

Options Trading Strategies

Webster's Dictionary defines the term strategy as " 1 a) the science of planning and directing larger scale military operations, specifically (as distinguished from *TACTICS*) of maneuvering forces into the most advantageous position prior to actual engagement with the enemy b) a plan or action based on this. 2 a) skill in managing or planning, especially by using stratagems b) a stratagem or artful means to some end.

When applying a definition to investing in the market, we want to pay particular attention to the words "maneuvering into the most advantageous position prior to actual engagement" and the words "skill in managing or planning especially by using stratagems."

Picking a stock or group of stocks is only half the battle. Making the most from the chosen investment opportunity is the other half. This is where your strategy comes in.

The wrong strategy even when applied to the right opportunity can produce increased risk, decreased profits and even potential loss. Therefore, understanding and applying the proper strategy is critical.

The actual selection of an investment opportunity from those offered normally depends on the type and style of research the investor favors and deems necessary.

This selection process, or "investment selection protocols," is a checklist of different types and pieces of data that are favored by the individual investor. These pieces of data can consist of charts, indicators, oscillators, fundamental analysis, news or even tips.

Each investor has his/her own investment selection protocol. As an investor, once you complete this process and choose your investment opportunity, your strategy takes over. Inherent in the selection of the stock is expectation.

Every investor has some expectation for any chosen opportunity. Therefore a strategy must be selected which best fits those expectations.

The proper strategy will be the strategy that allows for the highest possible return with the least amount of risk and the best possible protection that can be afforded.



Obviously, since every opportunity will have a somewhat different expectation along with different variables surrounding it, each opportunity should have a different "ideal" strategy. By and large, when choosing a stock to invest in, most investors look to purchase a stock they think will go up. The directional play is as good a place as any to start our discussion of option strategies.

For more Information about option trading, please click here:
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