Price Action Option Strategy

In this strategy, we work only in → **In The Money (ITM).**

**In The Money:**

In the “In The Money”,

Spot price (Current Market Price) > Strike Price.

**Market Opening can be:**

1. Gap UP

When market open above the yesterday close point.

1. Gap Down Opening

When market open below point than yesterday close.

1. Consolidation/ Flat Opening

The market open at the same point where yesterday close.

**Types of Market Trends:**

1. Directional Trend
2. Bullish Trend

In Bullish trend/ uptrend stocks, whenever there is gap down opening then it always tries to recovers original bullish trend in short time period

In gap up opening of stock, the stock first will adjust its price and consolidates then it continues its trend.

So, Try not to pick stock with gap up opening, wait and let it adjust and consolidate and then it will continue its trend so, at consolidation time pick the stock, not at the time of gap up opening.

1. Bearish Trend
2. Volatile Market at Event/ Expiry of Option → It is most of the money maker trend and is most risky.
3. Consolidation/ Breakup/ Break down.

Inside consolidation stocks, we should keep small stop loss because in consolidation breakdown may be either in upside or may be downside.

So, probability of loss/gain is very large. So, Keep stop loss always very small.

Note:

1. RSI also indicates whether stock is in over bought or oversold zone.

2. MACD indicator is also helpful to indicate trend reversal.