

0 DTE SPX “MEIC+”

Trading Techniques for Multiple Entry Iron Condors and “MEIC+”

July 22, 2023

By Tammy Chambless

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MEIC: Multiple Entry Iron Condors

- The following information is the result of a lot of testing and working with others to find strategies that would work in this market.
- I did not originate this strategy. I have built on the work of others. This is a work in progress.
- I have live traded this since August 2022.
- The following information shows my research and what I've learned from live trading this strategy.
- You may find other things that will improve this strategy.
- There are many different ways to trade this strategy. What I'm showing is how I trade MEIC.

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MEIC: Multiple Entry Iron Condor Rules

- **Enter multiple tranches** on a regular interval using 0 DTE options on SPX. I enter every 30 minutes starting at 1:00 EST. I enter 5 tranches.
- **Enter or leg into an Iron Condor** using Put and Call Credit Spreads.
 - (Tip: Enter the side we are moving away from first. This can help you do some price improvement when you enter on the side we're moving toward.)
- Target **\$.80-\$1.50 credit** on each side. The average credit is around \$1.20.
- I typically sell somewhere between a **10 wide to 30-point spread**.
- Set a **1x Net Stop** (2x the Initial Credit) on each side and manage each side separately.

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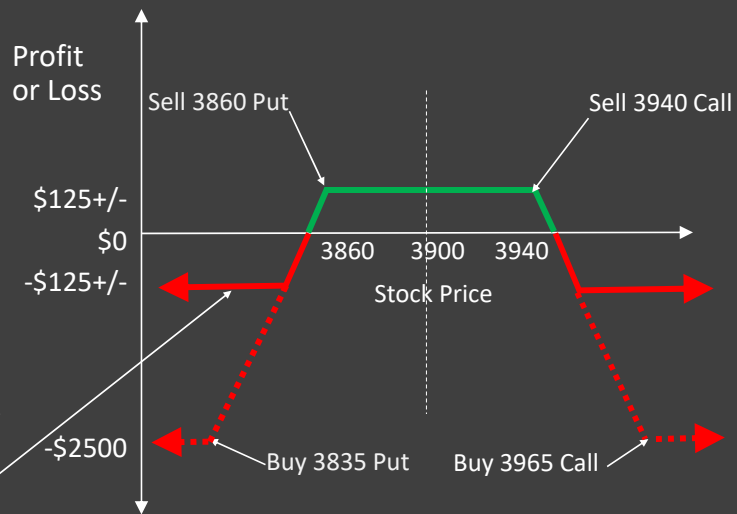
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Iron Condor with a 1x Net Stop

Sell a Call Credit Spread and a Put Credit Spread, 25 points wide +/- each.

The credit for each side should be around \$.80 to \$1.50.

Set Stop on each side to trigger at 2x the initial credit for a 1x net loss



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Please note that the prices and other statistics are hypothetical, and do not reflect the impact, if any, of certain market factors such as liquidity, slippage and commissions.

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Determining Position Sizing

- **Never risk more than 2%+/- of your account in any one trading day.** (Total of all MEIC trades)
- **Max net loss using a stop is no more than 1x+/- the initial credit.** (Set stop for 2x the initial credit.)
 - Example: \$100,000 Account. 2% of that is \$2,000. I set up the trades so that if I lose on all trades on both sides, a 1x net loss will not exceed that amount.
 - If I get \$150 credit for each side, that's \$300 for the whole IC, x 6 tranches = \$1800. This is less than 2% of my account, therefore okay.

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Determining Position Sizing

- <https://aeromir.com/meic>

MEIC Trade Planner

Member Home > MEIC Trade Planner

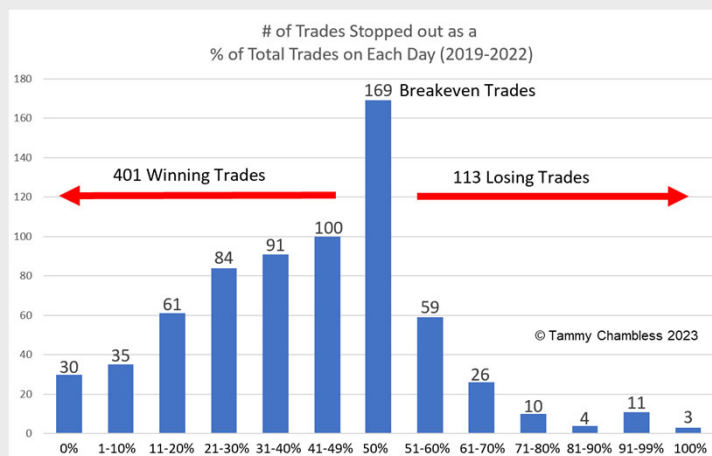
Net Liquidation Value	50,000	Submit	
Allocation percentage	50.00 %	\$25,000	Target Buying Power (BP) Maximum to use for all Units
Units	5	10	% of BP used in each unit
Contracts per unit	1		
Wing width	25	\$2,500	BP used per unit
		\$2,500	BP used per unit based on number of contracts
Total BP is less than Max BP.		\$12,500	Total BP for all units
OK TO TRADE		50%	% of target BP used for all units
Average credit per side	1.10	\$110	Credit received per spread
		\$110	Average credit per unit
Maximum Potential Profit (No losses)		\$1100	+2.20% yield on account without slippage
Maximum Potential Loss (Stopped out on all sides and units)		-\$1100	-2.20% yield on account without slippage

NOTE: Confirm that this loss is acceptable to you. If not, reduce the number of contracts or units.

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Backtest Results

This graph shows the % of all trades on each day that are stopped out.

This illustrates why this strategy is so profitable.

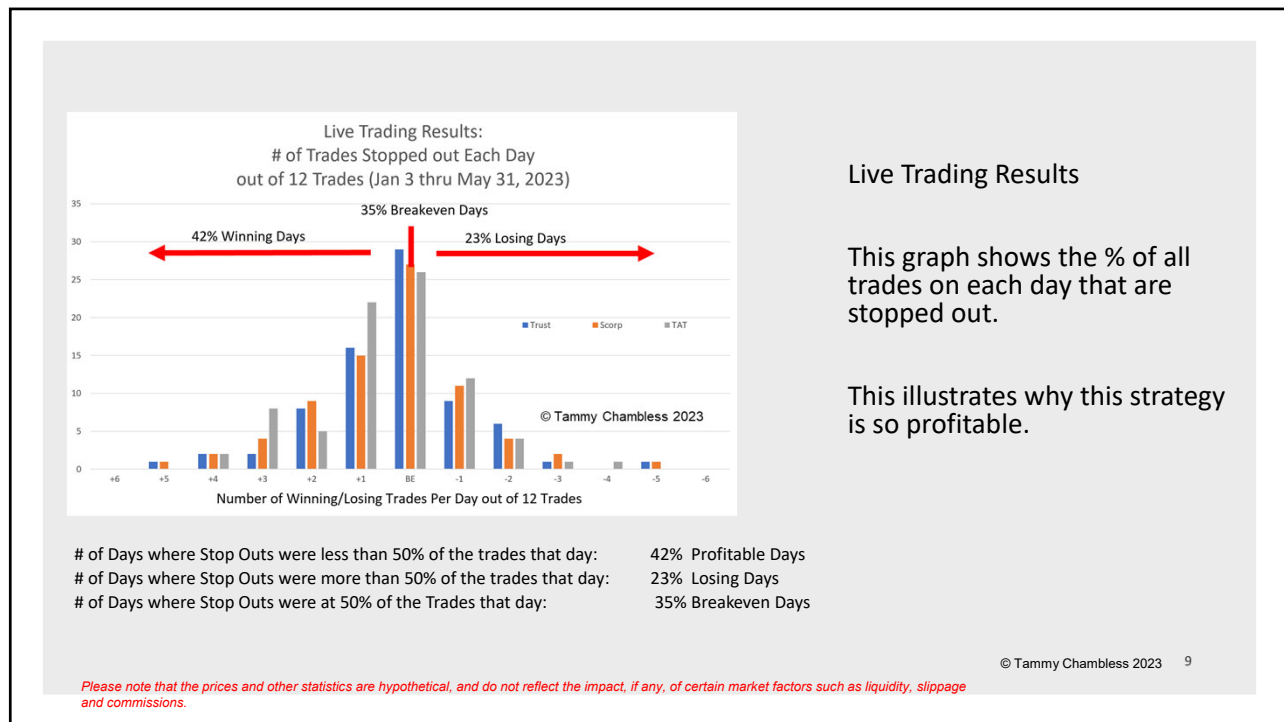
of Days where Stop Outs were less than 50% of the trades that day:
 # of Days where Stop Outs were more than 50% of the trades that day:
 # of Days where Stop Outs were at 50% of the Trades that day:

401 (58.7%) Profitable Days
 113 (16.6%) Losing Days
 169 (24.7%) Breakeven Days
 683 Total Trading Days in Study from 2019 through 2022

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Entry Times

- Are some entry times better than others?
- Enter on a regular interval each day.
- Suggested entries are every 30 minutes, but you can choose what works best for you.
- Near the end of the day, if you are using a target credit, your trade will be closer and closer to the money as the day progresses.

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January 3 - June 30, 2023							
EST Time	Trades	Ave Win	Win%	Loss%	CAR	MDD	Calmar
9:33	240	1.53	58.33	41.67	20.14	1.49	13.49
9:45	240	1.51	58.33	41.67	17.47	2.88	6.07
10:00	240	1.51	56.67	43.33	12.56	2.30	5.46
10:15	240	1.48	60.00	40.00	21.99	1.13	19.42
10:30	240	1.49	57.50	42.50	14.03	1.81	7.74
10:45	240	1.48	55.83	44.17	8.16	1.80	4.54
11:00	240	1.47	55.83	44.17	9.45	2.05	4.60
11:15	240	1.47	56.57	43.43	12.82	1.04	12.38
11:30	240	1.47	54.48	45.52	6.27	2.34	2.68
11:45	240	1.45	56.25	43.75	9.19	2.20	4.18
12:00	240	1.42	52.50	47.50	-1.06	2.29	0.00
12:15	240	1.42	55.42	44.58	7.52	1.84	4.08
12:30	240	1.43	54.17	45.83	4.58	1.91	2.41
12:45	240	1.38	52.92	47.08	-0.70	2.07	0.00
13:00	240	1.41	56.67	43.33	12.91	1.65	7.83
13:15	240	1.38	54.58	45.42	2.25	4.41	0.51
13:30	240	1.37	54.58	45.42	4.73	2.48	1.91
13:45	240	1.36	59.58	40.42	19.51	1.81	10.78
14:00	240	1.33	57.92	42.08	12.19	1.61	7.56
14:15	240	1.35	57.08	42.92	12.80	0.94	13.58
14:30	240	1.28	57.92	42.08	11.17	1.23	9.06
14:45	240	1.27	63.33	36.67	26.05	0.90	29.02
15:00	240	1.21	57.50	42.50	10.07	1.36	7.40
15:15	240	1.16	63.75	36.25	23.72	0.92	25.89
15:30	240	1.13	58.58	41.42	10.67	1.21	8.81
15:45	240	1.02	57.74	42.26	5.30	1.53	3.46
Averages:		1.38	57.08		11.30	1.82	8.19
Ave of 8 best times:		1.36	59.57		18.53	1.18	16.70
8 Best Times are determined by highest calmar.							
Please note that the prices and other statistics are hypothetical, and do not reflect the impact, if any, of certain market factors such as liquidity, slippage and commissions.							

June 1-June 30, 2023							
EST Time	Trades	Ave Win	Win%	Loss%	CAR	MDD	Calmar
9:33	40	1.49	52.50	47.50	1.39	0.71	1.95
9:45	40	1.50	57.50	42.50	18.68	1.63	11.49
10:00	40	1.45	60.00	40.00	23.94	1.08	22.12
10:15	40	1.41	57.50	42.50	16.78	0.90	18.59
10:30	40	1.46	55.00	45.00	9.45	0.71	13.95
10:45	40	1.43	55.00	45.00	6.08	0.80	7.62
11:00	40	1.43	47.50	52.50	-11.80	1.86	0.00
11:15	40	1.37	52.50	47.50	-2.61	0.84	0.00
11:30	40	1.46	50.00	50.00	-5.76	1.09	0.00
11:45	40	1.41	52.50	47.50	-4.32	1.71	0.00
12:00	40	1.36	47.50	52.50	-16.79	2.31	0.00
12:15	40	1.36	45.00	55.00	-20.03	1.84	0.00
12:30	40	1.31	47.50	52.50	-14.97	1.54	0.00
12:45	40	1.24	52.50	47.50	-8.58	1.65	0.00
13:00	40	1.32	57.50	42.50	16.92	0.70	24.20
13:15	40	1.30	62.50	37.50	25.79	0.49	53.16
13:30	40	1.25	55.00	45.00	3.19	0.73	4.40
13:45	40	1.24	62.50	37.50	24.10	0.45	54.12
14:00	40	1.15	57.50	42.50	3.58	1.02	3.52
14:15	40	1.30	52.50	47.50	2.55	0.95	2.67
14:30	40	1.30	55.00	45.00	14.91	0.52	28.49
14:45	40	1.13	65.00	35.00	29.26	0.43	67.54
15:00	40	1.05	52.50	47.50	-4.56	1.21	0.00
15:15	40	1.04	60.00	40.00	14.62	0.50	29.25
15:30	40	1.08	52.50	47.50	-2.49	1.28	0.00
15:45	40	0.81	55.00	45.00	-9.16	1.58	0.00
Averages:		1.29	54.62		4.24	1.10	13.20
Ave of 8 best times:		1.27	60.00		20.79	0.63	37.18
8 Best Times are determined by highest calmar.							
CAR – Compounded Annual Growth Rate MDD – Max Drawdown Calmar – A Measure of Risk Adjusted Returns (Higher # is better)							
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Types of Stops

- Market Stop Order – You set the price at which the stop triggers, and the broker closes at whatever price they can get. Set Trigger for 2x the initial credit.
- Stop Limit Order – You set the price at which the stop triggers and you set the maximum price you are willing to pay to close. Set Trigger for 2x the initial credit and Limit for \$.30-.40 more.
- Stop on a Condition – Example: Exit the short leg when the stock hits a certain price.
- Manual Stop – You set a price mentally at which you will get out and then enter a market order to exit. (Worst performer!)

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Setting the Stops

- I use a Stop Limit Order.
- Example: I got \$1.50 credit for the calls and \$1.60 credit for the puts.
 - I set the stop on the spread on the call side for \$3.00 and the limit at \$3.30.
 - (\$.30 spread on the call side between the stop and the limit.)
 - I set the stop on the spread on the put side for \$3.20 and the limit at \$3.60.
 - (\$.40 spread on the put side between the stop and the limit.)
- About an hour before close, I change the stops to just be on the short legs when the value of the long legs is worth less than \$.05. I usually tighten the stop at that point to a minimum of \$1.00, but never less than 3x the current price of the short leg.
- Don't use a Stop Limit order if you can't watch the market. Occasionally they will get blown through without filling.

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MEIC+: Turning a profit on BE Trades

- **MEIC+** is a technique to make money on what otherwise would end up as breakeven trades. This only works **using 1x stops**. It won't work on 1.5x stops or greater.
- Ideally you want **matching credits** on each side of the trade, or credits within \$.10 of each other on each side.
- But sometimes this is difficult to achieve so there's also a way for this to work if the **credits are dissimilar** (more than \$.10 different on each side).

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MEIC+: How to turn a profit on breakeven trades

- Since roughly 35% of trades are breakeven trades, this strategy add-on will take advantage of that and turn those \$0 profit trades into a small profit.
- This strategy tip will make a profit of up to \$50-\$60 per day per contract on 5-6 entries on days that would have been breakeven.
- This can boost your profits by approximately 15% compared to not using this technique, as shown in this live trading example from Jan-July 14, 2023:

Strategy Results without MEIC+:				
	Wins	Breakeven Trades	Losses	Total
Count	44	35	26	105
% of Total	43.14%	34.31%	25.49%	
Totals	\$19,616	\$0	-\$7,948	\$11,667.85
Average	\$459	\$0	-\$331	\$127.52

Strategy Results Using MEIC+:				
	Wins	Breakeven Trades	Losses	Total
Count	48	35	29	112
% of Total	47.06%	34.31%	28.43%	
Totals	\$22,892.88	\$1,611.74	-\$8,467.63	\$16,036.98
Average	\$477.89	\$42.31	-\$293.13	\$227.07
Difference Between Strategies/per Contract on 5-6 Entries:				
			Total	\$1,730
			Average	\$49
				14.8% Improvement

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MEIC+: The Basic Idea

- If I get the same credit on each side, determine the stop for 2x the initial credit. Then subtract \$.10. You're reducing the stop multiple slightly.
- Example: If I get \$1.20 on both sides, I multiply by 2 and subtract \$.10.
 - The stop on each side would be $2 \times \$1.20 = 2.40$ then subtract \$.10, and set the stop for \$2.30 on each side.
 - If I get stopped out, on one side, I'll collect $1.20 \times 2 = \$2.40$ total initial credit on both sides, less the loss of \$2.30, and I make \$.10, or \$10, on a breakeven trade.
 - If all my trades are breakeven trades on a given day, I can make \$50-\$60 of profit if I entered 5 – 6 times that day.

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MEIC+: Equal Credit on Both Sides

- When trading manually, I can manipulate the width of the spread or the number of contracts to get the same total credit on each side.
- Example: I always have a selection of strikes and premiums to choose from when trading options. I can adjust the width of the spread on one side to adjust the premium I would collect on that side.
- (I usually check both sides first to see approximately what premium I may get). I like to enter the side we are moving away from first. That gives me time to select my strikes and match the credit as closely as possible.

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MEIC+:

Open	High	Low	Last
4491.50	4502.71	4489.36	4498.64

CALLS	Mid	Delta
4535	0.075	1.32
4530	0.125	2.18
4525	0.175	3.18
4520	0.275	5.07
4515	0.575	9.75
4510	1.20	18.01
4505	2.35	30.34
4500	4.25	45.86
4495	6.95	62.01
4490	10.55	75.54

PUTS	Mid	Delta
4505	8.80	-68.98
4500	5.70	-54.00
4495	3.45	-38.50
4490	2.00	-25.33
4485	1.10	-15.51
4480	0.625	-9.38
4475	0.375	-5.78
4470	0.225	-3.55
4465	0.175	-2.63
4460	0.125	-1.84
4455	0.125	-1.68

Example of Varying the Width to Get Similar Credits on Both Sides

- Sell 4510 Calls for \$1.20
 - Buy 4520 Calls for \$.30 (10 wide)
 - Net Credit = \$.90
-
- Sell 4485 Puts for \$1.10
 - Buy 4465 Puts for \$.20 (20 wide)
 - Net Credit = \$.90

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MEIC+:

Open	High	Low	Last
4491.50	4502.71	4489.36	4498.64

CALLS	Mid	Delta
4535	0.075	1.32
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PUTS	Mid	Delta
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4475	0.375	-5.78
4470	0.225	-3.55
4465	0.175	-2.63
4460	0.125	-1.84
4455	0.125	-1.68

Example of Varying the # of Contracts to Get Similar Credits on Both Sides

- Sell 4510 Calls for \$1.20 x 2 Contracts = \$2.40
 - Buy 4520 Calls for \$.30 x 2 Contracts = \$ 0.60
 - Total Credit = \$ 1.80
-
- Sell 4490 Puts for \$2.00 x 1 Contract = \$2.00
 - Buy 4465 Puts for \$.20 x 1 Contract = \$.20
 - Total Credit = \$1.80

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MEIC+:

Requirements for Varying the Width of the Spread or # of Contracts

- You must have plenty of available buying power to increase the width as required.
- You must have plenty of available buying power to vary the number of contracts on each side.
- Even though the width of the spread varies or the # of contracts vary, your risk based on the stop is the same.
- Of course, your ultimate max loss risk would be different on each side.
- Be aware of what strikes your using for previous spreads to avoid accidentally closing a long when you enter a new short leg, or vice versa.

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MEIC+: Unequal Credit on Both Sides

- There are situations where I can't get equal credits on both sides.
 - Automated Trading
 - Limited Selection of Available Strike Prices
- In this case, I use adjust the stops to control what I'll get stopped out at, to get similar losses on each side.

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MEIC+:

	Open	High	Low	Last
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4520	0.275	5.07
4515	0.575	9.75
4510	1.20	18.01
4505	2.35	30.34
4500	4.25	45.86
4495	6.95	62.01
4490	10.55	75.54

PUTS	Mid	Delta
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4495	3.45	-38.50
4490	2.00	-25.33
4485	1.10	-15.51
4480	0.625	-9.38
4475	0.375	-5.78
4470	0.225	-3.55
4465	0.175	-2.63
4460	0.125	-1.84
4455	0.125	-1.68

Example of Adjusting the Stop for Similar Losses on Each Side

- Sell 4505 Calls for \$2.35
 - Buy 4515 Calls for \$.60
 - Net Credit = \$ 1.75
-
- Sell 4490 Puts for \$2.00
 - Buy 4480 Puts for \$.65
 - Net Credit = \$ 1.35

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MEIC+:

Example of Adjusting the Stop
for Similar Losses on Each Side

- Sell 4505 Calls for \$2.35
- Buy 4515 Calls for \$.60
- Net Credit = \$ 1.75 To set the stop on the high credit side, add the 2 credits together, then subtract \$.10. Stop would be \$1.75 + \$1.35 = \$3.10 less \$.10 = \$3.00.
- Sell 4490 Puts for \$2.00
- Buy 4480 Puts for \$.65
- Net Credit = \$ 1.35 Set stop on the lower credit side for 2x the initial credit, less \$.10 = 2.70 - \$.10 = \$2.60

Please note that the prices and other statistics are hypothetical, and do not reflect the impact, if any, of certain market factors such as liquidity, slippage and commissions.

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MEIC+:

Example of Adjusting the Stop
for Similar Losses on Each Side

- If you're stopped out on the high side, you took in \$1.75 + \$1.35 = \$3.10 of credit and you stop out at \$3.00, so you have \$10 profit.
- If you're stopped out on the low side, you took in \$1.75 + \$1.35 = \$3.10 of credit and you stop out at \$2.60, so you have \$50 of profit!

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MEIC+: Tightening the Stops

- Once the long options become worth less than \$.05, and become untradable, I'll remove the stop on the spread and reset it to just be a stop on the short leg.
 - If the short leg is worth less than \$.30, I'll set the stop to \$1.00 minimum.
 - If the short leg is worth more than that, I'll set the stop to 3x the current premium for the short leg.
 - For example, if the short leg is worth \$.50, I'll set the stop for \$1.50. And as the option decays, I'll adjust it downward to a minimum of \$1.00. (Some people use \$.50 as a minimum.)

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MEIC+: Tightening the Stops

- The reason for tightening is to protect profits while still give the option room to move around, but hopefully expire worthless.
- If the stop is hit, usually \$1.00 stop is not a full loss on that side, and I'll avoid a full loss.
- Downside is sometimes I'll stop out of a trade that would expire worthless.

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A Guide to Backtesting

- Determine a set of rules to test.
- Understand your data set.
 - Backtesting based on EOD, 1 minute and tick pricing will have drastically different results.
 - EOD Data is useless for 0 DTE testing
 - 1 Minute Data can be used for 0 DTE testing but will miss some price action.
 - Tick Data is best for 0 DTE testing and will be close to actual results.
- Select a time period to test.
 - Prior to 2011, only monthly options were available on SPX.
 - In 2011, weekly options expiring on Fridays were added on SPX.
 - During 2016 options were added made available.
 - In April and May 2022, Tuesday and Thursday options were added.
- Change one variable at a time, keeping all other parameters the same, and compare results.
- Continue changing individual variables until you have found the best performing results.
- The run tests on different time periods to see if the performance holds up in different markets.

Please note that the prices and other statistics are hypothetical, and do not reflect the impact, if any, of certain market factors such as liquidity, slippage and commissions.

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Resources

- I Recommend “Build Your Own Backtest”
 - Built specifically for MEIC and Iron Flies on SPX only.
 - Free to use!
 - www.tradeautomationtoolbox.com/byob (1 minute data for 2016-2022)
 - www.tradeautomationtoolbox.com/byob-ticks (Tick data for 2020-Current)
 - Has excellent trade analysis summary.
 - You can test multiple parameters for MEIC and IFs:
 - Can use a minimum or maximum target credit minimum or maximum (Delta is also available in BYOB only)
 - Understand the implications. Minimum leads to higher credits, Maximum leads to lower credits.
 - Determine quantity by fixed number of Contracts or by % of Buying power per entry.
 - Set various Stop Multiples or Profit Targets.
 - **Can enter multiple times a day without having to rerun a test on each time.**
 - You can review individual trade results.
 - You can Export Trade Results or Daily Balance.

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Resources

Here's a link for
Build Your Own Backtest Guide – V1.1:

- <https://www.dropbox.com/scl/fi/xkahk8utbp22yvgcqco80/Build-Your-Own-Backtest-Guide-V-1.1.docx?rlkey=js9td4mkusopsxov3i7abyt6n&dl=0>

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Resources

- **Email:**
 - Feel free to contact me at tamchambless@gmail.com
- **Quantum Options Facebook Group**
 - <https://www.facebook.com/groups/1275721603022231>
- **Quantum Options Discord Group**
 - <https://discord.gg/6FK6KphXP>
Link good until August 15, 2023
- **Additional Videos on YouTube**
 - 0 DTE Credit Spreads and Iron Condors (Several videos from 2020-2022)
 - MEIC Basics – January 16, 2023

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