

Energy Stocks/ETF Options Selling strategy

NATURAL GAS PHYSICAL NEGATIVE ROLLING YIELD COLLECTION STRATEGY.

Source of trading model Alpha – based on historical observations 85% of the time Natural gas futures term structure is under of contango effect. And it creates a negative rolling yield with an average level of decline of 24% per year. This negative yield is decreasing the value of ETF: UNG.

Strategy profile

Date created: 2017

Frequency	Mid-term (Avg trade duration 15 days)
Key Idea	maintaining writing uncovered options on ETF:UNG on both sides. On each options expiration date to collect options premium from Theta in winning trades. Source of trading model Alpha – based on historical observations 85% of the time Natural gas futures term structure is under of contango effect. And it creates a negative rolling yield with an average level of decline of 24% per year. This negative yield is decreasing the value of ETF: UNG.
Capacity	2.0m USD
Execution Latency	Spreads or naked options are selling once or twice in months on ATM/OTM. And hold till expiration.
Monthly trades quantity	2 rounds a month on average

My competitive advantage

- To describe the strategy in one sentence: Natural Gas futures contango monetization through proxy assets.
- **The sequence of trading looks:**
- 1). Pricing with the model fair value of nearest expiration Natural Gas futures.
- 2). Calculation of intra-month expected VAR levels with 95%
- 3). Selling options on quasi-assets ETF:UNG from the up/down priced quantiles levels through coefficients adjustments.
- 4). Waiting till weekly single stocks option the expiration.

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Target market

Target market	Country	Sector	What it trades
US	Energy	Options (CBOE exchange)	

Strategie Statistics

	Value	Notes and Links
Suggested Minimum Cap	10 000 USD	
What it trades	Options	
Avg trade duration	15 days	
Max peak-to-valley drawdown	25%	
Drawdown period	4.0 month	
Annual Return (Compounded)	20%	
Avg win	NaN USD	per 1 contract*
Avg loss	NaN USD	per 1 contract
Piramiding	Yes	
Sharpe Ratio	1.44	
Win / Loss ratio	61.2%	

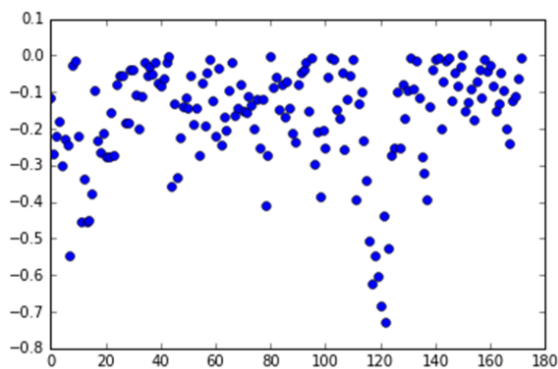
*Sometimes it happens for several months without trades because the price pattern is not formed.

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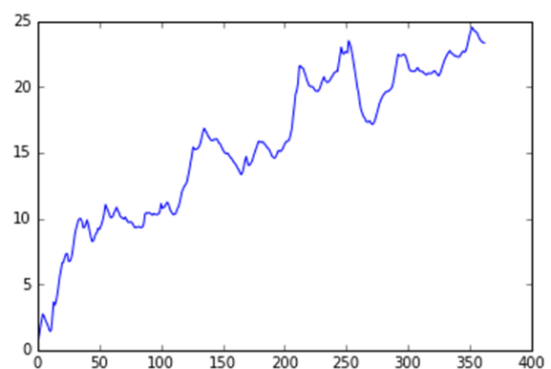
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Statistical data diagrams

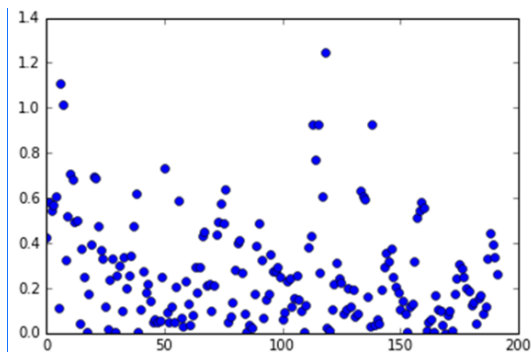
Trades Loss period: 2009 to 2017



Equity Curve: 2009 to 2017



Trades Profits period: 2009 to 2017



Equity Curve: Actual

This is historical backtests Up to from 2009 to 2017 trade to trade basis. Based on EOD modelling on Settle prices. No intraday data used.

Calculation based on USD Per 100 shares UNIT.