Options Trading Workshop

By

P R Sundar

Types of Options

- Put Option
- Call Option

Buyer of an Option

- Low premium.
- Limited Risk.
- Unlimited Reward.

Seller of an Option

- Huge Margin Money
- Limited Profit.
- Unlimited Risk.

Option Buyer Vs Seller

- Buying is Gamling.
- Selling is running a Casino.
- Buying is like buying Insurance.
- Selling is like running an Insurance company.

Strategy1: Short Straddle

- Selling ATM Put and Call.
- Make profit when markets are sideways.
- Do not sell current month straddle.
- Collect Minimum of about Rs 400 per straddle.
- Higher the volatility, higher should be the premium.
- Take positions when markets are in panic or just before big events.

Strategy 2: Short Strangle

- Selling far OTM Put and Call at the same time.
- Identify support and sell Put.
- Identify Resistance and sell call.
- Keep at least 400 points away.
- Easier to do in the last two weeks.
- Long Term strangles is a good idea.

Strategy 3: Ratio Spread

- Short comings of Short Strangle.
- Ration spread is nothing but short strangle with some buying.
- Can use as a directional as well as non directional strategies.
- Flexibility in increasing or decreasing the risk reward ratio by adjusting ratios.

Strategy 4: Covered Call

- Bullish Strategy.
- Go long in Futures or Cash.
- Then sell one Call Option.
- Continue to adjust options.
- High Risk Strategy.

Strategy 5: Collar

- Bullish Strategy.
- Less risky compared to Covered Call.
- Create one covered call and then buy one Put option for protection.
- Continue to adjust the Call option for better return.

Strategy 6: Put Calendar Spread

- Bullish strategy.
- Sell current month Put and Buy next month Put.
- Limited risk and limited reward strategy.

Strategy 7: Call Calendar spread

- Bearish Strategy.
- Sell one current month Call.
- Buy one next month Call.
- Sell one far OTM Call in next month.

Strategy 8: Double Calender Spread.

- Neutral Strategy.
- Combination of Put Calendar and Call Calendar.
- Low risk strategy.

Strategy: 9 Put Back Spread

- Sell ITM Put.
- Buy double the quantity of OTM Put.
- Bearish strategy.
- Make some money if the market turns bullish.
- Loss will be when markets are range bound.

Strategy 10: Call Back Spread

- Bullish strategy.
- Sell ITM Call.
- Buy double the quantity of OTM Call.
- Make some money if markets turn bearish.
- Suitable just before big events.

Strategy 11: Double Back Spread

- Good just ahead of Binary events.
- Make money when markets make big move on either side.
- Loss will be when markets trade range bound.

Strategy 12: Butterfly

- Limited Risk Strategy.
- Immune to Black Swan event.
- No of buy must be same or more than number of sell.
- Can play with the third leg buy.

Strategy 13: Iron Condore

- Very low risk and very low reward Strategy.
- Sell OTM Put and Call.
- Then buy far OTM Put and Call.
- Risk is defined.

Strategy 14: Iron Fly

- Sell ATM straddle.
- Then Buy OTM strangle.
- Limited risk strategy.
- Good to trade on expiry day.

Strategy 15: Portfolio Hedging.

- Have a portfolio and sell Long Term Options.
- Adjust the long term options.

Technical Analysis: Super Trend

- 1. Use Hourly Chart.
- Use Heiken Ashi Candle.
- Three Green Line, three Green arrow, go long.
- Three Red Line, two Red arrow, go short.
- Do not play with futures.
- Play only with Options.

Expiry Day Trade

- Get 10 times limit.
- Start with 10% of the Capital.
- Slowly deploy more and more money as the market moves and time moves.
- Monthly expiry, do only in Nifty.
- Keep fire fighting until 2.45 pm.
- Maintain strict stop loss after that or exit.

Option Greeks

- Delta
- Gamma
- Theta
- Vega
- Rho

Margin Management

- Choose 5 to 6 strategies.
- Deploy 10 to 12% in each strategy.
- Keep 40% cash.
- Take one day risk with 40% Cash, short strangle or Butterfly.
- Keep moving In and Out.

Risk Management

- Keep Portfolio stop loss of 2 to 4% of the Capital.
- Keep some strategies which are immune to Black Swan event.
- Constantly take profits out and invest in Cash market.
- Hedge the Cash market positions.
- Do not invest in small cap or midcap or penny cap.
- Good quality mid cap is OK.