

Imagine you just hit a winning streak. Your weekly options trades went up like a rocket, commission hits felt small by comparison, and the sweet thrill of cashing out made your phone buzz like a slot machine on a jackpot night. Now here's the hard truth: that winning streak could be setting you up to trade worse later — not better. If you're active on a brokerage app letting you buy weekly options with quick taps and flashy animations, understanding the math behind your wins matters as much as the wins themselves.

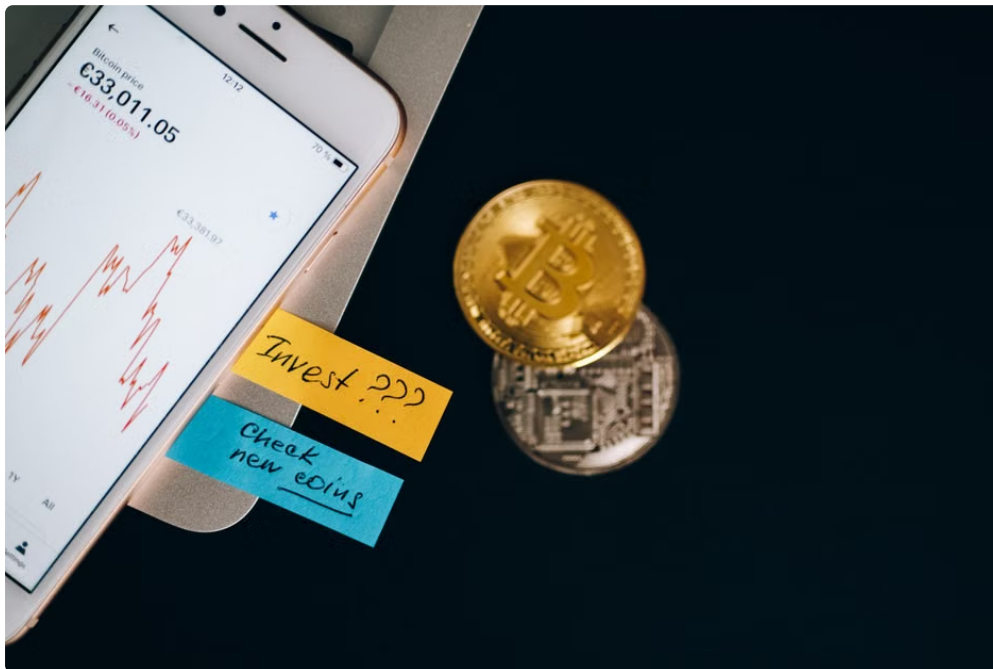
The Real Dividing Line: Expected Value

Most retail traders talk about "risk" like it's a feeling. Let's cut through that fog with something concrete: **expected value (EV)**. To quote the sign in front of the number every time, expected value measures the average outcome of a trade accounting for probabilities and payouts. It's your North Star, not the "vibes" of wins or losses.

In broad equity ownership — stocks or index funds held over the long term — expected value is positive. Historically, markets rise in the long haul. Contrast this with buying weekly options on volatile stocks, where negative EV often lurks hidden behind the game-like interface. These options decay in value every minute, a silent drag known as **theta decay**.

Expected Value in Equity Ownership vs Casino Games

Think about casino games. They're designed with a published Return to Player (RTP), often around 95%. That means the house holds a 5% edge — a built-in negative EV for the player over time.



Transparency matters: casinos openly publish RTP percentages. You know the price of the game. Yet many brokerage apps hide the real trading costs—spreads, commission, slippage, and theta decay—under layers of shiny UI. You don't see a "house edge" label on your weekly options trade, but it's there.

1. **Casino Game Example:** $RTP = 95\%$ (House Edge = 5%)
2. **Weekly Options:** Theta decay eats away option value every day
3. **Commission + Spread + Assignment Risk:** Hidden costs reducing your net EV

Those hidden costs stack, making <https://thinkaora.com/luck-is-not-a-plan-where-investing-and-games-of-chance-actually-differ/> your short-term options buying more akin to a negative EV casino bet than a positive EV

investment.

How Winning Trades Can Wreck Your Trading Quality

Here's the paradox: landing a few winning trades triggers what psychologists call **variable ratio reinforcement**, the same mechanism that powers slot machines. The brain loves unpredictable rewards — dopamine surges tell you, "You're a genius!" The problem: this sets off the **overconfidence bias**, making you assume your edge is bigger than it is.

- **Variable Ratio Reinforcement:** Unpredictable wins reinforce the urge to keep playing.
- **Overconfidence Bias:** After wins, traders wrongly overestimate skill and ignore math.
- **Trading Quality Drops:** More reckless trades, ignoring expected value, chasing short-term thrills.

After a few wins, you might ignore theta decay—that option's time value bleeding every minute. You might underestimate **assignment risk** (getting forced to buy or sell the underlying at a bad time) or the cumulative damage from **spreads** and **commission**. None of these show up as flashier charts or confetti animations in your app, so they quietly erode your capital.

Example: Weekly Options and Theta Decay

Day Option Value Theta Decay Impact
Day 0 (Purchase) \$5.00 Initial Price
Day 2 \$4.20 -\$0.80 due to time decay + market moves
Day 5 (Expiration) \$0.50 Major drop despite favorable moves

This decay means if you don't hit a precise short-term gain, your money leaks away faster than you realize. A few lucky wins might mask this ground loss, encouraging even more frequent trades.



Time Horizon and The Law of Large Numbers

Traders neglect the crucial factor of **time horizon**. Winning a few trades fast doesn't prove skill — it might just be luck. The law of large numbers says only over many, many trades will your results approach the true expected value.

In retail trading psychology, short-term wins inflate your perceived edge before the math catch-up. Over thousands of trades, the negative EV mechanics of options decay, spreads, and commission will pull your performance down.

- **Short-Term Lens:** Success seems deterministic. You feel in control.
- **Long-Term Reality:** Negative EV strategies reveal their true cost.
- **Patience Required:** Understand and respect expected value over volume.

Assignment Risk — The Hidden Penalty

Another silent EV sinkhole is **assignment risk**. If you're selling short-term options or spreads, you risk being assigned the underlying asset in an unfavorable price environment. This may force closing at a loss, negating previous perceived gains.

Unlike commission, assignment risk isn't a fixed number. It's probabilistic, often underestimated. Winning trades lull traders into ignoring these lurking dangers.

Summary: How to Avoid Getting Worse After Winning

1. **Recognize the sign in front of the number:** Always anchor your decisions on expected value — not winning streaks or "gut feelings."
2. **Be wary of variable ratio reinforcement:** Winning streaks trigger addictive reward cycles that cloud judgment.
3. **Factor in all trading costs:** Don't ignore theta decay, spread, commission, and assignment risk — these compound losses.
4. **Respect time horizon and math:** The law of large numbers reveals true skill. Don't mistake luck for edge.
5. **Seek transparency:** Prefer trading instruments and platforms that openly disclose costs and risks.

Winning trades feel great, but they're not a license to gamble recklessly. The more you understand the hidden costs and psychological traps, the better you can turn those wins into a sustainable edge — or decide if short-term options trading is a negative EV game you're better off avoiding.