

Delta

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11:02 AM

- Delta & Time value only applicable in Options (Not in future)
- When the price of an asset moves by some amount it's corresponding derivative, this case does not move with the same value, there is always a difference.
- This difference in the ration of change in the spot price of an asset v/s option premium shown by delta
- Delta is the rate of change in option premium as compared to the change in spot price
- Delta will different for different strike prices
- The more deep ITM you go, the delta become closer to 1
 - Means if nifty moves by 1 RS, 11500 PE will move by 0.70 paise in below
- $\text{Delta} = \text{change in Premium} / \text{change in spot}$
- Options to Identify The delta
 - Manual as shown in the Example-1
 - Option chain
 - Option Chart
 - Do all the analysis in option chart
 - Spot chart
 - When the target is hit in Spot chart, book profit & square off
 - When the SL hit on spot chart, exit out of the trade without looking into the premium

• Example-1: Buying the PE on Bearish view

Bank Nifty - PE (11500)					
	Opening Price (Previous day close)	Today's close	nifty Fall	Delta (change in Premium / change in spot)	
Spot Chart	11504.95	11221.65	283.3 (11504.95 - 11221.65)	(200/283.3) 0.70	
Option chart	90.4	290.4	200 (290.4-90.4)		

- Also we can Identify the target & SL in Option chart using delta
 - since we don't get an idea of corresponding premium based on spot chart
- Step 1
 - Calculate SL & Target in Spot chart

Spot Chart		
Entry	$(11221.65)11221$	Based on spot
SL	11250	
TARGET	10900	
Bearish Risk	SL-Entry	
	$(11250-11221) 29$	
Reward	Entry - target	
	$(11221-10900)321$	

- Step 2
 - Now go to Option chart

Option -Bank Nifty - PE (11500)	
Entry	290.4
Bearish Risk in 11500 PE	$(29*0.7) 20.3$
Reward in 11500 PE	$(321*0.7) 224.7$
SL	(Entry -Risk)
	$(290.4-20.3) 270.1$
TARGET	(ENTRY + REWARD)
	$(290.4+224.7) 515.1$

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