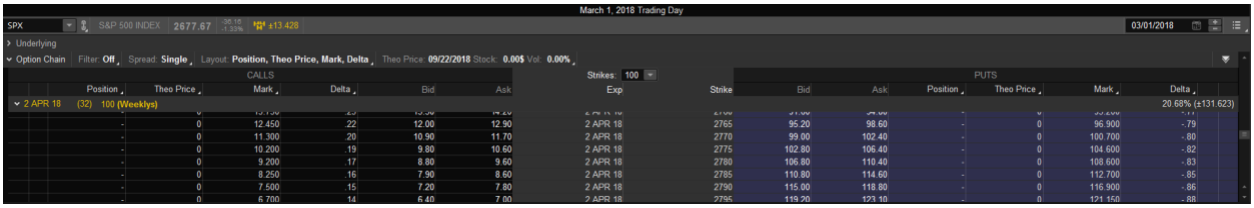
Case Study

After the big drop early 2018, SPX moved up taking out the last pivot in the down move then proceeded to retrace 50% creating a range between 2789 and 2532.

Assumed Trade:

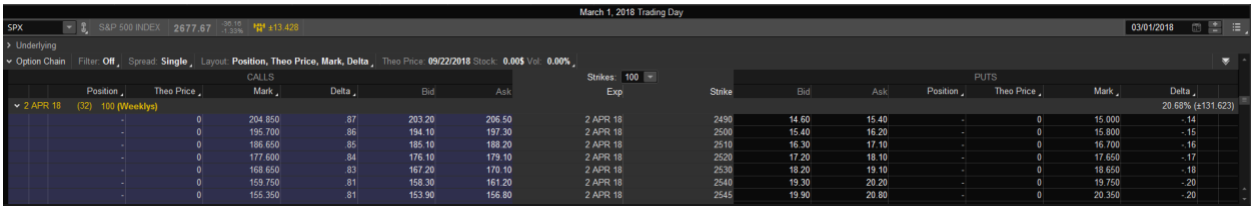
We assumed that we took Iron Condor trade on 3/1/2018 when we hit the 50% retracement using “2 APR 18” option chain expiring in 32 days. We used the closing price of 2677.67 on 3/1/2018 since thinkorswim thinkback only gives us closing prices.



CCS: D20 Call:-1 Contract 2770 @ 11.3

D15 Call: 1 Contract 2790 @ 7.5

Credit = 1*100*(11.3-7.5) = 380



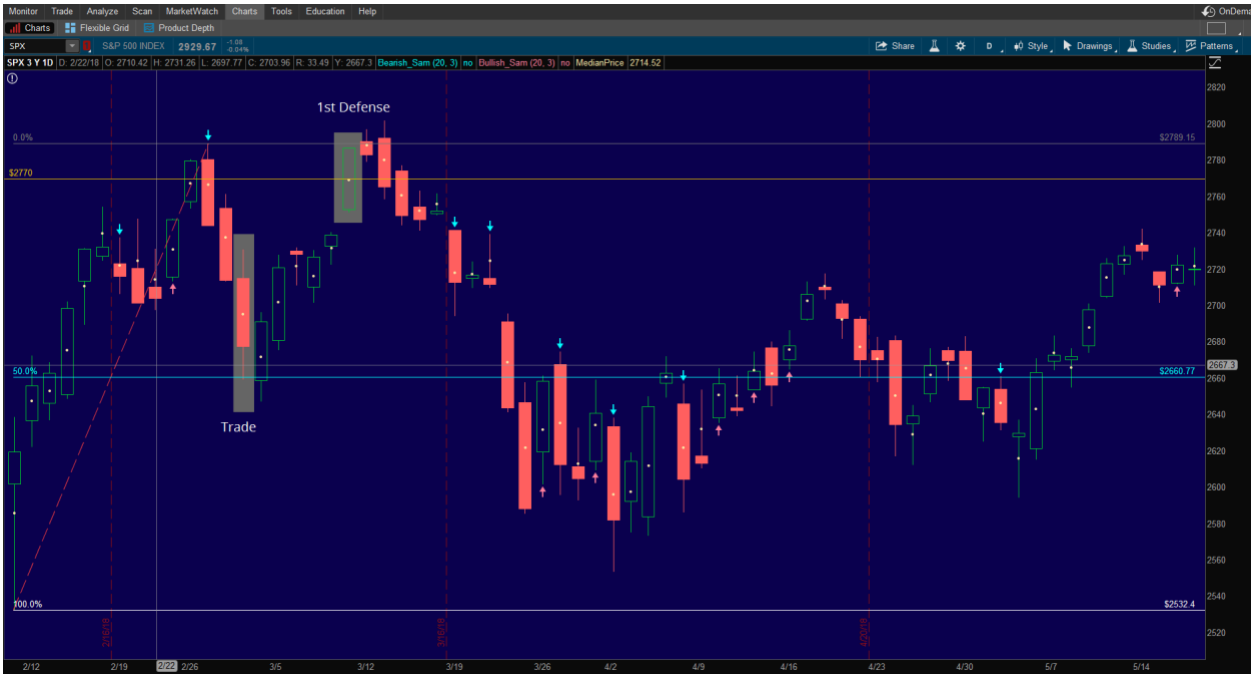
PCS: D20 Put: -1 Contract 2540 @ 19.75

D15 Put: 1 Contract 2500 @ 15.8

Credit = 1*100*(19.75-15.8) = 395

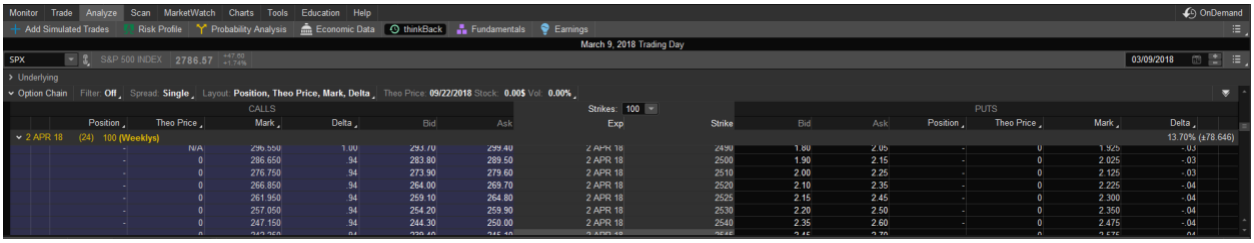
Expected move was 131.62 points

Our short call of 2770 was hit on 3/9/2018 and we have to defend our trade.



We would have defended the trade when our short call strike of 2770 was hit but due to the limitation of thinkback and to demonstrate that we can still defend the trade even if the short strike is already in the money so we shall take our defense at the closing price of 2786.57.

The PCS should already be gone with our GTC order to close it at 50% profit + Commission but let's check to make sure.



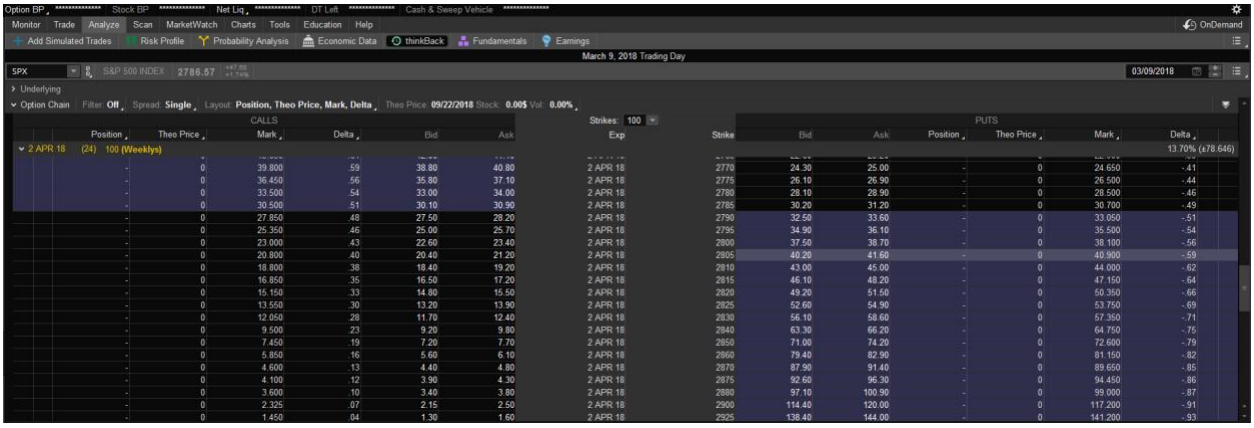
PCS: 1 Contract 2540 @ 2.475

-1 Contract 2500 @ 2.025

Credit = 1*100*(2.475-2.025) = 45 < (395/2)

We shall assume that we closed the PCS for a profit of 200.

Realized Gain = 220



Buy back the short call 2770 for a realized loss.

1 Contract call 2770 @ 39.8

Debit = 1*100*39.8 = 3,980

Realized Loss = 1*100*(11.3-39.8) = -2,850

Sell 4 D30 Call 2825 @ 13.55

Credit = 4*100*13.55 = 5,420

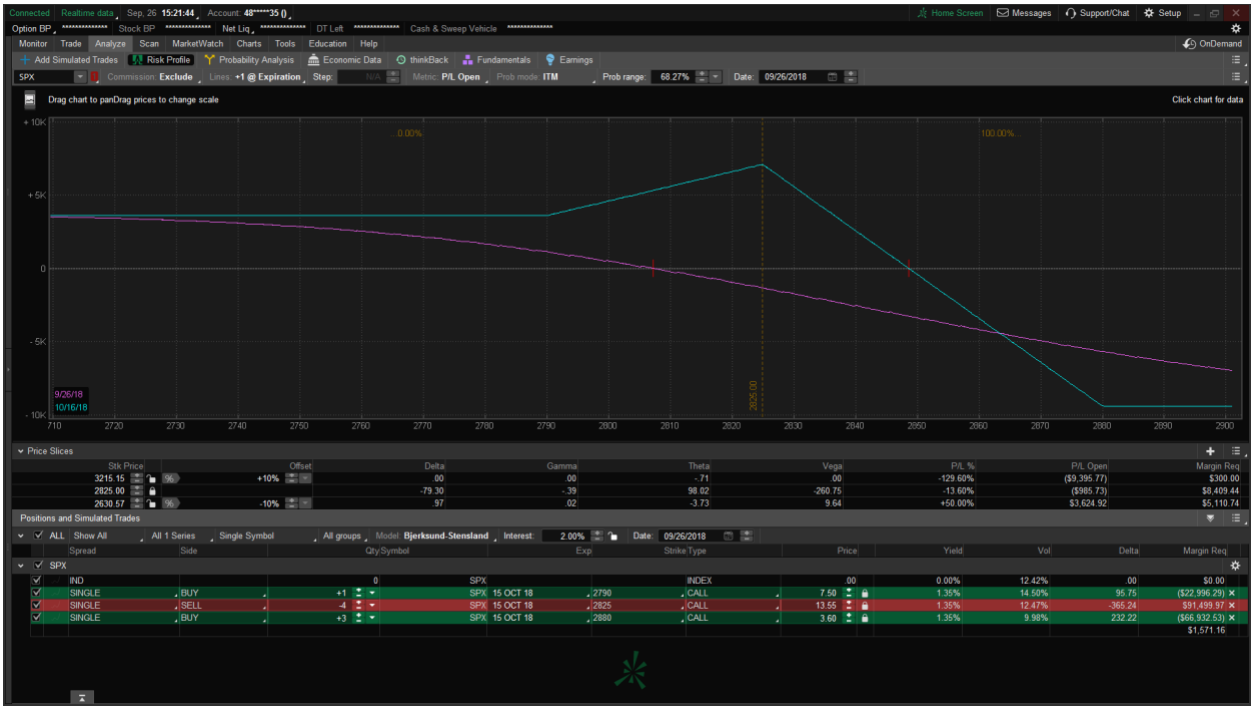
Buy 3 D10 Call 2880@ 3.6

Debit = 3*100*3.6 = 1,080

Net Credit = 5,420-1,080 = 4,340

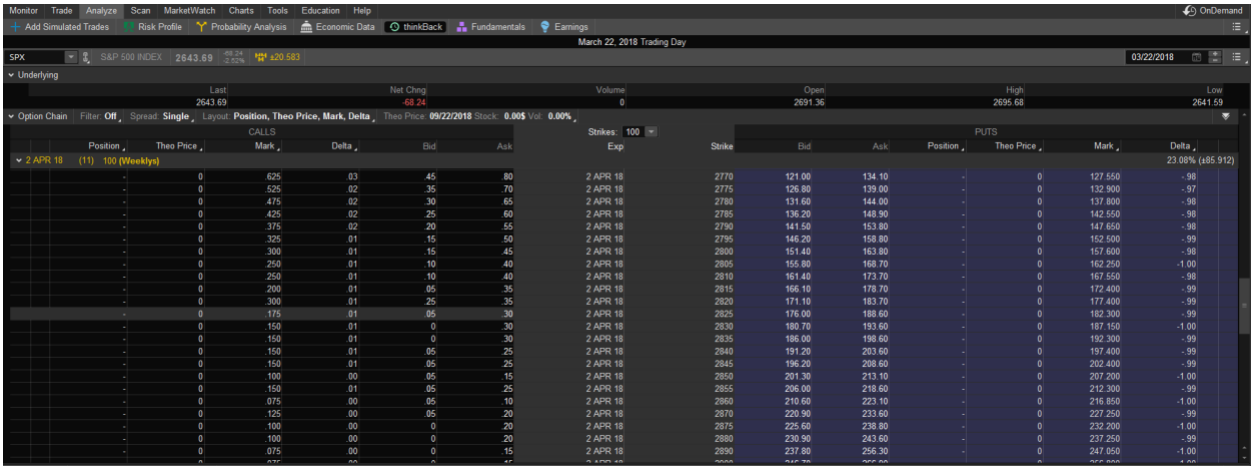
Expected move has decreased to 78.65 which is normal since we moved up and now have 24 days till expiration.

I have re-created the position using the analyze tab risk profile.



SPX failed to break the range to the upside and traded back to the 50% level on 3/22/2018 where we can take another Iron Condor if we already sold the call side and rules are met.

Let’s check the value of our position on 3/22/2018 & will use the closing price of 2643.69.



1 Contract Call 2790 @ 0.97.5

Realized Loss = 1*100*(.625-7.5) = -687.5

4 Contracts Call 2825 @ .175

Realized Gain = 4*100*(13.55-.175) = 5,350

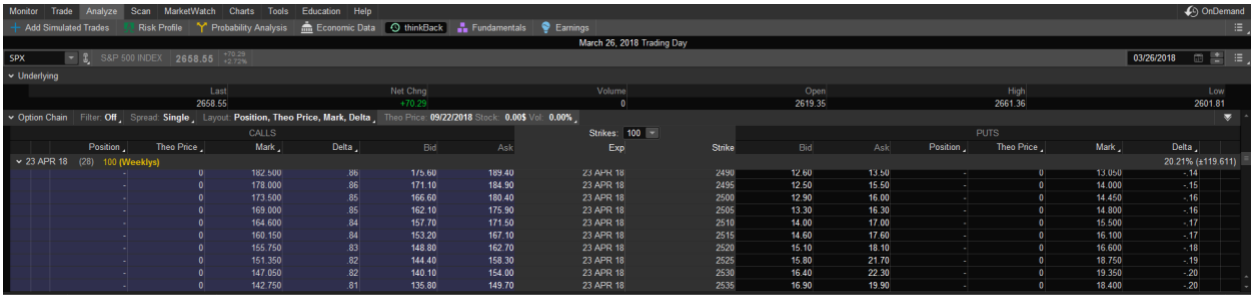
3 Contracts Call 2880 @ 0.1

Realized Loss = 3*100*(0.1-3.6) = 1050

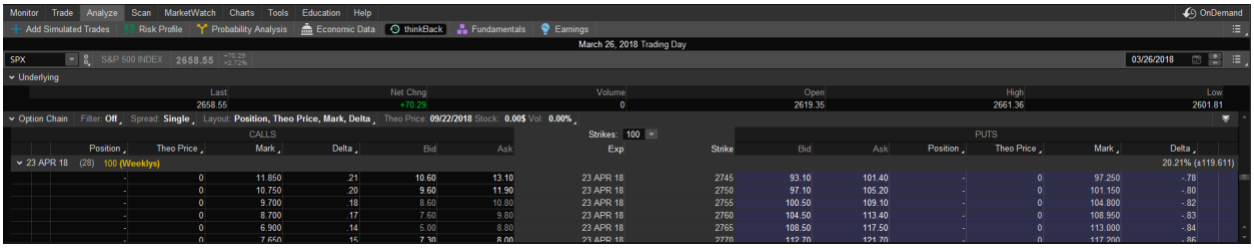
Trade Result = 220-2,850-687.5+5,350-1050 = +982.5

Let us check if rules are met for another Iron Condor on 3/26/2018 using option chain “23 APR 18” with 28 days to expire.

D20 Put = 2530



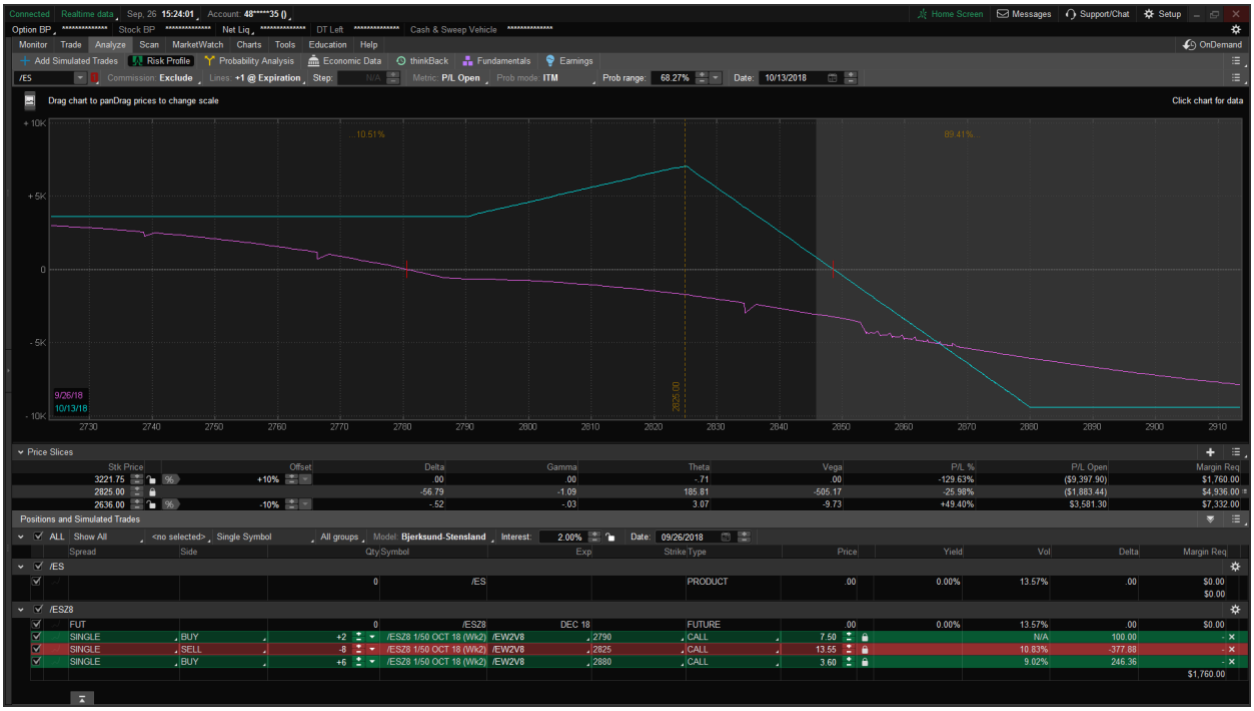
D20 Call = 2750



The put side is outside the range while the call side is inside but playable and neither sides of the trades were hit and would have been a successful trade.

We would have also have the opportunity to add to the trade several times until 7/12 when the range was finally broken to the upside after 5 months.

I would like to take this opportunity to show the huge difference in margin between ES Future and SPX.



ES Future margin = 4,935

SPX Margin = 8,409

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