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If you are planning for 4 lots, a more reliable approach is to split one lot of calls and put options across all the 4-time frames each. For example, 1 at 9:16 a.m., 1 at 10:16 a.m., another at 11:16 a.m. and the last one at 12:16 p.m. You will be shocked to know that this multi time strategy provides with the best Calmar ratio. The Calmar ratio of this strategy comes at 8.2, almost double of the best individual time frame. Look at the image below.

A	B	C	D	E	F	G	H	I	J	K	L	M
Index	Entry-Date	Entry-Week	Entry-Time	Entry-Price	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD	
1071.2	16/06/23	Friday	10:16:00	36.25	CE	18900	Sell	14:47:00	72.5	-36.25	-89.15	
1071.1	16/06/23	Friday	11:16:00	43.15	PE	18700	Sell	15:15:00	29.8	13.35	-75.8	
1071.2	16/06/23	Friday	11:16:00	36.15	CE	18900	Sell	14:47:00	72.3	-36.15	-111.95	
1071.1	16/06/23	Friday	12:16:00	41.3	PE	18700	Sell	15:15:00	29.8	11.5	-100.45	
1071.2	16/06/23	Friday	12:16:00	36.75	CE	18900	Sell	14:47:00	73.5	-36.75	-137.2	
1072.1	19/06/23	Monday	9:16:00	43.75	PE	18800	Sell	13:21:00	87.5	-43.75	-180.95	
1072.2	19/06/23	Monday	9:16:00	40.8	CE	18950	Sell	15:15:00	16.9	23.9	-157.05	
1072.1	19/06/23	Monday	10:16:00	36.75	PE	18750	Sell	15:15:00	42.9	-6.15	-163.2	
1072.2	19/06/23	Monday	10:16:00	47.5	CE	18900	Sell	15:15:00	28.25	19.25	-143.95	
1072.1	19/06/23	Monday	11:16:00	46.85	PE	18750	Sell	15:15:00	42.9	3.95	-140	
1072.2	19/06/23	Monday	11:16:00	34.15	CE	18900	Sell	15:15:00	28.25	5.9	-134.1	
1072.1	19/06/23	Monday	12:16:00	45	PE	18750	Sell	15:15:00	42.9	2.1	-132	
1072.2	19/06/23	Monday	12:16:00	36.2	CE	18900	Sell	15:15:00	28.25	7.95	-124.05	
1073.1	20/06/23	Tuesday	9:16:00	39.4	PE	18700	Sell	15:15:00	15.2	24.2	-99.85	
1073.2	20/06/23	Tuesday	9:16:00	45.3	CE	18800	Sell	15:12:00	67.95	-22.65	-122.5	
1073.1	20/06/23	Tuesday	10:16:00	37.7	PE	18650	Sell	15:15:00	9.65	28.05	-94.45	
1073.2	20/06/23	Tuesday	10:16:00	42.95	CE	18750	Sell	15:04:00	85.9	-42.95	-137.4	
1073.1	20/06/23	Tuesday	11:16:00	32.45	PE	18650	Sell	15:15:00	9.65	22.8	-114.6	
1073.2	20/06/23	Tuesday	11:16:00	44.3	CE	18750	Sell	15:05:00	88.6	-44.3	-158.9	
1073.1	20/06/23	Tuesday	12:16:00	44.05	PE	18700	Sell	15:15:00	15.2	28.85	-130.05	
1073.2	20/06/23	Tuesday	12:16:00	31.65	CE	18800	Sell	15:09:00	63.3	-31.65	-161.7	
1074.1	21/06/23	Wednesday	9:16:00	39.85	PE	18800	Sell	15:15:00	17.3	22.55	-139.15	
1074.2	21/06/23	Wednesday	9:16:00	42.35	CE	18850	Sell	15:15:00	48.25	-5.9	-145.05	
1074.1	21/06/23	Wednesday	10:16:00	43.2	PE	18850	Sell	15:15:00	33.2	10	-135.05	
1074.2	21/06/23	Wednesday	10:16:00	34.1	CE	18900	Sell	15:15:00	24.9	9.2	-125.85	
1074.1	21/06/23	Wednesday	11:16:00	49.1	PE	18800	Sell	15:15:00	17.3	31.8	-94.05	
1074.2	21/06/23	Wednesday	11:16:00	50	CE	18800	Sell	15:15:00	82.45	-32.45	-126.5	
1074.1	21/06/23	Wednesday	12:16:00	35.8	PE	18800	Sell	15:15:00	17.3	18.5	-108	
1074.2	21/06/23	Wednesday	12:16:00	37.6	CE	18850	Sell	15:15:00	48.25	-10.65	-118.65	
										Total	16137.8	
										DD	603.8	
										Years	3.25	
										Yearly points	4965.477	
										Calmar	8.223711	

Though the overall profits got lowered compared to 11:16 a.m., the drawdown was significantly reduced by spreading each lot across all time frames.

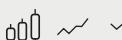
CONCLUSION

Timing the market is impossible even with rigorous backtesting. This is why a much more reliable way to trade is to spread your entries across different time periods. This multi time option trading approach capitalizes on various opportunities throughout the day.

Splitting your trades across different time periods also minimizes drawdown which leads to enhanced Calmar ratio compared to trading at a single time frame. This way, traders can reduce volatility and optimize risk-adjusted returns.



Backtested results



Indicators



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6.3

OPTION BUYING USING OPEN INTEREST



Strategy video

This chapter is for all the option buying enthusiasts out there. In this chapter, we are going to talk about buying options with the help of open interest. This is an intraday strategy which will be executed and exited in the early half of the market itself, so do read carefully.

INTRODUCTION



Options

Select Segment 31AUG2023

Select Expiry

Buy Sell Lot Qty.

Generally, options trading strategies involve either buying or selling option contracts. **Buying options** is considered to be amongst one of the riskiest jobs a trader can do.

The reward in option buying is unlimited on the upper side if the underlying asset moves in your favor. This chapter explores a tactical approach towards option buying which utilizes open interest to identify potential entry points.

However, before we talk about the strategy, let us get familiar with the terms like option buying and open interest.

Prob. of Profit	xx.xx%
Max. Profit	Unlimited
Max. Loss	(-xxx.xx%)
Max. RR Ratio	xx
Breakevens	XXXXXX.X
Total PNL	XXXXXX.X
Net Credit	x
Estimated Margin/Premium	+xxxx



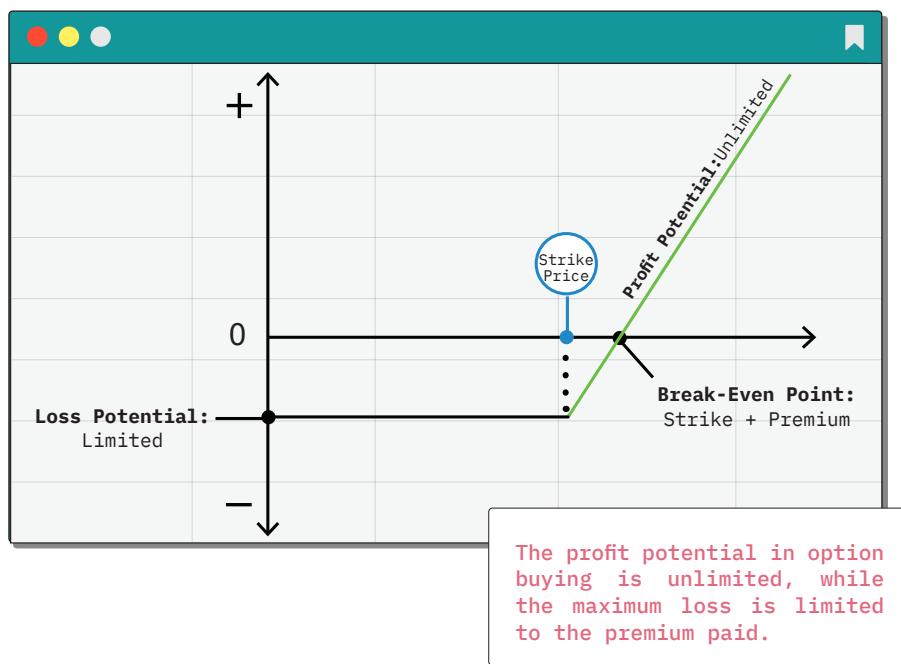
UNDERSTANDING OPTIONS BUYING

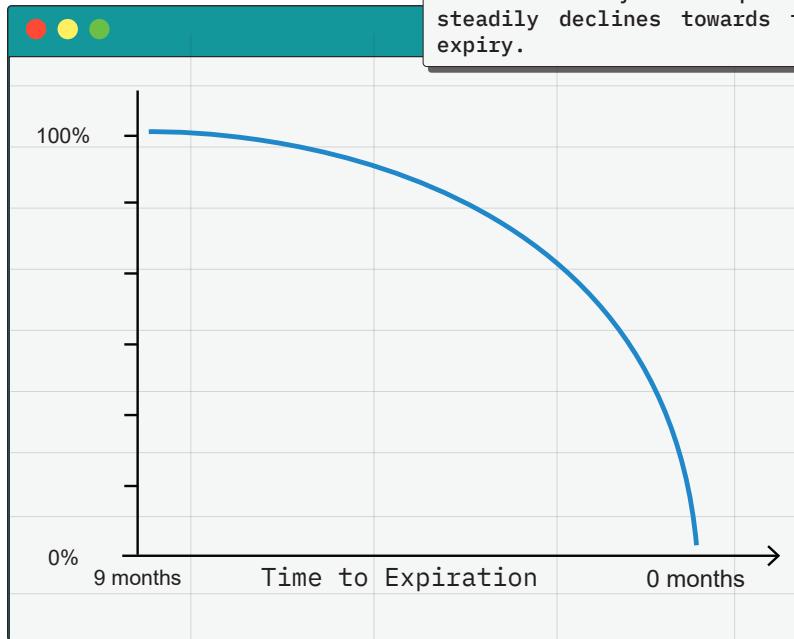
Option buying refers to the purchase of a call or a put option. Another term that traders use is “going long”. Traders purchase these contracts in order to speculate on the direction of an underlying asset which the option contract is covering.

“I am going long on Nifty 50 today!”



Call option contracts give its buyer the right to purchase the asset at the strike price before expiry while put option contracts give its buyer the right to sell the asset at the strike price before expiry. The prime advantage of option buying is the built-in leverage from controlling a large position by paying a smaller premium.





However, no matter how lucrative option buying may sound, options have time decay so the premium steadily declines towards the expiry.

This is why buying options generally has low odds of success unless properly timed and optimizing entry is very crucial.

Now that you are familiar with option buying, let us talk about the option chain.



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WHAT IS OPEN INTEREST?

Open interest (OI) is the measurement of the total number of outstanding option contracts in the market that are open i.e. the contracts which are not closed yet because of expiry, exercise or settlement. Option Chain or Open Interest shows the flow of money into option strikes.

OPTION CHAIN							OPTION GREEKS						
Chng	OI	Volume	CALLS		STRIKE	CHNG	PUTS			Volume	OI		
			ITM Prob.	IV			LTP	IV	ITM Prob.				
438	50967	739455	73.1	10.82	171.05	46	19200	-44.1	25.05	10.84	26.8	1494016	209564
747	56495	1042298	65.7	10.61	133.1	36.6	19250	-52.85	36.9	10.6	34.2	1350297	112550
1518	230743	3077032	57.7	10.4	99.4	26.55	19300	-62.05	53.2	10.38	42.2	2424382	256977
1516	119177	1469960	49.3	10.31	71.6	18.45	19350	-70.65	75.2	10.26	50.6	748279	70340
004	213045	1388269	41	10.23	49.25	11.05	19400	-78.25	103	10.2	58.9	558253	97918
1458	123800	733934	33.1	10.24	32.7	5.55	19450	-88.05	136.05	10.15	66.8	92153	24066
1414	271612	1073920	25.8	10.32	21.1	1.9	19500	-92.65	174.7	10.26	74.1	179663	75663

Source: Opstra.definedge.com

A rising open interest means that new contracts are being created on a certain strike price by an increase in the buying or selling of options. Declining open interest means that the existing contracts are being closed out or they are expiring. Traders monitor open interest as it reveals important derivative trading activity.

Let's dive into the main part now.

OPTION BUYING USING THE OPEN INTEREST

This intraday strategy involves the buying of options based on spikes in the open interest. In this strategy, we will be looking at the Nifty 50 option chain. You can find the option chain easily by visiting NSE'S (National Stock Exchange) website.

- We will analyze the Nifty 50 option chain at market open, somewhere around 9:20 a.m.
- Next, we have to look at the put and call option strikes with the highest open interest.
- The fundamental assumption here is that the high open interest strike prices act as the dynamic support and resistance levels.
- Because traders selling at those levels want to defend these strike prices.



Indicators



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Look at the image below.

Here, the 19,300 put option and the 19,500 call options have the highest open interest. Meaning, these strike prices will act as the dynamic support and resistance levels. We will only monitor these two strike prices now.

Source: www.nseindia.com/option-chain

OI	CHNG IN OI	VOLUME	CALLS					STRIKE	PUTS					IV	VOLUME	CHNG IN OI	OI				
			IV	LTP	CHNG	BID QTY	BID	ASK	ASK QTY	BID QTY	BID	ASK	ASK QTY	CHNG	LTP	IV	VOLUME	CHNG IN OI	OI		
14,601	-59	502	27.15	650.32	33.75	100	650.15	650.75	50	18,200.00	32,450	6.45	6.50	2,550	6.50	26.79	2,29,200	1,070	1,05,206		
5,646	16	230	23.77	610.56	30.50	600	605.50	610.60	100	18,750.00	3,600	6.85	6.90	9,000	6.85	25.36	1,21,276	3,087	47,789		
1,000	-10	1,000	25.00	610.56	31.65	100	610.50	610.75	50	18,750.00	3,600	7.45	7.40	7,800	7.45	24.05	1,21,276	3,087	47,789		
4,009	-251	803	23.89	610.56	30.50	510	605.50	611.70	50	18,200.00	3,750	6.45	6.50	10,900	6.50	26.52	1,070	45,150	45,150		
99,040	1,635	4,517	20.35	440.48	28.00	50	441.55	461.60	200	18,850.00	8,000	8.05	8.05	13,000	7.95	21.37	8,67,809	16,077	1,56,478		
1,143	-425	1,209	19.42	413.08	28.40	700	412.45	413.00	400	18,850.00	8,000	9.55	9.60	7,820	9.60	18.03	2,03,335	1,432	28,019		
33,012	2,203	26,140	17.85	344.68	26.55	700	364.55	365.00	000	19,000.00	6,500	10.75	10.80	10,650	10.55	10.82	4,09,958	8,502	1,95,707		
5,133	-572	4,482	16.12	314.98	25.05	50	314.40	314.95	100	19,000.00	50	12.40	12.40	12,150	4.70	12.40	17.05	2,97,945	1,646	63,123	
20,499	-2,034	40,563	15.28	266.38	24.20	900	266.25	266.30	2,150	19,150.00	5,900	14.60	14.65	5,000	14.60	14.62	5,07,005	4,041	1,50,422		
14,571	271	44,237	14.17	219.95	22.95	1,200	219.00	220.25	2,000	19,150.00	4,600	17.85	17.80	3,050	8.50	17.80	14.58	4,75,900	3,746	74,635	
56,312	-707	2,81,999	13.32	178.68	18.85	1,250	178.55	179.90	50	19,200.00	9,900	23.25	23.35	7,800	-11.30	23.35	13.34	9,49,950	1,038	1,69,813	
35,979	-35	2,92,994	12.49	124.48	16.65	1,000	124.50	124.95	350	19,250.00	6,400	31.05	31.15	3,050	-15.80	31.15	12.66	7,77,811	33,104	93,110	
1,86,622	3,054	15,25,597	11.70	72,83	11.90	1,450	97.90	97.85	500	19,250.00	4,400	45.25	45.35	4,500	-19.55	45.25	12.14	19,67,722	57,379	2,45,609	
2,30,216	-50	2,30,216	11.60	68,00	7.00	1,000	67.95	68.00	500	19,250.00	4,400	45.25	45.35	2,500	-27.50	45.25	12.14	19,67,722	57,379	2,45,609	
2,30,216	-50	2,30,216	11.21	77.79	1.80	1,000	77.80	78.00	200	19,250.00	4,400	45.25	45.35	1,000	-29.00	45.25	12.14	19,67,722	57,379	2,45,609	
10,031	28,229	10,03,695	11.18	12,83	1.85	2,000	22.65	22.60	3,050	19,350.00	750	12,27.5	12,29.0	50	-30.00	12,27.25	11.47	2,05,187	12,613	15,000	
2,38,113	5,504	14,46,603	11.27	15.90	0.40	8,300	15.85	15.85	8,250	19,350.00	50	16.90	16.90	20,20	50	32.25	16,21.10	11.58	3,45,515	18,542	28,194
90,231	-16,089	6,02,406	11.40	9.03	-	1,700	9.05	9.10	150	19,350.00	1,400	20,20	20,25	700	-31.35	20,20.00	11.89	4,30,305	1,9/	2,929	
12,097	16,717	6,86,029	12.03	6.05	0.10	24,700	6.05	6.10	20,250	19,400.00	50	23,90	23,75	600	-30.50	23,85.25	12.34	4,010	2,035	4,959	
44,081	13,396	3,27,393	19.79	4.25	0.10	6,750	4.25	4.30	27,664	19,650.00	700	30,170	30,180	50	-32.25	30,17.00	14.01	5,048	148	745	
90,232	7,700	9,66,243	13.09	2.23	0.25	44,900	3.25	3.30	59,000	19,200.00	1,750	350,00	351,40	1,200	-20.45	351,10	15.25	7,040	1,199	1,034	
38,419	13,595	1,75,843	14.77	2.75	0.35	39,600	2.75	2.75	19,750.00	50	98.35	99.40	50	-36.35	39,20.25	12.68	654	78	133		
78,124	13,014	2,23,317	15.79	2.35	0.50	2,200	2.35	2.40	83,200	19,800.00	50	448.70	449.30	100	-33.25	450.00	17.88	1,410	167	1,066	
17,201	-7,402	8,5646	17.01	2.10	0.50	23,300	2.05	2.10	39,100	19,850.00	700	498.55	499.00	600	-39.20	499.00	18.41	69	15	49	
31,455	18,146	1,44,294	18.73	1.95	0.50	88,600	1.95	1.95	44,550	19,900.00	650	548.50	550.55	100	-24.20	548.00	21.16	147	44	198	

The premium prices of both of the option contracts at 9:20 a.m. are Rs. 45 for the 19300 put option and Rs. 15 for the 19,500 call option respectively.

In this strategy, we will look for a breakout. Meaning, we will look for a 10% increase in any of the above premiums. So, if the 19,300 put option rises to Rs.50 or the 19,500 call option rises to Rs.16.50, we will buy that option contract. The reason behind this is that an upside momentum in this option signals a potential rush amongst the short sellers to cover their positions.

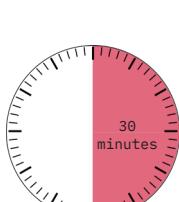
SL - 20% of entry premium

Our stoploss will be at the 20% of the entry premium. For example, for a 19,300 put option of Rs.50, the stoploss will be Rs.10.

We will cover positions in profit when the trade has given us a risk to reward ratio of 1:2. Meaning, if we are risking Rs. 10, the aim will be to earn Rs.20.

Risk Rewards Ratio - 1:2

Another thing to remember is that the holding period will be for 30 minutes only. As the markets are volatile early morning, we will execute and cover our trades within 30 minutes. So, there are 3 defined exits in this strategy – Stoploss, target or time-based exit in 30 minutes.





BENEFITS OF THE OPEN INTEREST STRATEGY

Capitalizes on high OI strike levels that are acting as the dynamic support/resistance.

Potential profit by capturing the explosive moves on both of the sides.

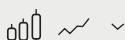
Identifies momentum based on breakout signals.

Sets a stoploss to limit potential loss on purchased options.

30 minutes holding period in order to capture rapid swings.

By targeting option contracts that are surging OI and entering on the breakouts, you can benefit from the swift directional moves of the underlying asset.





Indicators



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CONCLUSION



Option buying is inherently risky because it is quite volatile and beginners should observe the premiums before taking actual trades.

This trading strategy aims to maximize rewards while defining risks through stoploss and time-based exit. This way, you can identify highly traded options through OI and enter on breakouts that signal momentum.



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6.4

SUPERTREND SELLING



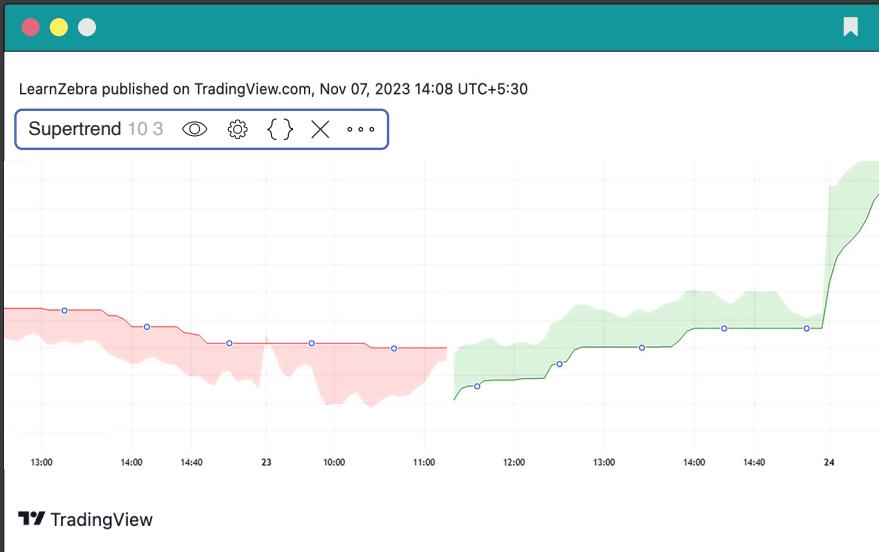
Strategy video

This chapter talks about an intraday option selling strategy. In this strategy, we will be using a very well-known technical indicator named Supertrend.

This strategy is so simple to execute that even a 10-year-old kid can do it after reading this chapter. So, play close attention.

INTRODUCTION

Technical indicators are known to transform raw price data into actual trading signals. They do this by analyzing the previous price points and identifying the repetitive nature of the market.



The indicator which we will be using today, Supertrend, is a popular overlay tool that gauges the market direction and momentum.

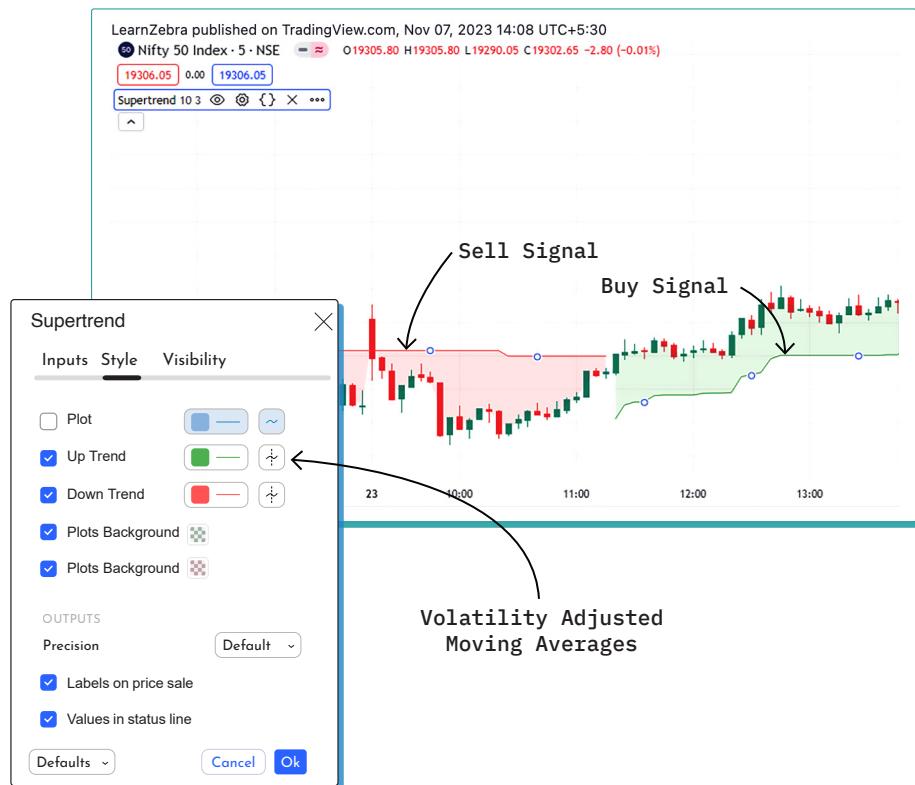
Firstly, we will talk about the Supertrend in detail. We will talk about its calculation methodology, historical background and then we will talk about intraday options trading strategy based on Supertrend signals.

So let's get into it.



WHAT IS THE SUPERTREND?

The Supertrend technical indicator **was developed in the 1990's to generate automated buy and sell signals by using the volatility adjusted moving averages**. The Supertrend plots dynamic bands around prices that expand when the price is in an uptrend and shrinks when the price is in a downtrend based on the market volatility.



The SuperTrend indicator is calculated as follows –

Supertrend Line = $\frac{\text{High} + \text{Low}}{2} + \text{Multiplier} \times \text{ATR}$

If you are thinking about what ATR is then let me tell you



John Welles Wilder Jr.

ATR or Average True Range is another technical indicator developed by J. Welles Wilder that measures market volatility by calculating the average range of an asset over a specified time period.

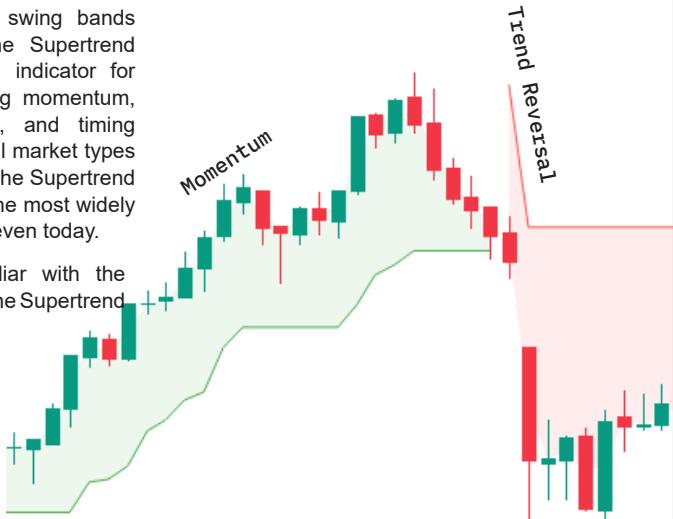
ATR 14 RMA

Moving on, the Average True Range is a volatility measure and the multiplier is typically set **between 3-10 periods based on the timeframe**.

Traders take a bullish trade when the price closes above the Supertrend line and the indicator turns **green indicating an emerging uptrend**. Conversely, traders take a bearish trade when the price closes below the Supertrend line and the **indicator turns red indicating an emerging downtrend**. The bands of the indicator automatically adjust to the changing market conditions.

This simplicity of visual swing bands around prices makes the Supertrend a very popular technical indicator for identifying trends, gauging momentum, spotting trend reversals, and timing entries and exits across all market types and trading time frames. The Supertrend indicator remains one of the most widely used technical indicators even today.

Now that you are familiar with the indicator, let us talk about the Supertrend Options Strategy.



THE SUPERTREND OPTIONS STRATEGY

Indicators, Metrics & Strategies

My scripts

Technicals

Financials

Community Scripts

TECHNICALS

Supertrend

Supertrend Strategy

Community Script

Supertrend

First of all, plot the Supertrend indicator on your price chart. You can easily find this indicator on any charting software. Next, use the chart of Bank Nifty for analysis but we will be taking trades in its option contracts.

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

NIFTY BANK • 5 • NSE O 45280.60 H 45304.15 L 45270.50 C 45283.55 +3.20 (+0.01%)

45301.45 0.00 45301.45

Supertrend 7 3 45149.78 ⚡





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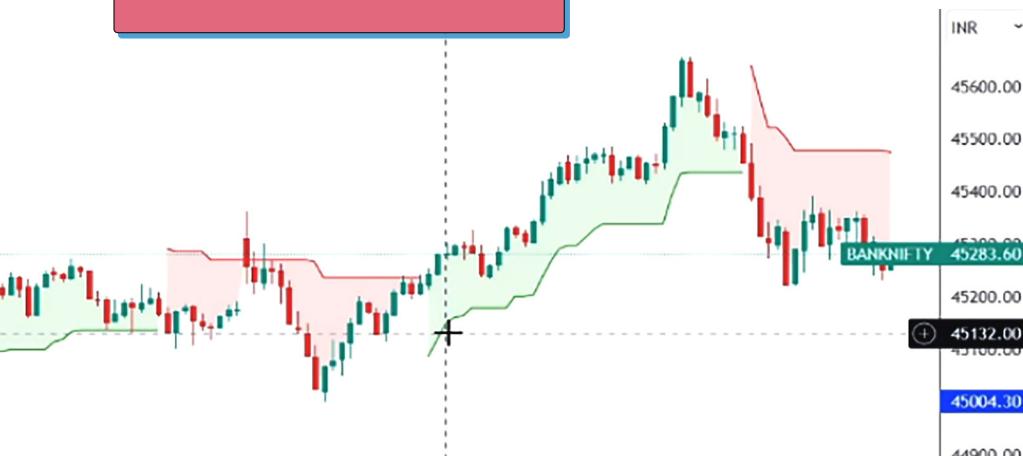
This intraday strategy applies the Supertrend indicator on a 5-minute Bank Nifty chart for selling the ATM call and puts options of Bank Nifty based on the directional signals generated by the Supertrend indicator.

Let's take a look at one example.

As you can see on the chart, at the 9:20 a.m. the price is above the Supertrend indicator and it is also green - this indicates an emerging uptrend.

At this point, we will sell an at the money put option of the weekly expiry. Notice that we are selling options instead of buying to take advantage of the Theta decay. Meaning, we are going to profit unless the price goes against our direction extremely fast.

We will cover our the option whenever the Supertrend changes its color into red. This provides with another trading opportunity and we can sell an at the money call at this level as shown in the above image.



We will continue to take trades in this manner. Meaning, we will continue to sell ATM calls and puts whenever the Supertrend indicator changes its colors. This systematic alternating of calls and puts will continue till 3:15 p.m. We will stop trading after 3:15 p.m.

Look how easy this strategy is. The dynamic bands of the Supertrend indicator acts as the exit trigger instead of rigid stoplosses.

Now, I will show you the backtested results of this strategy.

BACK-TESTING RESULTS

I have gathered the backtesting results of this strategy by compiling across over 6 years of historical data to validate its effectiveness.
Below image shows the results.

A	B	C	D	E	F	G	H	I	J	K	L	M
1	Entry_Time	Entry_Value	File	Exit_Time	Exit_Pnl	Cum_Pnl	Drawn	Winning	Profit when Win	Loss	Loss when Lose	No of Cns Wi
3549 3547	19/12/22 13:56	473.55		16/12/22 15:25	467.78	3503.55	2515	1	15.75	0	0	3125
3550 3548	19/12/22 13:55	392.0		19/12/22 10:10	31.25	3552.73	-45.25	0	0	0	0	3125
3551 3549	19/12/22 13:55	347.4		19/12/22 12:45	334.3	35565.4	-43.3	0	0	0	0	3125
3552 3550	19/12/22 13:45	440.65		19/12/22 14:15	480.5	3525.55	-39.85	0	0	0	0	3125
3553 3551	19/12/22 14:15	349.05		19/12/22 15:25	291.1	35283.6	-45.1	1	58.05	0	0	3125
3554 3552	20/12/22 09:15	400.8		20/12/22 12:20	331.3	35353.1	0	1	69.5	0	0	3125
3555 3553	20/12/22 12:20	333.1		20/12/22 15:25	207.1	35479.2	0	0	1	126.1	0	3125
3556 3554	21/12/22 09:15	303.4		21/12/22 10:20	420.15	35179.2	-121.75	0	0	0	0	3125
3557 3555	21/12/22 10:20	418.25		21/12/22 15:25	214.2	35527.45	214.2	0	0	0	0	3125
3558 3556	22/12/22 09:15	447.4		22/12/22 13:55	193.05	35527.45	0	1	193.05	0	0	3125
3559 3557	22/12/22 13:55	352.25		22/12/22 14:45	385.85	35764.7	-37.6	0	0	0	0	3125
3560 3558	22/12/22 14:45	396.75		22/12/22 15:25	339.95	35772.11	-37.6	0	0	0	0	3125
3561 3559	23/12/22 09:15	404.1		23/12/22 15:25	165.25	35018.75	36018.75	0	0	0	0	3125
3562 3560	26/12/22 09:15	308.95		26/12/22 15:20	374.8	35852.9	-65.85	0	0	0	0	3125
3563 3561	26/12/22 09:20	301.17		26/12/22 15:25	501.55	36163.16	0	1	210.7	0	0	3125
3564 3562	27/12/22 09:15	276.1		27/12/22 09:30	275.45	36938.15	-225.45	0	0	0	0	3125
3565 3563	27/12/22 09:30	316.95		27/12/22 13:45	338.45	35916.65	-246.45	0	0	0	0	3125
3566 3564	27/12/22 13:45	222.05		27/12/22 15:25	121.8	36016.65	-246.45	0	0	0	0	3125
3567 3565	28/12/22 09:15	229.2		28/12/22 13:05	182.65	36063.45	-16.67	1	100.25	0	0	3125
3568 3566	28/12/22 13:05	170.55		28/12/22 15:25	130.07	36127.7	36.6	1	46.55	0	0	3125
3569 3567	29/12/22 09:15	134.9		29/12/22 11:50	132.25	36127.7	0	0	63.55	0	0	3125
3570 3568	29/12/22 11:50	111.45		29/12/22 15:25	0.05	36236.05	-36.95	0	0	1	2.35	3125
3571						0.05	111.4	0	0	111.4	0	0
3572						0.05	116.25	29006.25	10%	0	0	0
3573						Total	6039.341667	150964	103%			
3574						Calmr	5.205207211					
3575						Winning %		53%				
3576						Loss %		47%				
3577						Success Ratio		1.13				
3578												

CAGR from 2002 to 2022 - 34.84%
Disclaimer: This figure does not take into account all the costs and taxes.

As you can see in the above image, the results show an average annual return of approximately 6,000 points over this period with a maximum drawdown of 1,160 points. This results in an exceptionally high risk-adjusted Calmar ratio of 5.25%. The Calmar ratio is nothing but a sum of division of average annual profit by absolute maximum drawdown. In simple words, Calmar ratio shows the potential points you can earn by risking 1 point. Meaning, in this strategy, you can earn Rs. 5.2 for every Rs. 1 you risk. In addition, the strategy has achieved a success ratio of 1.13 which means that it had 1.13% more winning trades than losing trades. Even the risk is contained by the adaptive SuperTrend bands despite no fixed stops.



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BENEFITS OF SUPERTREND OPTIONS STRATEGY

Provides objective and rule-based entry/exit signals.

Captures Theta decay of sold options during directional moves.

Impressive historical risk-adjusted returns.

Bands automatically adjust to changing volatility.

CONCLUSION

In summary, Supertrend's versatility is the main factor behind its popularity. *The Supertrend indicator filters out the noise from the charts effectively and provides traders with clear entry and exit signals.*

The above strategy tells how even a basic indicator when applied in a rule based framework can produce impressive profits over time.



Backtested results



6.5

COMBINED OPTION + VWAP



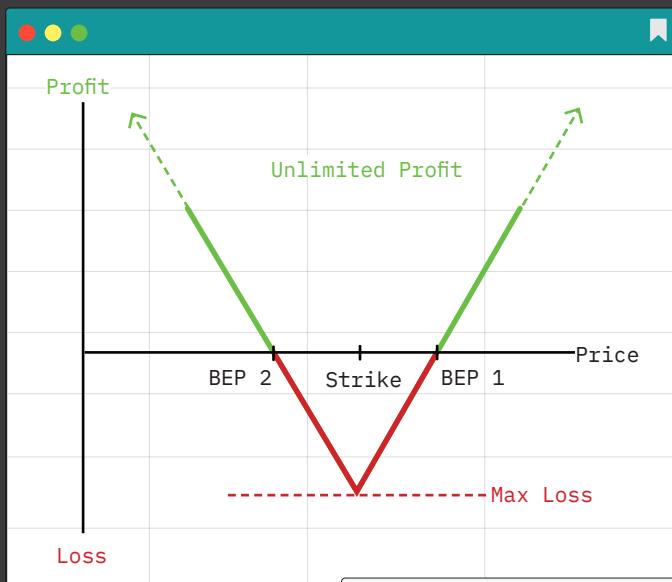
Strategy video

This strategy talks about another intraday options selling strategy. This strategy is again very simple to execute yet very effective in terms of results. *If you are someone who doesn't like to analyze the market much then this strategy is for you.*

Read along as we go through the Combined Option with VWAP strategy.

INTRODUCTION

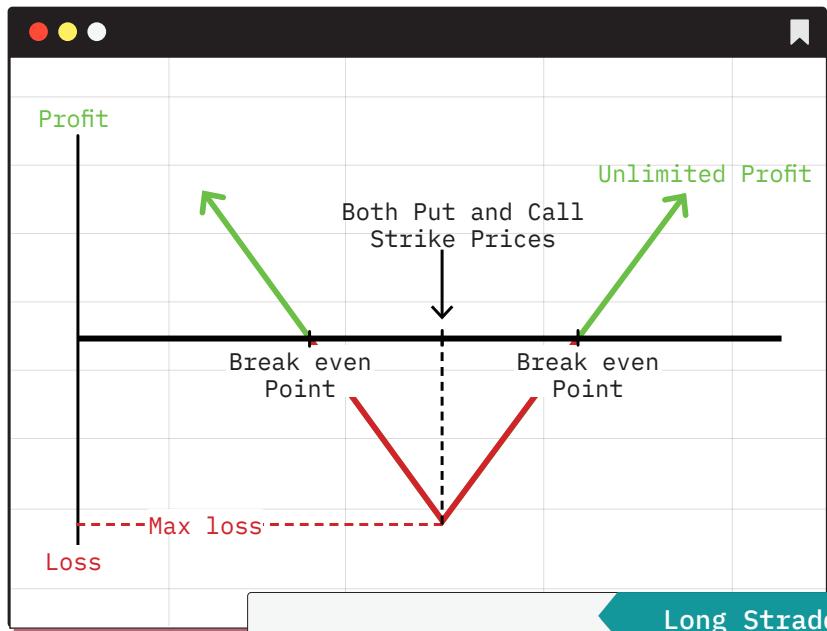
Options strategies that involve both call and put option contracts can limit the risks through hedging.



Buying both a call option and a put option is called a long straddle. In this approach, a trader buys a call and a put option of the same underlying asset with identical strike prices. While selling a straddle requires a trader to sell a call and a put option of the same underlying asset with identical strike prices.

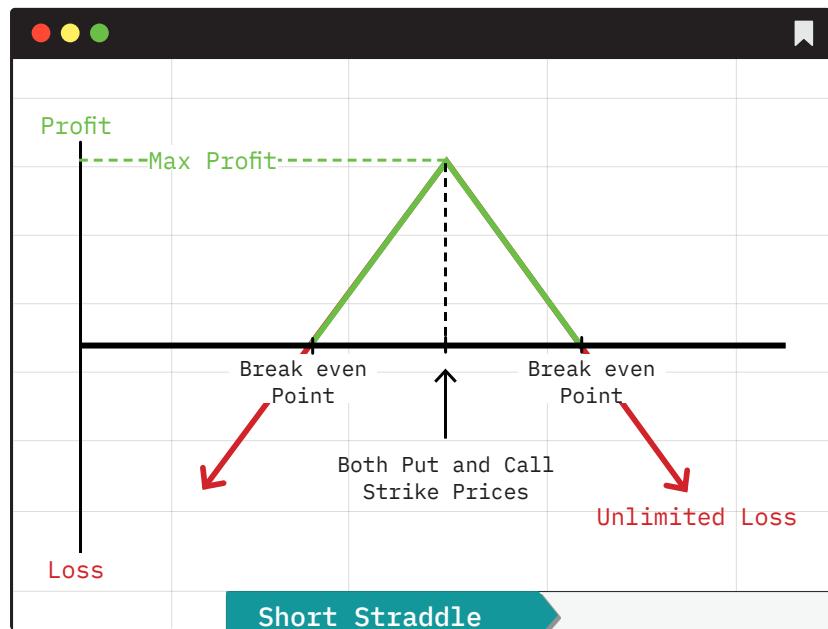
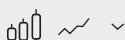
Selling a straddle can be a good way to earn regular income but it requires expertise and good risk management. This chapter explains straddles and the VWAP indicator before discussing a tactical strategy for selling intraday straddles using VWAP.

WHAT IS A STRADDLE?



Long Straddle

A long straddle is a directionally neutral strategy in which a call and a put option of the same strike price are bought. A trader aims to profit from the high volatility in either direction while buying a long straddle. This strategy is mainly deployed during the times of big events like Budget, election results, etc. The maximum loss while buying a long straddle is limited to the premium paid. A trader will only incur loss if the underlying asset goes sideways or stays near the strike price.



Short Straddle

A short straddle involves simultaneously selling of a call and a put option contract of the same strike price. A short straddle is a more commonly used options selling strategy as it is mainly used for collecting premium income during the times of a sideways market. The risk here is unlimited if the underlying asset moves sharply in either direction. This is why experience and skills are necessary for a trader to manage risk while selling a short straddle.

Now once you are familiar with straddles, let us talk about the VWAP indicator.



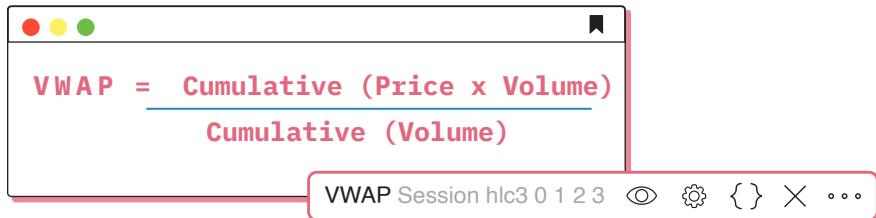
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WHAT IS VWAP?

VWAP or the Volume Weighted Average Price is an indicator that reflects the average price of an asset based on volume. The VWAP is calculated as



The VWAP indicator values historical volume transacted at each price level. It acts as reference for fair value of the asset based on volume profile.

VWAP also serves as the dynamic support and resistance and helps identify institutional inflows and outflows of cash. It is a key indicator used by big traders for timing entries and exits.

Let us talk about how to sell a straddle using VWAP now.



Indicators



Alert

Replay



THE VWAP STRADDLE STRATEGY

The Black line on the above image represents the combined value of a At-The-Money straddle of Bank Nifty and the red line represents the VWAP.

In this strategy, we are going to **sell an At-The-Money straddle of the Bank Nifty at the open** and **use VWAP as a tool to manage our risks**. We are going to use a 5-minute chart and as you can see in the image above, the combined straddle premium is plotted on the 5-minute chart.





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The VMAP stoploss limits the damage in the case of breakout or spikes in the volatility. Look at the image below.



This approach saves us from taking a trade when the markets are super volatile. Notice that at the time of volatility, the combined value of premiums are nowhere near the VWAP and thus, the entry is not triggered.



Provides a way for trades to earn a steady income from time decay.

This strategy performs well during range bound/sideways market.

It benefits from the non-directional grinding price action.

Defined and limited risk as VWAP acts as a dynamic stoploss level.

It deploys simple rules and a systematic framework for consistent success.

BENEFITS OF THE COMBINED OPTIONS WITH VWAP STRATEGY

The core advantage of this strategy is the structured implementation of short straddles using VWAP for managing risk. This approach allows a trade to maximize his/her profits from option time decay in suitable market conditions while limiting losses during adverse market moves.





Indicators



Alert

Replay



CONCLUSION

In summary, this strategy offers a straightforward yet effective approach for newbie traders seeking steady income from option selling while managing risks in the market.

This strategy performs well in range-bound and sideways markets, benefiting from the non-directional grinding price action. With limited risk and the advantage of the time decay, this systematic approach towards options trading allows you to capitalize on suitable market conditions with VWAP while safeguarding against adverse movements.



Backtested results



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6.6

MOMENTUM BUYING OPTION



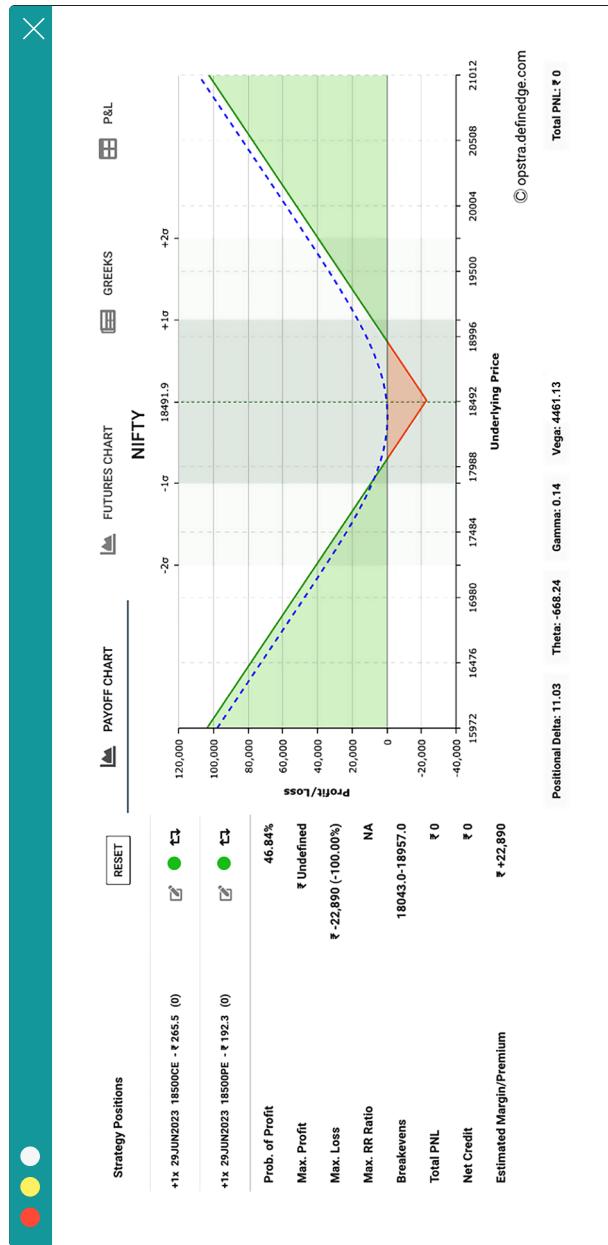
Strategy video

Trading big events require experience in the market. It is not easy to get a sense of how the market will behave ahead of any major political event. Ahead of such days, traders stay cautious and trade with less quantity because large whipsaws can hit stoploss and sometimes, with a lack of stoplosses the whole capital can be blown. Anyone can read charts and analyze the market, but not everybody can handle their running trades.





From the below example, it is clear that we are prepared for the next trading session that holds a major event by buying both ATM call and put options of the same expiry. The profit with this strategy is unlimited. However, when there is a one-sided explosive move in the market, the stoploss of the other side option is hit. If the market does not move anywhere or moves but ends up staying near the strike price at the time of expiry, the value of both the options will deteriorate and it can even become zero leading to losses.



The maximum loss in a long straddle strategy is the premium paid. In the above example, if the market stays near the strike price, traders will incur a loss of Rs. 22,890 (premium paid for call and put options multiplied by lot size). Let's do some maths. The 29th June 2023 18500CE closed at Rs. 265.5 and the 29th June 2023 18,500PE closed at [192.3].

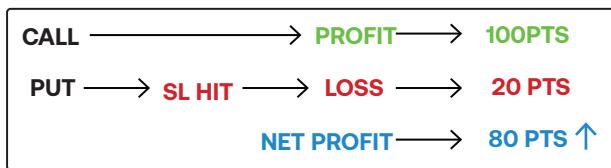


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If the event favours the stock market investors, there will be a sudden surge in the market leading to an increase in the call options premium. Traders will profit on the call option but the put option would lose value. To reduce a huge risk, traders can place a stoploss. The stoploss on the put option will hit. If the profit on call options is 100 points and the loss on the put option is 20 points, $100-20=80$ - the net profit of the trader would be 80 points.



As the days passes by, the strategy becomes more prominent. It is a universal fact that when something becomes too popular, it loses its exclusivity. Nearly every second trader deploys this strategy during event days. For smart traders, it is easy to spot this strategy through option chain data.

THE FLAWED TRADITIONAL APPROACH

Let us delve deep into the concept of long straddle strategy and see how it gives discouraging results. Traders would typically execute this strategy by purchasing At-the-Money call and put options based on the spot prices at 9:30 in the morning. The approach seemed straightforward: set stoploss and target levels for each position and wait for the trade to either hit the stoploss, reach the target, or exit at 3:15 p.m. However, as we analyze the historical performance of this strategy over the past 6 years, a discouraging reality emerges. The cumulative curve reveals consistent losses, totalling a significant negative figure of 1.6 lakhs.

The traditional long straddle strategy, which involved buying both the call and put options, proved to be a suboptimal approach. Despite occasionally profitable trades, the overall results were unfavourable. This prompted the need for a new and improved strategy that could potentially reverse the losses and provide consistent profitability.



Indicators



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RECOGNIZING THE NEED FOR CHANGE: INTRODUCING MOMENTUM

Realizing the inherent limitations of the traditional strategy, I sought to enhance its profitability by incorporating momentum as a key parameter.

Rather than executing trades immediately at 9:30, we introduce a momentum-based approach.



The revised strategy entails waiting for momentum to materialize before entering trades. This adjustment acknowledges the importance of momentum in option buying, as it indicates a strong price movement that can potentially lead to profitable outcomes.

To implement the momentum strategy effectively, traders need to identify and quantify the desired level of momentum required for trade entry.



For example, if the call price at 9:30 is ₹100, traders would wait for the price to increase by 15% (reaching ₹115) before initiating the trade. Similarly, for the put option priced at ₹120, a 15% increase (reaching ₹138) would serve as the trigger for entry.



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This approach ensures that trades are executed only when there is significant momentum in the selected option, increasing the likelihood of favourable outcomes.

INTEGRATING MOMENTUM FOR IMPROVED RESULTS

Once the entry point is confirmed based on the momentum threshold, we maintain the 25% stoploss and a 100% target, both calculated from the entry price. The stoploss helps limit potential losses if the trade moves against expectations, while the target aims to capture a substantial profit if the trade turns favorable.



One of the key advantages of the momentum strategy is its **ability to filter out potentially unprofitable trades**. It allows for skipping trades that lack favourable momentum, ensuring a more selective approach. By waiting for the right momentum conditions to align with the desired entry points, traders increase their chances of entering trades with a higher probability of success.

For instance, let's consider the trading day of April 24th, 2017. Under the momentum strategy, traders would have entered only the call option trade, as it exhibited the required momentum, resulting in a profit of 2181.

Momentum strategy

B NIFTY 24 Apr 2017 xxxxx CE

79.1

2181

0

2181

QTY 50 AVG 82.1



Indicators



Alert

Replay



ZEBRA LEARN



Conversely, the traditional strategy would have executed trades for both the call and put options, leading to a lower overall profit of 1215.

Traditional strategy

<input checked="" type="checkbox"/>	B	NIFTY 24 Apr 2017 xxxxx CE	79.1	1215	0	1215	
QTY 50	AVG 82.1						

This example showcases the efficiency and improved performance of the momentum-based approach.

EVALUATING RESULTS: A SHIFT TOWARDS PROFITABILITY



To assess the efficacy of the momentum strategy, we analyze its performance over the past 6 years. The results are promising, with the strategy generating approximately ₹3.5 lakhs on a single lot, averaging around ₹58,000 per year. However, it is important to consider potential costs such as brokerage fees and government taxes.



Backtested results

6.7

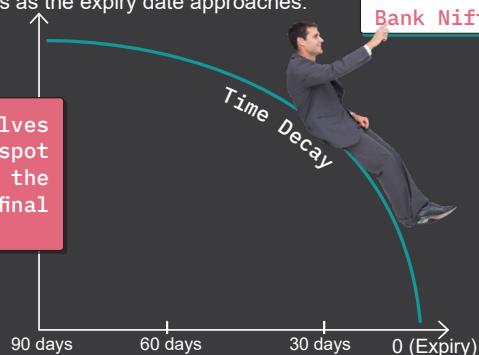
THE EXPIRY DECAY STRATEGY



Strategy video

In this chapter, we will explore a strategy called the **Expiry Decay Strategy**, which focuses on utilizing the premium decay of options as the expiry date approaches.

This strategy specifically involves the use of the Bank Nifty spot and aims to take advantage of the faster premium decay in the final days before expiry.



We will discuss the entry and exit points, risk management measures, and analyze the historical performance of this strategy.

FINDING THE BANK NIFTY SPOT

To initiate the Expiry Decay Strategy, we begin by identifying the Bank Nifty spot value.



This is typically done around 10:00 a.m. when the initial volatility has settled. We choose to implement this strategy 2 days prior to the expiry date, which usually falls on a Thursday.



FINDING THE BANK NIFTY SPOT

Once we have the Bank Nifty spot value, we round it off and select one Out-of-the-Money (OTM) call option and one OTM put option to sell.

For instance, if the spot value is 41,181, we round it to 41,200.

41,181

41,200

Rounded off

BANKNIFTY 41,300 CE

Therefore, we would look for a Bank Nifty 41,300 call (100 points OTM) and a Bank Nifty 41,100 put (100 points OTM).

BANKNIFTY 41,100 PE

Choosing OTM options reduces risk compared to the At-the-Money (ATM) options because OTM options decay faster than ATM options.

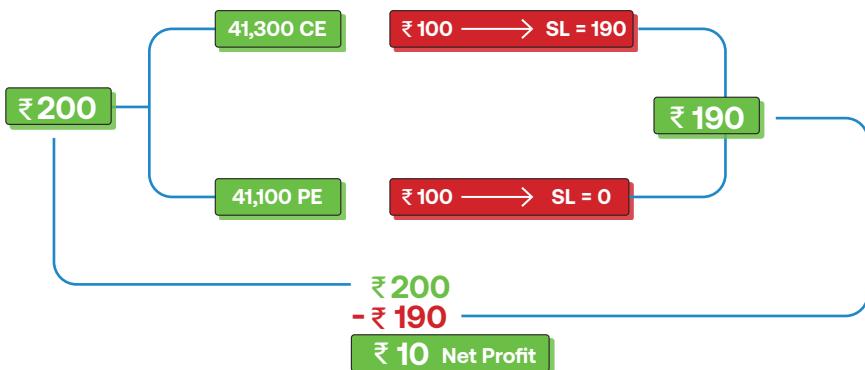
POSITIONAL SELLING AND STOPLOSS

This strategy involves selling one lot of OTM call and one lot of OTM put. It is important to note that this is a partially hedged system.



Simply put, a single-directional move can result in significant losses. To mitigate this risk, an initial stoploss is set at 90% of the premium for each leg.

For example, if the premium is ₹100, the initial stoploss would be ₹90 (Sell price- ₹100, Stoploss- ₹190). This ensures that even if the stoploss is triggered, the overall strategy remains profitable due to the initial premium received.

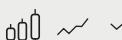


EXIT STRATEGY



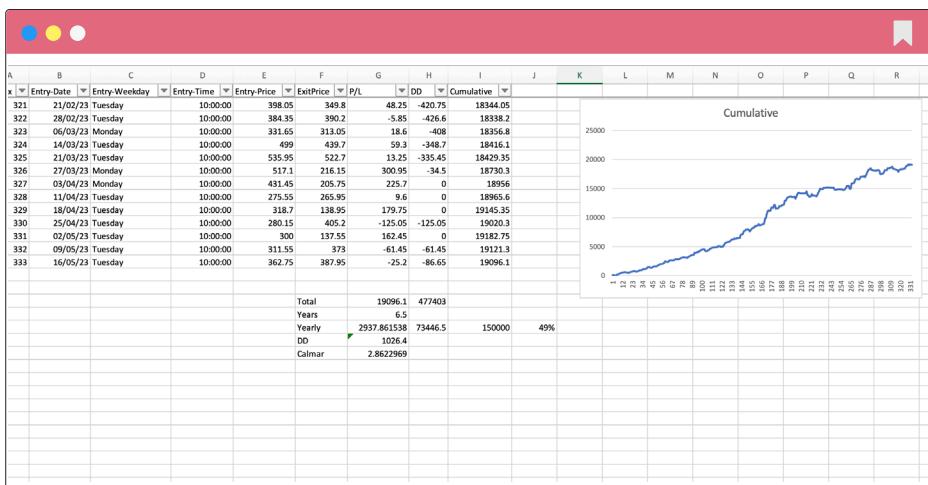
The Expiry Decay Strategy is designed to be held until the expiry day. However, it is recommended to exit the strategy at 9:55 a.m. on the expiry day instead of waiting for the expiry time. This decision is based on the observation that although there is rapid premium decay on the expiry day, there can also be high Gamma moves that pose a risk.

By exiting at 9:55 a.m., we can still benefit from the initial premium decay while avoiding potential adverse Gamma moves. Typically, the exit price will not reach zero, but rather a small amount, such as ₹15, resulting in a break-even or near-break-even outcome for the week.



HISTORICAL PERFORMANCE

To assess the effectiveness of the Expiry Decay Strategy, we examine historical results from 2017, when weekly options were introduced for Bank Nifty. The results demonstrate a total profit of approximately 19,000 points over a 6-year period, without considering costs or brokerage fees. Multiplying this by 25 (assuming a quantity of 25 for all trades) yields a profit of around ₹7, 00,000. This translates to an annual Return on Investment (ROI) of 2900 points or ₹73,000, considering the required margin of approximately ₹1, 50,000 to initiate the strategy.



It is important to note that 2020 experienced a significant drawdown of almost 1000 points due to high volatility and substantial market movements. Therefore, it is advisable to skip trades during periods of excessively high VIX to reduce the drawdown and improve the overall performance of the strategy.

CONCLUSION

The Expiry Decay Strategy presents an opportunity to capitalize on the rapid premium decay of options as the expiry date approaches by strategically selling OTM.



Backtested results



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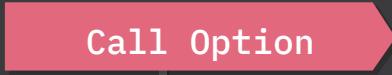
6.8

THE COMBINED STOPLOSS STRATEGY: A UNIQUE APPROACH TO OPTIONS TRADING

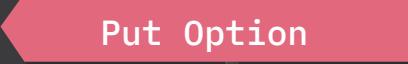


Strategy video

In the world of options trading, understanding the relationship between call and put options is essential. The fact that calls and puts move in opposite directions presents an intriguing opportunity for traders. In this chapter, *we will explore a strategy that capitalizes on this relationship to potentially generate profitable outcomes. By employing a combined stoploss technique, we aim to maximize gains while minimizing risks.*

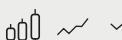


Call Option



Put Option





T



STRATEGY OVERVIEW

The strategy centres around selling out-of-the-money (OTM) call and put options. **This approach mitigates some of the inherent risks associated with at-the-money (ATM) options.** Initiating the strategy at 9:30 a.m., we sell the OTM call and put options simultaneously. To protect the position, we set a combined stoploss of 40 points.

Options 28SEP2023 19800 CE
Select Segment Select Expiry Select Option Strike Select Option Type
Buy Sell Lot Qty: 1 Option Price: 78.4 Option IV: 8.96 ADD POSITION

Options 28SEP2023 19800 PE
Select Segment Select Expiry Select Option Strike Select Option Type
Buy Sell Lot Qty: 1 Option Price: 361.85 Option IV: 8.71 ADD POSITION

Combined SL - 40

ADD POSITION

EXECUTION AND EXIT

Upon selling the call and put options, we calculate the total premium received.

Estimated Margin / Premium ₹100

For instance, if the call and put options each provide a premium of 100 points, the total premium collected amounts to 200 points. We will exit the trade only when the combined premium reaches 240 points. This exit rule ensures that we capture profits during significant directional moves in the market. We hold the position until 3:15 p.m., adhering to our planned exit time.

240
Enter Exit Price
CLOSE MODIFY

3 : 15 PM



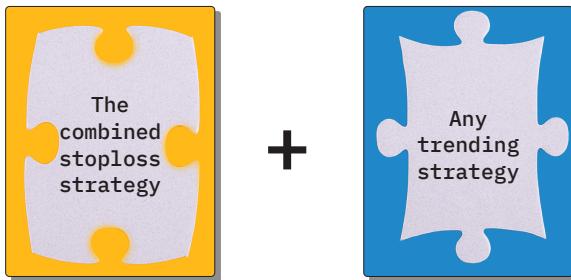
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COMBINING STRATEGIES

To enhance the trading portfolio, this strategy can be used in conjunction with another trending strategy. By employing both strategies simultaneously, we can take advantage of trending market conditions. In case the combined stoploss is triggered, indicating a favourable trending move, the other strategy may still yield profits.



RESULTS AND ANALYSIS

Examining the historical performance of this strategy over the past 6 years reveals some noteworthy insights. During this period, the strategy produced an impressive gross profit of 33,000 points.

Gross Profit - 33,000 points (2017-2023)

However, it is essential to note **that these figures do not consider costs such as brokerage fees and taxes**. The annualized profit amounts to approximately 2,200 points. **A notable drawdown of 1,400 points occurred during the 2020 market crash, emphasizing the need to exercise caution during exceptional market events.**

Annualized Profit - 2200 points





RISK MANAGEMENT CONSIDERATIONS ▼

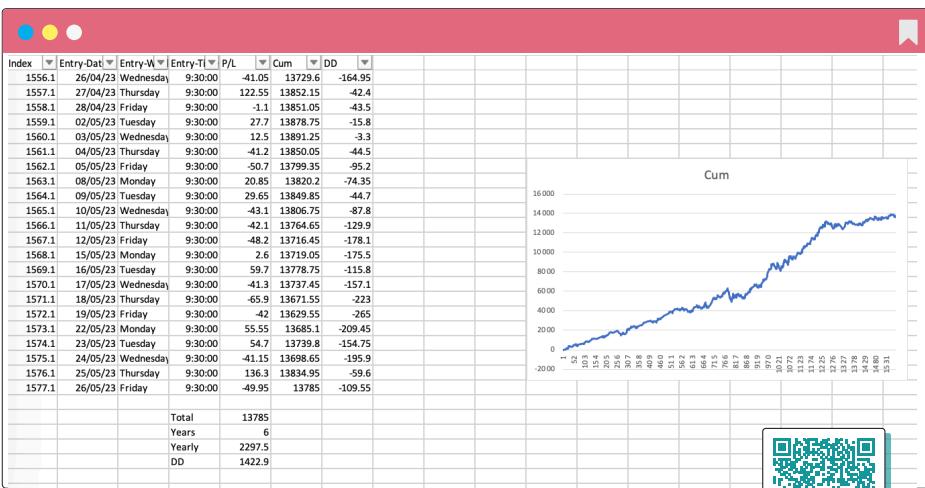
It is crucial to exercise caution during periods of high market volatility, as indicated by elevated VIX levels. When the VIX is exceptionally high, it is advisable to refrain from implementing options selling strategies, including this one. By adhering to this risk management principle, you can potentially reduce drawdowns and safeguard your portfolios.

India VIX

🚫 Option Selling

CONCLUSION

The combined Stoploss strategy offers you a unique approach to options trading by capitalizing on the inverse relationship between call and put options. By employing a combined stoploss and carefully selecting OTM options, this strategy aims to capture profitable moves in the market. It is important to consider risk management principles and use this strategy in conjunction with other complementary strategies to optimize trading outcomes. As with any trading approach, thorough backtesting and ongoing evaluation are crucial to ensure effectiveness in current market conditions.



Backtested results



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6.9

EXPLORING THE THETA DECAY STRATEGY IN OPTIONS TRADING



Strategy video

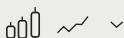
Options trading has gained immense popularity among traders due to its flexibility and potential for high returns. In this chapter, we will delve into a commonly used strategy known as selling at-the-money (ATM) call and put options to capitalise on Theta decay.

By selling both call and put options at the ATM strike price, traders aim to profit from a sideways market movement.



The strategy typically begins at 9:30 a.m., coinciding with the market opening. Traders identify the current spot price of a particular index or stock, such as the Nifty, and select the ATM call and put options accordingly. One lot of each option is sold to initiate the strategy. To manage risk, a stoploss order is placed at 25% above the entry price for both the call and put options.





9:30 a.m.

Let's consider an example to understand this strategy better. At 9:30 a.m., based on the Nifty spot price, a trader sells the 18,100 call and put options. However, if either the call or put option hits the predetermined stoploss level, the trader exits that particular leg of the trade.

Add order
SELL 1x NIFTY XXXXX PUT 07 Sep

NIFTY XXXXX.XX +0.4%

Strike	Price
xxxxx	xx
xxxxx	xx
xxxxx	xx
18,100	
xxxxx	xx
xxxxx	xx

Type Buy Sell

Expiry 7 Sept 14 Sept 21 Sept 28 Sept
 26 Oct 30 Nov 28 Dec 28 Mar
 27 Jun

Add order

SELL 1x NIFTY XXXXX PUT 07 Sep

NIFTY XXXXX.XX +0.4%

Contract

Future

Call

Put

Strike Price

18,100	xx
xxxxx	xx

Type

Buy

Sell

Expiry

7 Sept 14 Sept 21 Sept 28 Sept
 26 Oct 30 Nov 28 Dec 28 Mar
 27 Jun

10:34 a.m.

Subsequently, at 10:34 a.m., the trader reenters the trade by selling the new ATM call or put option, placing another **stop-loss order at 25% above the entry price**.

S NIFTY 24 Apr 2017 xxxxx CE

xx.x

XXXX

X

XXXX

B NIFTY 24 Apr 2017 xxxxx CE

xx.x

XXXX

X

XXXX

S NIFTY 24 Apr 2017 xxxxx CE

xx.x

XXXX

X

XXXX

Throughout the day, a maximum of 3 trades can be executed, and all positions are closed by 3:15 p.m. since it is an intraday strategy.