



## SPX 7 D.T.E Strategy

James Morse

[Set It & Forget It Trading](#)

You want to trade the SPX.

First, let me explain what SPX is. SPX is the S&P 500 Index. The S&P 500 tracks the 500 largest companies. This can give you a better idea on how the market is doing overall, on any given day.

Those familiar with the stock market also know that there is an underlying called SPY. This is an ETF that is directly correlated to the SPX Index. Another almost perfect correlation is the /ES E-Mini Futures, but that is another lesson. SPY and SPX are almost perfectly correlated, with one major difference is the size. SPX is \$3,900 index where SPY is just 1/10<sup>th</sup> of that size. This means as SPX moves, SPY will correlate almost perfectly.

A notable difference is that SPX is a cash settled product, which makes it a favorable item to trade. What does this mean? This means that if you were to trade SPX with a long call and it expired in the money (ITM), your account would then be cash settled for its closing price. If you have ever pulled up SPX during market hours, you will notice that it does not physically trade as there is no underlying asset assigned to it. However, if you were to be ITM on a SPY (or any other equity (COF, AMZN, TSLA) long call at expiration, you could wake up Monday morning to an assignment of 100 shares long on that underlying, and a possible margin call.

Another difference is that you cannot be assigned early when trading the SPX versus the SPY and other equity options. Since SPX is cash settled, if you were to have a short put that is ITM days prior to expiration, there is no way for anyone to exercise that option. However, if you had a short put on SPY, or again say AMZN, DIS, ETSY, that was ITM a few strikes, the buyer could exercise that short strike prior to expiration and you will find yourself long those 100 shares on that equity the next morning... and if your account can't handle that, a margin call to go along with it.

So what exactly is a 7 D.T.E trade?

7 D.T.E stands for seven days to expiration, meaning that this is a shorter term play that is put on during a weekly expiration. See below as the Mar 31<sup>st</sup> expiration has 7 days left in that expiration.

▼ Mar 31, 2021	Q ●●	7d	IV: 16.5% (657.43)
▼ Apr 1, 2021	W	8d	IV: 17.4% (655.78)

As you see below on SPY, these are monthly expirations expiring on March 19<sup>th</sup>, April 16<sup>th</sup>, May 21<sup>st</sup>, and June 18<sup>th</sup>. Each of those dates equals to the third Friday of that month.

SPY

IV Rank 4.3 Last X Size 393.53 P 0 Chg 3.95 Bid X 394.01 P Ask X 394.07 P Size 2x5 Volume 86.2M

POSITIONS	TRADE MODE							STRATEGY	
	TABLE	CURVE	ACTIVE	GRID	CRYPTO	PAIRS	ANALYSIS	SHORT	
			o Delta		o Open Int		Bid	Ask	Strike
	▼	Mar 19, 2021							8d
TRADE	▼	Apr 16, 2021							36d
	▼	May 21, 2021							71d
	▼	Jun 18, 2021							99d

Now, liquid products also can have weekly expirations, meaning they will have expirations on every Friday.

COF

IV Rank 2.8 Last X Size 132.10 N 0 Chg 2.57 Bid X 131.00 P Ask X 138.88 P Size 1x1 Volume 2.30M

POSITIONS	TRADE MODE							STRATEGY	
	TABLE	CURVE	ACTIVE	GRID	CRYPTO	PAIRS	ANALYSIS	SHORT	
			o Delta		o Open Int		Bid	Ask	Strike
	▼	Mar 12, 2021	W						1d
	▼	Mar 19, 2021							8d
TRADE	▼	Mar 26, 2021	W						15d
	▼	Apr 1, 2021	W						21d
	▼	Apr 9, 2021	W						29d
	▼	Apr 16, 2021							36d

You can see here on COF, there is an expiration on every Friday of the month. The expirations with a W show that they are the weekly expiration. The others, that are not marked, are the monthly expirations.

The S&P 500, on the other hand, has even more “weeklies” and offer’s expirations every Monday, Wednesday, and Friday. This goes for both SPY, SPX, and the /ES E-mini Futures.

**SPY**      IV Rank 4.3      Last X Size 393.53 P 0      Chg 3.95      Bid X 394.01 P      Ask X 394.07 P      Size 2x5      Volum 86.21

TRADE MODE							STRATEGY
POSITIONS	TABLE	CURVE	ACTIVE	GRID	CRYPTO	PAIRS	ANALYSIS
			<input type="radio"/> Delta		<input type="radio"/> Open Int		Bid      Ask      Strike
	▼	Mar 12, 2021	W				1d
TRADE	▼	Mar 15, 2021	W				4d
	▼	Mar 17, 2021	W				6d
	▼	Mar 19, 2021	W				8d
TIVITY	▼	Mar 22, 2021	W				11d

**SPX**      IV Rank 5.9      Last X Size 3,939.34 0      Chg 40.53      Bid X 3,897.22      Ask X 3,975.05      Size 0x0      Volum (

TRADE MODE							STRATEGY
POSITIONS	TABLE	CURVE	ACTIVE	GRID	CRYPTO	PAIRS	ANALYSIS
			<input type="radio"/> Delta		<input type="radio"/> Open Int		Bid      Ask      Strike
	▼	Mar 12, 2021	W				1d
TRADE	▼	Mar 15, 2021	W	<input type="radio"/>	<input type="radio"/>		4d
	▼	Mar 17, 2021	W	<input type="radio"/>	<input type="radio"/>		6d
	▼	Mar 19, 2021	AM				6d
TIVITY	▼	Mar 19, 2021	W				8d
	▼	Mar 22, 2021	W				11d

/ESH1 IV Rank 4.3 Last X Size 3,942.75 G 8 Chg 6.00 Bid X 3,942.50 G Ask X 3,942.75 G Size 5x13 Volum 41.21

		TRADE MODE							STRATEGY
POSITIONS	TABLE	CURVE	ACTIVE	GRID	CRYPTO	PAIRS	ANALYSIS	SHORT	
			o Delta		o Open Int		Bid	Ask	Strike
TRADE	▼	Mar 12, 2021	/ESH1 (EW2)						1d
	▼	Mar 15, 2021	/ESH1 (E3A)						4d
	▼	Mar 17, 2021	/ESH1 (E3C)						6d
	▼	Mar 19, 2021	/ESH1 (E5)						7d
	▼	Mar 22, 2021	/ESH1 (E4A)						11d

This is where we take advantage of the 7 D.T.E strategy and can apply it 3x a week for maximum trading.

There are two different strategies that I use for this 7 D.T.E play. First is a Vertical Spread and the other is the Iron Condor.

What is a Vertical Spread? A Vertical Spread is a neutral to directional strategy. There are four different types of vertical spreads that you can put on. A Call Debit Spread (Bullish), a Call Credit Spread (Bearish), a Put Debit Spread (Bearish), and a Put Credit Spread (Bullish). Took keep in line with this strategy, I will only focus on the Call and Put credit spreads.

A vertical spread consists both of buying an option and selling an option. The order in which your do this will determine if it will be a credit or debit spread.

When you sell credit spreads, you are always selling the option closest to the money and then buying an option that is further out of the money (OTM). You get the credit by selling a higher priced option (thus closer to the money) and

then buying an option for less further OTM. Your credit will be more than the debit, and this is what gives you your potential profit.

What is an Iron Condor? The simple answer is that an Iron Condor is a neutral strategy that consists of two of the vertical spreads from earlier, one call spread, and one put spread.

First, let us talk about expiration. If you are completely new to option trading, then you may have no idea what I am talking about. Unlike stock, where you would just buy and sell shares, options must be purchased in an expiration cycle. Without getting too deep into this, I can tell you that all options trade on a monthly expiration, which is the third Friday of every month. As shown earlier, others will also have weekly expirations as well.

As I mentioned earlier, a Vertical Spread consists of selling an option and buying an option, see image below.

8d	Puts						IV: 13.4% (±54.10)
4110	9.90	10.10	-0.20	296	32	17%	
4115	10.50	10.80	-0.21	46	15	18%	
4120	11.20	11.60	-0.22	126	59	19%	
4125	12.00	12.40	-0.24	1.69K	24	20%	
4130	12.90	13.20	-0.25	216	35	22%	
4135	13.80	14.10	-0.24	64	54	23%	
4140	14.80	15.10	-0.28	64	54	25% <b>B 1</b>	
4145	15.80	16.20	-0.30	55	36	27% <b>S 1</b>	
4150	17.00	17.30	-0.30	177	11	29%	
4155	18.20	18.50	-0.34	77	11	31%	
4160	19.50	19.90	-0.36	189	179	33%	
4165	20.90	21.30	-0.39	75	10	35%	
4170	22.40	22.80	-0.41	453	88	38%	
4175	24.00	24.50	-0.44	462	44	41%	
4180	25.80	26.30	-0.46	76	31	43%	
4185	<b>Stock 27.80 Price</b>	28.20	-0.49	93	43	46%	
4190	29.90	30.40	-0.52	106	69	49%	
4195	32.10	32.60	-0.54	89	45	52%	
4200	34.50	35.10	-0.57	39	89	55%	

Above is considered a Vertical Put Spread (vPs) that results in a bullish play and an overall net credit.

May 5, 2021	w							Calls	8d
75%	1	50	0.72	61.30	61.90	4140			
73%	0	35	0.70	57.30	57.90	4145			
71%	6	967	0.68	53.40	54.00	4150			
69%	0	52	0.66	49.70	50.30	4155			
67%	21	347	0.64	46.00	46.60	4160			
65%	12	448	0.61	42.50	43.00	4165			
62%	2	105	0.59	39.00	39.50	4170			
59%	585	803	0.56	35.70	36.20	4175			
57%	43	131	0.54	32.50	33.00	4180			
54%	28	148	0.51	29.40	29.90	4185			
51%	98	148	0.48	<b>Stock 26.60 Price</b>	27.00	4190			
48%	74	69	0.45	23.80	24.30	4195			
45%	176	2.02K	0.43	21.20	21.70	4200			
42%	86	152	0.40	18.80	19.20	4205			
38%	265	308	0.37	16.60	17.00	4210			
35%	12	208	0.34	14.60	14.90	4215			
<b>S 1</b>	37	393	0.31	12.60	13.00	4220			
<b>B 1</b>	213	137	0.28	10.90	11.30	4225			
	20	164	0.25	9.40	9.70	4230			



And this would be a Vertical Call Spread (vCs) that results in a bearish play and overall net credit.

When talking about the Iron Condor, you just combine the two examples above and you will get something like the example below. This creates the neutral strategy, and you are profitable only if it stays between the two short strikes from both vertical spreads.

Mar 5, 2021	W			Calls	SP	Puts				IV: 31.7% (125.9)
0.02	17	102.50			3770		41.00	41.10	311	-0.10
0.04	168	100.80			3775		42.30	43.00	817	-0.36
0.03	14	97.30			3780		43.00	44.30	441	-0.37
0.02	58	93.50			3785		45.00	45.70	106	-0.38
0.01	11	89.90			3790		46.40	47.10	115	-0.39
0.00	4	86.30			3795		47.80	48.50	75	-0.40
0.09	174	82.80			3800		49.30	50.00	2,818	-0.41
0.58	38	78.40			3805		50.90	51.60	62	-0.42
0.57	34	76.00			3810		52.90	53.60	151	-0.44
0.55	6	72.70			3815		54.10	54.80	202	-0.45
0.34	259	68.60			3820		55.60	56.30	104	-0.46
0.53	233	66.30			3825		57.60	58.30	2,106	-0.47
0.52	152	63.00			3830		59.60	60.30	385	-0.48
0.50	154	59.80			3835		61.10	61.80	279	-0.50
0.49	520	56.80			3840		63.10	63.80	351	-0.51
0.48	223	53.80			3845		65.10	66.80	229	-0.53
0.46	1,076	50.90			3850		67.00	68.20	5,188	-0.54
S 1	0.45	157	48.00	48.80	3855		69.10	70.40	315	-0.55
B 1	0.43	161	45.20	46.00	3860		71.40	72.60	404	-0.57
0.42	204	42.40		43.20	3865		73.50	74.80	258	-0.58
0.40	363	39.70		40.60	3870		76.00	77.20	272	-0.60
0.39	289	37.20		37.90	3875		78.40	79.60	302	-0.61

POP 15%    EXT 400    P50 = 1%    Delta -0.34    Theta 4.841    Max Prof 400    Max Loss -80    BP Eff 80.00

And this is what it looks like through the analysis tab:



As you can see from the images above, the green line on the first image and the green box on the second image show you the “zone” in which you would be profitable come expiration. What this means is that if the stock price is inside this green area at the day of expiration, you will achieve 100% max profit. Therefore, it is considered a neutral strategy, since you do not want it to travel too far up or down from the current price.

Now that we have laid out the basics on how to put the trades together, the next question you are asking is “How do I make the money now?”

This is where Theta comes into play. Theta is one of the Greeks involved with option trading that works in our benefit when selling options. If you have been trading long options, then it is possible you have heard the term “Theta is your enemy.” This is absolutely true, if you are buying options. However, when you are a seller of options then Theta becomes your best friend.

You may have noticed that if you have ever held a long option that was out of the money (OTM) longer than you should have, it is now trading at an exceptionally low price. As time gets closer to expiration, you would need a larger and larger move for that option to become profitable again. Which may not even be possible depending on how much time you have left in that expiration and how far OTM you are. If you do not get this move, then by expiration it will expire worthless, and you will have lost all the money you paid for that option.

It is the exact opposite when selling options. When we put on a Vertical Spread or an Iron Condor, the strikes we use are OTM, and we want them to stay this way. As the time passes, Theta will start to come out and the option prices will decay, thus giving us profit. Yes, you can hold out for 100% profit, but that is usually a risky play, so we look to buy back these options for 50% of the credit we received.

Why only 50%? Well, you can only make 100% when selling options. Unlike long call options, where the possibilities are of infinite gain, when you sell an option you can only make 100% of what you sold it for. For instance, if you sold an option for \$1.00 then the max you can make on this trade is \$1.00 or 100%. Usually, this profit comes fairly quickly, and we can exit a trade for 50% - 75% profit within a few days. It becomes riskier to hold a trade longer than this since all it takes is a quick move in the market to go from a winning trade to it becoming a complete loser. Protect those profits!

This is especially true when it comes to trading on very short-term expirations. On a 7 DTE you only have 7 days for this play to reach your profit. If you hit 50%-75% within 2-3 days, it is best to take the money and run. As one pullback day in the market can literally turn that winning trade with 3 days to go into a max loser with little to no chance of recovery.

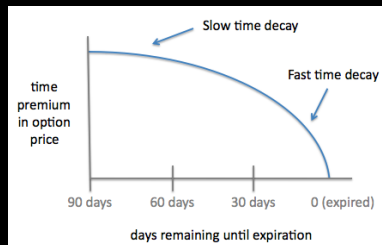
Now when you are playing the normal 30-45 DTE trade, the 50% is still key as this usually happens on average about 9.87 days on average into the trade (for me). When you are putting on a play out 30-45 days and you hit 50% of

your max profit in less than 10 days, it is highly recommended that you protect your profits and move on. Why risk that 50% gain to try for 10%, 20%, or even 30% more when there is so much time left for the trade to go against you.

So now you are probably asking, why should I use the 7 D.T.E weekly expirations and not 30 to 45 D.T.E like you teach in your service?

This is because of the Theta Curve. Options decay slower with expirations that are further out in time and faster as you get closer to expiration. While the 30-45 D.T.E is a good expiration for the typical trades that you plan on holding for the average 5-10+ days, it is not so much for the quick Theta decay and fast profits that we aim for with the SPX strategy.

Example of the Theta Curve:



We are looking to turn over these SPX trades in just a couple days, not weeks. By putting it on in a 7-day cycle, we are maximizing the Theta decay as much as possible.

The ultimate time to put this play on is... well, sorry, there is not one. Market conditions will dictate the time when you put this play on. Sometimes you just do not, and you pass. Other times the markets are being favorable, and you can put this on fairly early in the day. And when the market is trending too much in one direction or the other, you will just have to wait for the market to slow down before putting it on. Just remember, you want to be as centered as possible, for the Iron Condor, and not put it on only to have one side tested an hour later and not on the highs or lows of the day for the Vertical Spreads

Once the trade is on, I set it with a .50c debit, for Iron Condors, and a .25c debit, for Vertical Spreads, GTC (Good-Till-Canceled) closing order and let it do its thing. Very rarely do we need to manage these trades and can usually expect to see the 50-75% profits in a matter of a few days.

Here are some example trades at the time of this writing.

I want to show this one, though it rarely happens can happen and instead of a 2 day or even 3 day hold, it turns out to be a day trade. This play I put on was early into the market open with a Vertical Put Spread. Then, after a full day of trending markets, I was able to close this spread the same day during the last hour for a gain of 56.52%!!

SPX	Filled	FILL	0.50	0.50	Day	4/23 12:12p	Fill	#145321485	1 Apr 30	3d	4040	P	57%
								#145321485	-1 Apr 30	3d	4025	P	53%
SPX	Filled	FILL	1.15	1.15	Day	4/23 7:21a	Fill	#145277353	-1 Apr 30	3d	4040	P	57%
								#145277353	1 Apr 30	3d	4025	P	61%

Then there was this play put on a Friday just before lunch hour and was able to take it off that next Monday prior to power hour. A 2 day hold and 76.19% gain!

SPX	Filled	FILL	0.25	0.25	GTC	4/16 11:49a	Fill	#143449787	1 Apr 21	Exp	4050	P	61%
								#143449787	-1 Apr 21	Exp	4035	P	51%
SPX	Filled	FILL	1.05	1.05	Day	4/14 8:01a	Fill	#143434198	-1 Apr 21	Exp	4050	P	56%
								#143434198	1 Apr 21	Exp	4035	P	66%

This play was put on 30 minutes before the close on March 12<sup>th</sup> for the typical \$1.30 in credit. Had to hold it slightly longer, 6 days this time, but right at the bell on March 18<sup>th</sup> I got price improved to a .40c debit and a nice gain of 69.23%

SPX **GTC** 6:30a 3/18

FILL 0.40 **db**                      LMT 0.50 **db**

-1	Mar 19	Exp	3790	P	<b>STC</b>
1	Mar 19	Exp	3800	P	<b>BTC</b>
1	Mar 19	Exp	4040	C	<b>BTC</b>
-1	Mar 19	Exp	4050	C	<b>STC</b>

SPX **Day** 12:33p 3/12

FILL 1.30 **cr**                      LMT 1.30 **cr**

1	Mar 19	Exp	3790	P	<b>BTO</b>
-1	Mar 19	Exp	3800	P	<b>STO</b>
-1	Mar 19	Exp	4040	C	<b>STO</b>
1	Mar 19	Exp	4050	C	<b>BTO</b>

This play was put on February 10<sup>th</sup> with just 30 minutes left in the trading day, and then 2 days later right at the opening bell, this trade closed for a 61.54% gain.

SPX **GTC** 9:01a 2/12

FILL 0.50 **db** LMT 0.50 **db**

-1	Feb 17	Exp	3805	P	<b>STC</b>
1	Feb 17	Exp	3815	P	<b>BTC</b>
1	Feb 17	Exp	4020	C	<b>BTC</b>
-1	Feb 17	Exp	4030	C	<b>STC</b>

SPX **Day** 12:26p 2/10

FILL 1.30 **cr** LMT 1.30 **cr**

1	Feb 17	Exp	3805	P	<b>BTO</b>
-1	Feb 17	Exp	3815	P	<b>STO</b>
-1	Feb 17	Exp	4020	C	<b>STO</b>
1	Feb 17	Exp	4030	C	<b>BTO</b>



Here is another one, I put it on right before lunch\* on February 17<sup>th</sup> and closed it two days later for another 61.54% gain.

SPX GTC 8:35a 2/19

FILL 0.50 db LMT 0.50 db

-1	Feb 24	Exp	3775	P	STC
1	Feb 24	Exp	3785	P	BTC
1	Feb 24	Exp	4030	C	BTC
-1	Feb 24	Exp	4040	C	STC

SPX GTC 8:02a 2/17

FILL 1.30 cr LMT 1.30 cr

1	Feb 24	Exp	3775	P	BTO
-1	Feb 24	Exp	3785	P	STO
-1	Feb 24	Exp	4030	C	STO
1	Feb 24	Exp	4040	C	BTO

And then there is this one. Held a little longer but same scenario. I put it on February 19<sup>th</sup>, and closed it five days later for; once again a 61.54% gain.

SPX **GTC** ⓘ 9:43a 2/24

FILL 0.50 **db** LMT 0.50 **db**

-1	Feb 26	1d	3795	P	<b>STC</b>
1	Feb 26	1d	3805	P	<b>BTC</b>
1	Feb 26	1d	4015	C	<b>BTC</b>
-1	Feb 26	1d	4025	C	<b>STC</b>

SPX **Day** ⓘ 12:45p 2/19

FILL 1.30 **cr** LMT 1.30 **cr**

1	Feb 26	1d	3795	P	<b>BTO</b>
-1	Feb 26	1d	3805	P	<b>STO</b>
-1	Feb 26	1d	4015	C	<b>STO</b>
1	Feb 26	1d	4025	C	<b>BTO</b>

\*Times are PST