How do the tastytrade® methods differ from conventional investment thinking?

A Real Financial Network for the Individual Investor

 www.tastytrader.net

Conventional	tastytrade® way
Trade Long Positions Only	Trade both long and short positions as opportunities develop.
Buy and Hold	Trade often, taking profits when you have them, and extending duration when you are “on the dance floor”.
Don’t put on too many positions	Trade small with a high number of occurrences to create a high statistical chance of success.
Take losses early, let winners run	Manage your winners early, don’t manage losers if they are defined risk.
Trade Directionally	Strategy and duration trump direction.
Derivatives (options and futures) are too risky	Using derivatives gives you better leverage and allows better POP and ROC.
Never sell naked options	Use naked options with high IV rank when appropriate.
Liquidity is not much of a concern	Trade only underlyings with high liquidity.
Focus is on P/L	Focus is on POP, ROC, and cost basis reduction
Trade with the market trend	Look for opportunities to trade as a contrarian when at extremes.
Avoid strategies like covered calls that limit your upside	Methods of reducing cost basis increase the probability of profit, and should be utilized.

Conventional tastytrade® way

Conventional	tastytrade® way
Use stops to protect against downside moves	Don’t use stops; control risk by position size at entry, by using defined risk trades, and by using exit strategies for undefined risk trades.
Minimize risk	Be willing to take measured risk. You can take more risk on smaller trades since you are using a smaller percent of trading capital.
Avoid margin –> account value can go negative	Use margin responsibly to increase leverage and allow for more occurrences.
Passive investing over a long period of time is preferable	Being an active investor allows you to be more engaged, and will ultimately lead to a better understanding of investment options and better profitability.
Stock prices will move up over the long term.	While price is not mean reverting, we can take advantage of both low and high price extremes; stocks can move down as well as up.
Avoid trading when volatility is high	Volatility is mean reverting. Use periods of high and low volatility extremes to guide your strategy. High volatility provides great trading opportunity.
Individual investors are at a disadvantage when compared to institutional investors	With today’s technology, individual investors have access to all the tools needed to invest strategically, and unlike institutional investors, they can get in and out of markets quickly.
Avoid binary events such as earnings	Use earnings and other binary events as an engagement tool, but stay small.