Flow Chart for Options Adjustment.

**Basic understanding of Options.**

**OTM -** Call Options where strike price is above market, Put Options where strike price is below market

**ITM –** Call Options where strike price is below market, Put Options where strike price is above market

**ATM –** Closest strike price to market

**Call:**

* When your analysis shows a bullish setup (Will go up), buying a call is a good choice

**Put:**

* When your analysis shows a bearish setup (Will go down), buying a put is a good choice

Trade only execute when 2 parts are involved, 1 buyer and 1 seller.

Meaning if you have buy a option someone has sold the same option

|  |  |  |
| --- | --- | --- |
|  | Buying | Selling |
| Call | Market will go Up | Market will go Down |
| Put | Market will go Down | Market will go Up |

**Types of Option Trading**

Basic (Green, Yellow, Red, Black colour):

* Long Call
* Long Put
* Short Call
* Short Put

Everything else is a mixture of the above.

**For Example:** [**(PDF)**](https://www.asx.com.au/documents/resources/UnderstandingStrategies.pdf)

* Long Straddle (Long Call + Long Put) (Same Strike)
  + Long Iron Fly (Long Straddle + Short Call + Short Put) Buying Strike is near ATM Selling Strike further away
* Long Strangle (Long Call + Long Put) (Different Strike)
* And many more strategies like this.

**Problem**

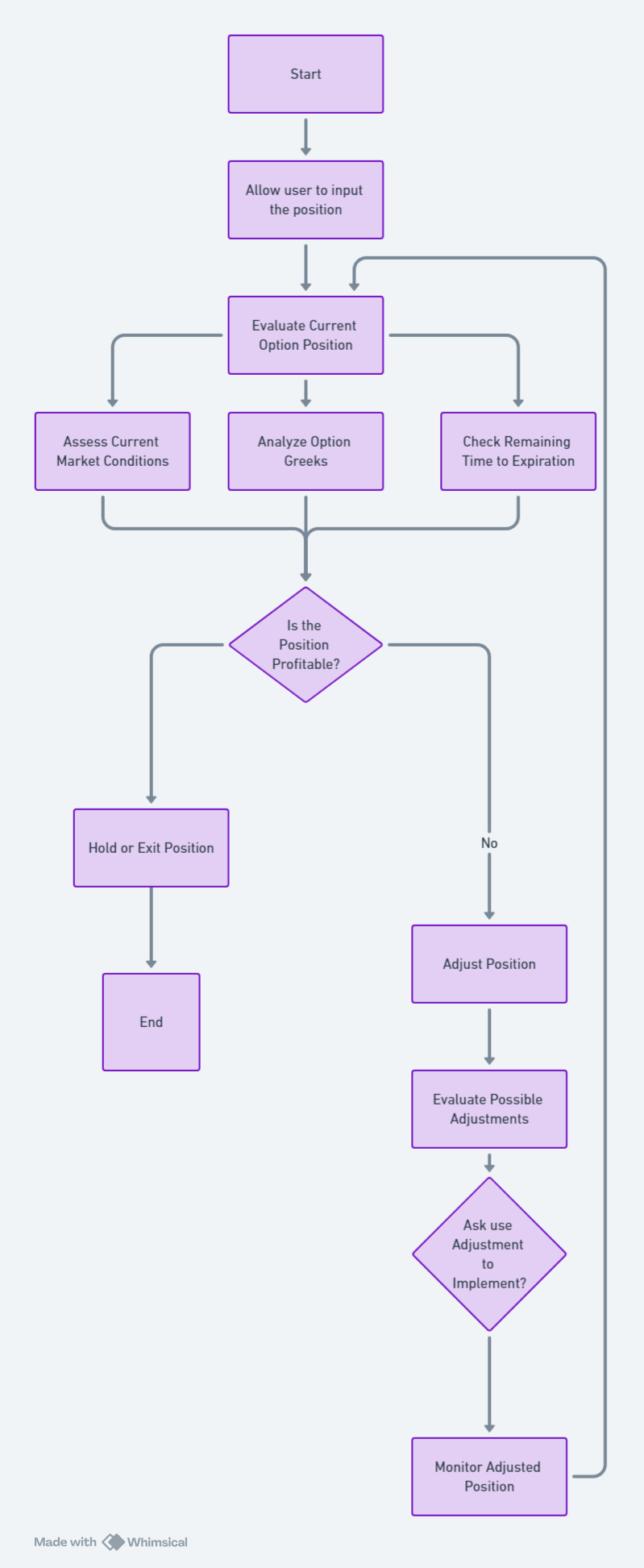
Many people do option trading knows how to enter in a position but lack knowledge on how to adjust the position to either manage loss or increase profit percentage.

**For example,**

* Suppose your system has told you **market is bullish**, and you have **bought** a NIFTY **24000 call option @ 100 Rs**. When **NIFTY is at 24000**
  + - **Max Profit:** Undefined
    - **Max Loss:** 100 Points
    - **Margin Required:** 2500 Rs.
* Then Either market goes up or down
* Scenario 1: (Market goes up in your favour)
  + **NIFTY now is at 24150**, The **call option is now trading at 140**.
  + Now the problem is here most people either exit or stay in the trade without doing anything and loss all the profit and more.
  + You look at the strike above the buying strike **24100** and now its call option is trading at your **initial buy price of 100**.
  + You can sell this call option to manage your **max loss to 0** or very small. And still **leave room for more profit, of 100 points**.
    - **Max Profit:** 100 Points
    - **Max Loss:** 0 Points
    - **Margin Required:** 10K – 15K
* Scenario 2: (Market goes down against your prediction)
  + **NIFTY now is 23900**, The **call option is now trading at 80**
  + Now the problem is here most people either book a lot of loss or loss more money in the hope of getting into profit.
  + See we are losing about 20 Rs. So, we can sell a call option which is around 20 to 25 Rs. Make sure its OTM.
    - **Max Profit:** (Strike Difference – (Buy Price – Sold Price)) Points
    - **Max Loss:** (Buy Price – Sold Price) Points
    - **Margin Required:** 10K – 15K.

**These adjustments can allow to stay profitable even if the market has moved againest your initial anticipation.**

But remeberming these are hard as there are a lot of them and plus there is no comprehensive guide for the adjustments.

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