



**THE SEVEN DEADLY SINS
OF OPTIONS TRADING**

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INTRODUCTION

Hey there, aspiring options traders!

My name is Jeff Zananiri and I've been trading options for decades.

Two of those decades were spent in the trenches of Wall Street investment banks, where I gained real-world trading experience most market participants can only dream of...

I was part of a trading team that turned \$5.1 million in seed money into more than \$700 million in live, real-money trading. We also went an entire decade without a losing quarter.

Now, you may be wondering ...

How have I achieved the success that I have? How did I rise above the 90% of traders who FAIL?!

I'll tell you...

Throughout my career, I've developed my own unique trading philosophy.

I'm not a snot-faced, WallStreetBets Reddit trader, sitting in my Mom's basement, desperately hoping for a single "YOLO" to change my life...

Instead, I'm patient and calculated. I wait for big, macro-driven trading opportunities to appear.

And when I see them, I'm fearless ... ready to slap big size on a high-conviction swing play.

Again, this comes from experience. But I remember the beginning of my trading career like it was yesterday...

My boss called me a "PSD" — poor, smart, and desirous of wealth. This trio of attributes helped skyrocket my motivation, discipline, and dedication to the markets.

Sound familiar? If you find yourself falling into this category, listen up...

Yes, you must harness and weaponize your strengths to win in the market.

But it wasn't just my philosophy and my "PSD" nature that helped me succeed over such a long period...

It also had to do with *the pitfalls I avoided...*

You see, success in options trading has as much to do with human nature as it does with technical indicators, macro catalysts, and chart patterns.

So, here's the brutal truth...

There are certain emotions that are difficult to minimize when you're risking your hard-earned money. It's simply human nature.

That said, if you wanna be a consistently winning options trader, there are seven emotions **you must avoid at all costs**.

I call them **The Seven Deadly Sins of Options Trading**.

Enough small talk. Let's get right into them...



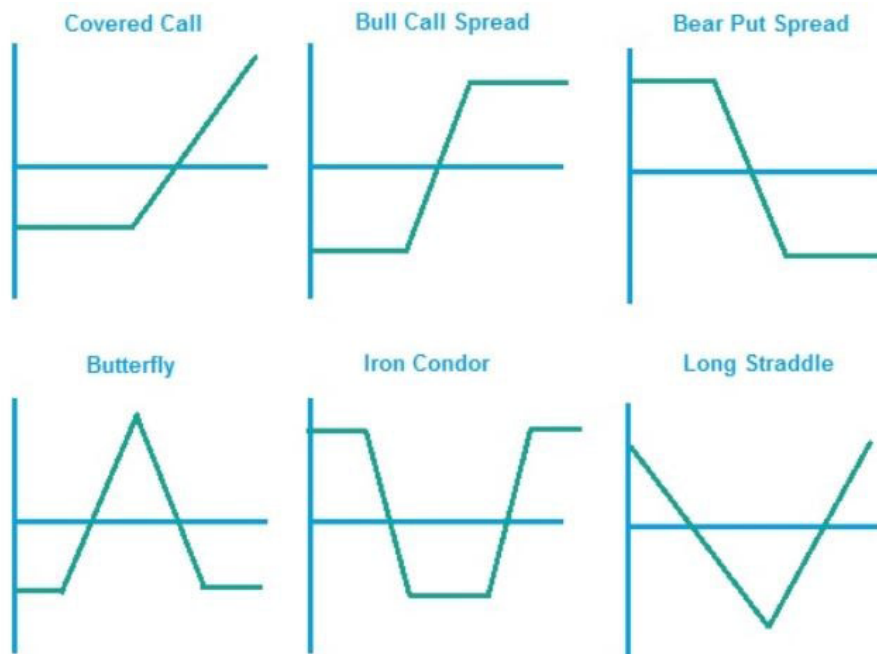
CHAPTER 1: PRIDE (OVERCONFIDENCE IN OPTIONS TRADING)

First, let's talk about **pride**.

In the world of options, this deadly sin often manifests as overconfidence in trading exotic strategies.

You see, the options market is a deep and complex universe of strategies and possibilities.

Some traders simply buy calls and puts, while others will build intricate spreads, straddles, strangles, iron condors, butterflies, etc...



SOURCE: personalfinancelab.com

Confused by these terms? Don't sweat it. I'll teach you about all of these strategies in due time...

But this is exactly the point I'm trying to hammer home...

If you don't totally understand a specific options trading strategy, you shouldn't even think about trading it.

I don't care how many traders on social media are trading straddles. If you don't understand the strategy and haven't backtested it thoroughly ... stay away!

But, unfortunately, so many aspiring traders fall victim to the sin of pride.

That said, there's a simple solution to the problem of pride...

If you take a structured approach to learning and understanding options strategies before you start trading them, you shouldn't find yourself arrogantly trading a spread that's outside of your wheelhouse.

And that structured approach is exactly what I aim to provide my trading students.

Buckle up. You have a lot to learn...



CHAPTER 2: GREED (THE DESIRE FOR IMMEDIATE WEALTH)

I mentioned earlier that I aim to be patient, calculated, and disciplined in my trading..

Well, these traits are the opposite of **the second deadly sin of options trading — greed.**

Too many traders see the options market as a casino where they can potentially make life-changing money overnight.

Why Use Options

- Insure against catastrophic losses
- Leverage your investments for potentially large returns.
- Gain steady income.
- Develop sophisticated investment strategies that do not rely on knowing market direction.

While this is theoretically true, it rarely happens in practice...

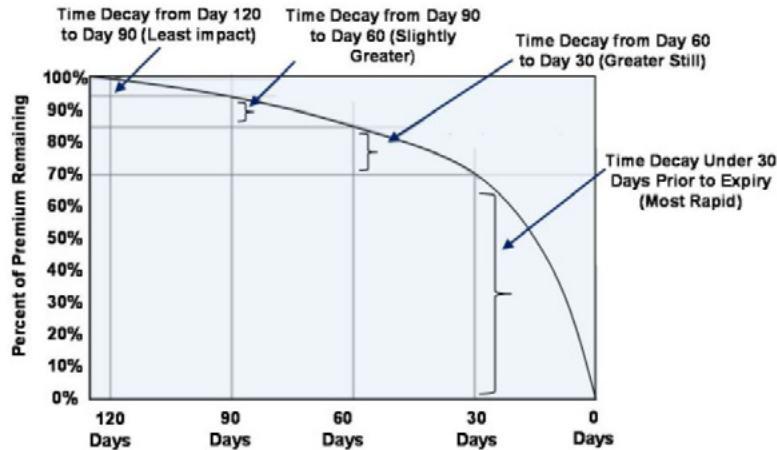
And even when inexperienced traders do get lucky on a single YOLO, they usually blow their accounts up on the following few trades.

If you look at my Burn Notice trades, you'll see that I don't go for 100%+ winners overnight... That's because I have the experience to know that doing so is a recipe for disaster.

It may seem like a tantalizing way to make quick money. But like a fountain in the desert, easy money in the options market is a mirage...

Yet, still, so many newbie options traders buy contracts that are way too far out-of-the-money, expiring too soon...

And they get smoked!



So, how can you avoid greedily buying fast-decaying options? **You must find the right balance between your strike price and expiration dates...**

Option Definition Components

- Underlying Instrument is the **equity stock** or **other financial vehicle** that is the subject of the contract
- Designated Price is commonly known as the **strike** price and represents the price at which the transaction in the underlying can occur
- Specified Date is known as the **expiration** date and represents the last date at which the buyer is entitled to the rights given by the option.
- Designated Quantity, often termed the **multiplier**, gives the number of the underlying that the buyer is entitled for each contract. Usually 100 for American style stock options.

What's the perfect balance? This varies from trader to trader. I can't definitively answer this question for everyone.

But by learning and growing through watching my moves, you'll quickly absorb valuable insight into the art of picking strikes and expiration dates.

CHAPTER 3: WRATH (EMOTIONAL REACTIONS LEADING TO POOR DECISIONS)

Next, we need to talk about another common emotional hurdle for options traders...

Wrath — a sin that can lead to anger, frustration, and even worse, revenge (more on that later)...

If you get angry and frustrated in your trading, your wrath can lead to horrible decision-making.

Like, for example, trading illiquid options out of frustration.

If you've been facing a tough string of losing trades, you might find yourself tempted to break your rules and enter an options chain without enough liquidity.

Liquidity is incredibly important for options traders.

If you trade illiquid options, you could find yourself unable to sell the contracts when you want to.

Additionally, you may be forced to sell the contracts for a lower price than you anticipated because the demand for the contracts simply isn't there.

I find these sorts of 'frustration trades' often come in the form of 'revenge trading...'

Traders will take a loss, then vengefully attempt to make their money back quickly, without implementing a sound and consistent strategy.

Revenge trading almost always leads to further losses, which exacerbates your frustration and crescendoes into a vicious cycle of money losing.

So, how can you avoid letting your emotions guide you toward subpar trades?

Two ways...

First, if you find yourself angry or upset amid your trading ... take a deep breath. Step away from your screens for a bit. Try doing what I do, go take a walk and get some fresh air!

Second, pay close attention to the liquidity of the options you're trading. What's the daily trading volume and open interest on the contracts?

Look at this options chain for **Apple Inc. (NASDAQ: AAPL)**...



Exp. Date	Calls						Puts						
	Last	Change	Bid	Ask	Volume	Open Int.	Strike	Last	Change	Bid	Ask	Volume	Open Int.
August 11, 2023													
Aug 11	15.60	-1.05 ▼	16.60	16.75	79	166	162.50	0.03	-0.02 ▼	0.03	0.04	133	2333
Aug 11	14.20	+0.05 ▲	14.20	14.25	159	426	165.00	0.04	-0.01 ▼	0.04	0.05	1157	8098
Aug 11	11.67	+0.17 ▲	11.70	11.75	21	168	167.50	0.07	-0.02 ▼	0.06	0.07	942	2453
Aug 11	9.25	+0.20 ▲	9.20	9.30	2615	959	170.00	0.11	-0.02 ▼	0.10	0.11	9067	24997
Aug 11	6.65	-0.04 ▼	6.80	6.85	550	543	172.50	0.21	-0.04 ▼	0.20	0.21	8525	11805
Aug 11	4.55	+0.16 ▲	4.55	4.60	6242	2665	175.00	0.47	-0.08 ▼	0.46	0.47	45625	19046
Aug 11	2.58	-0.02 ▼	2.61	2.63	33748	8822	177.50	1.08	-0.17 ▼	1.07	1.08	36700	11877
Aug 11	1.24	-0.06 ▼	1.24	1.25	105404	28252	180.00	2.27	-0.23 ▼	2.23	2.25	20669	14989
Aug 11	0.50	-0.07 ▼	0.49	0.50	34167	25068	182.50	3.95	-0.45 ▼	3.95	4.05	1807	8721
Aug 11	0.18	-0.06 ▼	0.18	0.19	33694	40816	185.00	6.20	-0.42 ▼	6.15	6.25	865	10286
Aug 11	0.08	-0.05 ▼	0.07	0.08	10963	26157	187.50	8.75	-0.22 ▼	8.55	8.60	176	3534
Aug 11	0.05	-0.03 ▼	0.04	0.05	10005	32005	190.00	11.10	-0.35 ▼	11.00	11.10	2617	11481
Aug 11	0.03	-0.03 ▼	0.03	0.04	3280	18195	192.50	13.68	-0.07 ▼	13.50	13.60	259	5168
Aug 11	0.02	-0.02 ▼	0.02	0.03	3204	26057	195.00	15.99	-0.36 ▼	16.00	16.05	262	13369

SOURCE: [Nasdaq.com](https://www.nasdaq.com)

Notice how much more volume (liquidity) is present on the strikes near (and just out of) the money compared to those deep in (or way out) of the money.

You must look at volume and open interest closely and try to stick to trading contracts with a lot of liquidity.

If an options chain doesn't meet your minimum liquidity requirements, move on to the next setup. It's as simple as that.



CHAPTER 4: ENVY (COPYING OTHER TRADER'S STRATEGIES WITHOUT INSIGHT)

Have you ever felt discouraged watching other traders crush the market?

Comparing yourself to others is one of the most dangerous and costly mistakes you can make as a trader.

Not only is **trader envy** psychologically draining ... it can lead you toward making subpar trades that could potentially ruin you.

Here's the truth...

At some point, nearly every trader will feel like they're being surpassed by others. Including you.

But you must remember that trading isn't a zero-sum game. There's plenty of money in the market for you, me, and your grandma to potentially profit.

However, this is where you must be careful...

Sometimes, traders get envious and lazy, then attempt to copy other traders' plays.

Maybe this can work once or twice, but what happens when that other trader you've been copying starts losing?

If you want to truly succeed as an options trader, you've gotta develop your own game plan. Trading is an individual sport. You can only rely on yourself.

Pay attention to the volume and open interest on the contracts you're considering trading. Having strict rules about these metrics will help you avoid copying other traders.

That said, finding your footing and building a trading system will take time. It won't happen overnight.

If you're gonna take trading seriously, you need to forget about instant gratification. Don't worry about what other traders are doing.

But if you drill down and focus on what works for you, you can potentially flourish as an options trader.

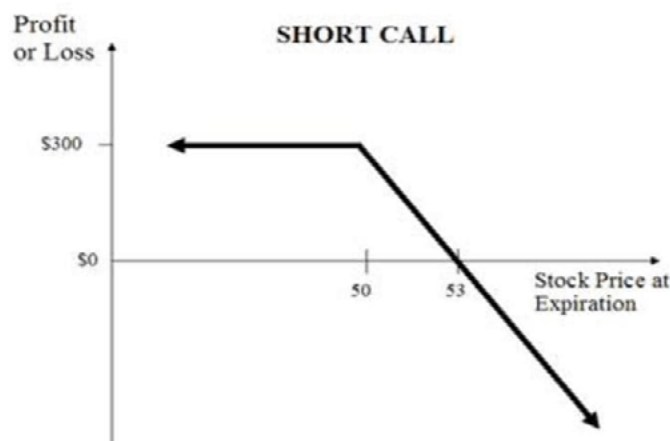
CHAPTER 5: LUST (IMPULSIVE DESIRE LEADING TO DISASTROUS LOSSES)

Many of you will already know that you can both buy or sell options contracts.

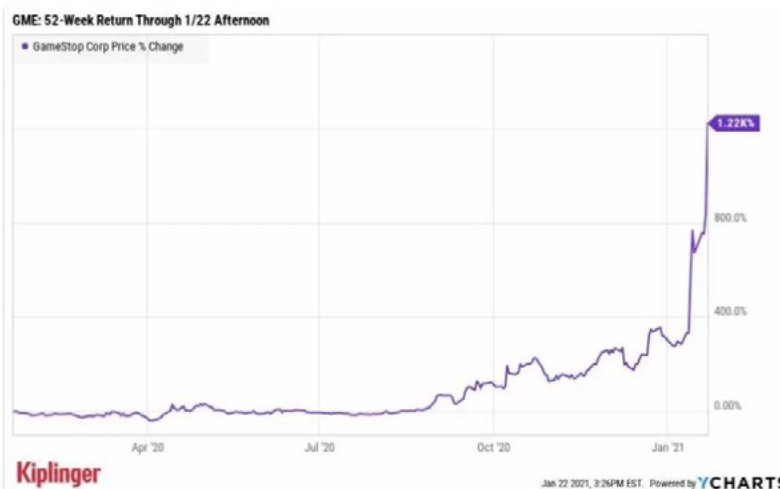
The riskiness of each strategy depends on how you execute it, and the **lust for gains** can cause some traders to make critical mistakes and take disastrous losses.

I'm talking about selling naked options — contracts on an underlying stock you don't own — which can put your entire account at risk.

This is especially true for selling naked call options, because, theoretically, there's no limit to how high a stock can trade...



Imagine having sold naked call options on **GameStop Corp. (NYSE: GME)** amid its massive gamma squeeze in 2021...



SOURCE: [Yahoofinance.com](https://finance.yahoo.com)

Your account would've almost certainly gone to zero — a complete and utter catastrophe.

Here's the thing...

Selling naked options takes you out of the much-desired territory of **defined risk**.

When you buy options, you can only lose the amount of money you invested in the position. That's incredibly attractive.

However, when you sell naked options, your risk profile is considerably larger. And with call options, it's infinite.

Think about that. The potential for unlimited losses. Is that something you want?!

Of course not!

If you stick with me, I'm gonna teach you how to build an antifragile portfolio through patience and risk management.

There are better ways to sell options — like using a covered call strategy — if that's the route you want to take.

But there's no reason on planet Earth to take so much risk when you're first starting as a trader. Or ever, for that matter...



CHAPTER 6: GLUTTONY (OVERINDULGENCE IN OPTIONS WITHOUT UNDERSTANDING IMPLIED VOLATILITY)

For those first discovering the options market, the potential gains can be exciting. Sometimes too exciting...

I've seen traders fall into the **trap of gluttony** by trading options as if they were stocks — a cardinal sin you must avoid.

Options aren't stocks, and they don't trade as such. If you don't fundamentally grasp the unique intricacies of the options market, you'll doom yourself to failure...

First and foremost, I'm talking about **implied volatility (IV)** — one of the most critical concepts for aspiring options traders to be cognizant of.

IV might seem overwhelming, but it's not as tricky as it sounds, I promise...

See, when we're talking about options, we're basically betting on whether a stock's price is gonna go up or down.

Meanwhile, IV tells us how much people in the market think a stock's price is gonna jump around in the future.

If market makers think a stock's gonna be as wild as a rollercoaster, then the IV on the options chain is gonna be high.

But if they figure things will be steady as a ship in calm waters, then the IV is gonna be low.

And the combination of these events can lead to enormous price swings in options contracts.

These can be incredible trading opportunities **if you know what you're doing and truly understand IV**.

Take a look at this options chain and notice how IV varies from strike to strike...

OI	Volume	Delta	IV	Bid	Ask	Strike	Bid	Ask	IV	Delta	Volume	OI
3127	1243	66.99	17.90	43.10	44.80	SPX Jul16 1250	17.30	18.50	18.09	33.16	19698	82697
		64.61	17.63	39.60	41.30	SPX Jul16 1255	18.80	20.00	17.82	35.52	3	4399
64		62.09	17.39	36.30	37.90	SPX Jul16 1260	20.40	21.70	17.57	38.01	1305	13154
24	12	59.46	17.13	33.10	34.60	SPX Jul16 1265	22.10	23.50	17.31	40.61	16	2759
8	24	56.73	16.85	30.00	31.40	SPX Jul16 1270	24.00	25.40	17.06	43.33	6152	6267
889	90	53.88	16.58	27.00	28.40	SPX Jul16 1275	26.00	27.50	16.82	46.14	10155	39604
494	1724	50.93	16.40	24.30	25.70	SPX Jul16 1280	28.10	29.70	16.55	49.05	1942	37460
152	37	47.89	16.07	21.60	22.80	SPX Jul16 1285	30.40	32.00	16.28	52.05	161	5829
632	3461	44.77	15.80	19.10	20.20	SPX Jul16 1290	32.90	34.50	16.04	55.11	34	25592
65	70	41.63	15.58	16.80	17.90	SPX Jul16 1295	35.50	37.20	15.80	58.23	11	915
20030	4475	38.40	15.30	14.60	15.60	SPX Jul16 1300	38.30	40.00	15.55	61.38	3491	83334
234	5	35.24	15.09	12.60	13.70	SPX Jul16 1305	41.20	43.10	15.33	64.52	10	291
4173	759	32.14	14.92	11.00	11.80	SPX Jul16 1310	44.40	46.30	15.13	67.60	1	19604

Treating options like stocks and failing to factor in the effects of IV could potentially lead you into horrible trades that could've easily been avoided.

But, luckily for you, I'm here to help. I have 20+ years of experience dealing with the weird quirks of the options market.

In my teaching course, I'll show you everything you need to know about IV ... and more.



CHAPTER 7: SLOTH (NEGLECTING THE ESSENTIAL RESEARCH)

Like any challenging task worth tackling, mountain worth climbing, or game worth mastering ... becoming a world-class options trader requires an incredible amount of hard work.

Quite frankly, the reason most traders fail comes down to simple laziness. **The sin of sloth.**

They don't do the hard work that winners are willing to do. They get lapped by the competition easily and fizzle into oblivion.

I'm an avid poker player. I love the way poker imitates life, business, and even the markets...

In poker, if you get lazy and stop studying the ever-changing and beautifully complex game of No Limit Texas Hold'em, you will inevitably start losing money.

And, well, trading the stock market is no different. Just as poker is always evolving, the market is always shifting moods, catalysts, and trader sentiments.

If you don't stay ahead of other traders through due diligence and studying, you'll lose money, just like those lazy poker players.

Here's the bitter pill that I hope you can swallow...

If you wanna make it in a game as competitive as the options market, you're gonna have to work harder than you ever have in your life.

In other words, prepare yourself for trading boot camp. You're about to enter the options market version of "Hell Week."

Before the market opens, you need to be preparing ... sharpening your game plan into a katana of money-making possibilities.

And at the end of the day, when the market is closed, you've still gotta be studying, sometimes deep into the wee hours of the night.

This may sound difficult ... and that's because it is. But trust me, if you put in the work required, the rewards at the end of the rainbow are potentially limitless.

I think about it like this: It's more rewarding to win a difficult game, against formidable opponents, by working harder than they do.

This is true in poker, but it's also true in the options market. Stick with me on your trading journey and you'll see exactly what I'm talking about...

CONCLUSION

As a seasoned veteran of options trading with decades of experience, I've seen the ups, the downs, and everything in between...

Now that I've shared with you **The Seven Deadly Sins of Options Trading**, you know the pitfalls to avoid. The ones that can trip up even the savviest options traders.

But don't worry. Armed with passion, newfound knowledge, and a great mentor — you can win consistently in the options market.

Just look at me, I'm living proof.

But remember, options trading isn't a game of chance or a get-rich-quick scheme. It's a strategic endeavor that demands patience, discipline, and a deep understanding of the market's intricacies.

The journey might be tough, but the rewards can be incredible for those who are willing to put in the effort.

You've gotta keep the following things in mind...

- Don't fall into the trap of overconfidence, thinking you can master exotic strategies without a solid foundation.
- Don't let greed push you into reckless decisions that could wipe out your account.
- Keep your emotions in check, avoiding impulsive actions born out of frustration or envy.
- Steer clear of the allure of lust for instant gratification and the laziness that plagues so many failed traders.

Remember: Your trading journey is a marathon, not a sprint. We're trying to build long-term success, not quick overnight gains.

It's about understanding how options differ from stocks, harnessing that knowledge to your advantage, and staying ahead of the curve by working harder than the competition.

Remember, I'm here to help you navigate these choppy waters.

If you're willing to put in the time, dedication, and hard work required ... you might just find yourself riding the waves of success in the world of options trading.

So buckle up, and get ready to take on the markets like a pro ... with a pro!

