

How to sell naked calls

- High-risk
- Limited fixed gains
- Very high potential losses
- Needs experience, account collateral and broker approval
- Use technical analysis to understand price movement
- Interpret implied volatility to find attractive option opportunities
- Better used with long coverage, either a call spread, or some stock.
- Get ready to lose your shirt



Converting Annual Implied Volatility

Implied Volatility
for N days

=

Annual Implied
Volatility

X

$$\sqrt{\frac{N \text{ days}}{365}}$$

