

**THE #1 STRATEGY TOP TRADERS ARE USING TO WIN  
IN 2026 NO MATTER WHICH WAY THE MARKET GOES.**

**THE**  
**VOLATILITY**  
**REPORT**

DG +1.2% ▲ +1.2% | AAPL -0.5% ► TSL -0.8% TSX +0.3% | ►► SPX +0

**HUGHES OPTIONEERING TEAM**

## Volatility Report

Market volatility is an ever-present feature of financial markets, reflecting the degree of uncertainty and the speed at which prices fluctuate. Volatility arises from a variety of factors, including changes in economic conditions, corporate earnings announcements, geopolitical events, and shifts in investor sentiment. When volatility is high, prices can move sharply in either direction over a short period, creating both risk and opportunity for traders and investors. Conversely, periods of low volatility are characterized by smaller, more gradual price movements, often leading to a sense of market complacency that can mask underlying risks.

Understanding volatility is crucial for anyone participating in financial markets, because it directly impacts both the potential for returns and the level of risk. For traders, high volatility can magnify gains when positions move favorably, but it also increases the chance of significant losses if positions move against expectations. Implied volatility, derived from option prices, provides insight into the market's expectations for future price swings. On the other hand historical volatility measures what has occurred in the past. By analyzing these metrics, traders can better anticipate potential market behavior and select strategies that align with prevailing conditions.

Behavioral and structural factors further influence volatility. Investor psychology can amplify price swings, as fear or greed leads to rapid buying or selling, sometimes disconnected from underlying fundamentals. Additionally, liquidity, trading algorithms, and large institutional flows can exacerbate price movements, especially during periods of stress. Volatility, while often seen as a source of risk, also presents opportunities for disciplined traders. Strategies such as options spreads, particularly in-the-money call debit spreads, can be designed to take advantage of price movement while managing risk, allowing traders to benefit from market swings while limiting potential risk. These benefits are amplified

when taking our call debit spread strategy to the next level by turning them into “Infinity Trades”.

## Call Option Spread Overview

A call option debit spread is an option strategy where you buy to open an in the money call option and then sell to open an in the money call option with a strike price that is closer to the money.

Over our team’s 30+ years trading, call option spreads have been our team’s most consistently profitable strategy. This is because call option spreads have the ability to profit if the stock is up, flat, or down as much as 10% at option expiration. Profiting when your stock is up, flat, or down as much as 10% at option expiration greatly increases your likelihood of profiting and can increase your percentage of winning trades.

Call option spreads make money based on the time value portion of an option. Options are made up of intrinsic value and time value. The more time value that an option has, the better the stock will be for a call option spread.

Stocks have larger amounts of time value in their options if there is a lot of time until the options expire or if there is higher levels of volatility. High volatility can be caused by broader market volatility (international affairs, economic uncertainty, geopolitical events, etc.) or individual stock volatility (company performance, upcoming earnings, etc.).

As options approach expiration the time value portion of an option decays away and at option expiration the time value portion of the option drops to zero. At that point, the value of the option is made up of only intrinsic value. Because of this, at option expiration the value of a call option can be calculated by subtracting the option’s strike from the stock price (i.e. The X stock closes at 50 and we had the 40-strike call.  $50 \text{ stock price} - 40 \text{ strike call} = 10 \text{ point value of the option}$ )

At option expiration, an in the money call option spread will be worth the distance between the two strikes - this is also the maximum value of the spread. For example, if you have the 100 strike and the 90 strike, the maximum value at option expiration would be 10 points (100 - 90 = 10 points). So if you bought the 100-strike call & 90-strike call at 7.80 and they expired in the money, the spread would be worth 10 points. You would have made \$220 or a 28.2% return. As long as the stock's price closes above the strike that is sold to open at option expiration the full profit potential of the spread will be realized.

In this report we are going to explore the concept of "Infinity Trades". The goal of Infinity Trades is to stay with a winning position, even during volatile markets. Once we enter a call option spread trade we use our trade management guidelines to manage the trade. Trade management is an important part of the PowerTrend System.

When it comes to winning trades, we want our winners to keep winning! That's why one of our Trade Management Guidelines is to rollover profits in expiring options to reduce the cost basis and risk of the new option and compound returns. This becomes especially helpful during times of heightened volatility in the market.

To implement this, at option expiration if the stock is still on a 'Buy' signal we will rollover the profits from the expiring call option debit spread into the new trade. The resulting position is what we call an "*Infinity Trade*". You see, rolling over the profits of the expiring call option debit spread will reduce the cost basis and risk of the new call option debit spread. After several rollovers the cost basis of our trade can be reduced to zero or below zero. This eliminates all risk and allows us to play with 'house money'. You see, reducing your cost basis to below zero can allow you to profit during volatile markets and give you an infinite return on your position, which is why we like to call them *Infinity Trades*.

As long as a stock remains on a 'Buy' signal, we will look to rollover the positions.

## Infinity Trade Example: VST

Now, let's look at a call option debit spread rollover example for *Vistra Energy Corp.*, symbol *VST*.

On April 8th we recommended the following call option spread to our members:

*VST* May 17 60-strike call

*VST* May 17 65-strike call

At the time, the call option spread was trading at 4.05. On May 14th, the *VST* May 17 60-strike call and May 17 65-strike call was trading at 4.90. That means we had a \$85 profit or a 20.9% return! Since the trade was profitable, we wanted to look at rolling over the call option spread, creating an *Infinity Trade*. Before doing so we checked to make sure that the stock was still in a bullish trend. We used our *PowerTrend* strategy to check that *VST* was on a 'Buy Signal'.

A stock is on a 'Buy Signal' if the monthly price for the stock is trading above the 10-Month SMA. As long as the 1-Month price remains above the 10-Month SMA, the stock is more likely to keep trading at new highs and should be purchased. Looking at the chart below we can see that *VST*'s monthly price continued to trade above the 10-Month SMA so *VST* was still on a *PowerTrend* 'Buy' Signal.



Because VST remained on a PowerTrend 'Buy' Signal, we wanted to look at rolling over our VST May call option spread trade to create an *Infinity Trade*.

## Infinity Trade Criteria

### 1-3 months Until Option Expiration

When looking for an Infinity Trade to roll into, we go 1 to 3 months out in option expiration. Whenever possible we go 1 month out, but due to the varying time value in options we sometimes have to go 2 or even 3 months out to meet our option spread criteria.

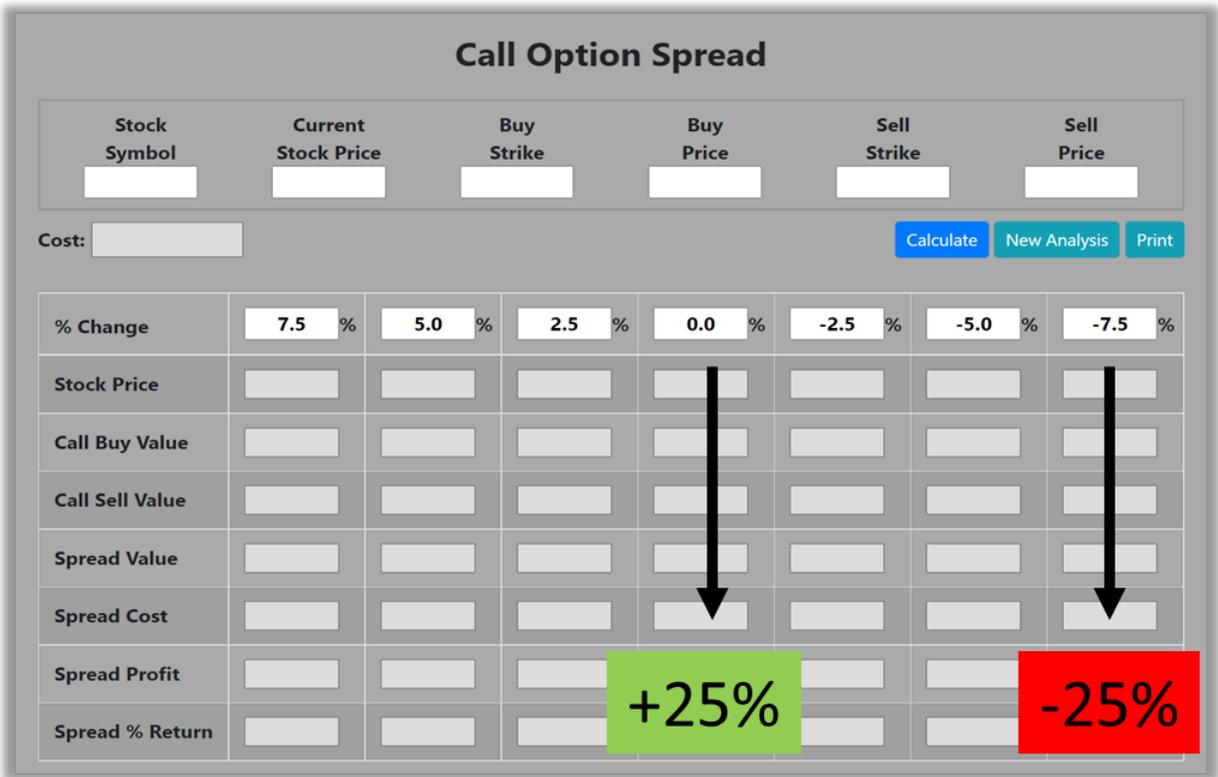
### Profit Potential

If the underlying stock is flat or up at option expiration, we look for a minimum 25% return for the spread. For example, if we are entering a 10 point spread we would want to see a \$200 profit potential on an 8 point cost for the spread (2 point profit / 8 point cost = 25% return). This minimum 25% profit potential is a key component to the spread creation.

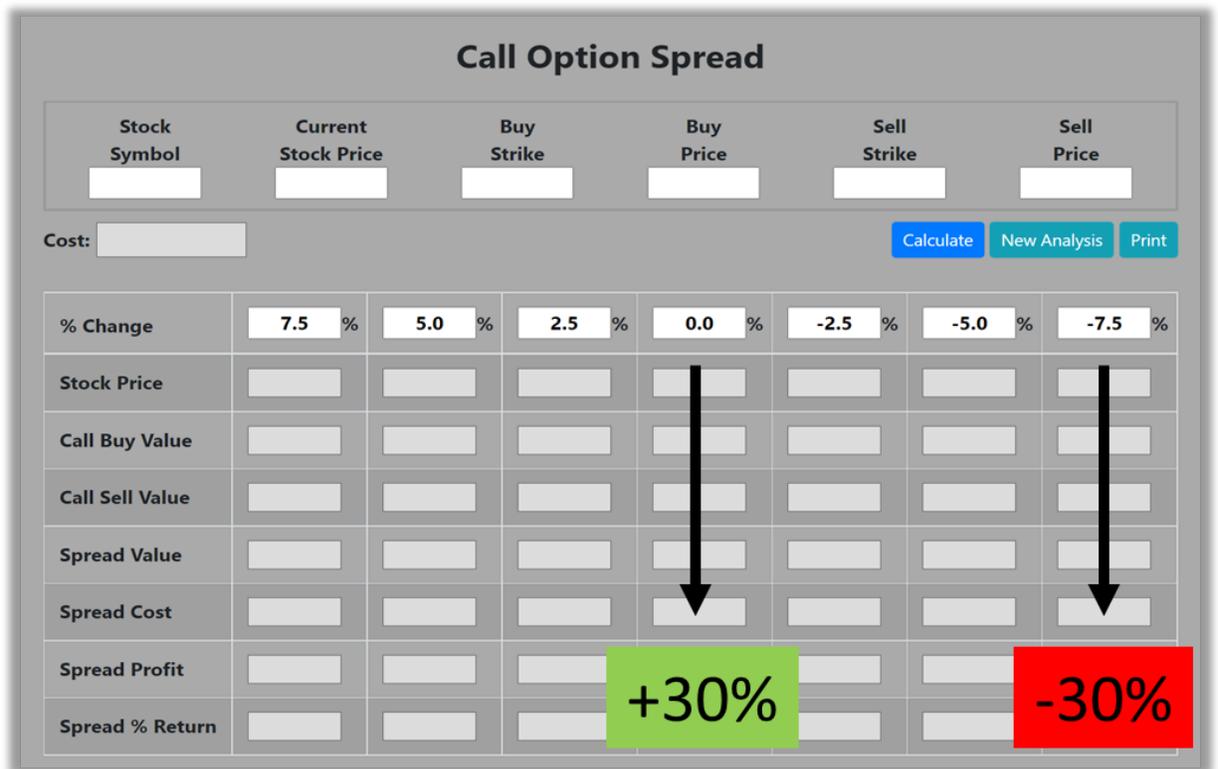
### Limiting Losses

At a -7.5% decline in the stock at option expiration, we want to lose no more than what we are making when the stock is flat or up at expiration.

So, if we have a 25% profit potential if the stock is flat or up at option expiration, then we want to lose no more than -25% when the stock is down -7.5% at option expiration.



And if we have a 30% profit potential with a flat stock price at option expiration, then we want to lose no more than -30% when the stock is down -7.5% at option expiration. We aim to limit the losses at a -7.5% move in the stock at expiration to provide us with downside protection in case the stock sells off.



## Picking Option Strikes

When picking a call to sell to open, or the short leg, we choose a slightly in-the-money strike. This provides us with downside protection if the stock declines in price since the deeper in-the-money the call option is that you are selling to open, the more downside protection you have.

If you sell to open an in the money strike price to initiate the spread, the underlying stock does not have to increase in price at option expiration in order to realize the full profit potential for the spread.

At the time of the rollover into the *Infinity Trade*, VST was trading at 90.82. We used the Optioneering Call Option Spread Calculator to see if the following debit spread met our criteria:

*Buy to open VST Jul 19 2024 75-strike call*

*Sell to open VST Jul 19 2024 80-strike call*

With stocks trading around \$100 we like to trade 5 to 10 point spreads. The July 75 & 80 spread is a 5 point spread.

**80 strike – 75 strike = 5 point spread**

To rollover this position, we did the following:

*Sell to close VST May 60-strike call*

*Buy to close VST May 65-strike call*

*Buy to open VST Jul 75-strike call*

*Sell to open VST Jul 80-strike call*

With the profit from the exit of the May option spread, we were able to reduce the cost of the new July position to 3.00 (circled). For a 5 point spread the maximum price is 4.00 to reach the 25% profit potential.







## July 75/80 option spread(with rolled profit)

Call Option Spread								
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price			
VST	90.82	75	16.70	80	13.70			
Cost:	\$3.00						Calculate	New Analysis
% Change	7.5 %	5.0 %	2.5 %	0.0 %	-2.5 %	-5.0 %	-7.5 %	
Stock Price	\$97.63	\$95.36	\$93.09	\$90.82	\$88.55	\$86.28	\$84.01	
Call Buy Value	\$22.63	\$20.36	\$18.09	\$15.82	\$13.55	\$11.28	\$9.01	
Call Sell Value	\$-17.63	\$-15.36	\$-13.09	\$-10.82	\$-8.55	\$-6.28	\$-4.01	
Spread Value	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
Spread Cost	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	
Spread Profit	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	
Spread % Return	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	

By rolling over the profit from the VST May option spread we were able to greatly increase the profit potential of the new July option spread and gain additional downside protection.

## Infinity Trade Example: FICO

Now, let's look at a debit spread rollover example for Fair Isaac Corporation symbol FICO.

On May 8th we recommended the following call option spread to our members:

*FICO Jul 21 640-strike call*

*FICO Jul 21 660-strike call*

At the time, the call option spread was trading at 16.00. On June 2nd, the FICO Jul 21 640-strike call and Jul 21 660-strike call was worth 19.65. That means we had a \$365 profit or a 22.8% return! Since the trade was profitable, we wanted to look at rolling over the call option spread, creating

an *Infinity Trade*. Before doing so we checked to make sure that the stock was still on a bullish trend. We used our PowerTrend strategy to check that FICO was on a 'Buy Signal'.

Looking at the chart below we can see that FICO's monthly price continued to trade above the 10-Month SMA so FICO was still on a 'Buy' Signal.



At the time of the rollover into the *Infinity Trade*, FICO was trading at 790.94. We used the Optioneering Call Option Spread Calculator to see if the following debit spread met our criteria:

*Buy to open FICO Aug 18 2023 700-strike call*  
*Sell to open FICO Aug 18 2023 720-strike call*

With underlying securities trading around \$800 or more we like to trade 10 to 20 point spreads. The Aug 700 & 720 spread is a 20 point spread.

**720 strike – 700 strike = 20 point spread**

To rollover this position, we would do the following:

*Sell to close FICO Jul 640-strike call*  
*Buy to close FICO Jul 660-strike call*

*Buy to open FICO Aug 700-strike call*  
*Sell to open FICO Aug 720-strike call*

With the profit from the exit of the FICO option spread, we were able to reduce the cost of the new Aug position to 12.25 (circled).

Cost of the new Aug option spread	15.90
<u>Profit from the Jul option spread</u>	<u>- 3.65</u>

**Adjusted cost of the Aug 700/720 spread** 12.25

We were also able to increase the profit potential of the new August option spread by rolling over the profit. Let's use the Optioneering Calculators to compare the returns of the Aug option spread purchased at market prices to the same Aug option spread but with the new adjusted cost basis.

Below are two Call Option Spread Calculators for the Aug 700/720 option spread.

The top one shows the potential returns for the August option spread purchased at market prices, and the bottom one shows the potential returns for the same August option spread, but it has the adjusted cost basis from the rolled over profit. Notice the different entry prices (circled).

## Aug 700/720 option spread (market prices)

Call Option Spread							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
FICO	790.84	700	112.7	720	96.8		
Cost:	\$15.90						
<a href="#">Calculate</a> <a href="#">New Analysis</a> <a href="#">Print</a>							
% Change	7.5 %	5.0 %	2.5 %	0 %	-2.5 %	-5.0 %	-7.5 %
Stock Price	\$850.15	\$830.38	\$810.61	\$790.84	\$771.07	\$751.30	\$731.53
Call Buy Value	\$150.15	\$130.38	\$110.61	\$90.84	\$71.07	\$51.30	\$31.53
Call Sell Value	\$-130.15	\$-110.38	\$-90.61	\$-70.84	\$-51.07	\$-31.30	\$-11.53
Spread Value	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Spread Cost	\$15.90	\$15.90	\$15.90	\$15.90	\$15.90	\$15.90	\$15.90
Spread Profit	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10
Spread % Return	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%

## Aug 700/720 option spread (with rolled profit)

Call Option Spread							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
FICO	790.84	700	109.05	720	96.8		
Cost:	\$12.25						
<a href="#">Calculate</a> <a href="#">New Analysis</a> <a href="#">Print</a>							
% Change	7.5 %	5.0 %	2.5 %	0 %	-2.5 %	-5.0 %	-7.5 %
Stock Price	\$850.15	\$830.38	\$810.61	\$790.84	\$771.07	\$751.30	\$731.53
Call Buy Value	\$150.15	\$130.38	\$110.61	\$90.84	\$71.07	\$51.30	\$31.53
Call Sell Value	\$-130.15	\$-110.38	\$-90.61	\$-70.84	\$-51.07	\$-31.30	\$-11.53
Spread Value	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Spread Cost	\$12.25	\$12.25	\$12.25	\$12.25	\$12.25	\$12.25	\$12.25
Spread Profit	\$7.75	\$7.75	\$7.75	\$7.75	\$7.75	\$7.75	\$7.75
Spread % Return	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%

The calculator reveals that if the FICO is up, flat, or down -5.0% at option expiration a 25.8% return and \$410 profit would be realized for the August





By rolling over the profit from the FICO Jul option spread we were able to greatly increase the profit potential of the new Aug option spread and gain additional downside protection.

### **Infinity Trade Example: VRT**

Now, let's look at a debit spread rollover example for Vertiv Holdings Co., symbol VRT.

On April 8th we recommended the following call option spread to our members:

*VRT May 17 65-strike call*

*VRT May 17 72.5-strike call*

At the time, the call option spread was trading at 5.80. On May 6th, the VRT May 17 65-strike call and May 17 72.5-strike call was trading at 7.50. That means we had a \$170 profit or a 29.3% return! Since the trade was profitable, we wanted to look at rolling over the call option spread, creating an *Infinity Trade*. Before doing so we checked to make sure that the stock was still on a bullish trend. We used our PowerTrend strategy to check that VRT was on a 'Buy Signal'.

Looking at the chart below we can see that VRT's monthly price continued to trade above the 10-Month SMA so VRT was still on a PowerTrend 'Buy' Signal.



Because VRT remained on a PowerTrend 'Buy' Signal, we wanted to look at rolling over our VRT May call option spread trade to create an *Infinity Trade*.

At the time of the rollover into the Infinity Trade, VRT was trading at 96.48. We used the Optioneering Call Option Spread Calculator to see if the following debit spread met our criteria:

*Buy to open VRT Jun 21 2024 80-strike call*  
*Sell to open VRT Jun 21 2024 87.5-strike call*

With stocks trading around \$100 we like to trade 5 to 10 point spreads. The June 80 & 87.5 spread is a 7.5 point spread.

**87.5 strike – 80 strike = 7.5 point spread**

To rollover this position, we would do the following:

*Sell to close VRT May 65-strike call*

*Buy to close VRT May 72.5-strike call*

*Buy to open VRT June 80-strike call*

*Sell to open VRT June 87.5-strike call*

With the profit from the exit of the VRT option spread, we were able to reduce the cost of the new June position to 4.00 (circled).

Cost of the new June option spread	5.70
Profit from the May option spread	- 1.70
<hr/>	

**Adjusted cost of the June 80/87.5 spread** 4.00

We were also able to increase the profit potential of the new June option spread by rolling over the profit. Let's use the Optioneering Calculators to compare the returns of the June option spread purchased at market prices to the same June option spread but with the new adjusted cost basis.

Below are two Call Option Spread Calculators for the June 80/87.5 option spread.

The top one shows the potential returns for the June option spread purchased at market prices, and the bottom one shows the potential returns for the same June option spread, but it has the adjusted cost basis from the rolled over profit.

Notice the different entry prices (circled).

## June 80/87.5 option spread (market prices)

Call Option Spread							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
VRT	96.48	80	18.15	87.5	12.45		
Cost:	\$5.70						
<a href="#">Calculate</a> <a href="#">New Analysis</a> <a href="#">Print</a>							
% Change	7.5 %	5.0 %	2.5 %	0.0 %	-2.5 %	-5.0 %	-7.5 %
Stock Price	\$103.72	\$101.30	\$98.89	\$96.48	\$94.07	\$91.66	\$89.24
Call Buy Value	\$23.72	\$21.30	\$18.89	\$16.48	\$14.07	\$11.66	\$9.24
Call Sell Value	\$-16.22	\$-13.80	\$-11.39	\$-8.98	\$-6.57	\$-4.16	\$-1.74
Spread Value	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Spread Cost	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70
Spread Profit	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80
Spread % Return	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%

## June 80/87.5 option spread (with rolled profit)

Call Option Spread							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
VRT	96.48	80	16.45	87.5	12.45		
Cost:	\$4.00						
<a href="#">Calculate</a> <a href="#">New Analysis</a> <a href="#">Print</a>							
% Change	7.5 %	5.0 %	2.5 %	0.0 %	-2.5 %	-5.0 %	-7.5 %
Stock Price	\$103.72	\$101.30	\$98.89	\$96.48	\$94.07	\$91.66	\$89.24
Call Buy Value	\$23.72	\$21.30	\$18.89	\$16.48	\$14.07	\$11.66	\$9.24
Call Sell Value	\$-16.22	\$-13.80	\$-11.39	\$-8.98	\$-6.57	\$-4.16	\$-1.74
Spread Value	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Spread Cost	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Spread Profit	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
Spread % Return	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%

That calculator reveals that if the VRT is up, flat, or down -5.0% at option expiration a 31.6% return would be realized for the June option spread purchased at market prices (circled). But with the rolled over profit, an 87.5% return would be realized (circled).



And if VRT is down -7.5% at option expiration a 31.6% return would be realized for the June option spread purchased at market prices (circled). But with the rolled over profit, a 87.5% return would be realized (circled).

### June 80/87.5 option spread (market prices)

Call Option Spread								
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price			
VRT	96.48	80	18.15	87.5	12.45			
Cost:	\$5.70							Calculate New Analysis Print
% Change	7.5 %	5.0 %	2.5 %	0.0 %	-2.5 %	-5.0 %	-7.5 %	
Stock Price	\$103.72	\$101.30	\$98.89	\$96.48	\$94.07	\$91.66	\$89.24	
Call Buy Value	\$23.72	\$21.30	\$18.89	\$16.48	\$14.07	\$11.66	\$9.24	
Call Sell Value	\$-16.22	\$-13.80	\$-11.39	\$-8.98	\$-6.57	\$-4.16	\$-1.74	
Spread Value	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	
Spread Cost	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	
Spread Profit	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	
Spread % Return	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	

### June 80/87.5 option spread(with rolled profit)

Call Option Spread								
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price			
VRT	96.48	80	16.45	87.5	12.45			
Cost:	\$4.00							Calculate New Analysis Print
% Change	7.5 %	5.0 %	2.5 %	0.0 %	-2.5 %	-5.0 %	-7.5 %	
Stock Price	\$103.72	\$101.30	\$98.89	\$96.48	\$94.07	\$91.66	\$89.24	
Call Buy Value	\$23.72	\$21.30	\$18.89	\$16.48	\$14.07	\$11.66	\$9.24	
Call Sell Value	\$-16.22	\$-13.80	\$-11.39	\$-8.98	\$-6.57	\$-4.16	\$-1.74	
Spread Value	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	
Spread Cost	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	
Spread Profit	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	
Spread % Return	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	

By rolling over the profit from the VRT May option spread we were able to greatly increase the profit potential of the new June option spread and gain additional downside protection.

## Infinity Trades Summary

Infinity Trades give us the opportunity to let our winners keep winning, even in volatile markets. By rolling over our profits from expiring options we can reduce our cost basis and risk of the new position and compound our returns.

As we mentioned before, after several rollovers the cost basis of our option trade can be reduced to zero or below zero. This eliminates all risk and allows us to play with 'house money'. You see, reducing your cost basis to below zero can give you an infinite return on your position, which is why we like to call them *Infinity Trades*.

Check out some of our recent *Infinity Trades* below! We listed the market prices at the time of the entry under the "Market Prices" column, and then listed the cost basis on the position under the "Adjusted Prices" column. As you can see, all of the trades had a negative cost basis which means that we were playing the 'house money'!

<b>Position</b>	<b>Market Prices</b>	<b>Adjusted Prices</b>
NVDA	4.05	-14.31
META	7.85	-6.37
XHB	3.90	-2.67
GE	3.85	-3.71
XLK	4.70	-4.00
XPO	3.75	-1.83
MUSA	7.55	-20.34
AMZN	6.05	-8.75