



Bear Put Spreads

Workspace Instructions



Options
Strategies

Download Workspace

- 1 Download the workspace provided with the article.
 - a. Workspace file name: **Bear Put Spreads.TSW**.
 - b. The tsw extension stands for TradeStation Workspace.
- 2 The workspace will be inside a ZIP folder in your computer's **Downloads** folder.
- 3 Using File Explorer, locate the **Downloads** folder, right-click on the **Bear-Put-Spreads ZIP**, and select **Extract All**.
- 4 Make a note of the folder to where the files will be extracted and click **Extract**.

Open the Workspace

- 1 From the TradeStation Desktop, click **File – Workspace – Open Workspace**.
- 2 Locate the directory where you saved the workspace.
- 3 Click **Bear Put Spreads** and click **Open**.
- 4 Workspace will open and symbols in RadarScreen will load gradually.

Workspace Components

Charts

- 1 Daily Chart, symbol linked to RadarScreen and Weekly Chart.



RSI (Indicator)

The Relative Strength Index (RSI) indicator calculates a value based on the cumulative strength and weakness of price, specified in the input Price, over the period specified in the input Length. For that number of bars, RSI accumulates the points gained on bars with higher closes and the points lost on bars with lower closes. These two sums are indexed, with the index plotted on the chart. The RSI plots as an oscillator with a value from 0 to 100. The direction of RSI should confirm price movement. For example, a rising RSI confirms rising prices.

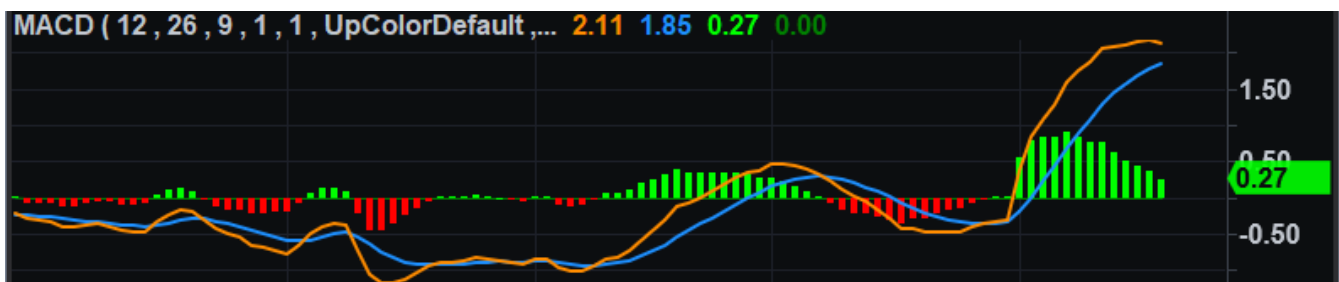
RSI can also help identify turning points when there are non-confirmations or divergences. For example, a new high in price without a new high in RSI may indicate a false breakout. RSI is also used to identify overbought and oversold conditions when the RSI value reaches extreme highs or lows. This indicator automatically changes the color of the RSI plot when it exceeds either of the levels specified in the inputs OverSold and OverBought. Horizontal reference lines are also plotted at these levels as visual aids.



MACD (Indicator)

The Moving Average Convergence Divergence indicator calculates 2 exponential moving averages of the lengths specified by the inputs FastLength and SlowLength. The difference between these 2 averages is then plotted as the MACD. This value is also averaged for the number of bars specified by the input MACDLength and then plotted as the MACDAvg.

Finally, the difference between the MACD and the MACD average is calculated and plotted as the MACDDiff. As a trend-following indicator, the MACD may be interpreted similarly to other moving averages. When the MACD crosses above the MACD Average, it may be the beginning of an uptrend. Conversely, when the MACD crosses below the MACD Average, it may be the beginning of a downtrend. As an oscillator, the MACD can indicate overbought and oversold conditions.



2 Weekly Chart. The optimal time frame for identifying extended trends and chart patterns in stock prices is on a weekly basis. Each bar on a weekly chart corresponds to one week of price or volume data, allowing for a more extended perspective on a stock's price history.



RadarScreen

	Symbol ▲	Description	Last	Open Int - All ...	Volume Avg VolAvg	%Chg %Chg	MACD CrossBarsAgo	RSI RSI	Interval
1	S&P 500 Index (504)								
2	AAPL	Apple Inc	180.84	5,140,149	55,317,534	-6.73	13	34.02	Daily
3	ADBE	Adobe Inc	535.41	216,477	3,145,598	-11.29	7	28.44	Daily
4	AMD	Advanced Micro Devices Inc	162.72	2,319,549	77,105,684	-3.25	12	46.22	Daily
5	ACN	Accenture PLC (Ireland) NEW	362.64	60,309	2,100,018	-1.24	10	48.71	Daily
6	ADI	Analog Devices	187.18	88,495	3,238,971	-5.13	13	43.28	Daily
7	AMGN	Amgen Inc	281.72	137,103	2,868,904	-9.17	9	31.65	Daily
8	AIG	Amer Intl Grp	68.59	112,659	3,641,551	-0.97	10	48.09	Daily
9	AKAM	Akamai Technologies	108.59	88,600	1,574,432	-10.91	3	24.48	Daily
10	APTV	Aptiv PLC	77.07	38,495	2,983,966	-3.66	7	37.13	Daily

1 The RadarScreen is pre-populated with the 500 symbols that make up the S&P 500 Index.

2 The RadarScreen contains the following Studies:

a. Open Int – All Opts

Plots the total open interest for all Call and Put options trading for the underlying asset in the chart. Available for optionable stocks and index symbols. Total Open Interest volume is calculated at the end of each trading day for the next day.

b. Volume Avg

The Volume Average indicator plots a 50-bar average of the volume overlaid on the current volume. You can change the number of bars used to calculate the average. This indicator contains alert criteria. When you enable the alert in the Customize Indicator dialog box, you will be notified when the current volume breaks out above the average volume by a percentage greater than the percentage specified in the input BreakoutPcnt.

c. %Change

The %Chg indicator calculates and plots the net change, expressed as a percent, between a bar's price, as specified by the input Price, and that price the number of bars ago specified in the input Length. This indicator is a quick and easy method of viewing price swings between bars, illustrating price volatility.

d. MACD and RSI – Explained above.

3 There are five Filters enabled for RadarScreen:

Open Interest – All Options > 10,000. The stock has liquid options.

MACD < MACD Average. MACD is showing the stock to be in a bearish trend because it drops above the average.

MACD CrossBarsAgo < 15. The crossover that signals the start of the bearish trend has happened more recently. Within the last three trading weeks, so it is more likely to be continuing.

RSI < 60. The bearish trend is not showing bullish pressure. RSI should stay below 60 in bearish trends.

%Change < 0. The price is declining.

Bear Put Spread Entry Conditions

- ✓ The weekly trend should be bearish, and the current price is not near a support level.
- ✓ The daily price is correcting and nearing a strong supply or resistance level.
- ✓ The stock has liquid options, approximately 10,000 contracts or more.
- ✓ Entry for the spread may occur when the current underlying price is in or near the strong resistance/supply level.
- ✓ The selected options should be 60 days from expiration to minimize time decay.
- ✓ To avoid the accelerated time decay of the debit spread, the position could be exited 30 days before the options expire.
- ✓ The short put option carries a risk of early assignment, which is relatively low if the option stays out of the money. Nonetheless, this risk exists.

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