



OdteTraders.com

## Mechanical Butterfly Strategy

For a more passive, mechanical approach to a long butterfly spread, you can use a combination of trend analysis, market conditions and ODTE options volume to determine direction and structure your trades.

### Trend

Before placing a trade, you must determine a directional bias. One simple method is using a moving average as a trend indicator.

For trend analysis, we recommend using the 50-period moving average on the 15-minute or 1-hour timeframe. Although, this is customizable, so feel free to experiment with different periods or combinations to suit your preferences.

There is no 'perfect' moving average, just like anything in trading; there is a trade-off. A shorter period reacts quickly but generates a lot of false signals, while a longer period is more reliable but reacts slowly.

**Uptrend:** The moving average is upsloping.

**Downtrend:** The moving average is downsloping.

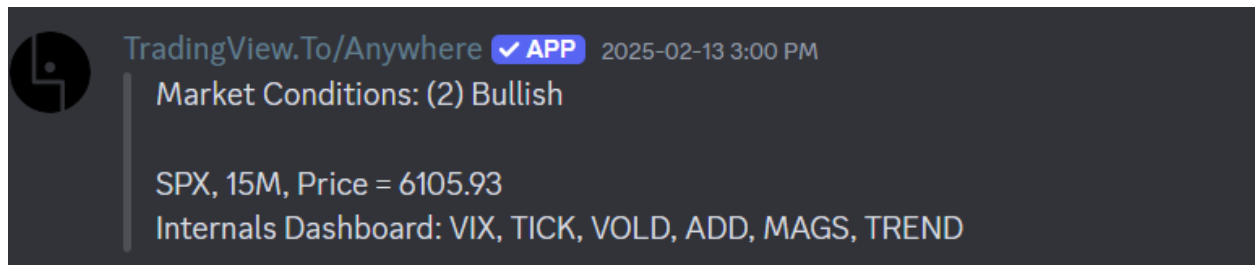
**No Trend:** The moving average is sideways.



## Market Conditions

As a substitute for or complement to trend analysis, you can utilize our Market Conditions signal, which is generated from Market Internals and posted in the Market-updates channel.

This can be useful in determining potential market direction, as well as the extent of that direction. For example, a **(2) Bullish** signal is likely to lead to a larger upward move than a **(1) Neutral to Bullish** signal, helping you frame your trade and select better strikes to maximize convexity.



**(0) Neutral:** The market is balanced, with no clear directional bias.

**(-1) Neutral to Bearish:** Momentum is shifting from neutral to bearish, indicating a potential increase in bearish momentum, or from bearish to neutral, signaling a potential slowdown in bearish sentiment.

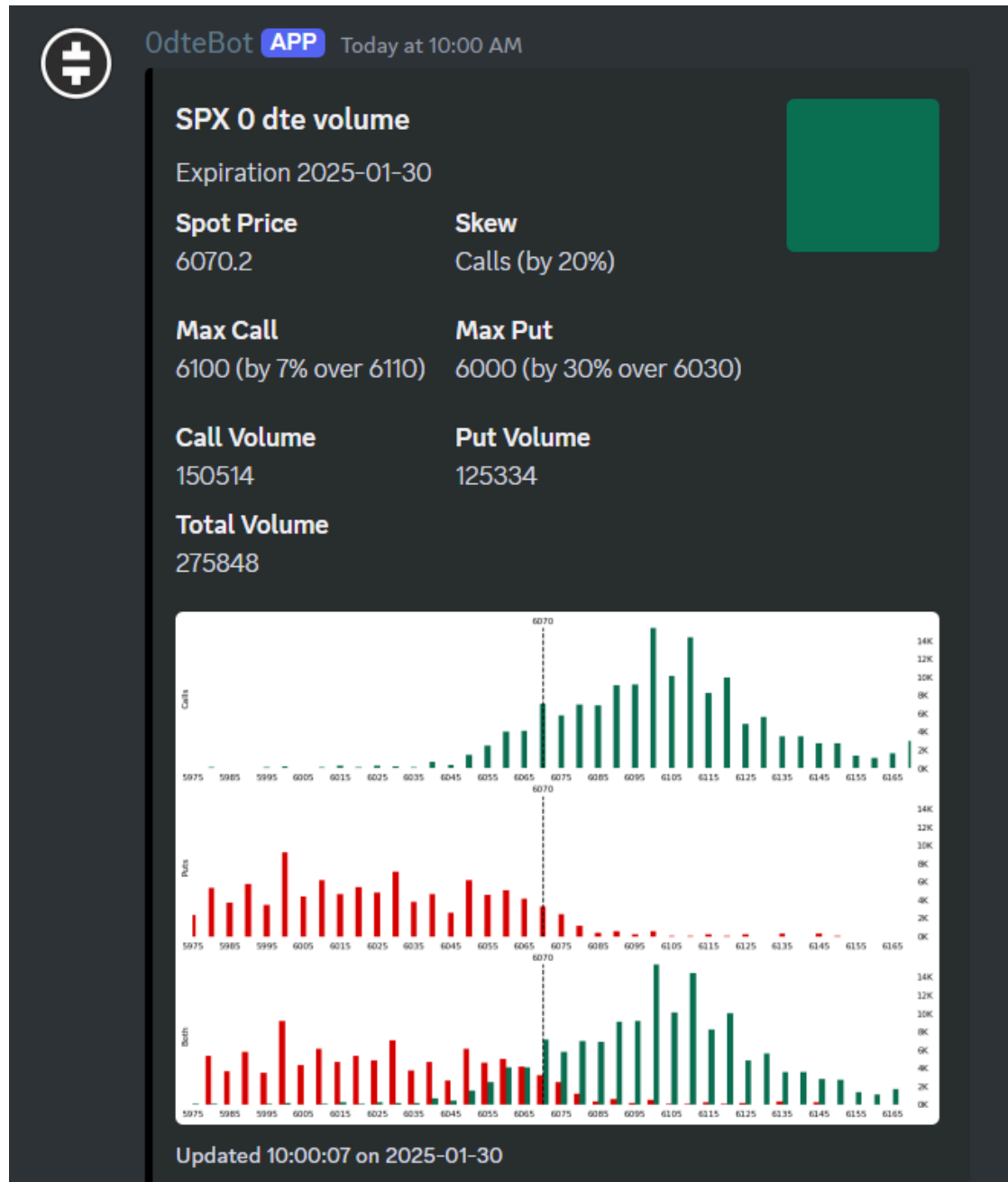
**(-2) Bearish:** The market is showing clear bearish momentum, with downward pressure dominating.

**(1) Neutral to Bullish:** Momentum is shifting from neutral to bullish, indicating a potential increase in bullish momentum, or from bullish to neutral, signaling a potential slowdown in bullish sentiment.

**(2) Bullish:** The market is showing clear bullish momentum, with upward pressure dominating.

## Strike Selection

To determine targets—such as the short strike of the butterfly—you can utilize ODTE options volume, its key metrics, and the chart to identify where volume is building. The greater the volume or volume zone, the more likely it is that the market will gravitate toward that area.



This information can be found in our **Odte-feed** Discord channel.

ODTE options volume and its metrics are dynamic and can change throughout the day. However, key metrics, such as **Max Call** and **Max Put**, are often established early in the session, by 10:00 AM ET, and frequently serve as targets, with SPX often testing one or the other.

Additionally, you can use our pins within the **Daily Market Report** as a target and short strike.

Butterfly Pin	SPX Strike	ES Strike	Notes
Pin High (PH)	6050	6110	Bullish
Pin Low (PL)	6020	6060	Neutral
Vol Pin (VP)	5990	6045	Bearish, <Flip

## Setup

**If uptrend/conditions bullish**, buy a call butterfly spread at the Max Call or a Pin above the spot price.

**If downtrend/conditions bearish**, buy a put butterfly spread at the Max Put or a Pin below the spot price.

**If no trend/conditions neutral**, you can increase the timeframe to determine the trend, consider a butterfly strangle, or choose to take no trade.

## Expectations

Mechanical strategies tend to underperform a well-constructed process, such as our M3 Framework. As a result, the win rate will be lower. However, given the asymmetry of the butterfly spread, winning trades should significantly exceed losing trades, both in percentage and absolute terms.