

## Options Trading Strategy for Nifty Spot Chart

### **\*\*Timeframe Logic:\*\***

1. **\*\*Before 10:30 AM IST\*\***: Use a 1-minute timeframe.
2. **\*\*After 10:30 AM IST\*\***: Use a 3-minute timeframe.

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### **### \*\*Upside Swing Entry Criteria\*\***

#### **1. \*\*Spot Chart Condition:\*\***

- Identify a swing if there are **\*\*3 or more continuous red candles\*\*** in the Nifty spot chart.
- Mark the **\*\*high\*\*** of this swing.

#### **2. \*\*Option Strike Price Selection:\*\***

- Go to the option chain and select the **\*\*nearest strike price\*\*** on the lower side in multiples of 50.
- Example: If the swing high is **\*\*24,343\*\***, select the strike price **\*\*24,300\*\*** for a **\*\*call option\*\***.

#### **3. \*\*Premium Chart Condition:\*\***

- On the premium chart of the selected strike price, mark all the candles corresponding to the swing marked in the spot chart.
- Identify the **\*\*high\*\*** of the premium chart for the marked candles.

#### **4. \*\*Entry Price:\*\***

- Entry price = High of the premium chart swing + **\*\*2 points\*\***.

**5. \*\*Stop Loss:\*\***

- Stop loss = Entry price - **\*\*15 points\*\***.

**6. \*\*Target:\*\***

- Target = Entry price + **\*\*20 points\*\***.

**7. \*\*Exit Condition:\*\***

- Exit when either the target or the stop loss is hit, whichever occurs first.

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**### \*\*Downside Swing Entry Criteria\*\***

**1. \*\*Spot Chart Condition:\*\***

- Identify a swing if there are **\*\*3 or more continuous green candles\*\*** in the Nifty spot chart.
- Mark the **\*\*low\*\*** of this swing.

**2. \*\*Option Strike Price Selection:\*\***

- Go to the option chain and select the **\*\*nearest strike price\*\*** on the higher side in multiples of 50.
- Example: If the swing low is **\*\*23,453\*\***, select the strike price **\*\*23,500\*\*** for a **\*\*put option\*\***.

**3. \*\*Premium Chart Condition:\*\***

- On the premium chart of the selected strike price, mark all the candles

corresponding to the swing marked in the spot chart.

- Identify the **\*\*high\*\*** of the premium chart for the marked candles.

**4. \*\*Entry Price:\*\***

- Entry price = High of the premium chart swing + **\*\*2 points\*\***.

**5. \*\*Stop Loss:\*\***

- Stop loss = Entry price - **\*\*15 points\*\***.

**6. \*\*Target:\*\***

- Target = Entry price + **\*\*20 points\*\***.

**7. \*\*Exit Condition:\*\***

- Exit when either the target or the stop loss is hit, whichever occurs first.

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**### \*\*Trade Management Rules\*\***

**1. \*\*Single Active Trade Rule:\*\***

- If a trade is active (target or stop loss not yet achieved), no new trade will be initiated.

**2. \*\*Qualifying for New Trade:\*\***

- A new trade can only be initiated after the current trade achieves either:
  - A **\*\*target of 40 points\*\***, or
  - A **\*\*stop loss of 15 points\*\*** from the entry price.

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## **\*\*Implementation Notes for Machine Learning\*\***

### **1. \*\*Data Requirements:\*\***

- Historical Nifty spot chart data.
- Historical premium chart data for Nifty option strike prices.
- Option chain data with strike prices in multiples of 50.

### **2. \*\*Input Features for ML Model:\*\***

- Candle patterns (red/green counts, highs, lows) from the spot chart.
- Corresponding premium chart highs and lows.
- Time of day (to determine timeframe selection).

### **3. \*\*Output Targets for ML Model:\*\***

- Entry price.
- Stop loss and target.
- Trade execution and termination signals.

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This algorithm ensures systematic entry, exit, and trade management for both upside and downside scenarios. It can be further optimized with backtesting and machine learning models for enhanced accuracy and predictive capabilities.