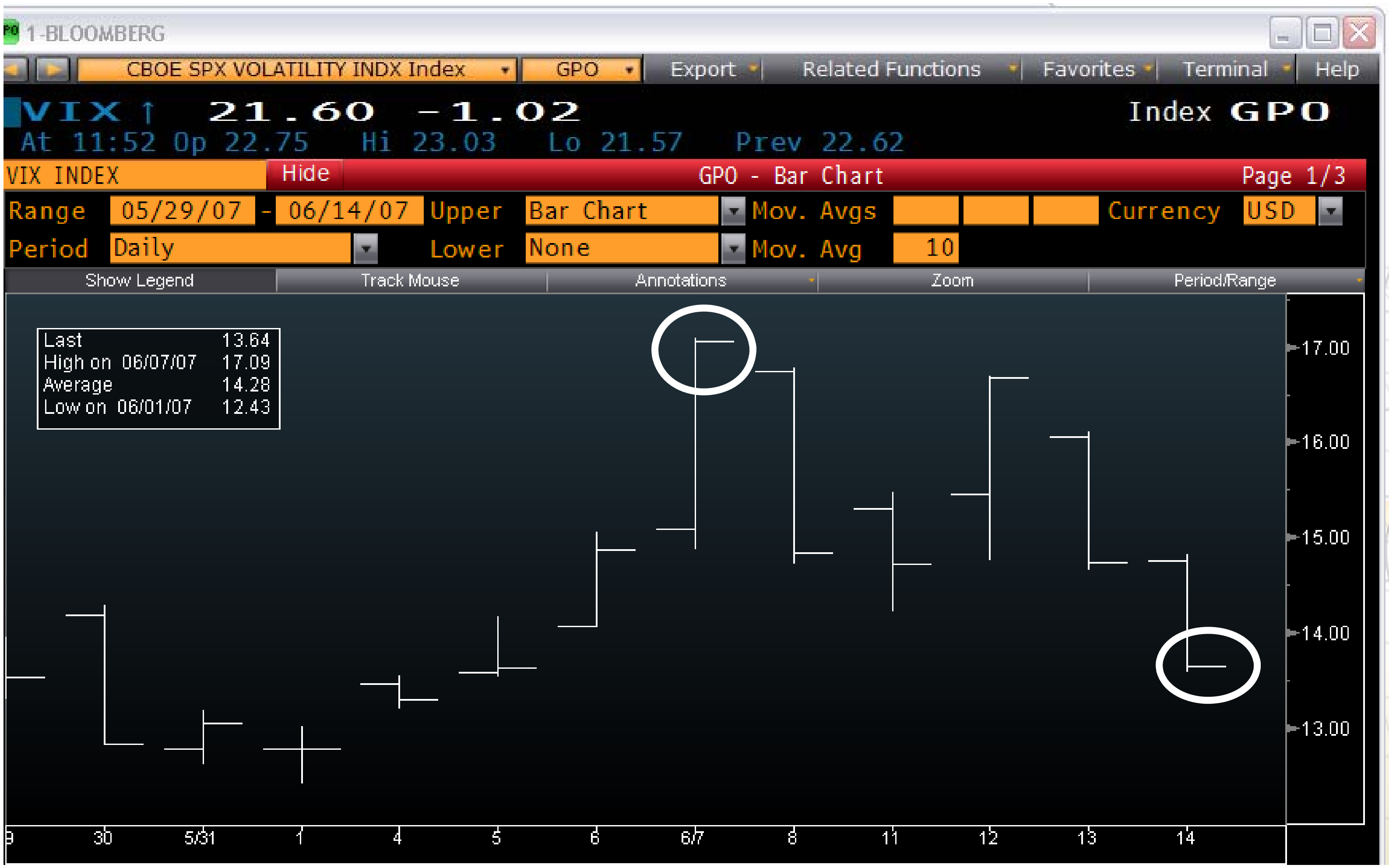
Examples of Multiple Signals (Clusters)

VIX Options Trading Course



19 cumulative signals

VIX Options Trading Course



6/6/07 to 6/7/07 18 cumulative signals

Daily VIX Stretch Matrix

Introducing VIX PowerRatings

Anticipating the direction of the VIX looking three months out.

Putting This All Together to Trade the Options

VIX Options Trading Course

How the VIX Options Trade

1. They tend to move off the futures, not the outright VIX itself (though the futures then move as the VIX moves, but usually not to the same extremes).
2. Equity option calculators do not apply to the VIX – do not use them.
3. There is no consensus in the academic world on how VIX options should be priced.
4. Be flexible. Each set of signals will present a different opportunity.

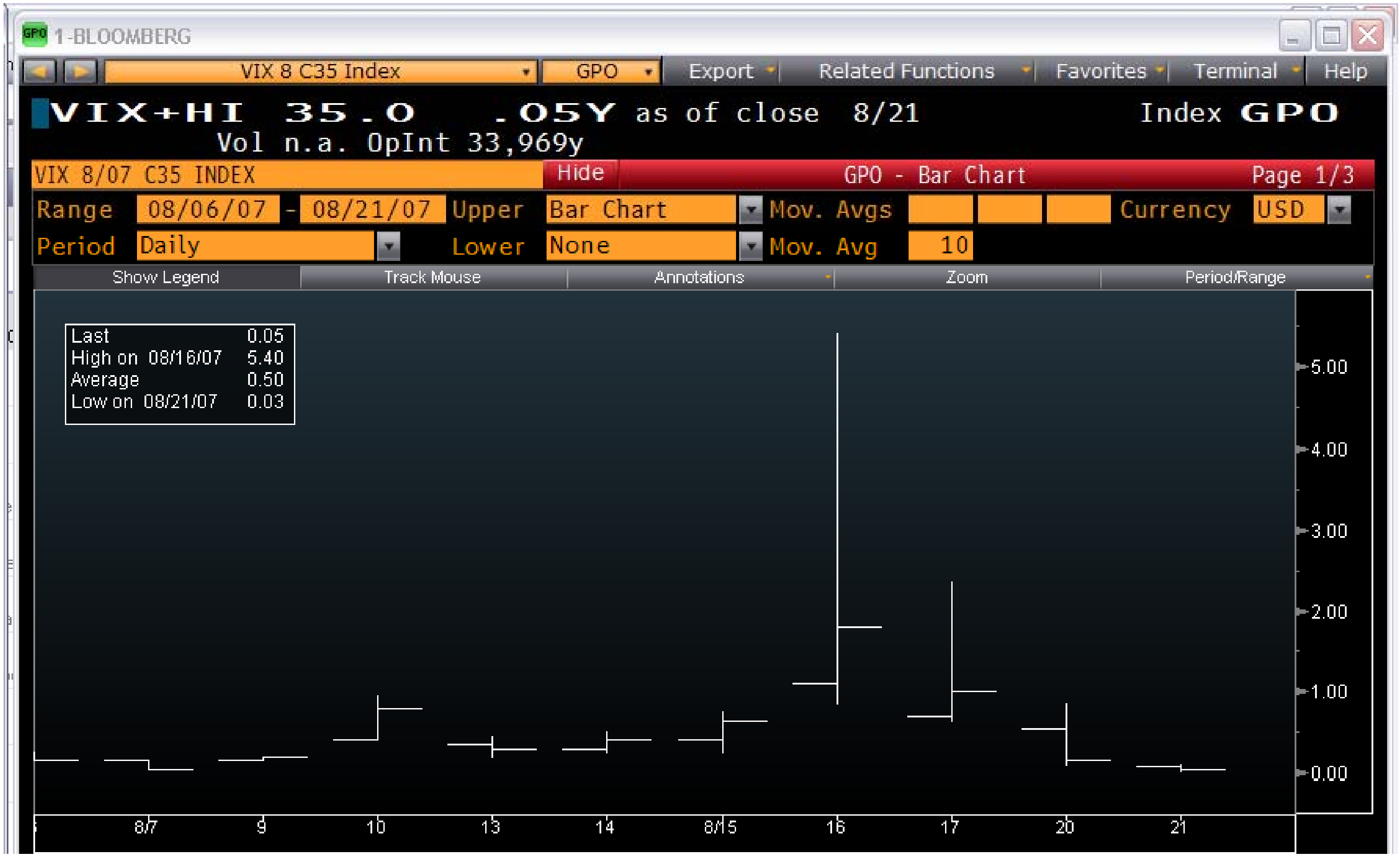
VIX Options Trading Course

Trading the VIX Options With These Strategies

1. Keep it simple
    a. Focus on the strategies
    b. Focus on multiple signals
    c. Focus on the stretch
    d. Focus on the VIX PowerRatings
2. Options – Focus on the front month.
3. On the short side, buy in-the-money puts looking to pay little to no premium, if possible.
4. If premium is too high (this is subjective), sell at-the-money calls or next higher strike price calls.

VIX Options Trading Course

Selling Calls When Put Premiums Are Too High



VIX Options Trading Course

Additional Strategies and Research

Timing the Market with the VIX Strategies

VIX Options Trading Course

Additional Strategies and Research

Possible Strategies

1. Long SPY’s
2. Long Deep ITM Calls
3. Bull Put Spreads
4. Short Puts (most aggressive)

VIX Options Trading Course

Additional Strategies and Research

Hedging with VIX Spreads

http://www.cboe.com/micro/vix/pdf/VIXOptionsStrategyReverseCollar.pdf

http://webreprints.djreprints.com/1747130359645.html

CBOE Margin Calculator

http://www.cboe.com/tradtool/mCalc/default.aspx

Questions and Answers

Next Meeting:

Mid-October

- *Trading*
- *More Research*
- *New Research on the RVX and VXD*

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