

Best Broker for Trading Options on Futures

[00:00:00] Hey friends, how you doing? This is Ernie with the 0-dte.com podcast. And today is Friday. End of week. We had a zero DTE trade. It looks like it's performing well for us. We actually put two things on today and which is a little unusual for us, but both a futures trade on with the E-mini S&P futures as well as an SPX index trade. And both are performing very well. Yes. Trade was a Broken Wing Butterfly, and the SPX trade was a Butterfly.

[00:00:40] And we're having a very slow decay day. Another successful trade for the service and that's cool. Today's episode is going to be about commissions and which broker is the best and is a broker the final arbiter when it comes to how much you're going to be paying per trade.

[00:01:03] Now, the reason why this is such a big topic, especially around these parts is that we trade primarily the E-mini S&P futures contract for the ODTE trade. Now I know a lot of other people. Doing similar, but not the same strategy. There's nothing even close to what we're doing. Other the people that are trading 32, you're using the SPX.

[00:01:29] The argument is that because the SPX is cash settled and because options on it are significantly less than the e-money that it is a better vehicle to trade. But I can give you a lot of reasons why that simply is not true. Firstly, The SPX does not trade around the clock like the mini does.

[00:01:53] So right there, you have a. You don't have the continuity of price action and other analytical tools that you might be able to use price action. Isn't really what we use, but you'll get my point. You don't, and you certainly don't have any volume because that's what we do use. We use volume profile to do.

[00:02:12] Virtually all our structural analysis and you don't have that with the SPX. What you have are nothing but gaps in between the time it closes at night and the time that it opens in the morning. And it's very difficult to tell what the hell is going to happen early morning. Now, the other thing apart from that, because it doesn't trade around the clock, you can't take trades around the clock like you can with the ES.

[00:02:39] And there are all kinds of opportunities that we have when we are opening trades, starting from the session six o'clock the previous night, maybe up until about, I don't know, 11 o'clock there's opportunities to take a trade there and take advantage of what's going to happen in the Globex session.

[00:02:58] So that's another reason other than those two are huge reasons. The other thing is that in the morning, you have another opportunity before the market, the cash market opens. Usually there are economic reports that appear anywhere between seven and 8:30 AM. Anything that appears after 8:30 is usually after the market opens.

[00:03:17] And so you have. This forethought or this view of the market prior to the cash market opening and an opportunity to get in even earlier than everybody else in the world.

So those reasons, make the ES an absolute superior mechanism to the SPX, even though the commissions are significantly higher on the ES.

[00:03:44] Now as to the commissions themselves, you can curb the difference. By several ways. One is you can choose the right broker. Brokers vary widely in terms of what they offer for commissions on options for futures. Most everybody has given you the same deal for options on the SPX. It's usually somewhere between 50 and 75 cents a contract on futures.

[00:04:13] However, on the. It's going to be anywhere from 85 cents to \$2 and 50 cents. And there were all kinds of variations on that. So, for instance, trade station starts you off at \$2 and 25 cents, both in and out. So, around trip is going to cost you \$4,50 cents per contract. That's crazy considering that on the SPX, that's only going to be about one fifth of that.

[00:04:40] So that commission can really add up very quickly. Now here's the thing spending that kind of money. It means that you're really a small-time trader you're trading only a few contracts a month, et cetera. But once you get over a few hundred contracts a month, which is very easy to do when you're trading the ODTE strategy, because we have these three opportunities every week and because we're trading butterflies and there's four contracts, every.

[00:05:09] You have an opportunity to create a significant amount of volume and volume is king from the broker's point of view, and they will often give you volume discounts as well. TD Ameritrade will bring your price down to say \$2 or \$1.50, or even as low as a dollar, depending on how much volume that you have.

[00:05:28] So that's one way to reduce your commissions. Now, the other way is to. Go to a different broker. Now the one that has the best prices right out of the box is undoubtedly Interactive Broker. However, their platform totally blows chunks. I'm not going to mix words here, but it is one of the most confusing redundant platforms I've ever seen in my life.

[00:05:53] It's not that you can't trade and do everything that you need to do. It's just that it's not intuitive. There's a million ways to do things and they're not consistent. And it's like that throughout the entire platform. However, their pricing is very good at 85 cents per contract, both in and out. So that gives you a total of a, what, \$1.70, a round trip per contract.

[00:06:16] Now \$1.70 is a lot better than \$4.50, almost a \$3 difference. However, trading that way with their platform is really a pain, but for international customers it's certainly a good option. Now another option would be tasty trade or tasty works and their brokerage, and they charge \$2,50 cents per contract.

[00:06:40] However, that's only for going into the trade, not coming out, they don't charge anything for coming out. So, it's only a little bit more than Interactive Broker and TastyWorks does not require \$10,000 to open a futures account. They only require I think a thousand dollars, by the way, TD Ameritrade,

[00:06:57] requires about \$2,000. So tasty works has a vastly superior interface, very graphical. It's still being worked on and it's still improving, but overall, it is probably one of the best interfaces for trading options. And of course, tasty works was the brainchild of Tom Sosnoff, who also originally came up with Thinkorswim, and then sold that to TD Ameritrade.

[00:07:26] So Thinkorswim is really like the de facto options trading platform for most retail traders in for a lot of pro traders in the United States and other places around the world. But tasty works is really coming up. It is an up and comer for sure. It is much cheaper than trading on because you're only trading on one side, \$2.50 cents.

[00:07:48] So a round trip on a butterfly is going to be \$10 per position. Now, compared to TD Ameritrade, that could be [upwards of 16, \$18. That's a huge difference. That means you must come over, get over that hump of \$18 before you even start making a profit, which is crazy. But \$10 is not that much to get over.

[00:08:12] It is if you're trading one of the other zero DTE strategies, like the zero DTE strategy that goes without a dash, that's dirty to.com as opposed to zero down cash, dte.com, where you trade our strategy. And we use asymmetric strategies. And instead of using a \$1000 to go after \$50, we're using \$50 to go after a thousand dollars.

[00:08:37] So our overall risk and cost. Okay. An order of magnitude, two orders of magnitude, less than these other strategies, so that, oh, the other big difference, what strategy you trading? Because if you are trading our street where you have as good or better probability of profit, a risk to reward that is one to two orders of magnitude, better than the other strategy.

[00:09:06] And I don't know what else to say. Then the cost of the trade, the commission starts making less and less difference. It's still a big difference. If you could just pay \$10 per as opposed to \$20 per that's a huge difference. I'm going to recommend going to tasty works. Now I've looked at all the different platforms like E-Trade, for instance, they just have a web-based futures trading platform, although they do have also an app.

[00:09:35] It's you know, eh, and they don't support multi-leg options positions right off the bat. You must leg into positions and it's pretty much the same way with other strategies or other platforms. But that's not the case with TD Ameritrade's think or swim or with tasty works.

[00:09:55] Tasty works still has a few hurdles to overcome in terms of butterflies on futures. You must put them on as two spreads. But you don't have to leg in one at a time, at least. So that's at least you have that going for you. Now. I was told by somebody that they thought that they saw and were able to trade butterflies on futures.

[00:10:16] With one transaction and that's so important, to put on your trade as one singular transaction it really gives you a very good look into exactly what you're paying for. And then, especially if you can take it off in that one transaction as well, it makes everything just clean.

[00:10:34] That's the way you want to go. So, I looked at Schwab, looked at others and Schwab isn't much different than TD Ameritrade. Their platform isn't anywhere as good TD Ameritrade has a great platform with Thinkorswim as well as their phone app. TastyWorks again. They're online. Platform is just the balls.

[00:10:55] I haven't investigated their phone app. I'm just assuming that they have a phone app and that's one shortcoming here and this presentation, I don't know if they have a phone app, we'll have to investigate that, but I'm sure that they do it's maybe somebody can maybe someone in the peanut gallery here can chime in on that.

[00:11:14] If they. Ernie, is it possible to create a butterfly with a 90% win rate? Of course, it is. You could put on a let me back up. You said win rate. In other words, the de facto wins are 90%. The answer is that you could put on an iron condor and put on two or three or five Delta spreads on either side.

[00:11:36] And then you could put up about a thousand dollars to make about \$20. And that is true. You could get a 90. Percent win rate. But when you challenge one of those spreads, you're going to lose about three months' worth of your efforts and possibly break your account. So, while you can it is absolutely the most idiotic way to trade the zero DTE.

[00:11:59] And that is the exact method of most of these other services, including the one without the debt. All right. We never do that. We don't put your life and your trading account into peril with every trade. As a matter of fact, we could lose a dozen trades in a row and then have one winner and cover all those dozen trades.

[00:12:20] All those doesn't losers. Of course, it never happens. I think our losing so far, it's just two trades, two losing trades in a row. And both of those, we were able to one max loss, one with just a slight loss. Again, with a very small risk component, an order, or two orders of magnitude, less than what the other people are risking.

[00:12:42] So there's the difference there, win rate is not the way to go win rate. If you're looking at win rate as your metric for trading the ODTE, then you really have something wrong. Something wrong in your assumptions, something wrong in your head. I don't know what it is, but when rate is absolutely the last thing that you should be looking at, the only thing that you should be looking at is efficiency.

[00:13:12] How much profit can I make for as little money and as little time in the market as possible. That is the, those, that's the metric right there. Period. If you're not looking at that, you're not being as efficient as you are possibly. So that's what we look at. We look at well, what does it cost us to get into the trade, including the commissions and the platform and everything else that goes around, setting yourself up.

[00:13:37] You can't forget the exchange fees as well, because those are a fixed cost, no matter what. No matter what broker you go with, no matter what strategy you go. You usually are going to end up paying maybe a dollar or two of exchange fees per contract. It's, it's not a cheap game.

[00:13:53] So that's why by putting on asymmetric trades makes all the difference in the world because instead of going for, a \$50 trade where you must give up. Even with the smaller cost of the SPX, you still must give up a fair amount of commission and exchange fees for the relatively small amount that you're going for, where we are going for an amount that is 10 times bigger.

[00:14:19] And often we don't, we don't always get the 10 times. We don't pin the trade all the time, but we do 10 to 15% of the time, which of course makes up for everything. We could lose everything and just count on that, that a one time that we pin the trade, but we also about 50 to 80%, depending on volatility, we'll make a smaller trade that is somewhere between, 50% and a thousand percent.

[00:14:45] Return on capital or return on risk capital. So, what that means is on average, we're doing about 150 to 200% return on our risk capital, including the commissions, right where these other services are trying to eke out four, 5%. Now you tell me, would you rather make four or 5% with the chance of blowing up your account or would you rather make 150 to 200% with virtually no chance of blowing up your account?

[00:15:16] I don't know why I asked the question. It's not really a question. It's rhetorical. Of course, there is only one way to trade the 0DTE it at least up to now. I haven't found a better way. This is the way with an asymmetric strategy. And that's 0-dte.com. Do not forget that dash it'll mean everything regardless of commission, regardless of broker you trade the asymmetric way, you trade our way, the dash way, and you will be very happy.

[00:15:50] All right. It looks like the market is rolling over. It's hard to tell. Really is hard to tell. I would say that we've been grinding upward for a while here. We're at an inflection point right now. Now part of my analysis was that for us to move higher in this market, we're going to have to pull back.

[00:16:12] And that's really been the precedent that has been set for this entire bull run for the wall for the last 10 years. We move straight up; we pull back a little bit. We buy the dip, we move up, we pull back a little bit. We buy the dip; it just goes on and on. I'm thinking that's exactly, what's going to have to happen for us to get to that next level where we right near all-time highs right now.

[00:16:32] And so the question is today, the day, maybe it's Sunday night, starting Sunday night, maybe it's Monday, Tuesday, but I do think it's going to come within the next week where we pull back a little bit. And then we're going to be right there for not only that pull back, but we'll also trade that pull back and we will be successful on it.

[00:16:51] And then we will go and buy that dip and we will be successful there as well. All right. That's about all I have to say today. Hopefully this was interesting and informative for you. If you would like to give the 0-dte.com service. It is 0-dte.com/try links down below. I like to. Of this as a coaching and mentoring service and educational service.

[00:17:21] Where you're going to learn a superior strategy, you're going to learn everything there is that you need to know about options trading and how to make money with virtually no anxiety, and be very efficient with your capital.

[00:17:34] And then we put out the alerts as a demonstration of that strategy. The thing is our alerts are 10 to 20 times better than their alerts on top of that, our cost is less too. So you compare us to some of the high flyers such as Scott Stewart or David Jaffe.

[00:17:52] We're literally... I don't know, a sixth of what they charge, something like that. Something crazy.

[00:18:01] I don't know what to say. All right. So, I think it's time to attend to the close here. And I want to thank everybody for showing up. Thank you very much. We will see you when futures open Sunday night and I hope you have a great weekend.

[00:18:17] Again, give it a shot. 0-dte.com/try. You can also look for our podcast if you want to listen to these YouTube. shows on the podcast. They also come with downloads a transcript all that stuff. Fantastic. All right. Thank you, friends. We'll see you next time. Hope you have a great weekend and peace. Where is that off, button I can never find the off button.