



FIREDesk

FREE PLAYBOOK

The SPY Put Spread Playbook

What 100+ logged trades taught us, stops included.
Strikes, expiries, exits and sizing, with the numbers and
their limits.



Paper-trading record, 14 May - 9 Oct 2026, plus the founder's trading journal.

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**START HERE**

In 60 seconds

1. **What it is.** A bull put spread: you sell one put and buy a lower one on the same expiry. You receive a credit, and your worst case is fixed.
2. **Three numbers.** Credit, maximum loss and distance of the short strike from the price. Example (1 October signal): credit \$123, maximum loss \$877 per contract.
3. **What our record shows.** 84 closed trades, 70 take profits, 14 stops. All 14 stops had the short strike less than 8% below the price; none of the 34 closed trades with a strike at least 8% below was stopped. A pattern to test, not a rule.
4. **How you close.** You buy the spread back. Take profit at half the credit (+\$61.50 in the example), stop at 1.5 times the credit (-\$61.50).
5. **How to size.** For the worst case across all open positions, not for the credit. Stops come in clusters, and a gap can go through a stop.
6. **How far to trust the numbers.** They come from paper trading with modeled prices. They are a ceiling, not a promise.

HOW TO READ THIS PLAYBOOK

Got 10 minutes? Chapters 1, 2 and 5. **Want the data?** Chapters 4 and 7. **Before you place a trade?** Chapters 6 and 8.



BEFORE YOU START

How to read this playbook

Most material about selling options shows you the wins. This booklet shows you what happened in a record where we logged every signal, including the stops, and what we think it does and does not prove.

READ THIS FIRST

The FIREDesk numbers come from a **paper-trading record**: no real capital was used, and option prices are estimated by a model instead of taken from real fills. The model has no sudden jumps in volatility, so real fills and real stops would be less favourable. Many trades overlap in time, so they are not independent tests. A smaller, separate sample comes from the founder's own trading journal (8 closed trades). Nothing here is a forecast or a promise.

What is inside

1. What a bull put spread is, with a real example
2. The three numbers to look at: credit, maximum loss, distance
3. The trend filter, and what it does not guarantee
4. Choosing the expiry: 60 days or 120 days
5. Take profit and stop: why the payoff is one to one
6. Sizing for the whole book, not for one trade
7. Stops come in clusters: our record, bad days included
8. The five-step checklist (printable)
9. What our record cannot tell you
10. Glossary, legal notes and next steps

The record in one line

102 signals logged between 14 May and 9 October 2026: **84 closed** (70 reached the 50% take profit, **14 hit the stop**) and **18 still open**. Paper P&L on the closed trades: +\$13,767 (4 contracts per signal), maximum drawdown \$1,038. On 12 October 2026 we corrected a calculation error that had recorded stops the market prices did not justify; every figure here is the corrected one.



CHAPTER ONE • 3 MIN READ

1 What a bull put spread is, with a real example

A bull put spread is a trade with a fixed worst case. You sell one put option and, at the same time, buy another put with a lower strike on the same expiry. The put you sell pays you a premium. The put you buy costs a smaller premium and works as insurance: it caps how much you can lose.

The difference between the two premiums is the **credit**, and you receive it when you open the trade. If the underlying (here SPY, the ETF that tracks the S&P 500) stays above the strike of the put you sold until expiry, both options expire worthless and you keep the whole credit.

A real signal, step by step

On 1 October 2026, with SPY at about \$763.67, our paper log recorded this trade, with about 120 days to expiry:

ITEM	VALUE
Sell	695 put, expiring 29 January 2027
Buy	685 put, same expiry
Width of the spread	\$10 (695 minus 685)
Credit received	\$1.23 per share = \$123 per contract (one contract covers 100 shares)
Maximum profit	\$123, if SPY is above 695 at expiry
Maximum loss	$(\$10 - \$1.23) \times 100 = \textbf{\$877}$ per contract, if SPY is at or below 685 at expiry
Break-even at expiry	$695 - 1.23 = 693.77$

Three outcomes at expiry. Above 695: you keep the \$123. Between 685 and 695: you lose part of it (at 690, for example, about \$377). At or below 685: you lose the maximum of \$877.

KEY TAKEAWAY

You can make \$123 here and you can lose \$877. The trade pays often and costs a lot when it fails. Everything else in this booklet is about managing that shape.

Why a bull *put* spread? It profits when the price stays flat, rises or falls only a little, which is a bullish-to-neutral view. Its mirror image, the bear call spread, profits when the price stays below a level.



CHAPTER TWO • 4 MIN READ

2 The three numbers to look at

Most descriptions of put spreads stop at the credit, because it is the attractive number. A trade is properly described by three.

1. Credit

What you collect. In our log the average credit was about **\$0.82** per share on the 60-day trades and **\$1.08** on the 120-day trades. A bigger credit is not better by itself: it usually means the short strike is closer to the price, so the trade is more likely to lose.

2. Maximum loss

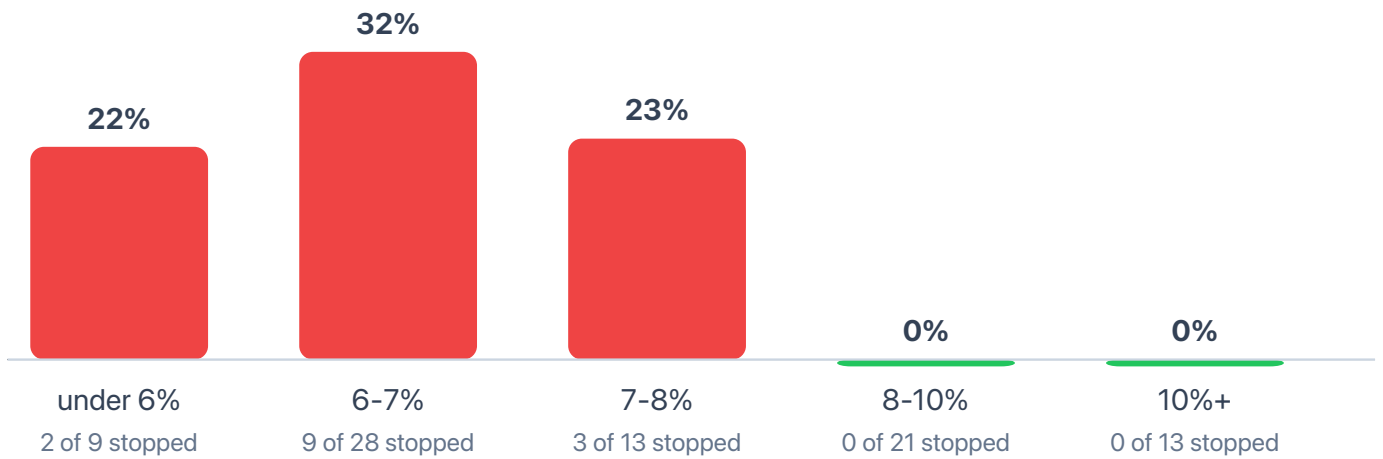
The width of the spread minus the credit, times 100. On a \$10-wide spread it is always a bit under \$1,000 per contract. This number, not the credit, decides how many contracts you can afford (chapter 6).

3. Distance

How far below the current price the short strike sits. In our log the short strike was on average 7.8% below SPY at entry, within a range of 5.3% to 11.6%.

WHAT WE FOUND

Of the 84 closed trades, 14 hit their stop, and **all 14 had a short strike less than 8% below the price at entry**. None of the 34 closed trades with a strike at least 8% below the price hit the stop. It is a pattern in a short record, not a rule.



Share of closed trades that hit the stop, by how far below SPY the short strike sat at entry (paper record, modeled prices). 84 closed trades.

Delta is not the whole story

We pick the short strike at about 0.10 delta, which a pricing model reads as roughly a 10% chance of finishing in the money at expiry. At the same delta, a longer expiry puts the strike further from the price. That is why the 60-day trades sat 6.8% below SPY on average and the 120-day trades 8.8% below. And a 10% chance of finishing in the money does not mean a 90% chance of winning the trade: a trade with a stop can lose long before expiry.



CHAPTER THREE • 3 MIN READ

3 The trend filter, and what it does not guarantee

We only open new trades when SPY is above its 200-day exponential moving average (EMA-200). The idea is simple: when the long-term trend is up, a put spread below the price has more room. The rule has three states:

STATE	CONDITION	EXPIRY WE USE
Bullish	SPY above its 7-, 30- and 200-day averages	about 60 days
Cautious	SPY above the 200-day, below a shorter one	about 120 days
No trade	SPY below its 200-day average	none

Use the daily **close**, not the price during the day, so the signal does not flip on a noisy afternoon.

What the filter does not do

- **It does not make a trade safe.** Every one of our 102 logged signals was above the line, and 14 of the 84 closed trades still hit the stop.
- **It does not protect from gaps.** A filter reduces how often you are exposed. It does not change what happens on a day when the market drops sharply.
- **We have no evidence about trading below the line.** Our record contains no trades there, so we cannot say how the strategy behaves in a downtrend. Anyone quoting a win rate "with and without the filter" needs a dataset that includes trades below the line.

KEY TAKEAWAY

The filter changes *when* you sell. It does not change *what* you are selling: the same small credit against a much larger possible loss.



CHAPTER FOUR • 5 MIN READ

4 Choosing the expiry: 60 days or 120 days

Our rules choose the expiry from the trend: about 60 days when SPY is above its 7-, 30- and 200-day averages, about 120 days when it is above the 200-day but below a shorter one. The two groups look very different in the log:

	ABOUT 60 DAYS	ABOUT 120 DAYS
Signals	53	49
Closed trades	43	41
Take profits	29	41
Stops	14 (a third of closed)	0
Still open	10	8
Average credit per share	\$0.82	\$1.08
Short strike below SPY (average)	6.8%	8.8%

Why we cannot just say "longer is better"

- The 120-day trades were opened at different moments: only after SPY had pulled back below a shorter average.
- They sit further from the price (8.8% versus 6.8%), and chapter 2 showed that distance is what the stops had in common.
- 8 of them are still open, and any can still lose.

A model replay to separate expiry from distance

We replayed the 50 bullish entry dates of the log with the same strikes and a 120-day expiry instead of 60, with the same pricing model and rules. Stops fell from 14 to 4, with 18 positions still open. When the short strike was placed at least 9% below the price on those dates, the replay produced no stops at either expiry. It is a hypothesis, not a proof: the model has no volatility spikes and the trades overlap.

The trade-off in plain words

A longer expiry gives a larger credit (\$1.08 versus \$0.82 per share in our log), the same maximum loss for the same width, and more distance at the same delta. The price you pay is that your capital stays tied up longer.

FROM THE FOUNDER'S JOURNAL

8 closed trades, 1 contract each: 5 take profits, 3 stops, +\$190. All three stops were on trades of 53 to 74 days with strikes 6.0% to 6.8% below the price. The two closed trades of 113-114 days had strikes 10.9% and 13.2% below and both reached the take profit. Eight trades prove nothing on their own. We show them because they are real fills and because they point in the same direction as the paper record.



CHAPTER FIVE • 6 MIN READ

5 Take profit and stop: why the payoff is one to one

Our exit rules are fixed before entering: **close at 50% of the credit**, and **stop when the spread costs 1.5 times the credit**. With a \$0.79 credit (our 9 October signal):

EXIT	SPREAD PRICE	RESULT PER CONTRACT
Take profit (50% of credit)	\$0.395	+\$39.50
Stop (1.5x the credit)	\$1.185	-\$39.50
No exit at all	spread width \$10	up to -\$921

A win and a loss of the same size means that **how often you win is the whole game**. A high win rate on a one-to-one payoff is what makes the trade pay, and also why a few clustered stops hurt: they erase many wins.

How you actually close the trade: buy the spread back

This is the step most beginners find confusing, so here it is in plain steps. You **opened** the trade by *selling* the spread and receiving a credit. To **close** it you do the opposite: you *buy the spread back* and pay a debit. Your profit is the difference between what you received and what you pay.

It is one order with two legs: **buy to close** the put you sold (the 695) and **sell to close** the put you bought (the 685). Most brokers show it as closing the spread, with a debit price.

USING THE 1 OCTOBER SIGNAL	CREDIT RECEIVED WHEN YOU OPENED	DEBIT PAID TO BUY IT BACK	RESULT PER CONTRACT
Take profit buy back at \$0.615	+\$123.00	-\$61.50	+\$61.50
Stop buy back at \$1.845	+\$123.00	-\$184.50	-\$61.50

Green is money that comes in (the credit). Red is money that goes out (the debit you pay to close). The result is the sum of the two.

Why can you buy it back for less? As time passes and SPY stays above your short strike, the spread loses value, because there is less chance it ends up costing anything. That falling value is

your profit. When the spread is worth half of what you received, you can close and keep the other half of the credit.

How to set it up

- Right after the opening order is filled, place a **limit order to buy the spread back** at the take-profit price (a "debit" order), set to stay active until you cancel it (good till canceled).
- Some brokers let you link the take-profit and the stop (OCO: one cancels the other). If yours does not, use a price alert for the stop.
- Avoid **market orders** on spreads: the gap between bid and ask can be wide, and you may pay more than you planned.
- If the take-profit order has not been filled, leave it: it will fill when the spread reaches your price. Do not lower the target on impulse.

A stop does not need the price to reach the strike

It triggers when the *spread* costs 1.5 times the credit, which can happen on an ordinary pullback. On 29 July 2026 SPY closed about 4% above the short strikes of five positions, and all five were stopped the same day. The price was never close to the strikes, but the spreads were close enough to be repriced past the stop.

Practical points

- **Write the exits down before you enter.** Take-profit price, stop price and maximum loss.
- **Stop orders on spreads are not available at every broker.** If yours does not support them, use price alerts and act on them.
- **In fast markets a stop can fill worse than planned.** Size as if it might.
- **SPY options are American style:** the short put can be assigned early. Close the spread before expiry.

KEY TAKEAWAY

The stop is not a pessimistic gesture. It is what turns a worst case of \$921 into a planned loss of about \$40, and it is the reason the rest of the book can talk about averages.

Want these rules applied for you every market day?

One SPY put-spread signal on Telegram: strikes, take profit and stop. 15 days free, then \$19.99 per month, cancel anytime.

Try it free for 15 days →



CHAPTER SIX • 5 MIN READ

6 Sizing for the whole book, not for one trade

The most common mistake is sizing by the credit you collect. Size by what you can **lose**, and count every position that could be open at the same time. Our log had 18 open trades at once: their losses are not independent (chapter 7).

The rule

1. Decide the **total** maximum loss you can accept across all open positions together.
2. Contracts = that total divided by the maximum loss of one contract, rounded down.
3. With the example of chapter 1 (\$877 per contract) and a \$2,000 total budget, that is 2 contracts, not more.

"At risk" has three meanings

When we say a position puts about 25% of the account at risk, we mean the **worst case**, not what you expect to lose. With a \$4,000 account and one contract of the 1 October trade:

SCENARIO	WHAT HAPPENS	PER CONTRACT	ON A \$4,000 ACCOUNT
Planned loss	The stop triggers and fills where planned	-\$61.50	-1.5%
Worst case (black swan)	SPY gaps down through both strikes and the stop cannot fill, or no stop is used	-\$877	-21.9%

With a stop that works, a losing trade costs a fraction of what the worst case suggests. But a stop is not a guarantee. If SPY gaps down overnight, when the options market is closed and there is no price to trade at, or the market moves faster than orders can fill, the stop can execute at a much worse price, up to the maximum loss. That is the black-swan event: rare, but it is the event that should decide how big you trade.

So size for the worst case, not for the usual case. The 25% in the table below is an *aggressive* illustration, not a recommendation: many traders cap the worst-case loss on a position at a single-digit percentage of the account, and the right number depends on your situation. The founder trades close to this size knowingly, as a personal choice and with a stop on every trade. If in doubt, size down: a smaller position that you can hold through a bad week beats a larger one you have to close in panic.

What it can look like, by account size

One \$10-wide SPY put spread per \$4,000 of account (about 25% of the account tied up as margin, a worst-case loss of about 22%), one trade a month. The low end of the typical month comes from the founder's trading journal (8 trades), the high end from our paper log (84 trades, modeled prices). "Bad month" is every trade stopped out; "worst case" is every trade at maximum loss.

ACCOUNT	CONTRACTS	TYPICAL MONTH	BAD MONTH	WORST CASE
\$5,000	1	\$25 - 40	-\$50	-\$906
\$10,000	2	\$50 - 80	-\$90	-\$1,812
\$25,000	6	\$140 - 250	-\$280	-\$5,436
\$50,000	12	\$290 - 490	-\$560	-\$10,872
\$100,000	25	\$590 - 1,020	-\$1,180	-\$22,650
\$200,000	50	\$1,190 - 2,050	-\$2,350	-\$45,300
\$500,000	125	\$2,970 - 5,120	-\$5,880	-\$113,250
\$1,000,000	250	\$5,940 - 10,240	-\$11,750	-\$226,500

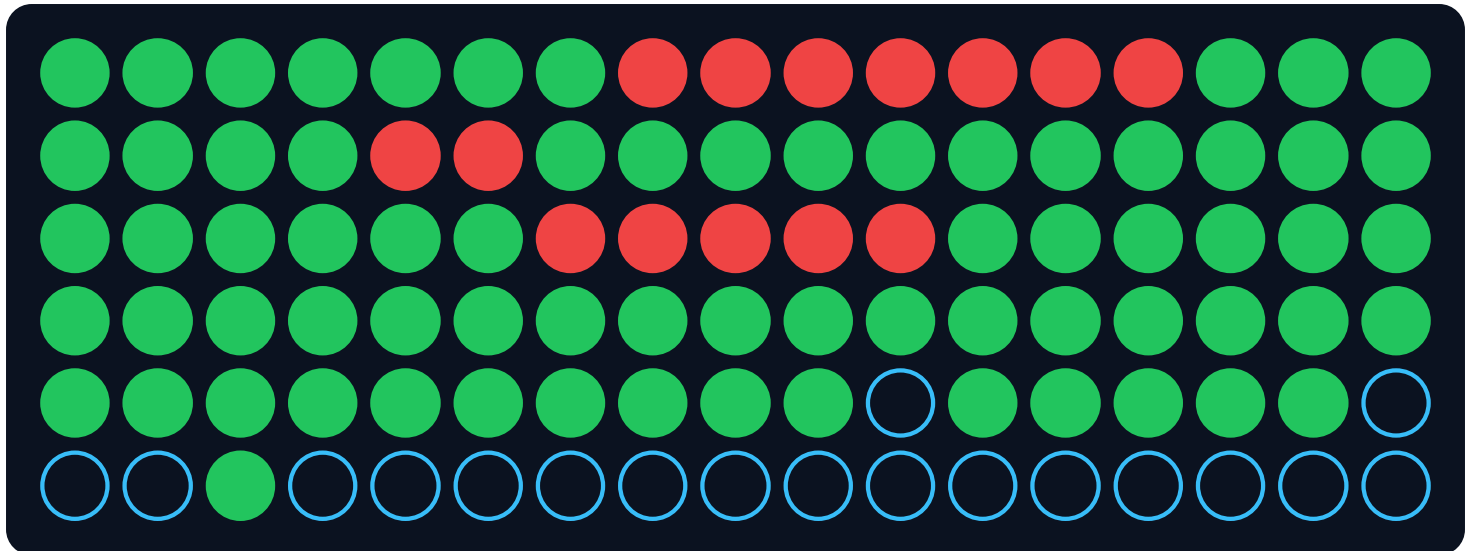
Read the table with care. It is an illustration from two small samples, not a forecast. A bad month costs more than a typical one earns. At the larger sizes, 125 or 250 contracts of the same spread raise execution and concentration problems that this table does not cover. Taxes depend on your country.



CHAPTER SEVEN • 4 MIN READ

7 Stops come in clusters

Here is every signal in our paper log, oldest first: green is a take profit, red a stop, a blue ring a trade that is still open.



● 70 take profit ● 14 stop ○ 18 still open

7

trading days account for all 14 stops

7

signals in a row without a take profit (26 May - 3 June)

\$1,038

maximum drawdown (by closing date)

Because a signal is logged every market day, positions opened in the same weeks share the same market move. Seven stops were closed between 8 and 12 June, two in late June and five on 29 July. 84 closed trades are not 84 independent tests: they behave more like a handful of market episodes.

What this means for you

- **Do not size as if losses arrive one at a time.** Plan for several at once.
- **Keep a cash buffer** for the weeks in the red and for the weeks when nothing closes.
- **Income from this kind of strategy is lumpy.** In our log, August alone supplied about 44% of the total paper P&L.

CLOSING MONTH	TRADES	PAPER P&L
May	1	+\$186
June	16	+\$609
July	17	+\$1,555
August	23	+\$6,038
September	7	+\$1,181
October (to the 12th)	20	+\$4,198



CHAPTER EIGHT • 2 MIN READ

8 The five-step checklist

Print this page and keep it next to your broker. A longer version is online at firedesk.co/checklist.html.

1. Read the signal

- ☐ Expiry and the two strikes (sell the higher put, buy the lower put, always as one spread)
- ☐ Credit per share (x100 per contract)
- ☐ Take-profit price (half of the credit) and stop price (1.5 times the credit), written down
- ☐ Maximum loss = (width - credit) x 100

2. Check the trend filter

- ☐ SPY closed below its 200-day EMA: no trade
- ☐ Above the 7-, 30- and 200-day: about 60 days. Above the 200-day only: about 120 days

3. Size by what you can lose

- ☐ Total loss I accept across all open positions: \$_____
- ☐ Contracts = that total / maximum loss of one contract, rounded down

4. Place the order and set the exits

- ☐ One vertical-spread order with a limit price at the credit (never two separate legs)
- ☐ Take-profit order set: a limit order to **buy the spread back** at half the credit (a debit), good till canceled
- ☐ Stop set: an alert or an order to buy the spread back at 1.5 times the credit

5. Manage and review

- ☐ Close the spread before expiry (SPY options can be assigned early)
- ☐ Never add to a losing position to recover it

- ☐ Log every trade: date, strikes, credit, exit, result

Common mistakes. Sizing by the credit instead of the maximum loss. Opening many positions at the same time. Moving or removing the stop after entering. Trading when the trend filter says no.



CHAPTER NINE • 3 MIN READ

9 What our record cannot tell you

A track record is only worth as much as the questions you ask of it, including this one.

- **Modeled prices.** Options prices are estimated by a model without sudden jumps in volatility. Real fills and real stops would be less favourable. 13 of the 102 credits are calibrated from historical data.
- **Overlapping trades.** They share market moves, so the sample is smaller than it looks.
- **A short period.** One five-month stretch, and 18 trades are still open and can still lose.
- **No trades below the 200-day line.** We do not know how the strategy behaves in a downtrend.
- **Distance and expiry are tangled.** The pattern in chapter 2 is a hypothesis to test on more data.

A correction we made

On 12 October 2026 we found that signals logged after mid-June had no entry expiry stored, so the daily check compared the spread's value against an entry value computed with fewer days to expiry. That inflated the value and recorded stops that the prices did not justify. We fixed the calculation and re-evaluated the log: stops went from 28 to 14 in the 60-day group. We say it here because a record that hides its errors is not worth reading.

Questions to ask of any track record

- Are prices real quotes or modeled?
- Are costs and slippage included?
- How many trades overlapped in time?
- Does it show the worst period, not only the average?
- How many trades are still open?
- Does it split results by expiry and by regime, or only report one blended number?



CHAPTER TEN • 2 MIN READ

10 Glossary, legal notes and next steps

Credit	The premium you receive when you open the spread.
Strike	The price at which an option can be exercised.
Expiry	The date on which the option ends.
Delta	A model estimate of how much an option's price moves with the underlying, often read as an approximate chance of finishing in the money.
EMA-200	The 200-day exponential moving average of the closing price.
Take profit	Closing a trade once it has earned a chosen share of the credit (here 50%).
Stop	Closing a trade when the loss reaches a chosen level (here, when the spread costs 1.5 times the credit).
Contract	One option contract, covering 100 shares.
Assignment	When the holder of an option exercises it, and you must deliver or buy the shares. American-style options can be assigned before expiry.
Margin	The amount your broker holds against a position's maximum loss.

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