Josh's Key Entry Rules for Selling Puts (Cash-Secured):

- Only sell puts on days when the underlying stock is **down** (red/close lower than open or previous close).
- Only sell puts on stocks I would genuinely be happy to own long-term if assigned at the chosen strike price (strong fundamentals, good balance sheet, sector I believe in).
- Target a **delta range of -0.16 to -0.23** (approximately 16–23 delta). This keeps the position roughly 77–84% out-of-the-money probability at entry—far enough to offer a solid edge while still collecting meaningful premium. I avoid anything higher (closer to ATM) to reduce the frequency of being tested.
- Aim for **14–30 days to expiration (DTE)**. This sweet spot balances rapid theta decay with manageable gamma risk and gives time for the position to work.
- Choose a strike price that sits **below at least two clear levels of support** visible on the monthly chart (e.g., prior swing lows, moving averages, trendlines, or round numbers). This adds an extra layer of technical protection against immediate downside breaches.

Additional Portfolio & Position Management Rules:

- Keep position sizes **small** (typically 1–5 contracts per trade) and spread across **multiple uncorrelated sectors** (e.g., tech, healthcare, consumer staples, energy). Diversification helps ensure that if one sector experiences a sharp drawdown, others may remain stable or even benefit.
- For covered calls (when assigned shares from a put): Only sell them on **green/up days** to capture better premiums when momentum is positive and the stock is elevated.

Exit & Risk Management Rules:

- Close (buy to close) both puts and covered calls when **50–70% of maximum profit** has been realized. This locks in gains early, reduces exposure to late adverse moves, and frees up capital for new trades.
- Always close or roll out positions **well before earnings announcements** to avoid unpredictable volatility spikes and gap risk.
- Exit (or aggressively manage) positions ahead of major **sector-specific catalysts** or high-volatility events (e.g., Fed announcements impacting financials, regulatory news in biotech, or commodity shocks in energy).

By consistently applying these filters and rules—emphasizing high-probability setups, technical confluence, diversification, and disciplined profit-taking—I have found that my overall options trades end profitably **more than 90% of the time** over an extended sample of trades.