What goes into my thought process on these 2 SPY put spreads that I hedged with delta.

I purchased the two put spreads below. I purchased them for a couple of reasons. First, I wanted to have on an overnight position to demonstrate hedging with a short duration option in SPY which has extremely tight and liquid markets with small delta put spreads. Secondly, I felt that demonstrating a live market trade is much more meaningful than a theoretical one. Lastly, I purchase them in a down tick.

By purchasing these put spreads in a down tick, I bought negative deltas and I purchased option premium overall. I am now short delta, long gamma, paying theta and long vega. I don’t know exactly how much on each, but I have a good estimate of my delta from Fast OMS, I know I’m long some gamma and some vega and I know how much option premium to be paid out over the next couple of months. My overnight theta is probably only a few dollars. I estimate that if the ATM vol for these two months are 15-16%. These are 10-11% OTM put spreads, so they must be in the low high 18-22 vol range. Since I wanted to I hedge my deltas using the estimated delta from Fast OMS. I am overall long 64 SPY shares. Position below:

|  |  |  |  |
| --- | --- | --- | --- |
| SPY |  |  |  |
| 8/18/2023 |  |  |  |
| 380 | P | 10 | 2.65 |
| 375 | P | -10 | 2.31 |
|  | Stock | 18 | 422.25 |
|  |  | Theo Edge | $5 |
|  |  |  |  |
| 7/21/2023 |  |  |  |
| 405 | P | 10 | 3.84 |
| 400 | P | -10 | 3.14 |
|  | Stock | 46 | 421.18 |
|  |  | Theo Edge | $5 |

The deltas I used came off of the Fast OMS.