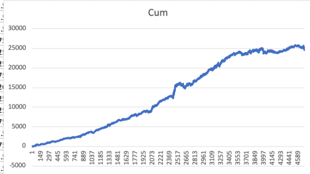
Now let's analyze the historical results of implementing this strategy over the past 6 years. The presented data displays the entry prices, timestamps, and the outcomes of each trade. In this specific case, the cumulative profit gained was approximately 24,000 points over 6 years, averaging around 4,100 points per year. However, it is important to note that the strategy experienced a drawdown of approximately 1,500 points during this period.

| | | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4674 | 95.3 | 23/01/23 | Monday | 9:41:00 | 189.6 | 25 | CE | 43000 | Sell | 23/01/23 | Monday | 15:15:00 | 132.1 | 1437.5 | 57.5 | -400.05 | 25439.05 |
| 4675 | 96.1 | 24/01/23 | Tuesday | 9:30:00 | 166.75 | 25 | CE | 43000 | Sell | 24/01/23 | Tuesday | 9:37:00 | 208.45 | -1042.5 | -41.7 | -441.75 | 25397.35 |
| 4676 | 96.2 | 24/01/23 | Tuesday | 9:30:00 | 173.15 | 25 | PE | 43000 | Sell | 24/01/23 | Tuesday | 10:15:00 | 216.45 | -1082.5 | -43.3 | -485.05 | 25354.05 |
| 4677 | 96.3 | 24/01/23 | Tuesday | 9:37:00 | 145 | 25 | CE | 43100 | Sell | 24/01/23 | Tuesday | 15:15:00 | 30.4 | 2865 | 114.6 | -370.45 | 25468.65 |
| 4678 | 96.4 | 24/01/23 | Tuesday | 10:15:00 | 161.4 | 25 | PE | 42900 | Sell | 24/01/23 | Tuesday | 11:21:00 | 201.75 | -1008.75 | -40.35 | -410.8 | 25428.3 |
| 4679 | 97.1 | 25/01/23 | Wednesday | 9:30:00 | 141.85 | 25 | CE | 42500 | Sell | 25/01/23 | Wednesday | 15:15:00 | 0.3 | 3538.75 | 141.55 | -269.25 | 25569.85 |
| 4680 | 97.2 | 25/01/23 | Wednesday | 9:30:00 | 87.05 | 25 | PE | 42500 | Sell | 25/01/23 | Wednesday | 9:33:00 | 108.8 | -543.75 | -21.75 | -291 | 25548.1 |
| 4681 | 97.3 | 25/01/23 | Wednesday | 9:33:00 | 117.95 | 25 | PE | 42500 | Sell | 25/01/23 | Wednesday | 9:37:00 | 147.45 | -737.5 | -29.5 | -320.5 | 25518.6 |
| 4682 | 98.1 | 27/01/23 | Friday | 9:30:00 | 655.45 | 25 | CE | 40800 | Sell | 27/01/23 | Friday | 15:15:00 | 415.55 | 5997.5 | 239.9 | -80.6 | 25758.5 |
| 4683 | 98.2 | 27/01/23 | Friday | 9:30:00 | 549.9 | 25 | PE | 40800 | Sell | 27/01/23 | Friday | 12:18:00 | 687.4 | -3437.5 | -137.5 | -218.1 | 25621 |
| 4684 | 98.3 | 27/01/23 | Friday | 12:18:00 | 534 | 25 | PE | 40500 | Sell | 27/01/23 | Friday | 12:36:00 | 667.5 | -3337.5 | -133.5 | -351.6 | 25487.5 |
| 4685 | 99.1 | 30/01/23 | Monday | 9:30:00 | 684.95 | 25 | CE | 40600 | Sell | 30/01/23 | Monday | 15:15:00 | 526.05 | 3972. | | | |
| 4686 | 99.2 | 30/01/23 | Monday | 9:30:00 | 479.5 | 25 | PE | 40600 | Sell | 30/01/23 | Monday | 9:41:00 | 599.4 | -2997. | | | |
| 4687 | 99.3 | 30/01/23 | Monday | 9:41:00 | 548.5 | 25 | PE | 40500 | Sell | 30/01/23 | Monday | 10:02:00 | 685.6 | -3427. | | | |
| 4688 | 00.1 | 31/01/23 | Tuesday | 9:30:00 | 610.95 | 25 | CE | 40400 | Sell | 31/01/23 | Tuesday | 13:25:00 | 763.7 | -3818.7 | | | |
| 4689 | 00.2 | 31/01/23 | Tuesday | 9:30:00 | 492.2 | 25 | PE | 40400 | Sell | 31/01/23 | Tuesday | 10:13:00 | 615.25 | -3076.2 | | | |
| 4690 | 00.3 | 31/01/23 | Tuesday | 10:13:00 | 505.05 | 25 | PE | 40200 | Sell | 31/01/23 | Tuesday | 15:15:00 | 230.4 | 6866.2 | | | |
| 4691 | 00.4 | 31/01/23 | Tuesday | 13:25:00 | 568 | 25 | CE | 40700 | Sell | 31/01/23 | Tuesday | 15:15:00 | 565.85 | 53.7 | | | |
| 4692 | 01.1 | 01/02/23 | Wednesday | 9:30:00 | 467.1 | 25 | CE | 41100 | Sell | 01/02/23 | Wednesday | 12:26:00 | 583.9 | -292 | | | |
| 4693 | 01.2 | 01/02/23 | Wednesday | 9:30:00 | 405 | 25 | PE | 41100 | Sell | 01/02/23 | Wednesday | 14:23:00 | 506.25 | -2531.2 | | | |
| 4694 | 01.3 | 01/02/23 | Wednesday | 12:26:00 | 361 | 25 | CE | 41500 | Sell | 01/02/23 | Wednesday | 12:53:00 | 451.25 | -2256.2 | | | |
| 4695 | 01.4 | 01/02/23 | Wednesday | 14:23:00 | 318.95 | 25 | PE | 40800 | Sell | 01/02/23 | Wednesday | 14:29:00 | 398.7 | -1993.7 | | | |
| 4696 | 02.1 | 02/02/23 | Thursday | 9:30:00 | 318 | 25 | CE | 40200 | Sell | 02/02/23 | Thursday | 9:32:00 | 397.5 | -1987. | | | |
| 4697 | 02.2 | 02/02/23 | Thursday | 9:30:00 | 316.55 | 25 | PE | 40200 | Sell | 02/02/23 | Thursday | 9:33:00 | 395.7 | -1978.7 | | | |
| 4698 | 02.3 | 02/02/23 | Thursday | 9:32:00 | 346.05 | 25 | CE | 40200 | Sell | 02/02/23 | Thursday | 9:40:00 | 432.55 | -2162. | | | |
| 4699 | 02.4 | 02/02/23 | Thursday | 9:33:00 | 337.2 | 25 | PE | 40200 | Sell | 02/02/23 | Thursday | 15:15:00 | 0.5 | 8417. | | | |
| 4700 | 03.1 | 03/02/23 | Friday | 9:30:00 | 429.75 | 25 | CE | 41300 | Sell | 03/02/23 | Friday | 15:15:00 | 520.35 | -2265 | -90.6 | -835.8 | 25003.3 |
| 4701 | 03.2 | 03/02/23 | Friday | 9:30:00 | 449.75 | 25 | PE | 41300 | Sell | 03/02/23 | Friday | 9:49:00 | 562.2 | -2811.25 | -112.45 | -948.25 | 24890.85 |
| 4702 | 03.3 | 03/02/23 | Friday | 9:49:00 | 444 | 25 | PE | 41100 | Sell | 03/02/23 | Friday | 10:40:00 | 555 | -2775 | -111 | -1059.25 | 24779.85 |
| 4703 | 04.1 | 06/02/23 | Monday | 9:30:00 | 340.45 | 25 | CE | 41600 | Sell | 06/02/23 | Monday | 9:41:00 | 425.55 | -2127.5 | -85.1 | -1144.35 | 24694.75 |
| 4704 | 04.2 | 06/02/23 | Monday | 9:30:00 | 394.05 | 25 | PE | 41600 | Sell | 06/02/23 | Monday | 9:34:00 | 492.55 | -2462.5 | -98.5 | -1242.85 | 24596.25 |
| 4705 | 04.3 | 06/02/23 | Monday | 9:34:00 | 363.45 | 25 | PE | 41400 | Sell | 06/02/23 | Monday | 15:15:00 | 352.75 | 267.5 | 10.7 | -1232.15 | 24606.95 |
| 4706 | 04.4 | 06/02/23 | Monday | 9:41:00 | 357.75 | 25 | CE | 41700 | Sell | 06/02/23 | Monday | 15:15:00 | 212.25 | 3637.5 | 145.5 | -1086.65 | 24752.45 |
| 4707 | | | | | | | | | | | | | | | | | |
| 4708 | | | | | | | | | | | | | | Total | 24752.45 | | |
| 4709 | | | | | | | | | | | | | | year | 6 | | |
| 4710 | | | | | | | | | | | | | | Yearly | 4125.408 | | |
| 4711 | | | | | | | | | | | | | | DD | 1504.15 | | |
| 4712 | | | | | | | | | | | | | | Ratio | 16.4561 | | |
| 4713 | | | | | | | | | | | | | | | | | |

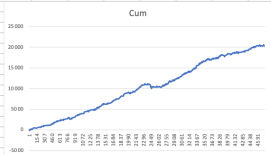



To assess the effectiveness of the strategy, the total points earned are divided by the drawdown, resulting in a ratio of approximately 16.4. This ratio provides insights into the risk-reward balance of the strategy, suggesting a relatively favourable outcome. Additionally, the cumulative profit and loss (P&L) graph showcases a smooth equity curve, indicating consistent profitability over time.

While the initial strategy demonstrated promising results, a trader seeks to optimize it further by modifying the selection of options. ***Instead of exclusively selling the ATM call and put options, the trader now chooses to sell the call and put options closest to a premium of ₹125.*** By focusing on premium levels rather than strictly ATM options, the trader aims to mitigate potential discrepancies in option prices between Fridays and Thursdays.

Upon implementing the revised strategy, the results show a similar cumulative point earned, around 24,000, yet a noticeable reduction in drawdown, approximately 1,100 points. Consequently, the Calmar ratio improves significantly, reaching 17.

| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4705 | 1496.3 | 24/01/23 | Tuesday | 9:37:00 | 145 | 25 | CE | 43100 | Sell | 24/01/23 | Tuesday | 15:15:00 | 30.4 | 2865 | 114.6 | -109.95 | 20447.2 |
| 4706 | 1496.4 | 24/01/23 | Tuesday | 10:15:00 | 120.65 | 25 | PE | 42800 | Sell | 24/01/23 | Tuesday | 11:16:00 | 150.8 | -753.75 | -30.15 | -140.1 | 20417.05 |
| 4707 | 1497.1 | 25/01/23 | Wednesday | 9:30:00 | 141.85 | 25 | CE | 42500 | Sell | 25/01/23 | Wednesday | 15:15:00 | 0.3 | 3538.75 | 141.55 | 0 | 20558.6 |
| 4708 | 1497.2 | 25/01/23 | Wednesday | 9:30:00 | 135.7 | 25 | PE | 42600 | Sell | 25/01/23 | Wednesday | 9:33:00 | 169.6 | -847.5 | -33.9 | -33.9 | 20524.7 |
| 4709 | 1497.3 | 25/01/23 | Wednesday | 9:33:00 | 117.95 | 25 | PE | 42500 | Sell | 25/01/23 | Wednesday | 9:37:00 | 147.45 | -737.5 | -29.5 | -63.4 | 20495.2 |
| 4710 | 1498.1 | 27/01/23 | Friday | 9:30:00 | 132.05 | 25 | CE | 42300 | Sell | 27/01/23 | Friday | 9:39:00 | 165.05 | -825 | -33 | -96.4 | 20462.2 |
| 4711 | 1498.2 | 27/01/23 | Friday | 9:30:00 | 127.75 | 25 | PE | 39000 | Sell | 27/01/23 | Friday | 12:31:00 | 159.7 | -798.75 | -31.95 | -128.35 | 20430.25 |
| 4712 | 1498.3 | 27/01/23 | Friday | 9:39:00 | 119.45 | 25 | CE | 42500 | Sell | 27/01/23 | Friday | 15:15:00 | 65.7 | 1343.75 | 53.75 | -74.6 | 20484 |
| 4713 | 1498.4 | 27/01/23 | Friday | 12:31:00 | 130.85 | 25 | PE | 38700 | Sell | 27/01/23 | Friday | 12:36:00 | 163.55 | -817.5 | -32.7 | -107.3 | 20451.3 |
| 4714 | 1499.1 | 30/01/23 | Monday | 9:30:00 | 126.6 | 25 | CE | 42300 | Sell | 30/01/23 | Monday | 15:15:00 | 75.85 | 1268.75 | 50.75 | -56.55 | 20502.05 |
| 4715 | 1499.2 | 30/01/23 | Monday | 9:30:00 | 122.55 | 25 | PE | 39000 | Sell | 30/01/23 | Monday | 9:41:00 | 153.2 | -766.25 | -30.65 | -87.2 | 20471.4 |
| 4716 | 1499.3 | 30/01/23 | Monday | 9:41:00 | 123.85 | 25 | PE | 38400 | Sell | 30/01/23 | Monday | 10:44:00 | 154.8 | -773.75 | -30.95 | -118.15 | 20440.45 |
| 4717 | 1500.1 | 31/01/23 | Tuesday | 9:30:00 | 128.7 | 25 | CE | 41900 | Sell | 31/01/23 | Tuesday | 15:15:00 | 129.9 | -30 | -1.2 | -119.35 | 20439.25 |
| 4718 | 1500.2 | 31/01/23 | Tuesday | 9:30:00 | 120.95 | 25 | PE | 38900 | Sell | 31/01/23 | Tuesday | 10:13:00 | 151.2 | -756.25 | -30.25 | -149.6 | 20409 |
| 4719 | 1500.3 | 31/01/23 | Tuesday | 10:13:00 | 119.5 | 25 | PE | 38700 | Sell | 31/01/23 | Tuesday | 15:15:00 | 43.9 | 1890 | 75.6 | -74 | 20484.6 |
| 4720 | 1501.1 | 01/02/23 | Wednesday | 9:30:00 | 122.4 | 25 | CE | 42100 | Sell | 01/02/23 | Wednesday | 12:26:00 | 153 | -765 | -30.6 | -104.6 | 20454 |
| 4721 | 1501.2 | 01/02/23 | Wednesday | 9:30:00 | 123.7 | 25 | PE | 40100 | Sell | 01/02/23 | Wednesday | 9:35:00 | 154.6 | -772.5 | -30.9 | -135.5 | 20423.1 |
| 4722 | 1501.3 | 01/02/23 | Wednesday | 9:35:00 | 124.3 | 25 | PE | 39900 | Sell | 01/02/23 | Wednesday | 14:45:00 | 155.4 | -777.5 | -31.1 | -166.6 | 20392 |
| 4723 | 1501.4 | 01/02/23 | Wednesday | 12:26:00 | 132.15 | 25 | CE | 42100 | Sell | 01/02/23 | Wednesday | 12:58:00 | 165.2 | -826.25 | -33.05 | -199.65 | 20358.95 |
| 4724 | 1502.1 | 02/02/23 | Thursday | 9:30:00 | 124.1 | 25 | CE | 40700 | Sell | 02/02/23 | Thursday | 9:31:00 | 155.1 | -775 | -31 | -230.65 | 20327.95 |
| 4725 | 1502.2 | 02/02/23 | Thursday | 9:30:00 | 129.8 | 25 | PE | 39600 | Sell | 02/02/23 | Thursday | 9:33:00 | 162.25 | -811.25 | -32.45 | -263.1 | 20295.5 |
| 4726 | 1502.3 | 02/02/23 | Thursday | 9:31:00 | 122.9 | 25 | CE | 40800 | Sell | 02/02/23 | Thursday | 9:41:00 | 153.6 | -767.5 | -30.7 | -293.8 | 20264.8 |
| 4727 | 1502.4 | 02/02/23 | Thursday | 9:33:00 | 120.1 | 25 | PE | 39500 | Sell | 02/02/23 | Thursday | 15:15:00 | 0.3 | 2995 | 119.8 | -174 | 20384.6 |
| 4728 | 1503.1 | 03/02/23 | Friday | 9:30:00 | 117.95 | 25 | CE | 42100 | Sell | 03/02/23 | Friday | 15:15:00 | 139.4 | -536.25 | -21.45 | -195.45 | 20363.15 |
| 4729 | 1503.2 | 03/02/23 | Friday | 9:30:00 | 120.8 | 25 | PE | 40000 | Sell | 03/02/23 | Friday | 9:51:00 | 151 | -755 | -30.2 | -225.65 | 20332.95 |
| 4730 | 1503.3 | 03/02/23 | Friday | 9:51:00 | 121.1 | 25 | PE | 39800 | Sell | 03/02/23 | Friday | 10:27:00 | 151.4 | -757.5 | -30.3 | -255.95 | 20302.65 |
| 4731 | 1504.1 | 06/02/23 | Monday | 9:30:00 | 131.9 | 25 | CE | 42100 | Sell | 06/02/23 | Monday | 9:40:00 | 164.9 | -825 | -33 | -288.95 | 20269.65 |
| 4732 | 1504.2 | 06/02/23 | Monday | 9:30:00 | 119 | 25 | PE | 40600 | Sell | 06/02/23 | Monday | 9:34:00 | 148.75 | -743.75 | -29.75 | -318.7 | 20239.9 |
| 4733 | 1504.3 | 06/02/23 | Monday | 9:34:00 | 128.55 | 25 | PE | 40500 | Sell | 06/02/23 | Monday | 15:15:00 | 93.3 | 881.25 | 35.25 | -283.45 | 20275.15 |
| 4734 | 1504.4 | 06/02/23 | Monday | 9:40:00 | 128.65 | 25 | CE | 42200 | Sell | 06/02/23 | Monday | 9:42:00 | 160.8 | -803.75 | -32.15 | -315.6 | 20243 |
| 4735 | | | | | | | | | | | | | | | | | |
| 4736 | | | | | | | | | | | | | | | | | |
| 4737 | | | | | | | | | | | | | | Total | 20243 | | |
| 4738 | | | | | | | | | | | | | | Year | 6 | | |
| 4739 | | | | | | | | | | | | | | Yearly | 3373.833 | | |
| 4740 | | | | | | | | | | | | | | DD | 1187.35 | | |
| 4741 | | | | | | | | | | | | | | Ratio | 17.04889 | | |
| 4742 | | | | | | | | | | | | | | | | | |
| 4743 | | | | | | | | | | | | | | | | | |




The updated strategy's cumulative P&L graph showcases a smoother equity curve, demonstrating consistent upward progress, particularly when compared to the previous strategy.

# CONCLUSION

In summary, the Theta decay strategy, involving the selling of ATM call and put options, presents an intriguing opportunity for traders. By leveraging the benefits of Theta decay and capitalizing on sideways market movement, traders can potentially generate consistent profits. ***Moreover, the strategy's optimization through focusing on premium levels instead of strict ATM options shows promising improvements in risk management and overall profitability.***

Backtested results

As with any trading strategy, it is essential to thoroughly backtest and evaluate its performance across different market conditions before deploying it with real capital. Considering individual risk tolerance and adapting the strategy to personal trading goals and preferences is also crucial.

# 6.10 MAXIMIZING MOMENTUM WITH THE BTST OPTION BUYING STRATEGY

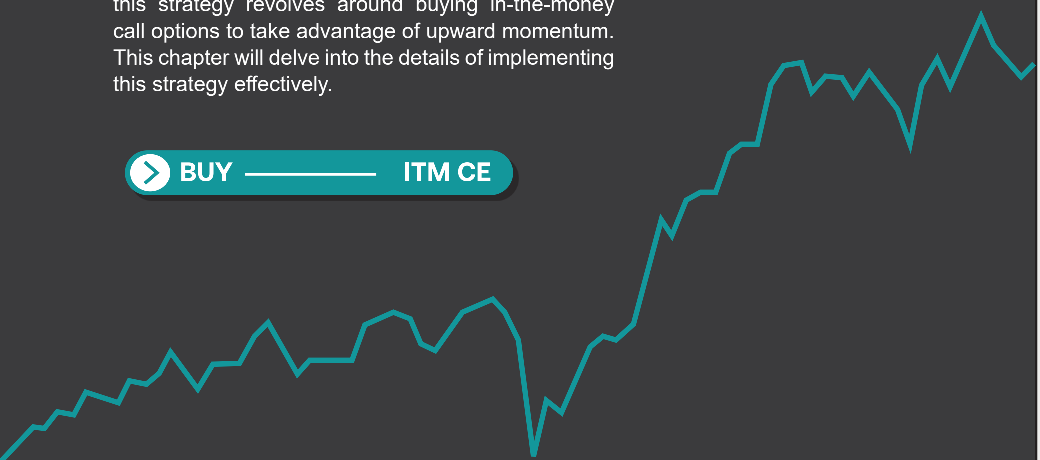
Strategy video

## INTRODUCTION TO THE BTST OPTION BUYING STRATEGY

In the world of options trading, various strategies exist to capitalize on market movements and generate profits. One such strategy is the BTST (Buy Today, Sell Tomorrow) option buying strategy.

Unlike the previous chapter's focus on selling options, this strategy revolves around buying in-the-money call options to take advantage of upward momentum. This chapter will delve into the details of implementing this strategy effectively.

BUY —— ITM CE



# STRATEGY EXECUTION AND KEY PARAMETERS

The BTST strategy involves buying an in-the-money call option, specifically selecting a call option two strikes in the money, based on the at-the-money price at 11:00 a.m. This strike price is determined by going two strikes above the current at-the-money level.

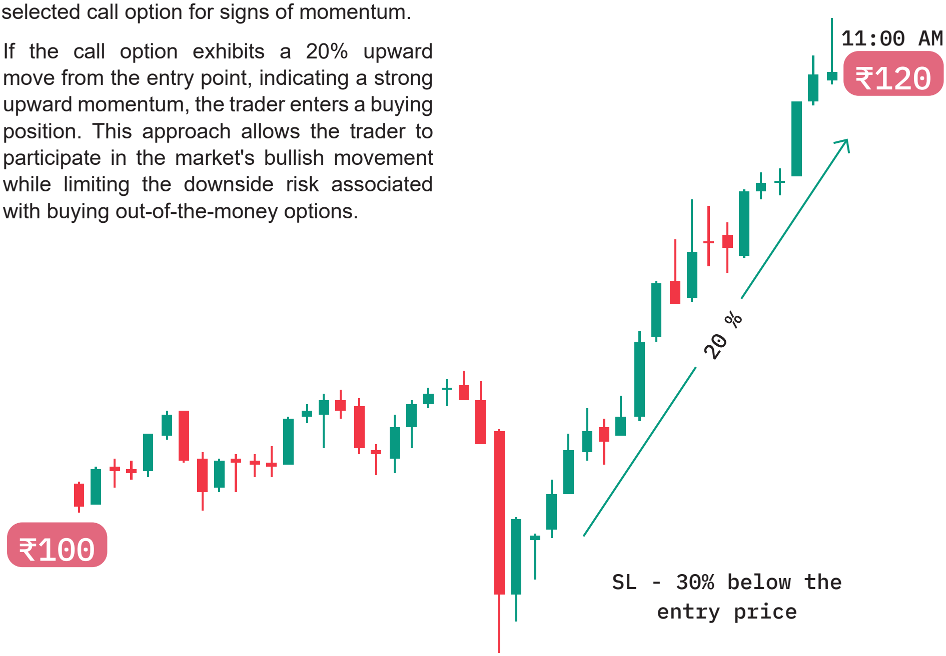
Source: www.nseindia.com/option-chain

| CALLS | | | | | | | | PUTS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OI Chng | OI | Volume | ITM Prob. | IV | LTP | CHNG | STRIKE | CHNG | LTP | IV | ITM Prob | Volume | OI |
| -4 | 1143 | 400 | 98.6 | 0 | 424 | 31.15 | 19150 | -1.7 | 4.3 | 16.56 | 1.3 | 153849 | 4839 |
| -52 | 5975 | 5081 | 97.4 | 0 | 374.3 | 30.45 | 19200 | -2.3 | 5.1 | 15.48 | 2.5 | 290869 | 13394 |
| -177 | 6048 | 3697 | 95.4 | 0 | 323.6 | 27.65 | 19250 | -3.35 | 5.9 | 14.27 | 4.5 | 244811 | 10376 |
| -6416 | 25908 | 54320 | 92.3 | 0 | 274.95 | 24.8 | 19300 | -4.9 | 7.45 | 13.25 | 7.6 | 412325 | 20450 |
| -188 | 11649 | 27366 | 87.8 | 0 | 227.35 | 23.4 | 19350 | -6.85 | 9.85 | 12.31 | 12.1 | 334635 | 11819 |
| -5289 | 63358 | 204034 | 81.8 | 8.5 | 182.55 | 21.35 | 19400 | -9 | 14.2 | 11.6 | 18.1 | 625377 | 22472 |
| -3844 | 39459 | 241819 | 74.3 | 8.64 | 139.05 | 18.5 | 19450 | -11.85 | 21 | 10.97 | 25.6 | 494178 | 12371 |
| 9542 | 153847 | 1014435 | 65.4 | 8.67 | 100.1 | 14.25 | 19500 | -15.7 | 32.15 | 10.53 | 34.5 | 1050065 | 27847 |
| 23923 | 116280 | 1142089 | 55.6 | 8.6 | 67 | 9.8 | 19550 | -20.45 | 49 | 10.23 | 44.3 | 943626 | 14945 |
| 46239 | 195961 | 1429086 | 45.4 | 8.63 | 41.85 | 6.7 | 19600 | -23.5 | 74 | 10.28 | 54.5 | 950157 | 13597 |

By selecting options that are already in-the-money, traders ensure a higher probability of profiting from any potential price increases.

Subsequently, the trader closely monitors the selected call option for signs of momentum.

If the call option exhibits a 20% upward move from the entry point, indicating a strong upward momentum, the trader enters a buying position. This approach allows the trader to participate in the market's bullish movement while limiting the downside risk associated with buying out-of-the-money options.

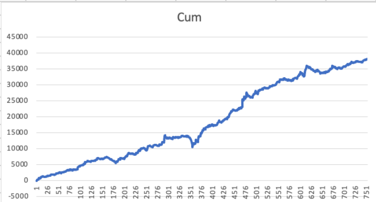


For example, suppose the at-the-money call option is initially priced at ₹100, and it reaches ₹120 after 11:00 a.m., indicating a 20% upward move. In this case, the trader buys the call option at ₹120. To manage risk, a stoploss order is placed at 30% below the entry price. In this example, the stoploss level would be ₹84 (30% of ₹120 is ₹36), ensuring an exit if the call option experiences a significant downturn. ***The exit can be either on the same day if the stoploss is triggered or the next morning at 9:30 a.m. to avoid the impact of Theta decay.***

## ANALYSIS OF HISTORICAL RESULTS

To assess the efficacy of the BTST option buying strategy, historical data from the past 5 years is examined, specifically focusing on the Nifty index. The provided results showcase the entry times, entry prices, and exit times, with trades occurring on most days, excluding exceptional cases such as Thursdays without trades. The calculated profits and drawdowns shed light on the strategy's performance.

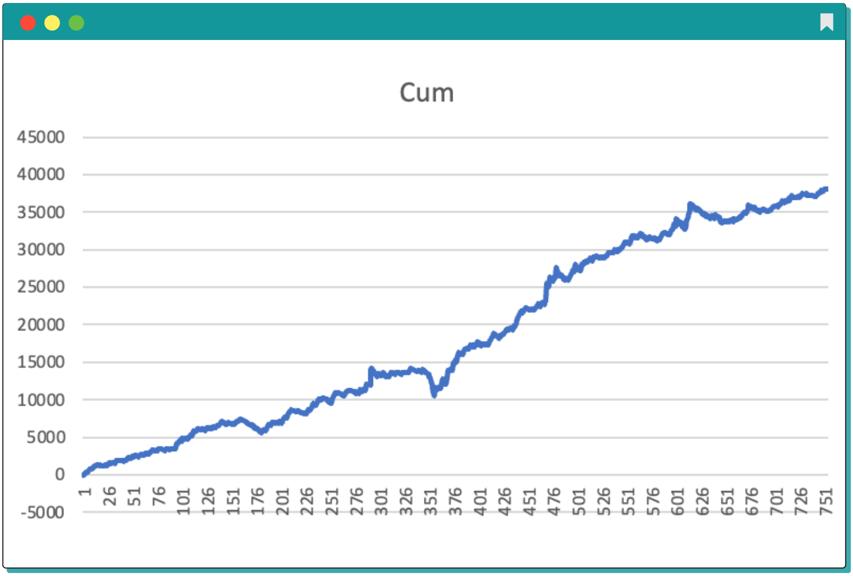
| StrikePrice | Position | ExitDate | Exit-Weekday | ExitTime | ExitPrice | P/L | P/L | DD | Cum |
|---|---|---|---|---|---|---|---|---|---|
| 40400 | Buy | 05/04/23 | Wednesday | 9:30:00 | 549 | 1801.25 | 72.05 | -258.6 | 37253.8 |
| 40700 | Buy | 06/04/23 | Thursday | 9:30:00 | 243.4 | -1646.25 | -65.85 | -324.45 | 37187.9 |
| 40700 | Buy | 10/04/23 | Monday | 14:19:00 | 303.15 | -3248.75 | -129.95 | -454.4 | 37058 |
| 41100 | Buy | 12/04/23 | Wednesday | 9:30:00 | 344.4 | -232.5 | -9.3 | -463.7 | 37048.7 |
| 41200 | Buy | 13/04/23 | Thursday | 9:30:00 | 390.9 | 728.75 | 29.15 | -434.55 | 37077.8 |
| 41400 | Buy | 17/04/23 | Monday | 9:30:00 | 794.95 | 6888.75 | 275.55 | -159 | 37353.4 |
| 41900 | Buy | 18/04/23 | Tuesday | 9:30:00 | 565.65 | 2678.75 | 107.15 | -51.85 | 37460.5 |
| 42200 | Buy | 25/04/23 | Tuesday | 9:30:00 | 493.65 | 2915 | 116.6 | 0 | 37577.1 |
| 42400 | Buy | 27/04/23 | Thursday | 9:30:00 | 512.35 | 5165 | 206.6 | 0 | 37783.7 |
| 42600 | Buy | 28/04/23 | Friday | 9:30:00 | 474.9 | -1305 | -52.2 | -52.2 | 37731.5 |
| 42700 | Buy | 02/05/23 | Tuesday | 9:30:00 | 761 | 6967.5 | 278.7 | 0 | 38010.2 |
| 43200 | Buy | 05/05/23 | Friday | 9:16:00 | 286 | -4580 | -183.2 | -183.2 | 37827 |
| 43100 | Buy | 09/05/23 | Tuesday | 9:30:00 | 398.3 | -742.5 | -29.7 | -212.9 | 37797.3 |
| 42800 | Buy | 11/05/23 | Thursday | 9:30:00 | 635.25 | 5591.25 | 223.65 | 0 | 38021 |
| 43300 | Buy | 15/05/23 | Monday | 9:30:00 | 565.05 | 1261.25 | 50.45 | 0 | 38071.4 |
| 43800 | Buy | 16/05/23 | Tuesday | 9:30:00 | 344.6 | -1047.5 | -41.9 | -41.9 | 38029.5 |
| 43400 | Buy | 22/05/23 | Monday | 9:30:00 | 635.5 | 2542.5 | 101.7 | 0 | 38131.2 |
| | | | | | | | 38131.2 | | |
| | | | | | | Total | 38131.2 | | |
| | | | | | | Year | 6.5 | | |
| | | | | | | Yearly | 5866.34 | | |
| | | | | | | DD | **3689.55** | | |




The cumulative profits obtained from implementing the strategy amount to approximately 38,000 points over the 5-year period. This translates to a substantial profit of around ₹3, 58,000. However, it is essential to address the associated drawdown, which appears significantly high. Upon closer examination, it becomes evident that the majority of losses occurred during the market crash in 2020, characterized by elevated volatility (VIX). Consequently, avoiding trading during periods of high VIX environments would yield more favorable results with reduced drawdowns.

# ANALYZING THE EQUITY CURVE

To gain further insights into the strategy's performance, a cumulative profit and loss (P&L) graph is plotted for the previous year. The graph reveals that the most significant losses were incurred during the high VIX period, impacting the overall equity curve. However, when the challenging period is excluded, the equity curve exhibits a remarkable upward trend with relatively smooth growth, emphasizing the potential profitability of the strategy.




# CONCLUSION AND RECOMMENDATIONS

The BTST option buying strategy presents an intriguing opportunity for traders seeking to capitalize on upward momentum. By carefully selecting in-the-money call options and monitoring for significant upward moves, traders can potentially generate substantial profits. However, it is crucial to managing risk effectively by implementing stoploss orders and avoiding trading in high VIX environments to minimize drawdowns.

Backtested results

Before deploying the strategy with real capital, thorough backtesting should be done to see if the strategy suits your personality.

# 6.11

# THE 3:00 PM NIFTY INTRADAY STRATEGY

Strategy video

The most important thing for a trader is to form strategies that capitalize on every type of market move. Among these strategies, there is one strategy that I have tested and modified to maximise returns. In this chapter, we will explore the intricacies of this strategy, shedding light on its underlying principles, rules, and history.

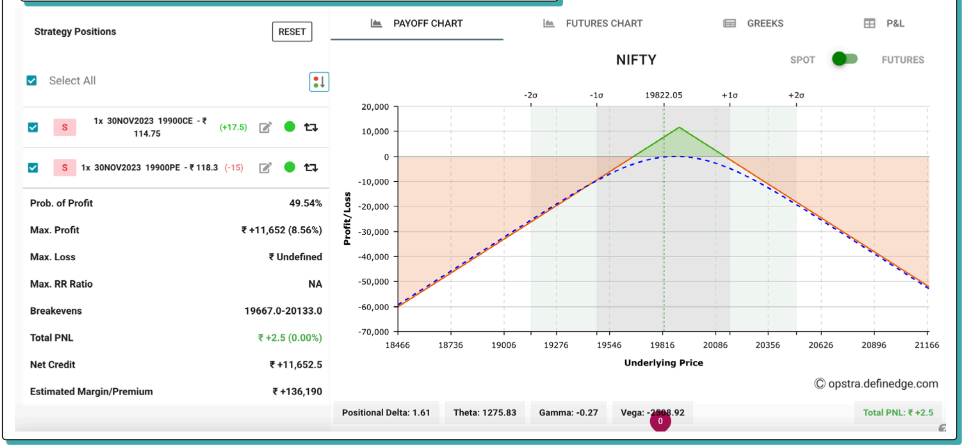
## UNVEILING THE STRATEGY

The chapter begins by introducing the concept of the 3:00 p.m. Nifty Intraday Strategy, which focuses on capturing momentum within a short timeframe. The strategy primarily revolves around option selling and aims to exploit the maximum Theta decay by entering the market at precisely 3:00 p.m. Driven by the quest for momentum, traders employ a carefully devised set of rules to execute their trades effectively.

# THE RULES OF ENGAGEMENT

In this section, the specific rules of the 3:00 p.m. Nifty Intraday Strategy are laid out. The chapter delves into the intricacies of the strategy, exploring the step-by-step approach to entering the market and identifying potential trading opportunities.

> The key elements of the strategy include finding the money straddle and waiting for a 5% drop in both the call and put options. The chapter explains how traders leverage this drop to sell the options and establish their initial positions.




## THE RULES OF THE STRATEGY ARE:

- We may find the CMP of ATM CE and PE at 3 PM.
- We will wait for the CMP to reduce by 5%. We will short sell the option whose premium reduces by 5%.
- Similarly we will find the CE and PE options which are trading around Rs 150 and we will short sell when it reduces by 5%.
- This is a partially hedged strategy, but since there is just 30 minutes remaining, we will put the stop loss on only the premium legs (Rs 150).
- We can put a small stoploss of 9% of the entry price.
- We may even do trailing of the stoploss so that we can safeguard our profits. For example, for every 10 points move on the downside, we may trail the stoploss by 5 points.
- We may exit all legs at 3:29 PM.

# MANAGING RISK AND STOPLOSSES

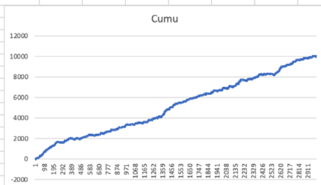
Risk management is a critical aspect of any trading strategy, and the 3:00 p.m. Nifty Intraday Strategy is no exception. This section focuses on the various risk management techniques employed within the strategy.

Traders discover how the strategy incorporates a hedging mechanism to mitigate risk during the half-hour trading window. Additionally, individual stoplosses and trailing stops are employed to safeguard positions and maximize potential gains.

# EVALUATING PERFORMANCE AND RESULTS

To provide readers with a comprehensive understanding of the strategy's efficacy, this section presents a detailed analysis of its historical performance. The backtested data is from 2019 to May 2023. The chapter showcases the strategy's profitability, drawdowns, and overall equity curve. The analysis highlights the consistent and smooth nature of the equity curve, emphasizing the strategy's ability to generate profits while keeping drawdowns to a minimum.

| Entry-Date | Entry-Week | Entry-Time | Entry-Price | Quantity | Instrument | StrikePrice | Position | ExitPrice | P/L | P/L | DD | Cumu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 26/05/23 | Friday | 15:05:00 | 137.95 | 50 | PE | 18600 | Sell | 142 | -202.5 | -4.05 | -18.2 | 10018.9 |
| 29/05/23 | Monday | 15:01:00 | 75.5 | 50 | CE | 18600 | Sell | 76.6 | -55 | -1.1 | -19.3 | 10017.8 |
| 29/05/23 | Monday | 15:04:00 | 67 | 50 | PE | 18600 | Sell | 71.95 | -247.5 | -4.95 | -24.25 | 10012.85 |
| 29/05/23 | Monday | 15:14:00 | 138.05 | 50 | CE | 18500 | Sell | 141.5 | -172.5 | -3.45 | -27.7 | 10009.4 |
| 29/05/23 | Monday | 15:04:00 | 154.2 | 50 | PE | 18750 | Sell | 168.1 | -695 | -13.9 | -41.6 | 9995.5 |
| 30/05/23 | Tuesday | 15:01:00 | 52.05 | 50 | CE | 18650 | Sell | 55.55 | -175 | -3.5 | -45.1 | 9992 |
| 30/05/23 | Tuesday | 15:11:00 | 57 | 50 | PE | 18650 | Sell | 58.15 | -57.5 | -1.15 | -46.25 | 9990.85 |
| 30/05/23 | Tuesday | 15:01:00 | 153.9 | 50 | CE | 18500 | Sell | 163.7 | -490 | -9.8 | -56.05 | 9981.05 |
| 31/05/23 | Wednesday | 15:03:00 | 48.1 | 50 | CE | 18550 | Sell | 43.95 | 207.5 | 4.15 | -51.9 | 9985.2 |
| 31/05/23 | Wednesday | 15:01:00 | 42.25 | 50 | PE | 18550 | Sell | 45.7 | -172.5 | -3.45 | -55.35 | 9981.75 |
| 31/05/23 | Wednesday | 15:03:00 | 155.9 | 50 | CE | 18400 | Sell | 164.95 | -452.5 | -9.05 | -64.4 | 9972.7 |
| 31/05/23 | Wednesday | 15:01:00 | 142.5 | 50 | PE | 18700 | Sell | 150.35 | -392.5 | -7.85 | -72.25 | 9964.85 |
| 01/06/23 | Thursday | 15:01:00 | 31.25 | 50 | CE | 18500 | Sell | 0.05 | 1560 | 31.2 | -41.05 | 9996.05 |
| 01/06/23 | Thursday | 15:01:00 | 4.15 | 50 | PE | 18500 | Sell | 12.25 | -405 | -8.1 | -49.15 | 9987.95 |
| 01/06/23 | Thursday | 15:01:00 | 122.25 | 50 | CE | 18400 | Sell | 87.75 | 1725 | 34.5 | -14.65 | 10022.45 |
| 02/06/23 | Friday | 15:18:00 | 87.45 | 50 | CE | 18550 | Sell | 91.55 | -205 | -4.1 | -18.75 | 10018.35 |
| 02/06/23 | Friday | 15:01:00 | 72.7 | 50 | PE | 18550 | Sell | 78.2 | -275 | -5.5 | -24.25 | 10012.85 |
| 02/06/23 | Friday | 15:18:00 | 149.15 | 50 | CE | 18450 | Sell | 156.9 | -387.5 | -7.75 | -32 | 10005.1 |
| 02/06/23 | Friday | 15:01:00 | 156.5 | 50 | PE | 18700 | Sell | 165.6 | -455 | -9.1 | -41.1 | 9996 |
| | | | | | | | | | Total | 9996 | | |
| | | | | | | | | | Year | 4.5 | | |
| | | | | | | | | | Yearly | 2221.333 | | |
| | | | | | | | | | DD | 163.95 | | |
| | | | | | | | | | Calmar | 13.54885 | | |
| | | | | | | | | | Avg | 3.327563 | | |



# CONCLUSION

The chapter concludes by summarizing the key aspects of the 3:00 p.m. Nifty Intraday Strategy. Traders are reminded of its unique time-sensitive nature and the emphasis placed on momentum and option selling. By providing a comprehensive overview of the strategy's rules, risk management techniques, historical performance, and advantages, readers are equipped with the knowledge necessary to evaluate and potentially incorporate this strategy into their trading arsenal.

Backtested results

# 6.12

# THE MOMENTUM SELLING STRATEGY: A PROFITABLE APPROACH TO OPTION TRADING

Strategy video

This section deals with providing and exploring a momentum-selling strategy that can be utilized in options trading. With the means to gain and capitalised on falling options premium, and influencing the potential for beneficial trades - this chapter contains it all. We will talk about the basic principles of the system, analyze the outcomes obtained by implementing strategies, and explore different varieties that can be applied. Toward the end of this chapter, you will have a complete comprehension of this methodology and can be prepared to integrate it into your trading practices.

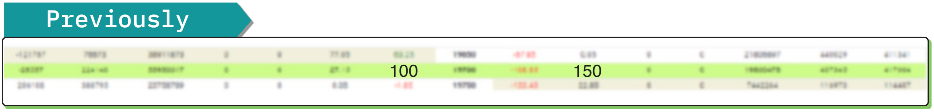
## STRATEGY OVERVIEW

The momentum option selling strategy aims to pocket premiums after a certain fall in the options premium at a specific time. ***For example:***

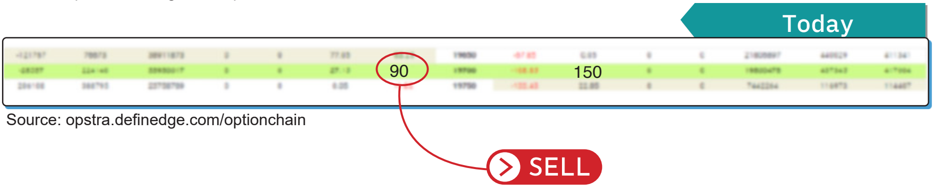
A trader can sit and analyse the options premium of ATM call and put options at 10 a.m. in the morning.

The trader can then wait and observe the Theta decay in both call and put options.

The standard depletion rate for the trade entry is 10% of the option premium. If the ATM call option is at ₹100 and put option is at ₹150, traders can see whichever option premium decreases by 10% and then sell that option.



Source: opstra.definedge.com/optionchain



Source: opstra.definedge.com/optionchain

***This strategy has no correlation with the vanilla short straddle strategy where both options are sold simultaneously.*** In this strategy, we can get trades on both sides or none.

## STRATEGY RULES

The strategy follows a set of rules to determine the appropriate time to execute trades and manage risk effectively. Here are the key rules involved in the momentum-selling strategy:

**1 Time and Instrument Selection:**
At 10:00 a.m., the Nifty At-The-Money call and put options are analyzed each day.

**2 Target Price Decline:**
The strategy aims for a 10% downward movement in the price of the option.

**3 Selling Strategy:**
When either of the option gets a 10% decrease in its value, the strategy is executed, entry can be in both the legs.

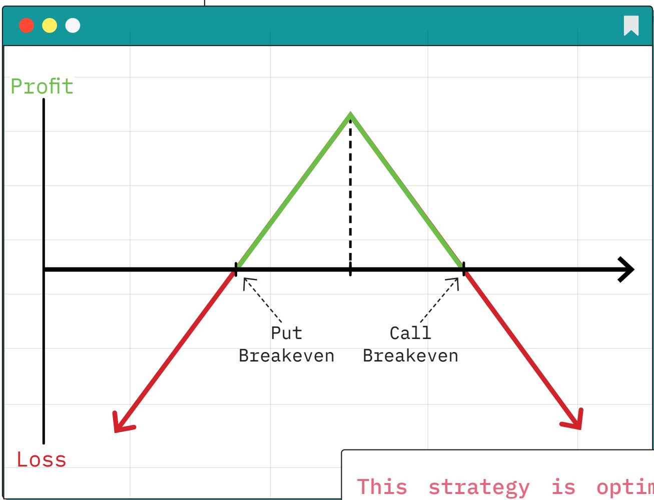
## 4 Stoploss Placement:

Each option trade has an individual stoploss set at 40%. If the stoploss for one option is hit, the stoploss for the other option is adjusted back to the entry price.

***For example:*** Stoploss of the ATM call option gets hit (entry price @100 and stoploss @140), then the stoploss of the put option can be trailed (entry price @150, previous stoploss @210, now the entry price has become the stoploss @150)

## 5 Advantages Over a standard Short Straddle:

Each option trade has an individual stoploss set at 40%. If the stoploss for one option is hit, the stoploss for the other option is adjusted back to the entry price.




This strategy is optimised to give you a decent profitable trade when the market is directional.

# RESULTS AND PERFORMANCE

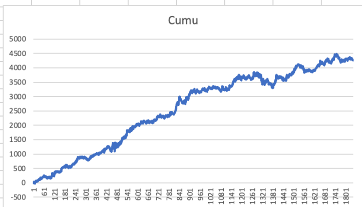
To assess the effectiveness of the momentum selling strategy, a historical analysis has been conducted since the inception of Nifty Weekly expiry in 2019. The strategy has yielded positive results with a manageable drawdown. Here are some key performance metrics:

**1) Annual Profit:**
The strategy has generated a total profit of approximately 946 points, equivalent to ₹47,000 when multiplied by 50 (lot size).

**2) Drawdown:**
The maximum drawdown experienced is around 545 points, indicating reasonable risk management.

**3) Equity Curve:**
The equity curve demonstrates a consistent upward trajectory, showcasing the strategy's overall profitability.

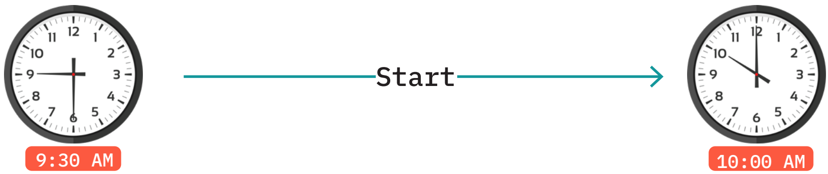
| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 50 | PE | 18400 | Sell | 81.7 | -1167.5 | -23.35 | -162.6 | 4315.7 |
| 50 | CE | 18250 | Sell | 19.55 | 2172.5 | 43.45 | -119.15 | 4359.15 |
| 50 | PE | 18250 | Sell | 55.35 | -790 | -15.8 | -134.95 | 4343.35 |
| 50 | CE | 18250 | Sell | 0.1 | 1300 | 26 | -108.95 | 4369.35 |
| 50 | PE | 18250 | Sell | 42.2 | -602.5 | -12.05 | -121 | 4357.3 |
| 50 | CE | 18100 | Sell | 128.25 | -1832.5 | -36.65 | -157.65 | 4320.65 |
| 50 | PE | 18100 | Sell | 80.8 | 0 | 0 | -157.65 | 4320.65 |
| 50 | CE | 18300 | Sell | 91 | -1300 | -26 | -183.65 | 4294.65 |
| 50 | PE | 18300 | Sell | 72.7 | 0 | 0 | -183.65 | 4294.65 |
| 50 | CE | 18400 | Sell | 37.3 | 1157.5 | 23.15 | -160.5 | 4317.8 |
| 50 | PE | 18400 | Sell | 74.85 | -1070 | -21.4 | -181.9 | 4296.4 |
| 50 | CE | 18350 | Sell | 19.75 | 1495 | 29.9 | -152 | 4326.3 |
| 50 | PE | 18350 | Sell | 66.55 | -950 | -19 | -171 | 4307.3 |
| 50 | CE | 18300 | Sell | 28.55 | -407.5 | -8.15 | -179.15 | 4299.15 |
| 50 | PE | 18300 | Sell | 40.15 | 0 | 0 | -179.15 | 4299.15 |
| 50 | PE | 18400 | Sell | 48.2 | 1937.5 | 38.75 | -140.4 | 4337.9 |
| 50 | CE | 18600 | Sell | 107.1 | -1530 | -30.6 | -171 | 4307.3 |
| 50 | PE | 18600 | Sell | 69.1 | 0 | 0 | -171 | 4307.3 |
| 50 | CE | 18650 | Sell | 58.25 | 0 | 0 | -171 | 4307.3 |
| 50 | PE | 18650 | Sell | 88.7 | -1267.5 | -25.35 | -196.35 | 4281.95 |
| 50 | CE | 18550 | Sell | 54.95 | 0 | 0 | -196.35 | 4281.95 |
| 50 | PE | 18550 | Sell | 57.9 | -827.5 | -16.55 | -212.9 | 4265.4 |
| 50 | CE | 18550 | Sell | 42.35 | 0 | 0 | -212.9 | 4265.4 |
| 50 | PE | 18550 | Sell | 29.25 | -417.5 | -8.35 | -221.25 | 4257.05 |
| | | | | | | 4257.05 | | |
| | | | | | | | | |
| | | | | Total | 4257.05 | | | |
| | | | | Year | 4.5 | | | |
| | | | | Yearly | 946.0111 | 47300.56 | | |
| | | | | DD | 545.75 | | | |
| | | | | Calmar | 1.733415 | | | |
| | | | | Avg | 2.307344 | | | |




Detailed trade records are available, illustrating the entry dates, entry times, trade type (call/put), strike price, and current profit/loss for each trade. Notably, instances where only one type of option trade occurs tend to yield profitable outcomes, further distinguishing this strategy from a typical short straddle approach.

# VARIATIONS AND ENHANCEMENTS

To optimize the strategy's performance and cater to individual preferences, several variations can be considered. These variations are particularly useful when working with a larger capital base and aiming for a more refined equity curve. Here are some possible enhancements:




**1. Start Time Variation:**

Instead of executing trades at 10:00 a.m., traders can experiment with different start times, such as 9:30 a.m., 9:45 a.m., or 10:00 a.m., to explore potential improvements in results.


**2. Adjusting Stoploss Percentage:**

The default stoploss percentage of 40% can be modified to 25% to enhance profitability while maintaining risk management probability.

NIFTY —Index→ BANK NIFTY

**3. Alternative Index Trading:**

While the strategy focuses on Nifty, exploring similar opportunities in Bank Nifty can provide comparable and favourable results.

ITM → OTM

**4. In-the-Money (ITM) or Out-of-the-Money (OTM) Options:**

Traders can choose to sell options that are either ITM or OTM instead of focusing solely on at-the-money options. ITM options may yield higher profits but increase drawdown, while OTM options reduce both profit potential and risk.

## CONCLUSION

The momentum selling strategy offers an effective and profitable approach to options trading, harnessing Theta depletion to generate consistent profits.. By following the defined rules and considering the suggested variations, traders can tailor the strategy to their risk tolerance and capital requirements. The historical performance and manageable drawdown provide compelling evidence for the strategy's viability. As with any trading approach, thorough backtesting and individual adjustment are recommended before implementing it in live trading.

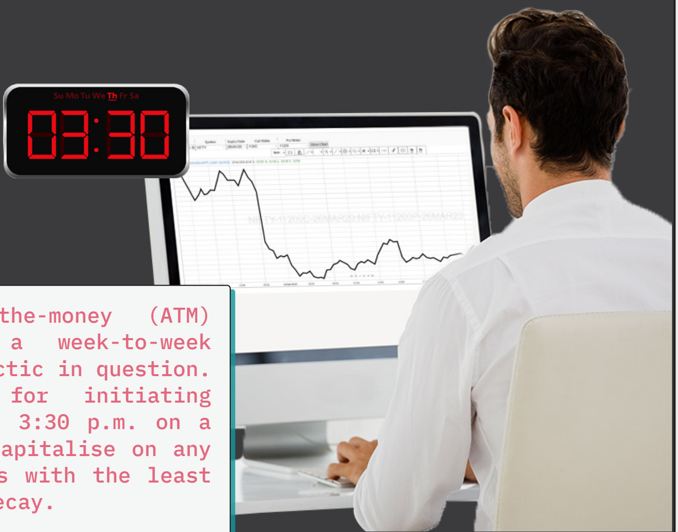
Backtested results

# 6.13

# SWING BUYING: A WINNING OPTIONS TRADING STRATEGY

Strategy video

In this section, we will discuss a swing purchasing technique for trading options over a few days.




> Buying an at-the-money (ATM) straddle with a week-to-week expiry is the tactic in question. The rationale for initiating the trade around 3:30 p.m. on a Thursday is to capitalise on any price fluctuations with the least amount of time decay.

We will examine the outcomes of this technique over a 4.5-year time frame and go into the exact process for creating stoploss orders and trailing stops.

# 1. THE SWING PURCHASING METHODOLOGY

Holding Period - 2-3 days
Execution - 3:30 p.m. on a Thursday


Straddles | Strangles | Custom — SENSIBULL

14 Sep | LTP | OI | Greeks | Static Strikes | Dynamic Strikes

| Call LTP (Call OI) | Strike | Put LTP (Put OI) |
|---|---|---|
| 249.20 | 19600 | 22.05 |
| 206.00 | 19650 | 29.00 |
| 165.85 | 19700 | 39.85 |
| 130.05 | 19750 | 53.50 |
| 100.00 | 19800 | 70.70 |
| 73.75 S | 19850 | S 93.75 |
| 52.00 | 19900 | 122.40 |
| 36.00 | 19950 | 157.80 |
| 23.90 | 20000 | 194.50 |
| 14.70 | 20050 | 235.05 |
| 9.20 | 20100 | 282.90 |

Buying ATM Straddle | Clear All | Add to Chart

Options traders who are looking to profit on short-term price swings can use the swing buying approach. Traders may benefit from large price swings in either direction by acquiring an ATM straddle. The strategy is executed at 3:30 p.m. on a Thursday, with a holding period of 2-3 days. The selections will still be quite fresh if you stick to this time range.

## 2. PUTTING IN PLACE STOP-LOSS ORDERS:

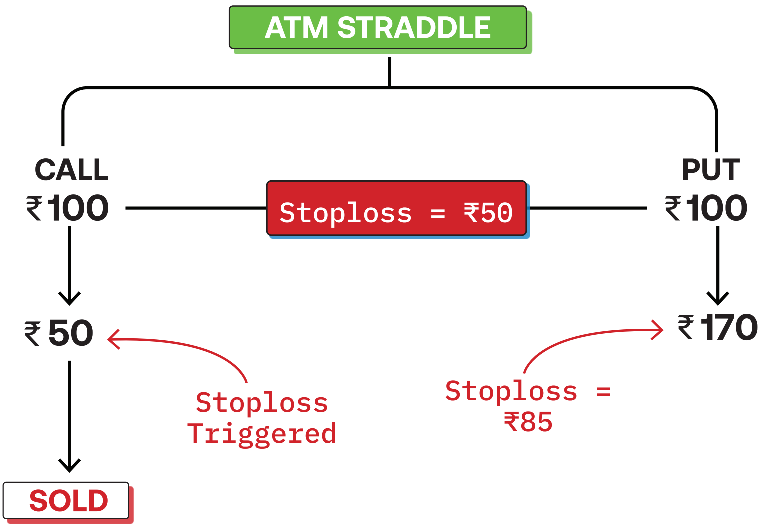
**Stoploss - 50% of Premium**

Stoploss orders are an essential part of risk management in the swing buying approach. The initial for both the options will be 50% of the premium. For example: If the ATM call option is of ₹100, the stoploss will be at ₹50, and similarly, for the put option.

**ATM call option is of ₹100, then stoploss will be at ₹50.**

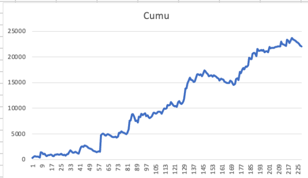
## 3. TRAILING THE REMAINING STOP - LOSS ORDER:

If one stoploss order is triggered while the other option is still active, it is recommended to trail the stoploss order of the active option. The trailing stoploss level need increase by half the amount of option premium. If the call option's stoploss level is triggered, and the put option's premium is 170, the new following stoploss level for the put option is ₹85.



# 4. ANALYZING RESULTS AND ENHANCEMENTS:

| SL Price | Exit | Time | PE Strike | Entry | SL | SL Price | Exit | Time | Date | | Profit/Loss | DD | Cumu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 237 | 379 | 3:30 | 32600 | 500 | 250 | 250 | 280 | 3:30 | 20-Jun-22 | Mon | -315 | -315 | 21659.6 |
| 210 | 754 | 3:30 | 33200 | 409 | 204.5 | 204.5 | 204.5 | 3:30 | 27-Jun-22 | Mon | 129.5 | -185.5 | 21789.1 |
| 203.5 | 666 | 3:30 | 33400 | 495 | 247.5 | 247.5 | 247.5 | 9:20 | 04-Jul-22 | Mon | 11.5 | -174 | 21800.6 |
| 217 | 623 | 3:30 | 34900 | 371 | 185.5 | 185.5 | 185.5 | 9:45 | 11-Jul-22 | Mon | 3.5 | -170.5 | 21804.1 |
| 184 | 738 | 3:30 | 34700 | 389 | 194.5 | 194.5 | 170 | 9:20 | 19-Jul-22 | Tue | 151 | -19.5 | 21955.1 |
| 191 | 600 | 3:30 | 36200 | 349 | 174.5 | 174.5 | 174.5 | 12:15 | 25-Jul-22 | Mon | 43.5 | 0 | 21998.6 |
| 175 | 595 | 3:30 | 37400 | 373 | 186.5 | 186.5 | 186.5 | 10:45 | 01-Aug-22 | Mon | 58.5 | 0 | 22057.1 |
| 202.5 | 635 | 3:30 | 37700 | 421 | 210.5 | 210.5 | 210.5 | 11:10 | 08-Aug-22 | Mon | 19.5 | 0 | 22076.6 |
| 203.5 | 548 | 3:30 | 38800 | 307 | 153.5 | 153.5 | 145 | 9:20 | 16-Aug-22 | Tue | -21 | -21 | 22055.6 |
| 182.5 | 182.5 | 11:10 | 39700 | 301 | 150.5 | 150.5 | 1394 | 3:30 | 22-Aug-22 | Mon | 910.5 | 0 | 22966.1 |
| 223.5 | 175 | 3:30 | 38800 | 396 | 198 | 198 | 198 | 9:20 | 29-Aug-22 | Mon | -470 | -470 | 22496.1 |
| 249.5 | 679 | 3:30 | 39300 | 407 | 203.5 | 203.5 | 203.5 | 9:35 | 05-Sep-22 | Mon | -23.5 | -493.5 | 22472.6 |
| 251 | 600 | 3:30 | 40200 | 408 | 204 | 204 | 204 | 10:05 | 12-Sep-22 | Mon | -106 | -599.5 | 22366.6 |
| 257.5 | 257.5 | 2:05 | 41200 | 473 | 236.5 | 236.5 | 516 | 3:30 | 19-Sep-22 | Mon | -214.5 | -814 | 22152.1 |
| 275 | 275 | 9:35 | 40600 | 430 | 215 | 215 | 1911 | 3:30 | 26-Sep-22 | Mon | 1206 | 0 | 23358.1 |
| 294 | 574 | 3:30 | 37700 | 520 | 260 | 260 | 260 | 11:15 | 03-Oct-22 | Mon | -274 | -274 | 23084.1 |
| 252 | 200 | 9:20 | 39200 | 451 | 225.5 | 225.5 | 379 | 12:20 | 10-Oct-22 | Mon | -376 | -650 | 22708.1 |
| 277.5 | 1338 | 3:30 | 38700 | 518 | 259 | 259 | 145 | 9:20 | 17-Oct-22 | Mon | 410 | -240 | 23118.1 |
| 242.5 | 1240 | 3:30 | 40100 | 354 | 177 | 177 | 177 | 10:00 | 24-Oct-22 | Mon | 578 | 0 | 23696.1 |
| 247.5 | 348 | 3:30 | 41300 | 435 | 217.5 | 217.5 | 328 | 3:30 | 31-Oct-22 | Mon | -254 | -254 | 23442.1 |
| 228 | 543 | 3:30 | 41300 | 390 | 195 | 195 | 140 | 9:20 | 07-Nov-22 | Mon | -163 | -417 | 23279.1 |
| 209.5 | 586 | 3:30 | 41600 | 333 | 166.5 | 166.5 | 100.5 | 9:20 | 14-Nov-22 | Mon | -65.5 | -482.5 | 23213.6 |
| 197.5 | 197.5 | 9:25 | 42400 | 299 | 149.5 | 149.5 | 225 | 3:30 | 21-Nov-22 | Mon | -271.5 | -754 | 22942.1 |
| 140 | 140 | 9:20 | 43100 | 268 | 134 | 134 | 240 | 3:30 | 28-Nov-22 | Mon | -168 | -922 | 22774.1 |
| 170 | 170 | 10:00 | 43200 | 262 | 131 | 131 | 160 | 3:15 | 05-Dec-22 | Mon | -272 | -1194 | 22502.1 |
| 149.5 | 152 | 9:30 | 43600 | 257 | 128.5 | 128.5 | 157 | 10:05 | 12-Dec-22 | Mon | -247 | -1441 | 22255.1 |
| 157 | 157 | 3:00 | 43400 | 290 | 145 | 145 | 206.5 | 11:55 | 19-Dec-22 | Mon | -240.5 | -1681.5 | 22014.6 |
| | | | | | | | | | | Total | 22014.55 | | |
| | | | | | | | | | | Year | 4.5 | | |
| | | | | | | | | | | Yearly | 4892.122 | | |
| | | | | | | | | | | DD | 2836.5 | | |
| | | | | | | | | | | Calmar | 1.724704 | | |
| | | | | | | | | | | Avg | 97.40951 | | |




The success of this swing buying approach may be assessed over a 4.5-year time frame by reviewing the outcomes.

According to the numbers provided, the company records a net profit of around 2,200 points, leading to an annual return on investment (ROI) of about 48%, or about 5,000 points. However, the volatility of the market and other factors should be considered before using this method.

***Avoiding transactions once the Volatility Index (VIX) is over a certain level, say 40, is recommended to further improve the approach.*** The research shows that potential losses might be reduced by avoiding trading during times of extreme volatility.

# CONCLUSION

Summing up, the swing buying method allows option traders to capitalise on short-term price fluctuations. Risk can be managed by traders by using ATM straddles and following particular stoploss and trailing stop rules. Over a 4.5-year period, the provided data demonstrate a solid performance with a noticeable return on capital. However, market circumstances and characteristics like volatility must be considered when you implement this technique. To maximize the possibilities of this swing buying method, traders should proceed with prudence, do a comprehensive study, and regularly assess and adjust their approach.

Backtested results

CHAPTER 7

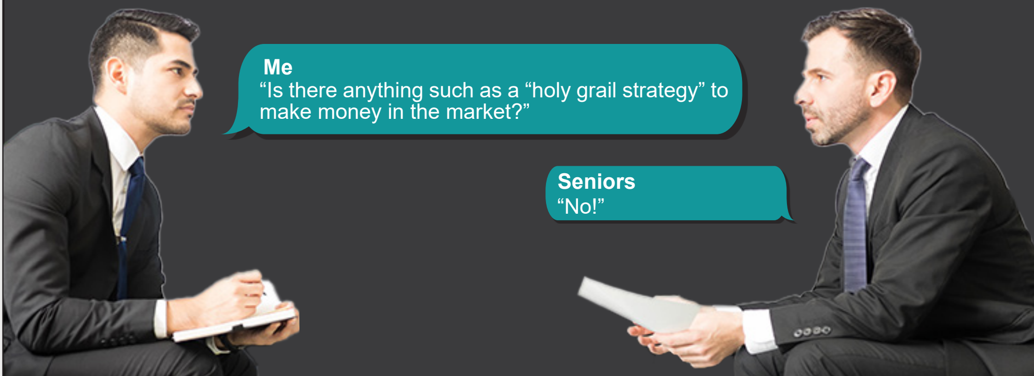
# PRICE ACTION

# 7.1

# 9 AND 21 EMA SUPPORT AND RESISTANCE TRADING STRATEGY

Strategy video

I still remember the day when I was introduced to the stock markets. I was curious to know how someone sitting in front of a screen is making lakhs. This intrigued me to search for my holy grail strategy. But do we need a holy grail strategy to make money? In fact, is there anything such as a "holy grail strategy"? The answer I got after years of learning and listening to my senior traders is an absolute NO!




The hunger to make quick money made me experience peaks and troughs in my trading career, which eventually made me realise what I needed was a simple system to trade.

Then I started to study more about how indicators can help navigate and refine trading decisions, and I found 9 and 21 Exponential Moving Averages. Before we rush to know the 9 & 21 EMA trading system. I would like to take you through its basics.

# WHAT ARE MOVING AVERAGES?

Moving averages are overlay lines that run through the price on the chart.

The basic idea of the moving average line is to collect the closing price of the respective security and give an average price. The moving average line can be of different lookback periods on different timeframes.

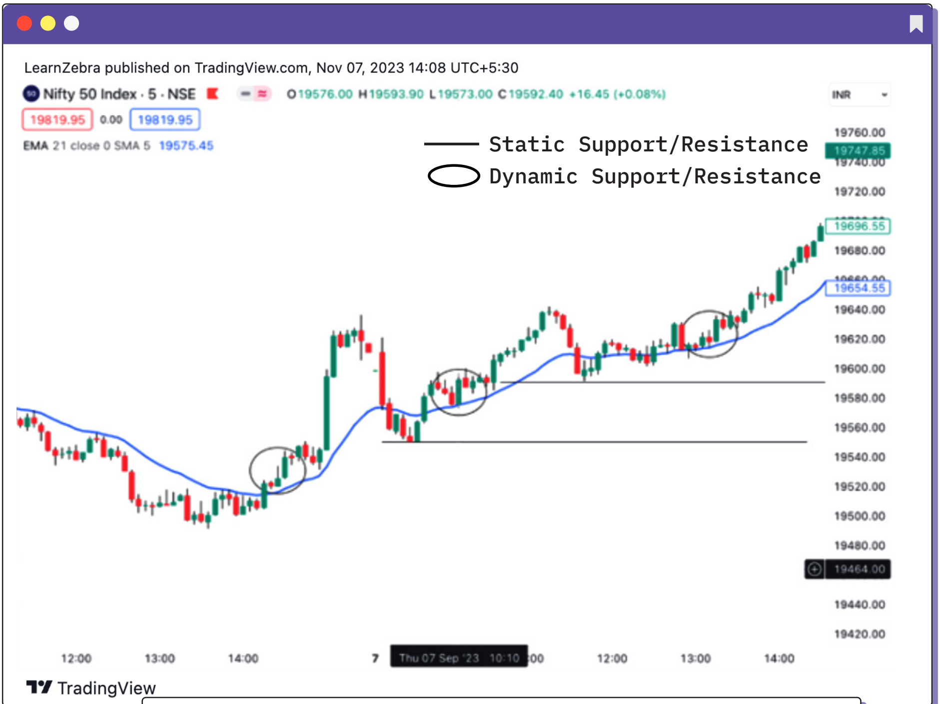


For example: A moving average line with a lookback period of 14 represents the average closing price of 14 recent candles. Now, if you are looking at a 5-minute timeframe chart, the lookback period of 14 will consider the closing price of the previous 14 candles.


Now, moving averages are of two types: Simple Moving Averages and Exponential Moving Averages. To make this a cakewalk for you, the Simple Moving Average lines are less reactive with the price movements than the Exponential Moving Averages.

# WHY MOVING AVERAGES?

Moving averages help us in two ways - Direction and Dynamic support and resistance. When the moving average lines are rising, the market is in an uptrend; when the moving average lines are falling, the market is in a downtrend. Similarly, ***when the moving averages are flat, it suggest that the market is in a consolidation zone. Moving averages staying flat and the market creating a narrow range contribute to this trading strategy.*** Read further to know.




The above image shows that the rising moving average indicates an uptrend in the price and is correcting after facing a small rejection on top. If you mark the horizontal support lines, which I call 'static support/ resistance' lines, you will have to mark the stoploss according to the previous support level. However, when you use moving averages to trade, you can use the moving average itself as the trailing stoploss. This is how I use moving averages to benefit me while trading with the simplest systems.

# THE STRATEGY

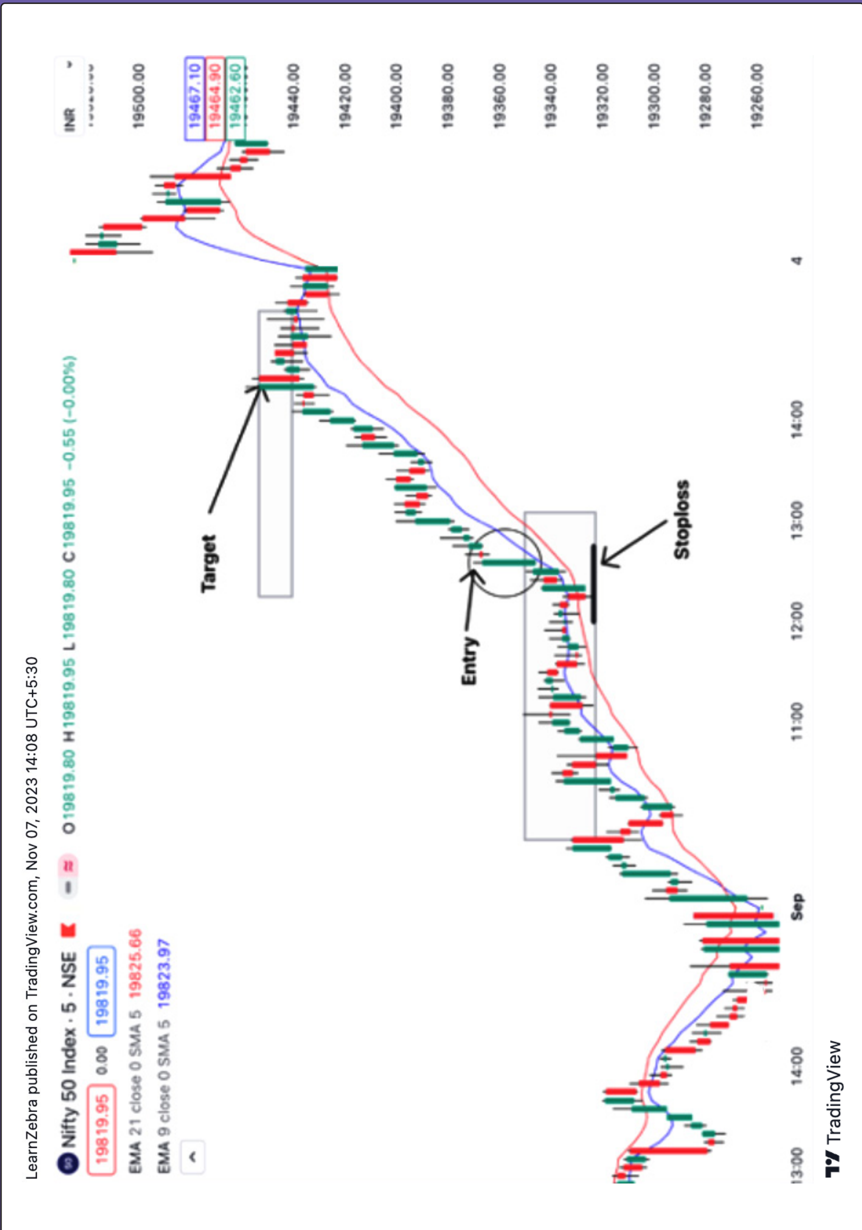
The objective of this strategy is to catch small moves after a price consolidation with the help of 9 and 21 Exponential Moving Averages in the intraday segment. These EMAs are of much shorter length than usual and need to have a strong price push in either direction. In the history of price action analysis, the price has given a good move after breaking the consolidation range.

The buy entry is triggered when the 9 EMA crosses the 21 EMA from below and the sell entry is triggered when the 9 EMA crosses the 21 EMA from above.



***In the above images, you can figure out why taking trades after a certain period of consolidation gives the best trades.*** Consolidation, when breaks, have the dominance of either parties with a strong sentiment (Buyers and sellers). Therefore, it's better to use this strategy when you see a consolidation range forming.

# THE EXECUTION




ZEBRALEARN

## TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

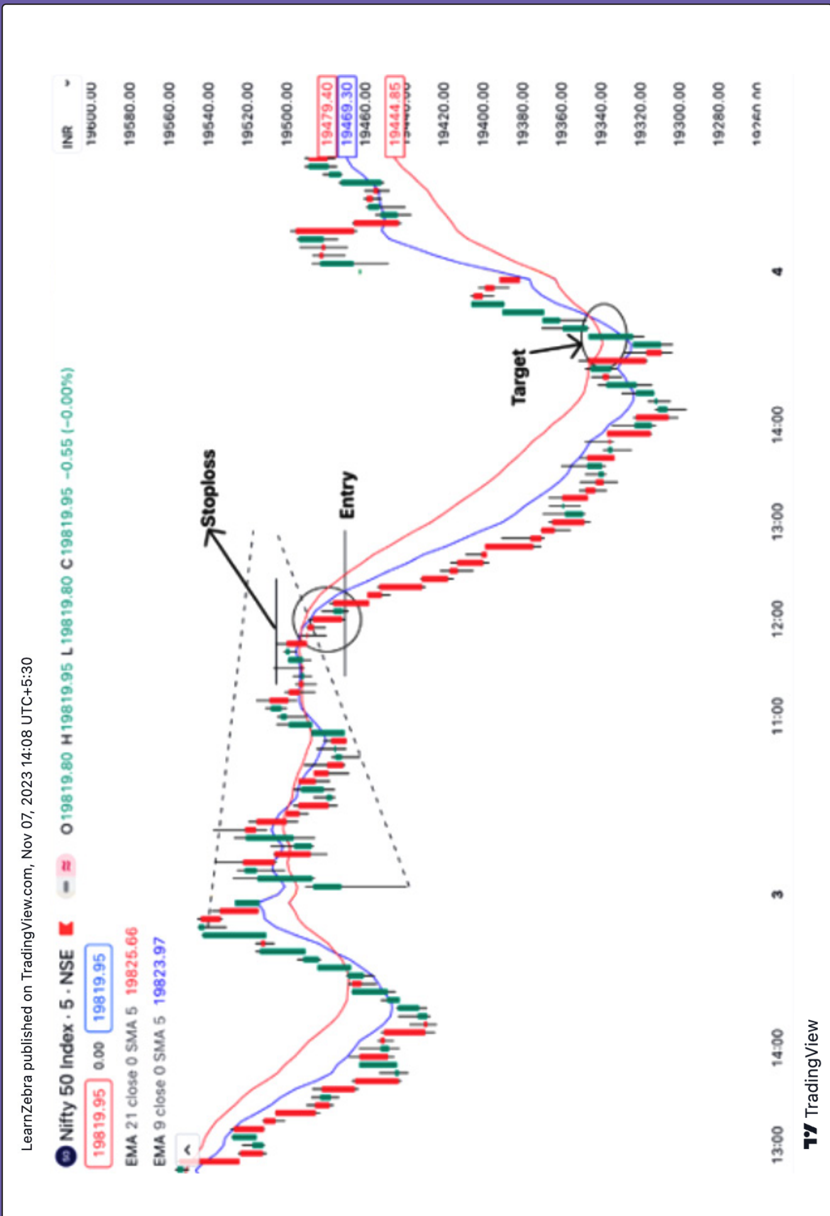
- Open a charting software.
- Select a security you want to trade.
- Set the chart on a 5-minute timeframe.
- Look for a price consolidation.
- Look for the 9-EMA crossing the 21-EMA from below.
- Wait for the price to break the resistance.
- **BUY** above the breakout candle.
- Place **STOPLOSS** below the swing low or at the low of the breakout candle.
- The **TARGET** is at the projected resistance or price reversal.
- Risk to Reward ratio is 1:2 on an average.

As you can see in the above picture, the Nifty reached its bottom in the 5-minute timeframe and reversed for an upside move but, a consolidation is required for the entry here. Now when the price halted and stayed in a narrow range before rallying, it was a sign that a good upside move is expected. The buy signal is triggered once the green candle breaks the consolidation range.


According to the strategy, the right place to buy is at the high of the breakout candle and the stipulated stoploss would be at the swing low. The stoploss is further supported by both the EMAs being above it, giving concrete support to our view. We booked the profit at the supply zone which is extended from its previous supply zone (Shown in the figure above).

Autosave
Publish
19540.00
19520.00
19500.00
19480.00
19462.20
19461.05
19454.40
19440.00
19420.00
19400.00
19380.00
19360.00
19340.00
19320.00
19300.00
19280.00
19260.00
19240.00
Target
Entry
Stoploss
13:35
Sep
12:00
13:35
4
391
51 Trading Strategies | Aseem Singhal

# TO SELL


LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30
Nifty 50 Index · 5 · NSE
O19819.80 H19819.95 L19819.80 C19819.95 −0.55 (−0.00%)
EMA 21 close 0 SMA 5 19825.66
EMA 9 close 0 SMA 5 19823.97
Stoploss
Entry
Target
TradingView

## TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Open a charting software.
- Select a security you want to trade.
- Set the chart on a 5-minute timeframe.
- Look for a price consolidation.
- Look for the 9-EMA crossing the 21-EMA from above.
- Wait for the price to break the support.
- **SELL** below the breakdown candle.
- Place **STOPLOSS** above the swing high or at the high of the breakdown candle.
- The **TARGET** is at the projected support or price reversal.
- Risk to Reward ratio is 1:2 on average.

As you can see in the above figure, the market struggled to move in either direction and formed a symmetrical triangle pattern. Although a symmetrical triangle indicates the price can move in either direction, at the edge of the symmetrical triangle, the 9-EMA was below the 21-EMA. This pointed out that the market was in favour of a downside move. According to our strategy, all the criteria were satisfied except a breakdown candle. After a while, the market finally broke on the downside and we got our selling entry. The stoploss was above the 9 & 21 EMA and at the previous swing high. With this strategy, the expected Risk to Reward ratio is 1:2, but we booked our profit with almost 1:4 Risk to Reward ratio.

# THE TAKEAWAY

No strategy has ever been successful without a proper plan and timing. The art of trading lies in having the simplest of the systems. Always aim to build and follow simple trading systems and avoid the analysis paralysis.

# 7.2 POSITIONAL TRADING STRATEGY

Strategy video


***This chapter is for those who wishes to invest money for months or even years.*** In this chapter, we will delve into a pure technical positional trading strategy which can help gain decent returns over a long course of time.
But before we begin, you should first understand what positional trading is.


## WHAT IS POSITIONAL TRADING?

Positional trading is a trading phenomenon in which traders hold their positions in financial instruments like stocks for a long period. The period can range from weeks to months or even years! The holding period of a stock can depend from trader to trader as the goals of every individual are different.

The only goal in positional trading is to capture large price movements and take advantage of major market trends. Positional trading involves a trader to look at the bigger picture unlike intraday trading or swing trading. Positional trading requires a trader to be very patient and disciplined.

Although we are only going to talk about technical analysis in this chapter, positional traders also analyze the fundamentals of a stock. They consider ***factors such as economic indicators, company news and market sentiment to assess the overall market conditions and reduce their risk.***

***The primary objective of positional trading is to stay in the game for long. Meaning, a trader should be able to stay in a trade as long as the trend remains intact.***

Now we can proceed with the strategy.

# POSITIONAL TRADING STRATEGY

This is a pure ***price action trading strategy*** meaning we are not going to use any technical indicators.

~~Technicals~~

Change interval
1 D
1 day

You can use this strategy for long term investment. It goes without saying that the timeframe we will be using is a daily timeframe. Let's get into the interesting part of the chapter now.

First of all, for this strategy, we will be looking to buy stocks which have given a good rally of 15-20% at least. Remember that this is a non-negotiable condition of this strategy. After finding such stocks, this is what happens -***when a stock rallies for more than 15-20% in a stretch, it needs to consolidate a bit before continuing.***

Our aim is to find stocks which have given a rally before and are currently consolidating in a range. This is where as a trader you have to be patient and wait for the stock to break the range of its consolidation.

**Other two conditions for this strategy are:**


- [x] When the stock is in a range, the volume must dry down within that period.
- [x] When the stock breaks from that consolidation, its volume should rise up drastically and the stock should break the range with a huge green candle.

Let us look at an example which meets all of the conditions.


Notice the highlighted part. As you can see in the above image, this stock has fulfilled every single of our conditions. It has given a rally of over 15-20% after which it consolidated in a range during which the volume also dried. It has given a breakout with sudden volume spikes and a huge green candle. Sudden volume spike shows development of renewed interest of investors in the stock and it is more likely that the stock will only go upwards from here.

You may enter at the high of the huge green candle. ***Because this is a positional strategy, you may keep a stoploss of minimum 5% of the stock's range. Remember, try to keep your stoploss below a level of significance to avoid getting out of the trade early. Our ideal R:R ratio for this setup will be 1:2 or 1:3.***

## TIP

Zoom out and look for price ranges in which the price has taken a resistance. Try to get out of the trade before the stock reaches those levels.

The case in which the stock is trading at its all-time high, you can also go for pyramiding. Let's see what pyramiding means.

# WHAT IS PYRAMIDING?

Pyramiding is an advanced trading phenomenon in which the traders aim to increase their position as the stock goes into their favor.

Pyramiding involves a trader increasing his positions in a winning trade to maximize his potential profit by taking advantage of strong market trends.

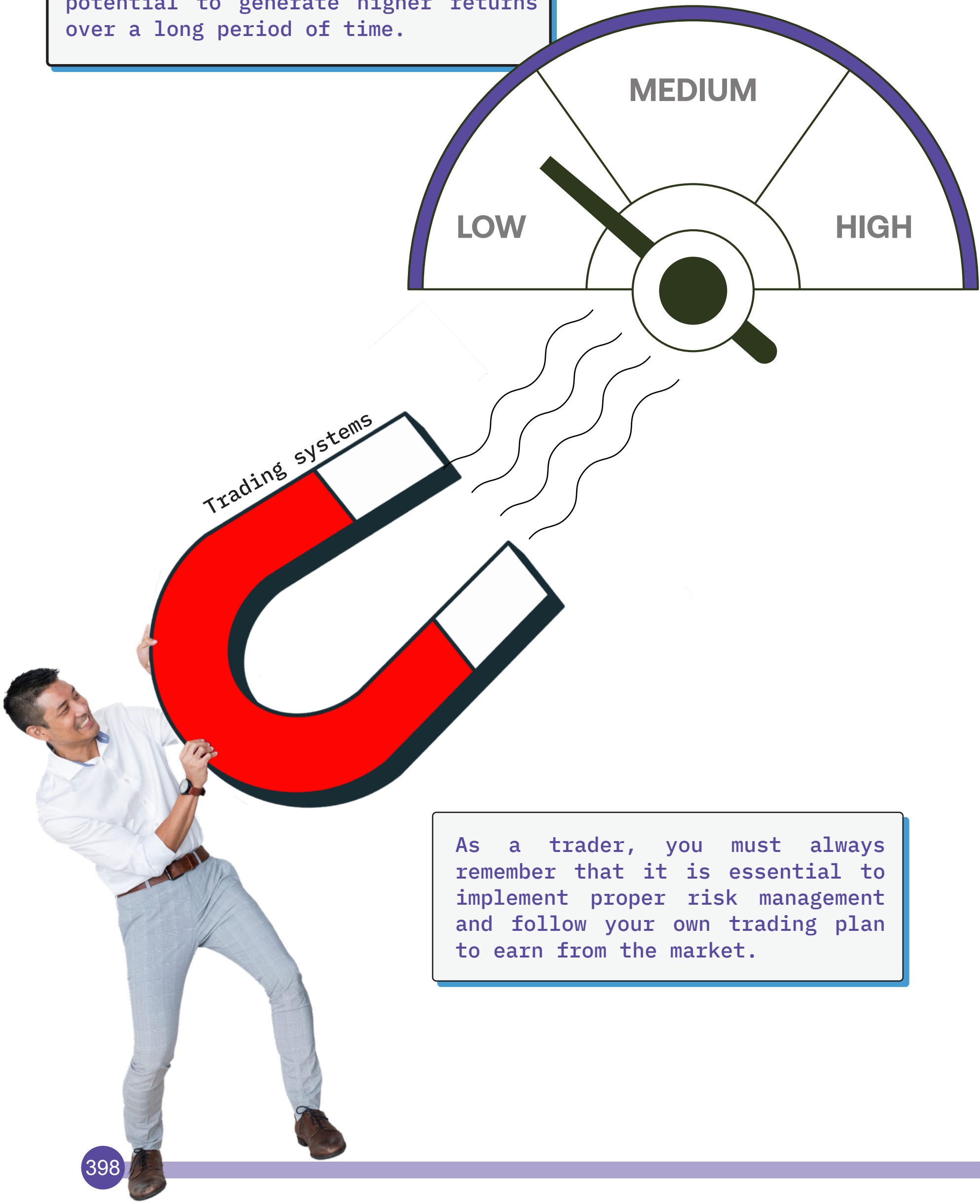
This technique allows traders to compound their gains and potentially achieve higher returns.

Let us take a look at an example to understand this better.


Imagine you took a trade in the stocks as it met with your conditions. The trade started to turn in your favor and is currently consolidating for the second time. If you see the stock meeting with our conditions for a second time, you can consider increasing your position and trail your stoploss a bit. This is called pyramiding.

# CONCLUSION

In summary, this positional trading strategy provides you a framework for identifying and trading stocks with a potential to generate higher returns over a long period of time.



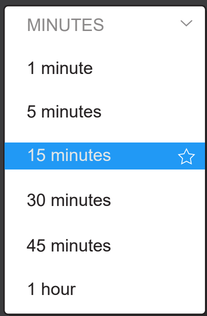

As a trader, you must always remember that it is essential to implement proper risk management and follow your own trading plan to earn from the market.

7.3

# PIN BAR CANDLESTICK PATTERN OR REVERSAL STRATEGY

Strategy video

In this chapter, we are going to talk about a simple yet quite effective trading strategy. This strategy involves a candlestick pattern known as ***"Pin Bar"***. This trading setup can be used as an intraday setup as well as a swing trading setup depending on your risk appetite.



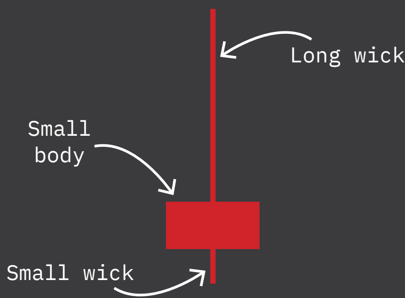

Remember to use a timeframe longer than 15 minutes or at least 15 minutes while using this strategy intraday.

Before we dive into the strategy, let us talk about what the Pin Bar candlestick pattern actually is and what it looks like.

## WHAT IS PIN BAR CANDLESTICK PATTERN?

Also known as the ***Pinocchio bar***, the Pin Bar candlestick pattern is a popular Japanese pattern commonly used in technical analysis to identify reversal trends in stocks. The Pin Bar's characteristics makes it a unique and easily distinguishable pattern.

In simple words, ***the Pin Bar candlestick pattern forms with a small body and a long wick representing a pin sticking out of the price chart.***

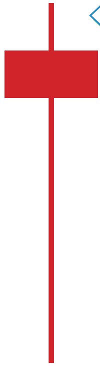


Indicators Alert Replay

The Pin Bar candlestick pattern is made with the help of its 3 main components

**Body**

The body of the Pin Bar is very small compared to its wick. It can either be bullish or bearish.



**Upper wick**

In the case of a bullish Pin Bar, the upper wick of the candle is smaller or equal to the body of the candle. It represents the highest price point reach during the candle's trading period.

**Lower wick**

In the case of a bullish Pin Bar, the lower wick extends below the body of the candle and represents the lowest price point reached during the candle's trading period.

***The psychology behind the formation of the Pin Bar candlestick pattern depicts the battle between buyers and sellers.***