



# The Jade Lizard Strategy: Trading Sideways and Rising Markets



Options  
**Strategies**

20251021-4921531-15504672



## Introduction

The jade lizard is a multi-leg options strategy that many traders find appealing because it attempts to profit in various market conditions. While the name might sound exotic, this strategy combines simple building blocks that work together to create unique trading opportunities.

### What is the jade lizard strategy?

The jade lizard is a neutral to bullish options strategy that involves three separate trades on the same underlying security:

1. Sell a put option (short put)
2. Sell a call option (short call) at a higher strike price
3. Buy a call option (long call) at an even higher strike price

This setup is essentially a bear call credit spread with a short put added. You're collecting premium upfront by selling two options, but you're also buying one option as insurance. The goal is to keep most, if not all, of the collected premium if the stock price remains within a specified range at the option's expiration.

## How does the jade lizard strategy work?

Let's use a simple example with Las Vegas Sands Corporation (LVS), currently trading at \$54.50. Suppose you are moderately bullish, given that the price has bounced from support near \$54.



You do not expect it to rise above \$60 before next month. To create the jade lizard, you would:

1. Sell a \$53 put option below support and collect \$1.06 (\$106 total)
2. Sell a \$60 call option and collect \$0.29 (\$28 total)
3. Buy a \$61 call option for \$0.24 (\$24 total)

OptionStation Pro

Symbol

Description

Last

Net C...

Trade...

Trade...

Bid

Bid Si...

Ask

Ask S...

High

Low

Volume

Hist ...

Pos...

Beta

Weighting

Account

LVS

Las Vegas Sands C...

54.46

-0.04

100

NASD...

54.46

200

54.47

700

54.90

53.86

2,620

31.77 %

SSPX.X

All Accounts

Spread Single

Filter NONE

Strikes 18

Click to Trade

CALLS

PUTS

Pos

Theo Val...

Vega

Theta

Gamma

Delta

Bid

Ask

Strike

Bid

Ask

Delta

Gamma

Theta

Vega

Theo Value

Pos

03 Oct 25

(22d)

Weekly

29.54%

(#3.17)

10 Oct 25

(29d)

Weekly

29.68%

(#3.66)

8.66

0.02

-0.02

0.021

0.92

8.70

8.90

46

0.00

0.16

-0.04

0.015

-0.01

0.01

0.05

7.70

0.02

-0.02

0.025

0.91

7.70

8.05

47

0.12

0.18

-0.06

0.022

-0.01

0.02

0.09

6.77

0.03

-0.02

0.031

0.89

6.75

7.15

48

0.17

0.25

-0.08

0.029

-0.01

0.02

0.15

5.87

0.03

-0.03

0.039

0.86

5.90

6.05

49

0.25

0.34

-0.11

0.038

-0.02

0.03

0.25

5.02

0.04

-0.03

0.047

0.82

5.05

5.20

50

0.38

0.46

-0.15

0.048

-0.02

0.04

0.40

4.23

0.05

-0.03

0.056

0.77

4.20

4.45

51

0.55

0.60

-0.20

0.059

-0.02

0.04

0.60

3.50

0.05

-0.03

0.068

0.72

3.45

3.55

52

0.77

0.82

-0.27

0.071

-0.02

0.05

0.87

2.85

0.06

-0.03

0.078

0.65

2.72

2.84

53

1.06

1.13

-0.34

0.081

-0.03

0.06

1.22

2.27

0.06

-0.03

0.085

0.57

2.12

2.23

54

1.44

1.52

-0.43

0.088

-0.03

0.06

1.64

1.78

0.06

-0.03

0.087

0.49

1.61

1.69

55

1.92

2.03

-0.52

0.088

-0.03

0.06

2.15

1.37

0.06

-0.03

0.085

0.40

1.20

1.27

56

2.50

2.61

-0.60

0.086

-0.03

0.06

2.74

1.03

0.06

-0.03

0.079

0.32

0.87

0.93

57

3.15

3.25

-0.69

0.082

-0.02

0.05

3.40

0.76

0.05

-0.03

0.070

0.25

0.61

0.67

58

3.85

4.35

-0.72

0.065

-0.03

0.05

4.14

0.55

0.04

-0.02

0.060

0.19

0.42

0.47

59

4.60

4.85

-0.84

0.060

-0.01

0.04

4.93

0.39

0.03

-0.02

0.049

0.14

0.28

0.34

60

5.50

5.85

-0.86

0.049

-0.01

0.03

5.78

0.27

0.03

-0.01

0.039

0.10

0.19

0.24

61

6.40

6.65

-1.00

0.000

0.00

0.00

6.68

Trade

Spread

Custom

Delta

Theta

Max Profit

Max Loss

30.57

3

110.00

-5,190.00

Side

Open / Close

Quantity

Symbol

Expiration

Strike

Type

Sell

Open

-1

LVS

10 Oct 25

53

Put

Sell

Open

-1

LVS

10 Oct 25

60

Call

Buy

Open

1

LVS

10 Oct 25

61

Call

Order Type

Limit Price

Stop Price

Route

Duration

Account Number

Limit

1.10 (CR)

1.19 (CR)

Intelligent

Day

SIM1097305M

Natural

Mid

1.10 (CR)

1.19 (CR)

Activation Rule

Analyze

Place Order

CREDIT

Trade

<Connected> SIMULATED ACCT: Connected to trade server

Delta : 676.38 Theta : -12.04 Open P/L : 1,549.67 Online

The total money collected upfront would be:

$$\$106 + \$28 - \$24 = \$110$$

The premium collected is the maximum profit potential. The trader realizes this profit if the stock price stays between \$53 and \$60 when the options expire. The downward breakeven price is the short put strike minus the premium collected, or

$$\$53 - \$1.10 = \$51.90$$

There isn't an upside breakeven since the bear call spread's risk is counterbalanced by the premium collected. As long as LVS doesn't rise above the short call strike of \$60, the trade remains profitable.



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We chose options that expire 29 days from entry to maximize time decay for this credit spread. The position also has negative Vega and benefits from a drop in volatility.

To exit the position, the trader could

- Let the options expire,
- Buy the jade lizard to close it for a smaller profit or loss, or
- Use a stop loss order to mitigate losses if the stock price drops beyond the breakeven price.

Let's examine the possible outcomes of this jade lizard example:

- LVS is trading between \$53 and \$60 when the options expire
  - The premium collected becomes realized profit, minus any fees and commissions.

- LVS is trading above \$60 at expiration
  - The potential profit decreases as the stock price increases, but stabilizes at \$10.00 once LVS equals or is greater than \$61.
- LVS is trading between \$53 and \$51.90 at expiration
  - The potential profit decreases from the maximum as the stock approaches the breakeven price.
- LVS is trading below \$51.90 at expiration
  - As LVS drops below \$51.90, the short put losses increase up to the strike minus the premium collected. In this case, \$53 minus \$1.10, \$51.90 per share, or \$5190 total.
- If early assignment occurs
  - Early assignment on either the short call or put is a possibility. The put must be cash secured for this event; the long call limits the risk on the upside.

## When should you use the jade lizard?

The jade lizard is more effective when you think the underlying stock, ETF, or index will stay relatively flat or move up slightly. It may be rangebound and expected to remain that way. The underlying should also have high implied volatility, which often means options are expensive. The objective is for the trader to collect income while limiting their risk.

## What are the benefits and risks of the jade lizard?

### Benefits

- **Premium collection:** As a credit spread, the jade lizard allows traders to collect option premiums when establishing the trade. This cash flow can be appealing to income-focused traders.

- **Versatility:** The strategy can potentially profit in several market scenarios. The strategy could generate profits if the stock price remains stable or within a narrow range, moves up moderately, or even rises significantly (though profits are limited).
- **Wide profit range:** When set up correctly, the jade lizard often has a good chance of making money because you profit as long as the stock doesn't fall too much. The risk profile of the position has a wide profit range.

## Risks

- **Limited upside profit:** While you can't lose money if the stock rises, your profits are capped. If the stock skyrockets, you miss out on those gains.
- **Significant downside risk:** Since you are selling a naked, cash-secured put, there is a significant downside risk. If the stock falls below your put strike price (minus the money you collected), you start losing money. These losses can be substantial.
- **Complexity:** The strategy is more sophisticated than some others. With three different option positions, managing the trade can be complicated, especially for beginners.
- **Margin requirements:** Brokers typically require you to have money set aside as collateral for the naked put, which can tie up your trading capital.

## Key management tips

Here are some ideas to help manage jade lizard option positions:

1. **Set profit targets:** Many traders close the position when they've captured 25-50% of the maximum profit rather than waiting for expiration.
2. **Monitor the short put:** If the stock starts falling toward your put strike price, consider closing the trade early to limit losses. You can set a stop loss on the put or the entire Jade Lizard.
3. **Time decay is your friend:** Options lose value as they approach their expiration date. This time decay works in your favor since you sold more options than you bought. Traders often select options with 30 days or less to expiry to take advantage of accelerated time decay.
4. **Watch implied volatility:** If volatility drops significantly after you enter the trade, you might be able to close the position early for a profit.

## Who should use this strategy?

### Best suited for:

- Intermediate to advanced options traders
- Traders comfortable with complex position management
- Those with sufficient account size to handle margin requirements
- Investors with a neutral to slightly bullish market outlook

### Not recommended for:

- Complete beginners to options trading
- Traders with very small accounts
- Those uncomfortable with substantial downside risk

### Common mistakes to avoid:

1. **Setting up the trade on low-volatility stocks:** You won't collect enough premium to make it worthwhile.
2. **Ignoring the downside risk:** The losses can be much larger than the upfront credit received.
3. **Poor timing:** Entering the trade right before earnings or major news events.
4. **Not having an exit plan:** Know when you'll take profits or cut losses before entering the trade.



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## Is the jade lizard right for you?

The jade lizard can be an effective strategy to generate income in neutral to slightly bullish markets. However, it requires careful planning, active management, and a solid understanding of options mechanics. The upfront income is attractive, but the downside risk is real and significant.

Before trading with real money, practice using TradeStation's Simulated Trading mode. Testing your ideas will help you understand how the strategy works, and any mistakes you make won't cost you real money.

Once you're comfortable with the jade lizard, you can try trading small positions to limit your risk while gaining experience. Remember, successful options trading requires not just understanding individual strategies but also knowing when and how to use them effectively.

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