

Short Strangle Strategy Rules and Constraints

1. Market Regime & Strategy Selection:

- LOW VOLATILITY (IV Percentile < 40): Deploy SHORT STRADDLE.

- * Capture maximum premium in range-bound markets.

- * Entry Time: 09:45 AM (allow initial settlement).

- HIGH VOLATILITY (IV Percentile > 50): Deploy SHORT STRANGLE.

- * Widen breakevens to handle larger swings.

- * Strike Selection: Dynamic Delta.

- > If VIX < 15: Sell 20 Delta Strikes.

- > If VIX > 20: Sell 15 Delta Strikes (Safety first).

2. Risk Management (The Holy Grail):

- STOP LOSS: Combined Premium SL of 25%. (e.g., entered at 100+100=200, exit at 250).

- ADJUSTMENT (Delta Neutralizing):

- * If Spot breaches 0.30 Delta on one leg, roll the UNTESTED leg closer.

- * Maintain total delta within +/- 0.10.

- GAMMA RISK:

- * Hard Exit if < 2 DTE (Days to Expiry) and Spot is within 1% of Short Strike.

- * Do not carry overnight positions into Earnings.

- BLACK SWAN PROTECTION:

- * If India VIX spikes > 15% in a single day, liquidate all Short Vegas immediately.

- * Buy cheap wings (5-10 Delta) as hedge if VIX is at multi-year lows (< 11).