

Straddle

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5:44 AM

- **Straddle**
 - Both CE/PE Strike price will be same
 - **Types:**
 - **Long Straddle**
 - **Use this when you are expecting a sharp move either side in the market/stock**
 - **When there is a upcoming event/big news/publish results on market hours**
 - You can apply this strategy when you don't know at which side market will move
 - For example US election. At that time check the VIX (for us is S&P VIX)
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 - **HV should be low because you are buying. When HV is low, volatility & premium is also lower**
 - **Short Straddle**

Name	Understanding	Remarks
Straddle	You short CE & PE of the same strikes & specially if you speculate expiry at a certain price	Ideal for sideways

- **Example**
 - We will sell CE & PUT on ATM

Short Straddle			Spot before Expiry								
	Premium	BEP for straddle	10800	10845	10850	10950	11050	11150	11250	10255	11300
□ Sell 11050 CE	90	11255 (11050+205)	90 = (0+0)	90 = (0+0)	90 = (0+0)	90 = (0+0)	90 = (0+0)	-10	-110	-115	-160
Sell 11050 PE	115	10845 (11050 - 205)	(-135)	(-90)	(-85)	15	115	115	115	115	115
Total Premium	205		(-45)	0	5	105	205	105	5	0	(-45)

- **Entry:**
 - ▶ **Option-1: Enter at the same time in CE & PE**
 - ▶ **Option-2: Timing your entry**
 - When price reaches support, sell PE
 - When price reaches resistance, sell CE
 - **But the preference is that both CE & PE premium are almost at same level** (5-10 rupees difference we can ignore)