



SURESH KUMAR 🇮🇳

@Suresh_kumar047

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****Debit and Credit Spreads Different types of Adjustments****

-> Debit Spreads and Credit Spreads are mostly directional based strategies .

--> Both spreads required max 50k.

--> Both are risk defined strategies.

--> If you understand these two strategies you can deploy butterfly and Ironfly because these two are combination of debit and credit spread only.

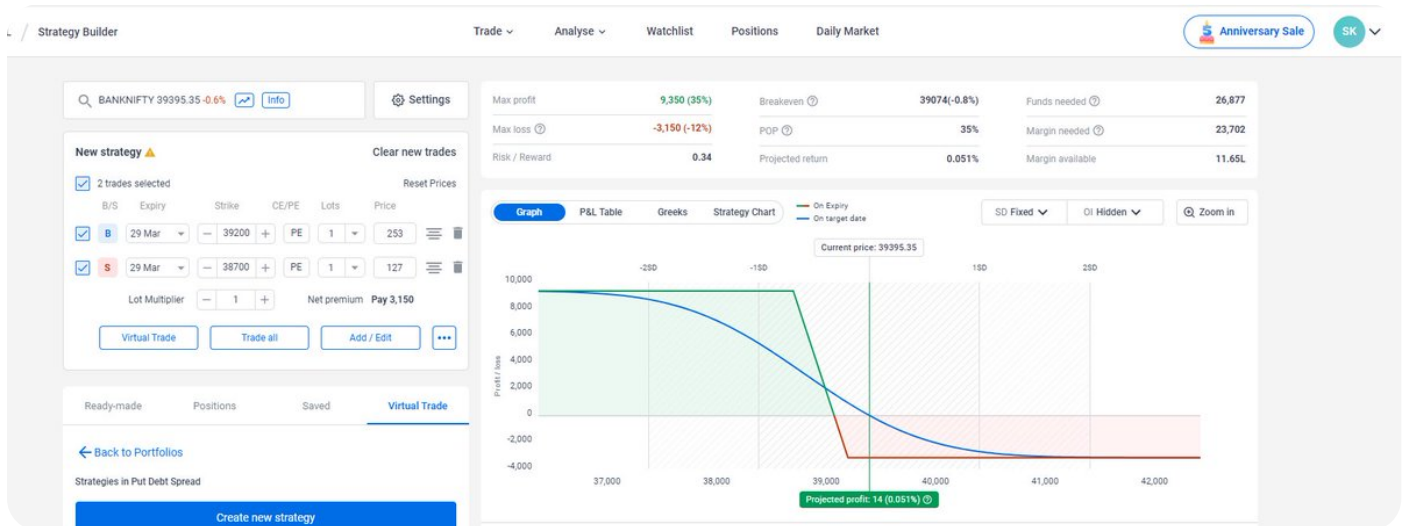
Debit Spread :-

--> Buying high premium and selling low premium strike so net is debited from our account.

--> We can deploy any day before expiry because R:R is too good in this debit spread .

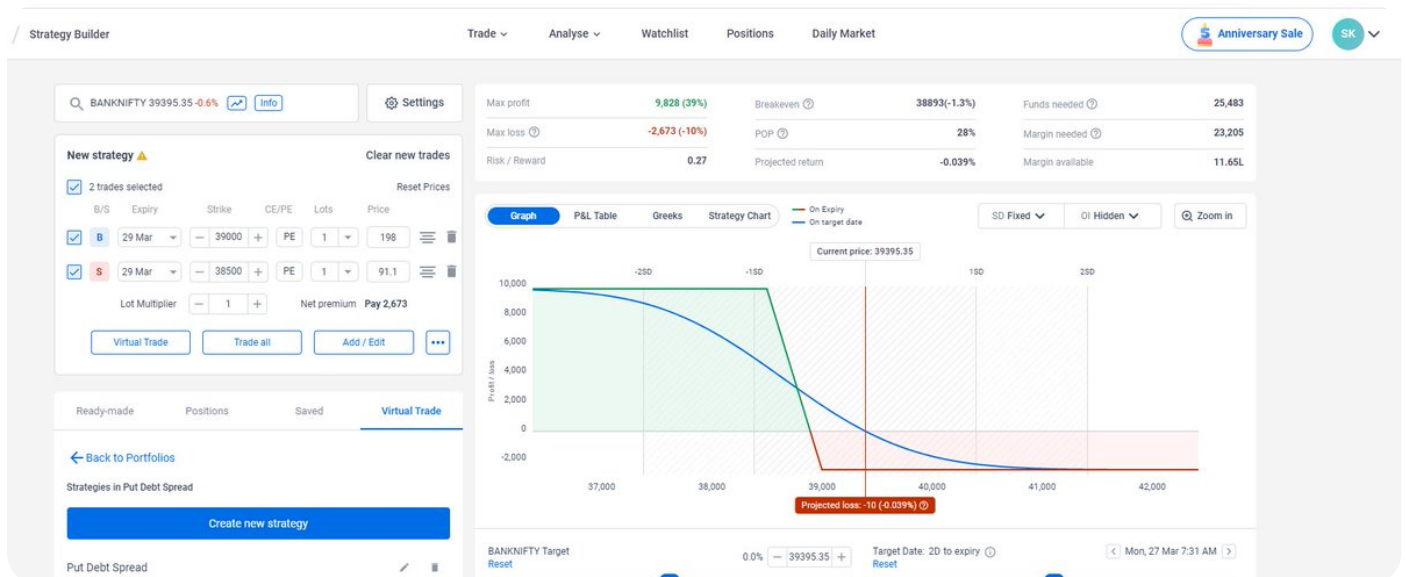
--> When you deploy debit spread from ATM R:R is less and OTM R:R is good .

ATM buy strike



300 Points away from ATM

In both screen shots you can see same profit loss is reduce in OTM strike selection so it depends on your view of the market which strikes should select .



Any Strategy you should consider two things before deploying.

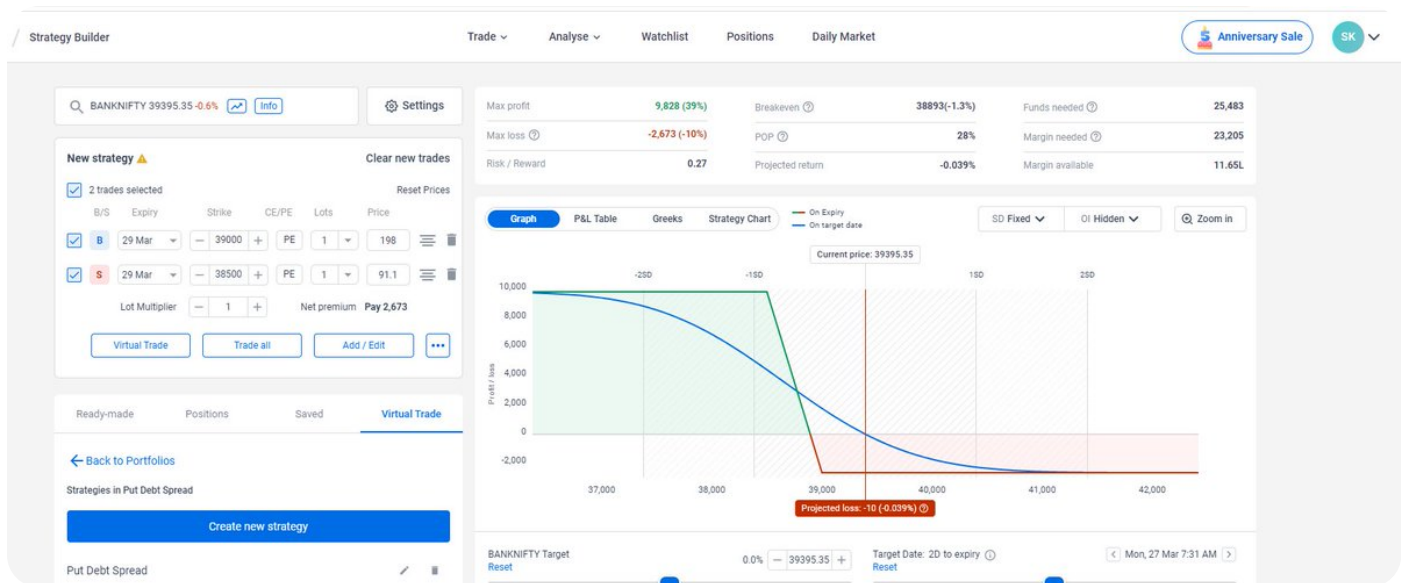
1. If trade come to our direction what to do.
2. If trade go to against of our view what to do.

If you know these two things you will be become independent trader.

Trade come to our direction:-

1. You can book profit.
2. If your not satisfied with MTM profit made adjust and lock profit or made loss free trade.

Will explain this case :-



In this 1st buy is 39000 so if market came to below 39000.

Just book 39000 pe and buy 38900/38800 pe so that trade become loss free.

or

You can convert to butterfly by selling 38500 pe one more lot and buy 38000 pe so that it will become 121 butterfly.

Case 2:- If trade goes to against you . Now adjustment depends on how many days left to expiry.

If expiry is just 2 days then you can sell 38500 pe one more lot make 1:2 ratio.

If expiry is just 1 day you can sell 38500 pe 2 lots make 1:3 ratio.

After this adjustment if market reverse an come to 1st buy 39000 just convert to butterfly or book profit.

or

If trade goes to against you . Now adjustment depends on how many days left to expiry.

If expiry is just 2 days exit 39000 pe buy in loss and sell 40000 ce then now trade become strangle.

You can see strangle adjustments here.

Credit Spread (CS) :-

--> Selling high premium and buying low premium so net is credit to our account.

-> CS is worst R:R but high probability of the trade.

--> Your view should correct 90% other wise manage this CS is risky.

--> CS should deploy just 1 or 2 days before expiry in weekly or 1 week before in monthly .

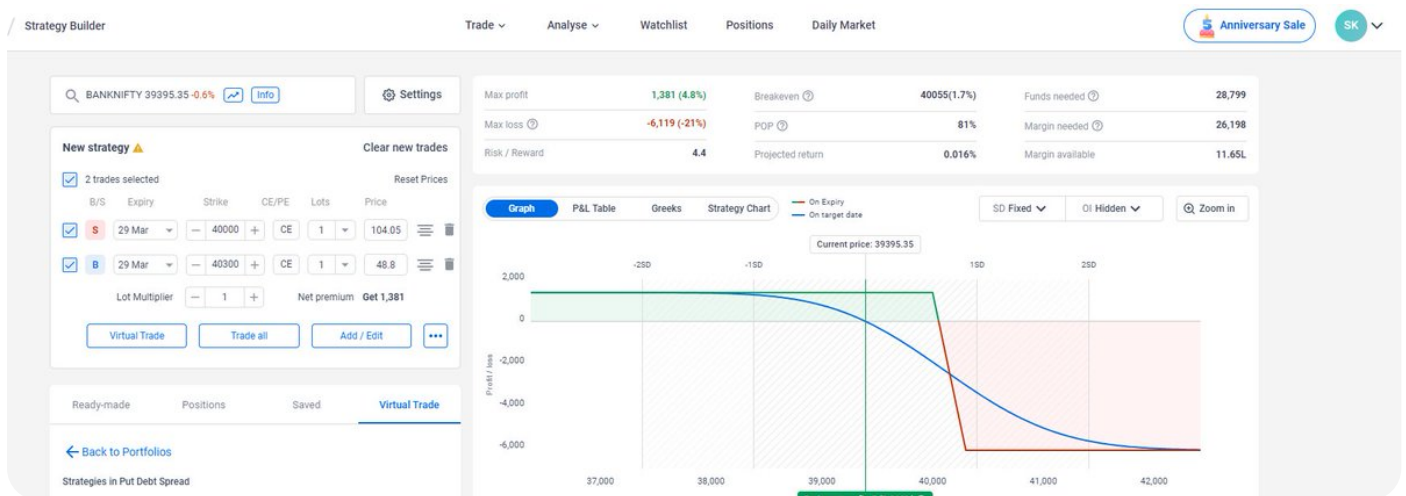
If your experience trader you can deploy any time because this trade is worst R:R.

If your view is bearish you can deploy Call CS.

If your view is bullish you can deploy Put CS.

If your view is bearish you can deploy Call CS.

Risk is more compare to reward so direction should be 90% accuracy when we deploy.



If trade goes to our direction just book profit dont move towards spot.

If trade goes to against us just sell 40000 pe and buy 39700 pe make IF and adjust.

For IF adjustments you can see below thread.

If you are looking for other positional strategies.

Here i explained almost 6 strategies . You can read and try .

Happy Learning and Keep growing🥰🥰🥰

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