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Options on Futures: New Trading Strategies (Wiley Trading)

John F. Summa, Jonathan W. Lubow

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John F. Summa, Jonathan W. Lubow : Options on Futures: New Trading Strategies (Wiley Trading) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Options on Futures: New Trading Strategies (Wiley Trading):

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By A Customer
I like to buy straddles. That makes me a debit spreader. Since this book is all about CREDIT-spreads, you'd think that I would stay away from it. Nevertheless, I'm glad that I bought the book and consider it to be an important addition to my library. The authors

do a good job of:-- explaining why speculators should be interested in options on futures;-- explaining why speculators should think twice about buying premium... as opposed to selling it;-- showing how to take and then adjust positions on certain basic strategies. The book is:--less theoretical and more immediately useful than Natenberg's "Option Volatility Pricing";--better organized than Caplan's "The New Option Secret";--more focused and informative than Spears' "Commodity Options", and...--less combative than Gallacher's "The Options Edge". To be honest, I'm glad that I've had a chance to read and re-read ALL these books -- so I'm not saying that you shouldn't get any of them. It's just that Summa and Lubow make an especially good case for credit-spreading. One last point: "Options on Futures" is a must-have if you follow the recommended trades on...36 of 42 people found the following review helpful.

Disappointing for the price
By Andrew Kasch
Why do hardback books cost so much? And what makes this one sell for \$65 and others that are better sell for \$35? Who comes up with the pricing on these things? John Summa makes a strong case for selling credit spreads in the futures market in this volume. It is a good read for beginners, but really you can find the same material on the internet for free just by doing a few key word searches. The way he presents the material is authoritative and would have one believing that his conclusions are gospel. In reality nothing could be further from the truth. You can lose money doing credit spreads, and yes, have bad streaks where 4 or 5 in a row go against you. I know because I am a fan of credit spreads and do them in the stock market quite a bit. Typically you are risking more than 2-1, that is, risking more than twice as much as you can make so when you hit a bad streak it can set you way back. Credit spreads are just another tool; you still need to be decent at choosing your positions. I belong to Summa's mailing list as well. His mantra is selling options, selling options, selling options. A quote from one of his newsletters: "The amount of wealth being transferred to option sellers from option buyers is staggering." It's irresponsible statements like that which keep me out of his fan club. Ask Nicolas Talib ("Fooled by Randomness") what HE thinks of selling premium as a core strategy. Selling option premium is one of those strategies that makes a little money most of the time and then one day a catastrophe hits and ruins you. I have two major issues with the book, which I concede is a well-written work that I did enjoy reading. The first is that the examples given are unrealistic. The premiums collected on the SPX credit spread examples in the first half of the book that are way out of the money like that just don't exist. The second is the risk-management suggestions on some of the scenarios. In particular, a ratio spread (a complicated spread to begin with) using a futures contract as a hedge that goes against us - we manage this risk by continuing to add legs to this position until what we have left is a mess of spaghetti costing maximum commissions where the same risk/reward ratio in the end could have been attained by simply buying an option. I still recommend reading it to those learning about option spread strategies who like to learn by having a book on their nightstand. But buy it used. Hey, how about my copy? For me, books are either a 1 star, 3 star, or 5 star. The 5-stars are the classics that are too good to ever remove from your bookshelf, like many of the books I recommend at winningfinancialstrategies.com. The 3-stars get sold on ebay when the bookshelf overflows. The 1-stars go to Salvation Army. 4 of 8 people found the following review helpful. One of the best Options books out there....
By John D. Moody
Very good treaty on trading options as a net seller, sellers being the options traders in the market who make the real money. Well written, clear examples, margin reqs covered thoroughly...

Increased marketplace volatility and the expanding size of capital markets have led to an explosion of interest in options on futures. What makes these instruments so attractive is that they allow traders to profit from movements in the markets using little up-front capital and plenty of leverage. At the same time, they provide an excellent hedge against the risks associated with capital market investments. This book demystifies these notoriously difficult-to-understand instruments and provides state-of-the-art strategies and tools for making the most of options on futures. John F. Summa (New Haven, CT) is a CTA and cofounder of OptionsNerd.com, an online service providing market commentary, trading advisories, and assistance with trading system development. Jonathan Lubow (Randolph, NJ) is cofounder and Vice President of Trader's Edge, a futures and options brokerage.

From the Inside Flap
OPTIONS ON FUTURES: NEW TRADING STRATEGIES Many of today's investors and traders have acquired a basic understanding of stock options. With the publication of *Options on Futures: New Trading Strategies*, authors John Summa and Jonathan Lubow show how easy it is for investors and traders to make the transition to commodity options and options on other futures markets. Written as a how-to guide to understanding options on futures terms, characteristics, and strategies, this book also presents a look at some of the authors' favorite strategies in action, under both favorable and unfavorable market conditions. Readers will benefit by having a chance to look over the shoulders of these two experienced options traders as they set up their trades and make adjustments in the heat of battle. Summa and Lubow present what they call a net selling approach to trading options. The authors persuasively make the case that option buyers (typically inexperienced traders) remain at the mercy of time-value decay, while option sellers have a built-in trading edge because they can profit from the decay of time value and the sale of overvalued options. Option sellers do not totally depend on a market's direction in order to profit, a key advantage to selling options often overlooked by novice traders. The authors compile historical data from the Chicago Mercantile Exchange, which supports their claim that option sellers (also known as option writers) do better than

buyers. The data presented by the authors show that the majority of options—most notably over 80% of all SP futures options—expire worthless. It is the sellers, argue the authors, who are laughing all the way to the bank. *Options on Futures* shows you how to incorporate this seller's advantage into a variety of trading strategies, including: * SP 500 credit spreads * Commodity options credit spreads * Options on futures ratio writes * Commodity options ratio spreads * Synthetic call strategies * Naked calls and puts Each strategy is explained with hypothetical examples and the reconstruction of actual trades. Investors and traders of all stripes who have any interest in taking advantage of the profit potential of options markets will find *Options on Futures* full of insights about options and how best to trade them.

From the Back Cover Learn How to Profit from Option Selling and Time-Value Decay "John Summa and Jonathan Lubow make a special contribution to the trading literature with their book *Options on Futures: New Trading Strategies*. Among other notable features of the book, the authors present their favorite trading setups for SP 500 and commodity futures options, an excellent chapter covering SPAN margin requirements, and actual trades and follow-up adjustments under far from ideal market conditions. The book drives home the point that options on futures should be part of any trader's arsenal. The authors' premium selling approach will come as an eye-opener for many options traders who remain confined to option buying strategies. If you want to learn how to trade options on futures, there is no better place to start. This outstanding book, coauthored by John Summa, who is one of the best options educators and traders in the business, provides a practical, hands-on explanation of how to trade options on futures. *Options on Futures* is full of trading nuances and key insights that make it uniquely effective. Highly recommended reading!" - Steve Bell, General Partner, Intraday Investments Kailua-Kona, Hawaii

About the Author JOHN F. SUMMA is registered as a commodity trading advisor (CTA) with the National Futures Association, and is cofounder of OptionsNerd.com, a Web site devoted to providing market commentary, trading advisories, and educational support to options traders. He has published numerous articles on options trading in a variety of publications, including *Technical Analysis of Stocks Commodities* magazine. Mr. Summa, a former professional skier, holds a master's degree in economics from the New School for Social Research and currently operates Summa Capital Partners, LP, a commodity pool hedge fund based in Connecticut. JONATHAN W. LUBOW is cofounder and Vice President of Trader's Edge (www.atradersedge.com), a futures and options brokerage based in Madison, New Jersey. He has worked on the floor of the Chicago Board Options Exchange (CBOE) and has had uninterrupted registration with the National Futures Association since 1990. Prior to forming Trader's Edge, he was the top performing broker at Carr Investments for five straight years. Lubow holds a degree in history from Dartmouth College.