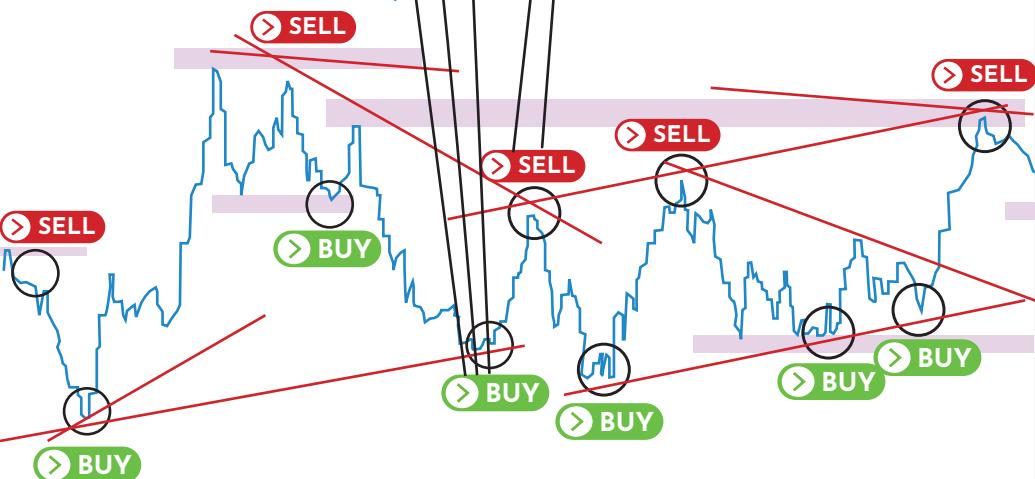


Risk Management while scalping



Scalpers take multiple trades within a day, this is why it is very crucial for a scalper to deploy effective risk management techniques in order to remain profitable. This is the reason why I don't think beginners should start scalping right away.

However, if you are someone who has expertise in intraday trading then scalping might sound more lucrative to you. The pros of scalping are small but profiting from micro moves with a very small risk is what attracts a majority of traders to this method. On the other hand, the cons are weighted higher because a scalper has to pay higher commissions due to their number of trades and they also need to monitor their trades constantly.

The slide features a blue header bar with three colored dots (red, yellow, green) on the left and a close button ('X') on the right. The main title 'PROS AND CONS OF SCALPING' is centered in large white letters. Below the title are two large rectangular boxes: one on the left labeled 'PROS' in green with a green border, and one on the right labeled 'CONS' in red with a red border. The 'PROS' box contains the text 'Small profits with micro waives, less risk.' in green. The 'CONS' box contains the text 'High brokerage/ commissions' in red. To the left of the boxes, a man in a dark suit and glasses is seen from behind, pointing his right index finger towards the 'PROS' box. He has a briefcase hanging from his left wrist. The bottom right corner of the slide has a circular badge with the number '281'.

Now let me discuss some of the things you need to remember in order to execute this strategy.



Indicators



Alert

Replay



SCALPING 1-MINUTE CONSOLIDATION BREAKOUTS

Basically, what I am looking for is a pre-established trend at first. Post that, I will look for a small consolidation and enter when the price breaks out from the consolidation range.



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

Nifty 50 Index, 1, NSE 19733.85 +0.20 (+0.00%)



ZEBA LEARN



TradingView

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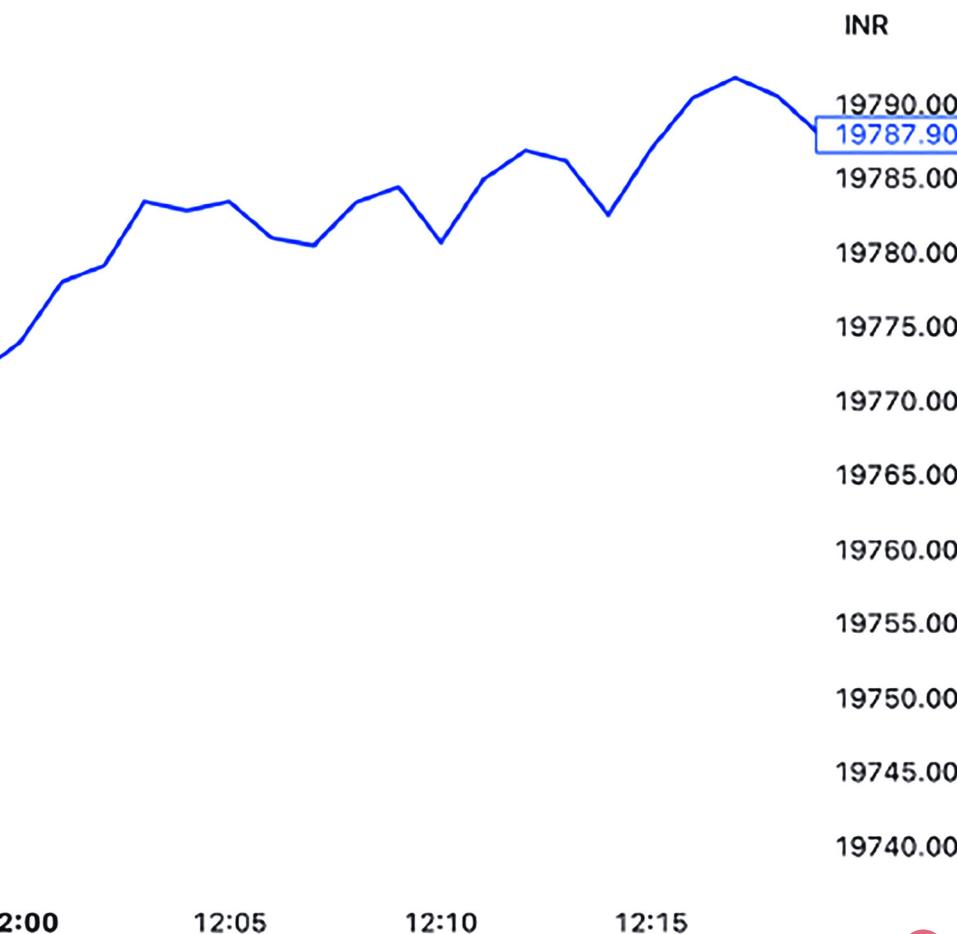
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282

Let us break this down into 5 rules now.

- 1 Identify the pre-established trend. Remember, we are only going to trade with the trend.
- 2 Once the trend is established, wait for the next 4-5 candles to form a range – this range will be evident through small candle bodies with wicks. (You will get a clear idea once we take a look at the chapters.)
- 3 In case of a bullish trend, buy when a candle breaks the high of the range. In case of a bearish trend, sell when a candle breaks the low of the range.
- 4 Keep a minimum target of 1:3 while keeping the stoploss above/below (depending upon the direction of your trade) of the breakout/breakdown candle.
- 5 Do not forget this one! As this is a scalping strategy, we will close the trade in 10 minutes even if the market doesn't hit our target or stoploss.





ZEBRA LEARN



Let me show you some examples now.

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

Nifty 50 Index - 1 • NSE
0 19271.40 H19271.40 L19257.80 19257.80 +7.75 (+0.04%)19280.65
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INR

INR/USD

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19240.00

19230.00

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19210.00

19200.00

19190.00

19180.00

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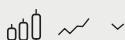
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This is another example based on bearish market.



As you can see on the right-hand side of the price chart, a similar setup is forming. The trend is bearish now, the price is going down furiously. This is where I will be looking for a small range to form. Once it forms and breaks, I will sell the Nifty 50 while keeping the breakdown candle's high as my S1 and target a minimum of 1:3.

This scalping setup benefits from the momentum in trending moves by waiting for brief pullbacks and entering once the breakout-breakdown happens.



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Indicators

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CONCLUSION



To conclude, this trading strategy provides a clear-cut approach to scalping in indexes as well as highly liquid stocks. This setup aims to profit from the sudden bursts of momentum in an asset's price through timely entries and pre-decided exits. Always remember to use effective money management rules in order to produce best results.

5.5

MOVING AVERAGE SCALPING STRATEGY



Strategy video

In case you have forgotten, **scalping is the art of taking and exiting trades within a very short span. I do not recommend this strategy if you are someone who is just starting out.** There are many positional trading strategies discussed in this book and I think you should try them first before shifting to scalping.

On the other hand, if you are someone who is experienced, this strategy is for you.

The basic premise of the Moving Average Scalping strategy is that the MA's act as magnets. Meaning whenever the price goes far away from the moving average, the price tends to revert back to take support/resistance from the MA.

Moving Average Exponential

We are going to take advantage of this tendency of price. **This is also called Mean Reversion.**

This chapter discusses how a simple EMA (Exponential Moving Average) can be used for scalping profits **in the first hour of market.** Let's discuss the strategy now.

SCALPING WITH MOVING AVERAGE



Since this is a scalping strategy, I am going to execute this in the very first hour. Remember, we are looking to profit from the initial momentum. The markets can get choppy after the initial momentum has died off.

YOU CAN EXECUTE THIS STRATEGY IN 6 SIMPLE STEPS:

- STEP 1:** Apply a 5 or 7 period EMA (Both will work) on a 5-minute timeframe.
- STEP 2:** In case of a bearish trade, I am looking for the 2nd candle to close above the moving average. (I am not going to sell on the very first candle as the first candle of the day is very volatile.)
- STEP 3:** I will sell the stock at the low of the 2nd candle, which has also closed above the EMA. Remember, the second candle should not touch the EMA in any way. I will keep the stoploss on the high of this candle.
- STEP 4:** I will adjust the entries from time to time. Meaning, if I am getting a better entry point on the 3rd candle, I will shift my entry point there. Do not worry, you will have a better idea of entry once we look at the examples.
- STEP 5:** I will keep my R:R ratio to be at least at 1:3 or 1:4.

Again, I will not execute any trades after the first hour. If this setup doesn't generate signals in the very first hour then I will not be taking trades based on this strategy. This is a very key thing to remember because traders often get ahead of themselves and gamble without sticking to their trading plan.



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Scalping with a moving average is quite effective as it enables you to profit from the price-MA relationship. Whenever the price irrationally goes away from the moving average in the first 2-3 candles that is where this strategy is the most effective.

Let us look at some examples now.

As you can see in the image below, the price has opened above the moving average and making higher highs. This alerts me to keep an eye on the market until my entry is triggered. My entry is triggered on the 9th candle which broke the previous low. I will keep my stoploss above the high of the red candle and a risk to reward ratio of 1:3 or 1:4

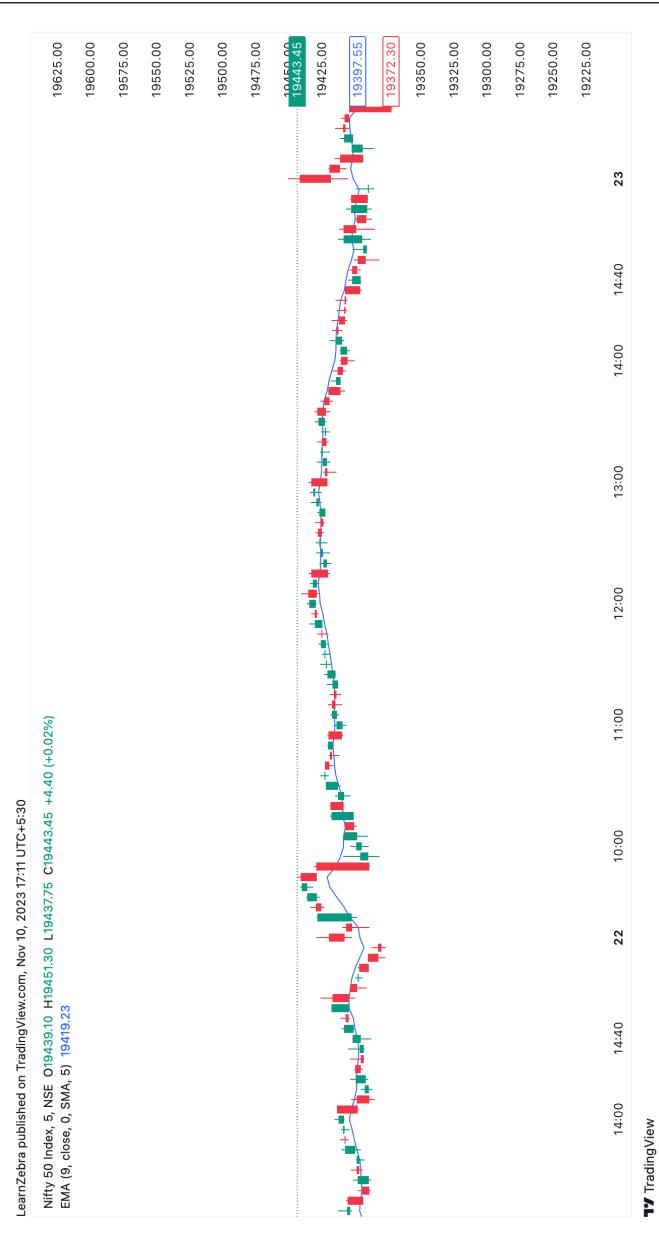


This scenario gets even better. As the 3rd candle is followed up with a bunch of bullish candles, I am likely to get a better entry point. Notice how my entry is triggered with an Evening Star pattern. This is where I will short the Nifty 50 because the low of the bullish candle got violated.

I will be keeping the stoploss on the high of the Doji candle and aim for at least 1:3 risk to reward ratio.



Let us look at another example now.



Here you can see that the second candle touched the moving average. However, we will still look for trades as the 1st hour of the market is not over.

This setup generated another scalping opportunity when the Nifty 50 took support from the EMA and made another Evening Star pattern. Notice how the candle is not touching the moving average.

In this case, I will short the market once the low of the Doji is violated and aim for a 1:3 risk to reward ratio.



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CONCLUSION

Scalping with Moving Averages provides a systematic approach to profit from the tendency of the price and moving average relationship. However, it is important to follow each and every rule of this strategy to get expected results.

Traders using this strategy should always go for a 1:3 risk to reward ratio because this is a scalping strategy. There will be times when this strategy will hit the stoploss for 2-3 times consecutively, but always remember that the odds are in your favor as long as you follow the rules.



5.6

MARTINGALE SYSTEM



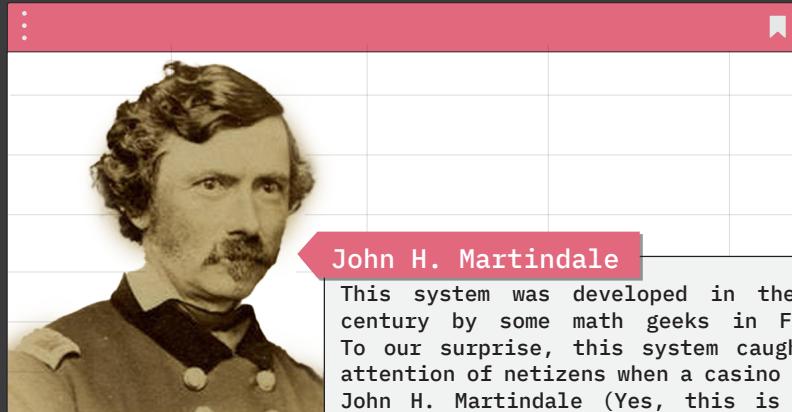
Strategy video

“ Gambling is not about how well you play the games; it's really about how well you handle your money.

This quote is from the poker player V. P. Pappy. This is probably our favourite quote in terms of the advice it contains. *He is making the excellent point that good money management is absolutely essential to successful gambling.*

In the stock markets, we do not encourage you to gamble your money. Trading is a game of skills, not a game of luck. You make confident decisions and calculations to win here.

There is a concept in gambling that is used in the financial markets to win with certainty. The concept is called the 'Martingale System'.



John H. Martindale

This system was developed in the 18th century by some math geeks in France. To our surprise, this system caught the attention of netizens when a casino owner, John H. Martindale (Yes, this is not a Typo, his name has "D" in it) encouraged casino players to double down on their next bet if they lose one, and continue to do that until they win profit as equal to the profit of the first bet.

In this chapter, we will discuss martingale trading strategy, and how you can profit from it.



Autosave



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HOW DOES MARTINGALE SYSTEM WORK IN TRADING?

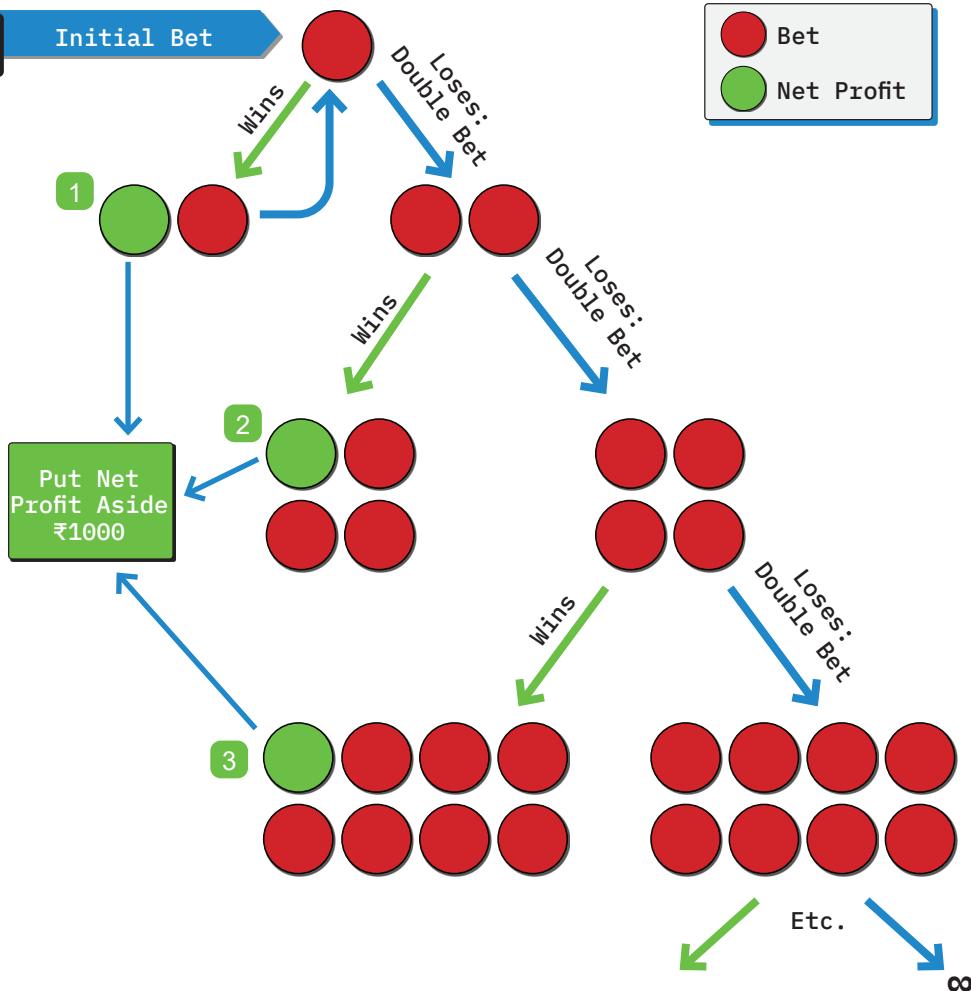
The Martingale system is a strategy that focuses on betting until you win. The method is simple - you double down your bets until you win. This sounds like a gambling. Is it? Is betting everything at once riskier than betting in different tranches? The answer is simple, betting in one go will probably erode your capital and you will be left with nothing as you have used your 100% capital. However, with martingale system, you are not betting all at once but in small tranches.

You see, if your bet goes against you, you might lose only a small portion of your capital; to cover that loss, you bet twice the previous amount; if lost again, you repeat until you win.



Here is an example:

Let's say you bet with a fixed sum of ₹1000. You chose heads, and you lose the bet (tails instead of heads). Now, you would increase your bet size to ₹2000. If it comes out tails again, which is another loss, you would now increase your bet to ₹4000. You continue this process until you end up with a winner.



Here's what the outcome would look like:

- 1 If you win the first bet, you win ₹1000.
 - 2 If you lose the first and win the second bet, you end with a net profit of ₹1000 ($\text{₹}2000 - \text{₹}1000$).
 - 3 If you lose the first two bets ($\text{₹}1000 + \text{₹}2000 = \text{₹}3000$) and win the third bet, you end up with a net profit of ₹1000 ($\text{₹}4000 - \text{₹}3000$).
 - 4 If you lose the first three bets ($\text{₹}1000 + \text{₹}2000 + \text{₹}3000 = \text{₹}7000$) and win the fourth bet, you end up with a ₹1000 net profit ($\text{₹}8000 - \text{₹}7000$).



Autosave



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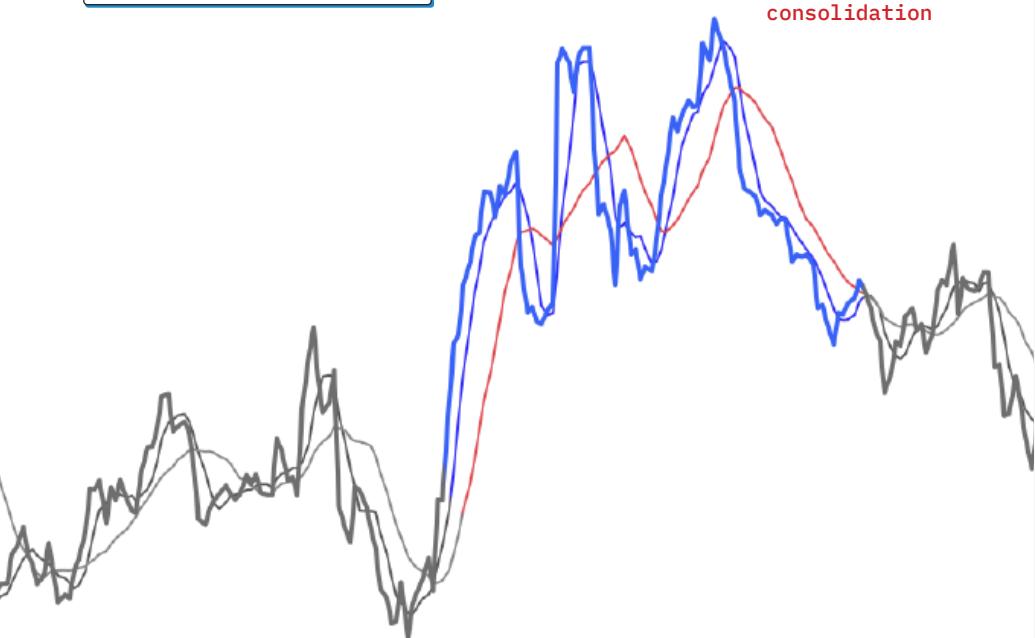
Observe that at any stage, the size of the winning bet exceeds the combined losses of all the previous trades, and the difference is the size of the initial bet.

THE STRATEGY

The objective of this strategy is to take entries on mean reversion points using the 5 & 14 Exponential Moving Averages. The mean reversion method proposes that, after a rally or a fall, the market reverses to its average price, which is considered to be a fair value.

SMA 14 close 0 SMA 5 1645.18
SMA 5 close 0 SMA 5 1619.18

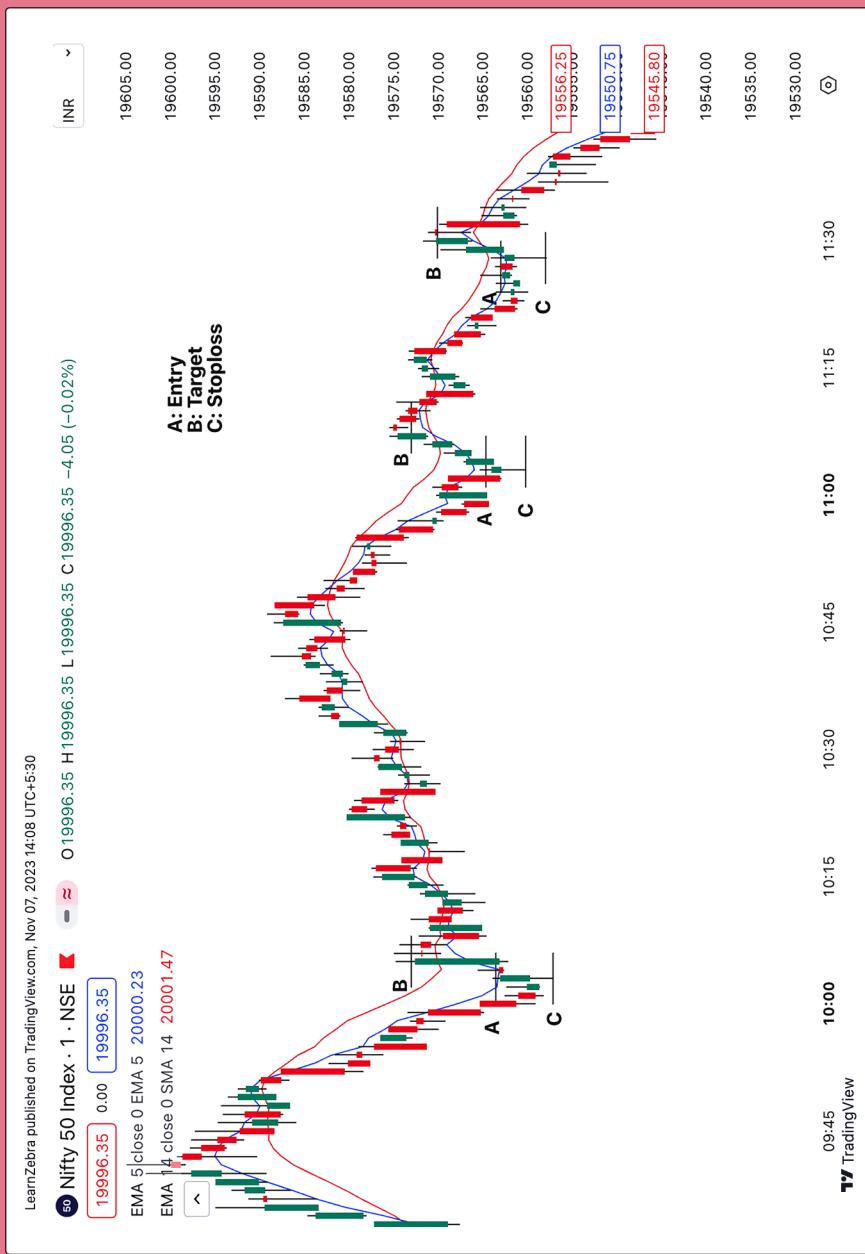
Rally then again consolidation



If the moving average price is ₹100 and the price moves away to ₹108. According to the tendency, the price will reverse back to the average. i.e. ₹100. As a trader, I would wait for the price to move away from its average and then return. Since, the discovery of technical analysis, reversal traders have been the best trades in terms of risk to reward ratio.

The strategy involves selling at the bearish reversal and buying at the bullish reversal. This is a scalping strategy and the suggested timeframe is 1-minute.

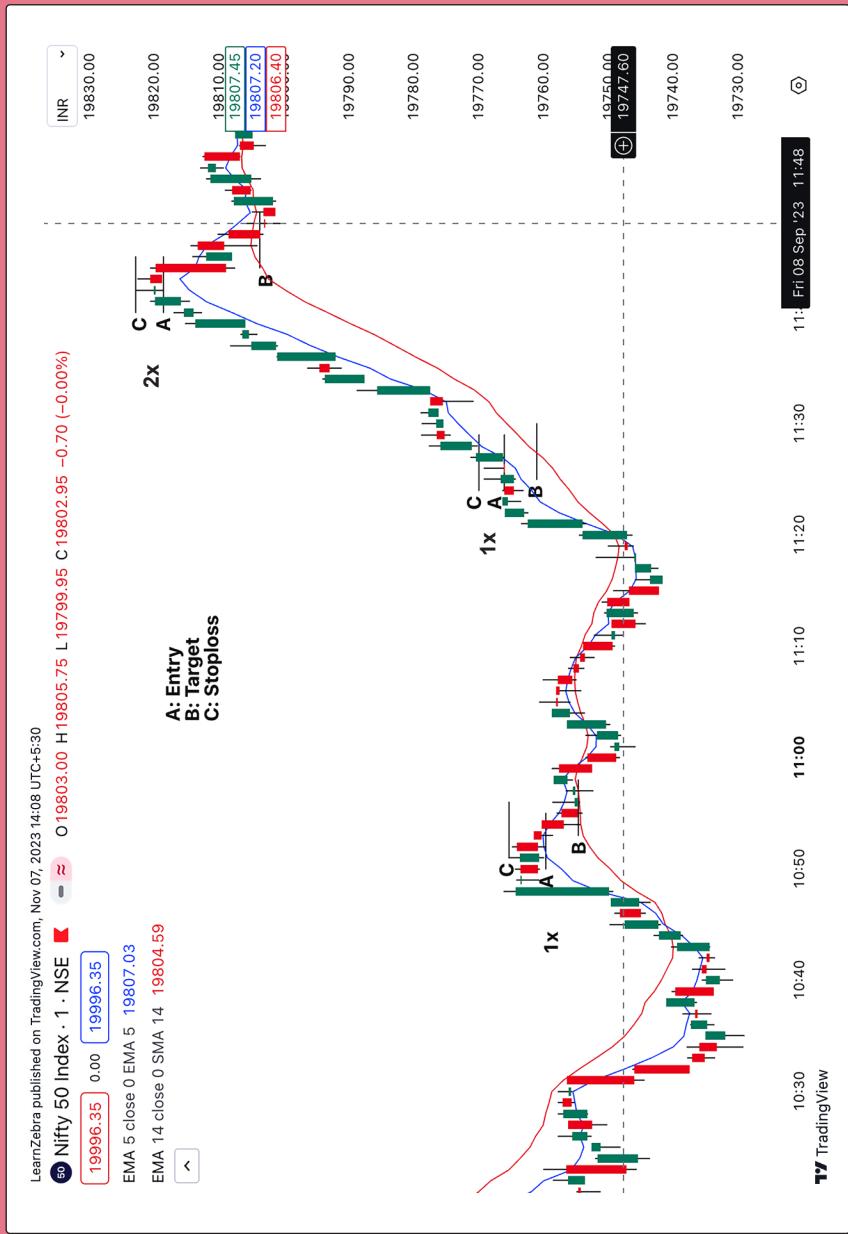
THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Open a charting software.
- Select the stock or index you want to trade.
- Set the chart to a 1-minute timeframe.
- Apply 5 and 14 EMA to the chart.
- Look for a downward move and wait until the market gives a bullish reversal sign.
- BUY** at the high of the bullish candle.
- STOPLOSS** at the low of the bullish candle.
- The **TARGET** is at the 14-EMA.
- The average Risk to Reward ratio is 1:1.

As you can see in the above picture, we took three trades according to the martingale system. The market was in a downtrend, and it was a perfect time to take buy trades on the mean reversion. The first trade was taken at 10 a.m. in the morning, the second trade was taken at 11 a.m.; the third trade was taken around 11:30 a.m. As you can see, all three trades were profitable. The first trade was taken with one lot. Since all the trades were profitable, I did not have to apply the martingale technique here down every time I took the entry. Fortunately, I didn't bear loss, but if I had lost in the first two trades, the third trade with a bigger position sizing would have gotten me a profit equal to the position sizing of the first trade.



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

- Open a charting software.
- Select the stock or index you want to trade.
- Set the chart to a 1-minute timeframe.
- Apply 5 and 14 EMA to the chart.
- Look for an upward move and wait until the market gives a bearish reversal sign.
- SELL** at the low of the bearish candle.
- Place **STOPLOSS** at the high of the bearish candle.
- The **TARGET** is at the 14-EMA.
- The average Risk to Reward ratio is 1:1.

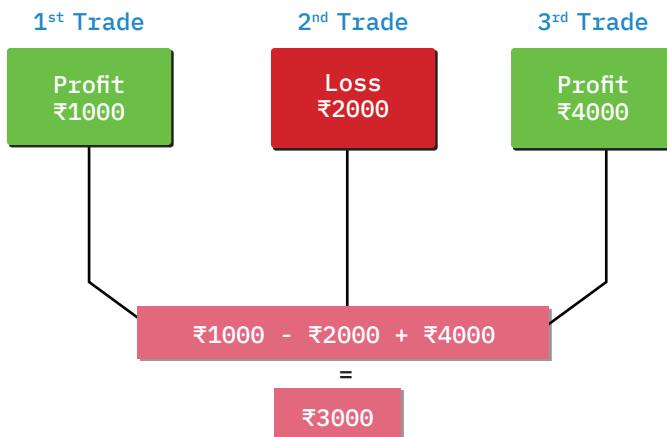
As you can see in the above picture, the market was making higher highs and higher lows. Amidst that, we decided to sell the market as per the mean reversion using the martingale trading system. Simply put, we placed three short sell trades. The first trade with 1x quantity was profitable, since the first trade was in profit, the second trade was also with 1x quantity. Since the second trade was in loss, the third trade was done with 4x quantity. The final trade was in profit, which was done with maximum quantity.





Suppose the loss for the second trade was ₹2000 and the profit made over the third trade was ₹4000. This gave a net profit of (₹4000 + ₹1000 - ₹2000) ₹3000.

Note that you will only double down your bet size when the previous trade is loss making and the maximum bet size would still be 4x even if the third trade is a loss making one.



This strategy does not let you end up in losses, but this is only possible when you can bet multiple times until 100% of your capital is utilised. I do not encourage you to put all your eggs into one basket. If you are unsure about your view of the market, you can add the martingale system to end the trading day in profit. The only downside of this strategy is that it requires doubling your bet size and encourages you to overtrade. The only resort to avoid this situation is to be mindful of how many trades you are going to take in a single trading session.



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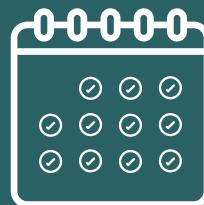


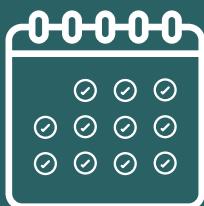
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Notes

CHAPTER 6

OPTION STRATEGIES





- | | |
|--|---|
| 6.1 Weekly hedged strategy | 6.9 Exploring the Theta Decay Strategy in Options Trading |
| 6.2 Multi time Option Strategy | 6.10 Maximizing Momentum with the BTST Option Buying Strategy |
| 6.3 Option Buying using Open Interest | 6.11 The 3:00 PM Nifty Intraday Strategy |
| 6.4 Supertrend Selling | 6.12 The Momentum Selling Strategy: A Profitable Approach to Option Trading |
| 6.5 Combined Option + VWAP | 6.13 Swing Buying: A Winning Options Trading Strategy |
| 6.6 Momentum Buying Option | |
| 6.7 The Expiry Decay Strategy | |
| 6.8 The Combined Stoploss Strategy: A Unique Approach to Options Trading | |



6.1

WEEKLY HEDGED STRATEGY



Strategy video

	MON 16	TUE 17	WED 18	THU 19	FRI 20
9:15 AM					
1 PM					
4 PM					

The major issue with their psychology is the fact that they want to trade daily. To be honest, "to have regular income from the stock market, one needs to be irregular when taking trades".

In my stock market journey, I have met many intraday traders who burned their hands in the market and yet pursued the same notion

Simply put, the market does not give you opportunities daily, there might be days with no opportunity. In order to trade daily, traders usually buy and sell without any logic just to satisfy their urge to place an order in the market. In the end, they blow their capital and curse the market. This is a classic case of intraday traders. On the other hand, when we look at the job professionals, we see them trading during their office hours.

Their major complaint is that they fail to look at the charts while in office and as a result miss trading opportunities.

	MON 16	TUE 17	WED 18	THU 19	FRI 20	
10 AM	Meeting	Task X		Observing markets		
11 AM		Observing markets			Meeting	Task X
12 PM	Task X		Observing markets			
1 PM						
2 PM			Task X			
3 PM	Meeting	Observing markets				

T R A D I N G

If you notice, a common pattern can be observed - both kinds of traders regret missing trading opportunities. Still, if they want, they can resort to weekly trading opportunities. I.e. taking trade once a week.

When trading once a week, traders do not need to sit and look at the screen for hours. Traders just need to observe the major trend and join the bandwagon. The weekly and daily timeframe can help traders to spot a trend, and trade.

I have been through the same journey, I have regretted not taking trades due to hectic schedule of my office.

2:00 PM Meeting with Boss



This thought of not having any income from stock market without giving it time pushed me to develop strategies that can help me and my fellow traders who are currently reading this book.



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With the zeal to develop a weekly trading strategy, I delve deep into different concepts of futures and options to understand how can I benefit from the derivatives segment while being in my office. This led to the exploration of calendar spread.

CALENDAR SPREAD STRATEGY

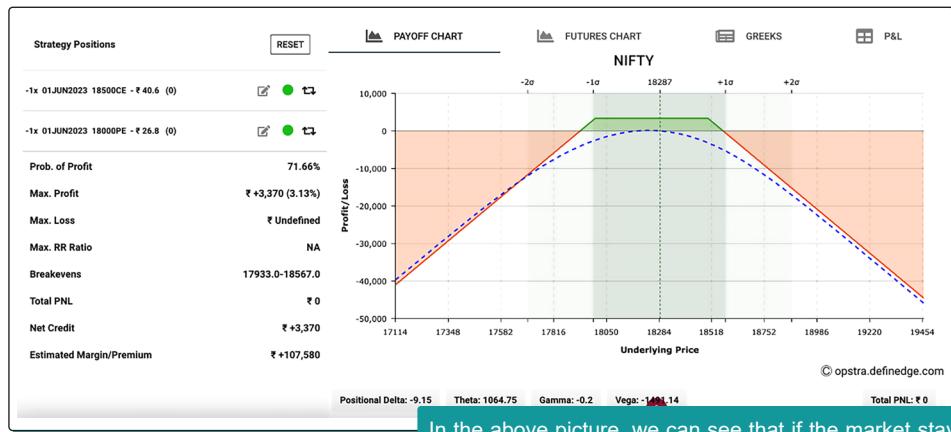
A calendar spread is a strategy where we sell the 300-400 strike price OTM call and put options of the current expiry and buy the call and put options of the same strike but of the next expiry.

Sell the 300-400 strike price OTM call

Buy the call and put options of the same strike but of the next expiry.

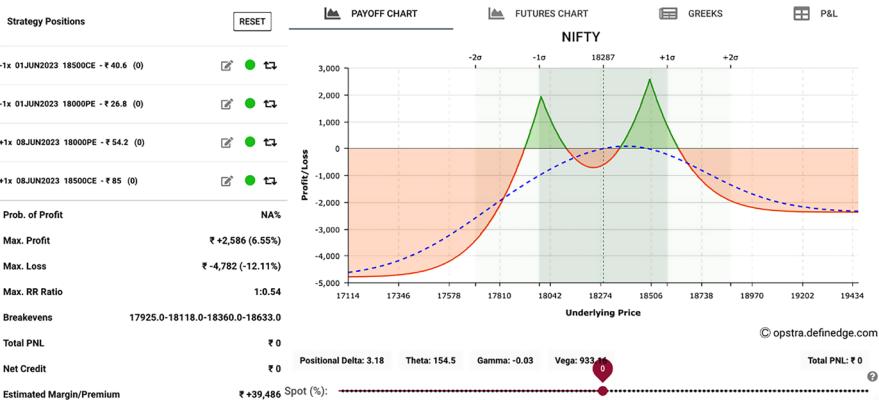
Let's understand this with an example: On 24th May 2023, the Nifty 50 index closed at 18,285. If we look at the chart with daily timeframe, we can see that the market was stuck between 18059 to 18459, a 400-point range. Now in this situation we would want to eat premium by selling options of the current week expiry and if the market moves. The Vega should benefit us.

That is why, we would buy the next week's expiry. The range for the market is 400 points. So, we will sell 18,500 CE option and the 18,000 PE option. In this case, the expiry is on the next day so we will sell options of 1st June 2023 and buy options of 8th June 2023.



In the above picture, we can see that if the market stays in the range, we will get a profit of Rs. 3,370. The strategy does not end here. By selling we are getting theta decay but to profit from the market move, we need to buy CE and PE of the same strike price but of the next expiry.

Buying options helps in reducing the margins and we can benefit from Vega moves. The idea behind this strategy is to make money when the market is staying in the range till the near-term expiry by pocketing premium from the sold options. If the market moves anywhere after the near-term expiry, we can make money from the options bought.



If you look at the chart, we are only profitable at the range extremes. If the market stays exactly it is today at the expiry, we would be in loss. To close this strategy in profits, we should book our trades on the expiry day whichever side the market moves. If the market moves near 18500 on the near-term expiry, we will exit from the 18000 PE of both current and next week expiry. We will exit from the put-side legs and buy one more call option of the 8th June 2023. This is also applicable when the market falls- exiting from the call-side legs and buying one more put option of 8th June 2023.



This is a conventional approach that everyone follows in the market. ***But, I have tweaked this strategy to make the most out of it. I call it the “unconventional weekly hedged calendar spread” strategy.*** The interesting fact is, I take Volatility Index into account while deploying this strategy.

CALENDAR SPREAD + INDIA VIX

The India VIX helps me get a range by playing around numbers. Before we start with the strategy, let's understand what India Vix is.

India Vix is a Volatility index for the Indian stock market. ***With the help of India Vix, a trader can get a sense of the either side movement range of the market.*** India Vix tells the percentage move of the market in a year. For example: The India Vix is at 13, which means, the market can move 13% from today in either direction.



In the above chart, you can see that the Nifty 50, according to India Vix, can travel to 13% on either side. The upside level for Nifty 50 is 20,680 and the downside level is 15,858.



THE STRATEGY

The idea is to eat premium in the current expiry and benefit from the Vega from the next expiry. To select the strike price, we will multiply current day's India Vix with 2 and look for the strike price of the premium as of the multiplied value for both call and put options, and buy options a bit expensive to the sold options.

THE EXECUTION

Take the value of the India vix and multiply it with 2.

VIX x 2

Current Expiry

➤ SELL

Sell call and put options of the current expiry whose CMP is equivalent to the twice of India Vix.

This is how you will get your defined trading range.



Next Expiry

➤ BUY

Buy call and put options of the next expiry but the premium of the options should be more than the premium of the sold options.

If you have sold 18,500 at 30, buy an option that costs you 32/33.

30, ➤ BUY 32/33



Higher premium options of longer-term expiry can be bought since these options have less probability of Theta decay.



582.7	96.7	16.62	90.44	17750	-6.01	13.94	3.2	9.65
540	95.3	16.96	87.84	17800	-7.12	13.44	4.6	11.35
474.75	93.3	12.59	92.09	17850	-8.52	12.96	6.6	13.55
445.75	90.7	15.51	84.73	17900	-10.56	12.67	9.2	17.15
399.5	87.5	14.8	82.72	17950	-13.13	12.42	12.4	21.9
356	83.6	14.36	79.89	18000	-15.89	12	B	S 26.8
314.75	79.1	14.05	76.42	18050	-19.53	11.73	20.8	34
267.55	73.8	12.86	73.75	18100	-23.59	11.33	26.1	41.9
232.25	67.9	12.87	68.72	18150	-28.3	10.87	32	51.2
192.2	61.6	12.13	64.06	18200	-34.11	10.6	38.3	64.5
158.5	55	11.79	58.29	18250	-40.55	10.21	44.9	79.5
127.15	48.2	11.4	52	18300	-47.78	9.85	51.7	98.05
101.8	41.5	11.27	45.37	18350	-55.51	9.65	58.4	122
75.75	35.1	10.75	38.31	18400	-63.76	9.15	64.8	146.95
55	29	10.38	31.24	18450	-71.82	8.82	70.9	178
40.6	23.6	10.31	25.04	18500	-79.51	8.45	76.3	213
28	18.7	10.08	19.11	18550	-87.02	7.84	81.2	250.75
19.5	14.6	10.03	14.38	18600	-96.57	5.88	85.3	289.4
14.5	11.1	10.24	11.09	18650	0	0	88.8	332.5
8.6	8.2	9.91	7.36	18700	0	0	91.7	378.7
5.7	6	9.95	5.17	18750	0	0	93.9	433.5
4.05	4.2	10.15	3.78	18800	0	0	95.7	475
3.25	2.9	10.57	3.01	18850	0	0	97	495.7
2.9	2	11.15	2.59	18900	0	0	97.9	577
2.7	1.3	11.79	2.32	18950	-92.78	16.04	98.6	650.85
2.6	0.8	12.48	2.13	19000	0	0	99.1	673.3
2.55	0.5	13.19	2	19050	0	0	99.4	713.7
2.6	0.3	13.97	1.93	19100	0	0	99.6	766.05

356 83.6 14.36 79.89 18000 -15.89 12 B S 26.8

The India Vix is currently trading near 13. So, we decided to sell options with the LTP near to twice the India Vix. i.e. 26. The premium of 18,550 CE of 1st June 2023 is Rs.28 and the premium of 18000 PE is 26.8. From 18000 to 18,550, we have our trading range.

314.75	79	14.05	76.42	18050	-19.53	11.73	20.9	34
267.55	73.8	12.86	73.75	18100	-23.59	11.33	26.1	41.9
232.25	67.9	12.86	68.72	18150	-28.3	10.87	32	51.2
192.2	61.6	12.13	64.06	18200	-34.11	10.6	38.3	64.5
158.5	55	11.79	58.29	18250	-40.55	10.21	44.9	79.5
127.15	48.2	11.4	52	18300	-47.78	9.85	51.7	98.05
101.8	41.5	11.27	45.37	18350	-55.51	9.65	58.4	122
75.75	35.1	10.75	38.31	18400	-63.76	9.15	64.8	146.95
55	29	10.38	31.24	18450	-71.82	8.82	70.9	178
40.6	23.6	10.31	25.04	18500	-79.51	8.45	76.3	213
28	S	B	10.08	19.11	18550	-87.02	7.84	81.2
19.5	14.6	10.03	14.38	18600	-96.57	5.88	85.3	289.4
14.5	11.1	10.24	11.09	18650	0	0	88.8	332.5
8.6	8.2	9.91	7.36	18700	0	0	91.7	378.7
5.7	6	9.95	5.17	18750	0	0	93.9	433.5
4.05	4.2	10.15	3.78	18800	0	0	95.7	475
3.25	2.9	10.57	3.01	18850	0	0	97	495.7
2.9	2	11.15	2.59	18900	0	0	97.9	577
2.7	1.3	11.79	2.32	18950	-92.78	16.04	98.6	650.85
2.6	0.8	12.48	2.13	19000	0	0	99.1	673.3
2.55	0.5	13.19	2	19050	0	0	99.4	713.7
2.6	0.3	13.97	1.93	19100	0	0	99.6	766.05

28 S B 10.08 19.11 18550 -87.02 7.84 81.2 250.75

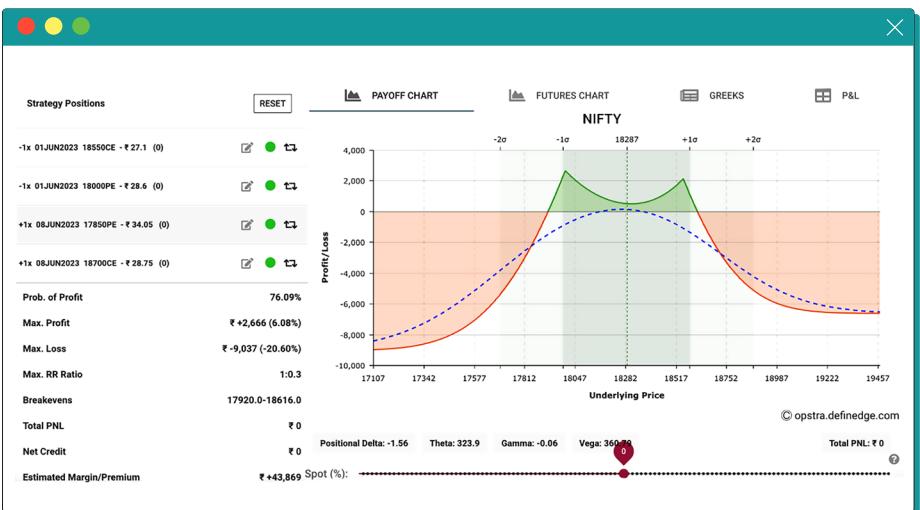
760	95.9	15.4	91.03	17600	-6.86	13.88	4	15.6
682.2	94.7	0	0	17650	-	-	-	-
692.95	93.1	18.04	84	17700	-9.02	13.28	6.8	20.65
705.3	91.3	23.11	76.56	17750	-10.57	13.11	8.6	24.65
579.05	89.1	14.6	84.82	17800	-12.17	12.83	10.8	28.65
623.95	86.5	22.43	73.24	17850	-13.97	12.54	0	33.15
486.35	83.5	13.5	81.68	17900	-16.16	12.31	16.4	39
438.3	80.2	12.7	80.19	17950	-18.69	12.11	19.7	46.1
401.25	76.4	12.87	76.73	18000	-21.52	11.89	23.5	54.2
365.5	72.4	12.99	73.15	18050	-24.46	11.54	27.5	62.2
321.15	68	12.27	70.52	18100	-28.04	11.34	31.9	73.3
282.9	63.4	11.94	66.94	18150	-31.92	11.09	36.5	85.5
249.5	58.6	11.84	62.78	18200	-36.17	10.84	41.3	99.5
218	53.6	11.72	58.4	18250	-40.88	10.68	46.3	116.95
184.5	48.7	11.32	53.92	18300	-45.83	10.45	51.2	135.6
157	43.7	11.17	49.1	18350	-51.04	10.33	56.2	158.6
120	38.9	10.19	43.65	18400	-56.61	9.83	61	178.5
111.55	34.2	11.02	39.4	18450	-62.19	9.65	65.7	206
85	29.8	10.4	33.86	18500	-67.89	9.36	70.1	235
66.95	25.7	10.19	28.86	18550	-73.5	9.08	74.2	267.1
50.8	21.9	9.92	23.92	18600	-79.52	8.55	78	299.7
37.95	18.4	9.7	19.41	18650	-84.53	8.26	81.5	338.15

623.95 86.5 22.43 73.24 17850 -13.97 12.54 B S 33.15

Now, we will hedge these options by buying options a bit expensive to 18,000 and 18,550. The 17,850 PE and 18,700 CE options are a bit expensive to the sold options. With these options, we will hedge our strategy and reduce margins.

282.9	63.4	11.94	66.94	18150	-31.92	11.09	36.5	85.5
249.5	58.6	11.84	62.78	18200	-36.17	10.84	41.3	99.5
218	53.6	11.72	58.4	18250	-40.88	10.68	46.3	116.95
184.5	48.7	11.32	53.92	18300	-45.83	10.45	51.2	135.6
157	43.7	11.17	49.1	18350	-51.04	10.33	56.2	158.6
120	38.9	10.19	43.65	18400	-56.61	9.83	61	178.5
111.55	34.2	11.02	39.4	18450	-62.19	9.65	65.7	206
85	29.8	10.4	33.86	18500	-67.89	9.36	70.1	235
66.95	25.7	10.19	28.86	18550	-73.5	9.08	74.2	267.1
50.8	21.9	9.92	23.92	18600	-79.52	8.55	78	299.7
37.95	18.4	9.7	19.41	18650	-84.53	8.26	81.5	338.15
28.6	S	B	9.61	15.62	-87.73	7.69	84.5	377.55

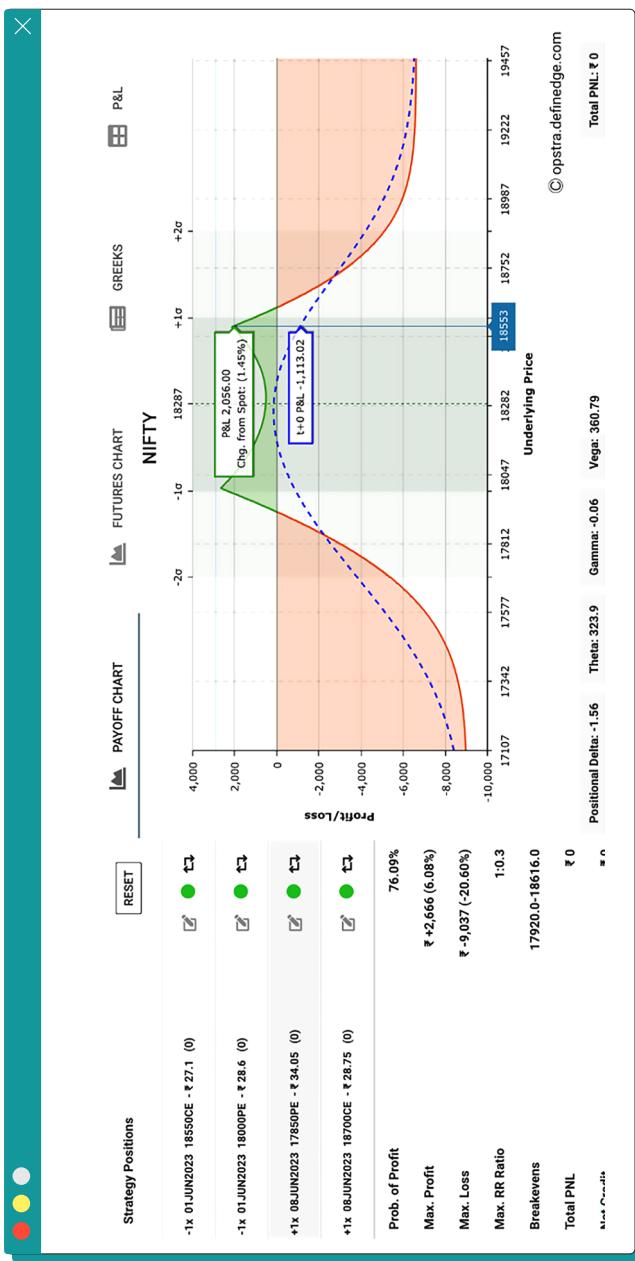
28.6 S B 9.61 15.62 18700 -89.73 7.69 84.5 377.55



The benefit of buying longer-term expiry is saving ourselves from Theta decay. In layman's language, selling the current-expiry will give us Theta decay benefit and buying longer-term expiry will make us profitable if the market moves in either direction after the current expiry. Till the current expiry, we will eat premium and after that, we will benefit from options buying.

No strategy is perfect in itself. Every strategy contains some sort of risk, but the risk can be reduced by "Adjustments". *Adjustments in any strategy is done to reduce the risk and increase profitability. In my strategy we will do some adjustments with an unconventional approach. I am confident that you will not find these adjustment methods anywhere else.*

ADJUSTMENTS



The time horizon for this strategy is a week. If the market quickly moves to 18,553, we will have the maximum profits. If the market moves beyond the 18,553 level, we will have losses. Now, we still have a few days to close all the legs of this strategy. To reduce the risk when the market moves beyond 18,553. We will exit from the put-side legs and sell one put option of the 8th June 2023 whose premium is equivalent to the premium of the bought call option of the same expiry. This is also applicable when the market falls- exiting from the call-side legs and selling one more call option of 8th June 2023 whose premium is equivalent to the premium of bought put option of the same expiry.





Autosave



Publish

6.2

MULTI TIME OPTION STRATEGY



Strategy video



9:16 AM



10:16 AM



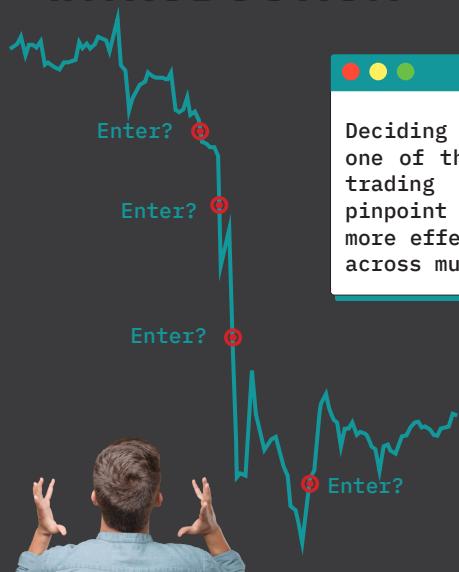
11:16 AM



12:16 PM

In this chapter, we are going to talk about an option selling strategy. This chapter tells you the power of splitting your trades into different time zones. This option selling strategy can give you a steady source of income when executed properly so read carefully.

INTRODUCTION



Deciding the optimal time and entry point is one of the toughest challenges that options trading presents. Rather than trying to pinpoint one specific time to enter trades, a more effective approach is to divide entries across multiple time frames.

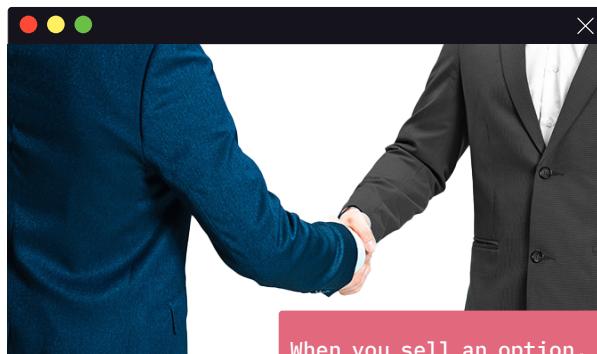
Implementing a strategy at different times during a day allows you to capitalize on varying market conditions. In this chapter, we are going to explore an option selling strategy and how deploying it at various intervals can enhance your returns.

But before we dive into the strategy, let us talk about what option selling actually is and what are the benefits it has over option buying.



OPTIONS SELLING AND ITS BENEFITS

Option Selling involves writing or shorting options contracts to other market participants in order to earn its premium.

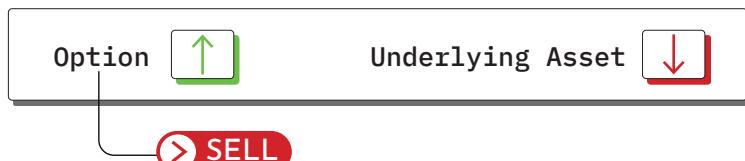


When you sell an option, you receive a premium from the buyer and hence you take on the obligation to buy (in the case of a put option) or sell (in the case of a call option) the underlying asset at a particular strike price if the buyer decides to execute the option.

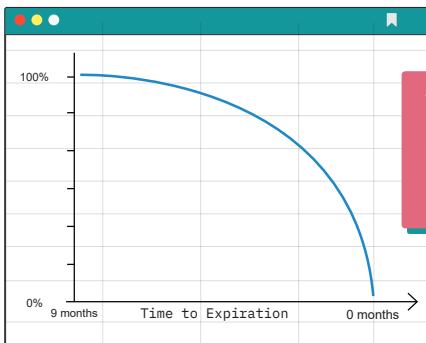
This strategy is often deployed by traders who think that the market is not going to move significantly and is likely to stay within a range. The benefits of option selling over option buying include.

1) HIGHER CHANCES OF SUCCESS

Options sellers keep the premium as long as the option does not go against their direction significantly. You see, in options selling, there is no need for the underlying asset to move in the favor of a seller. A seller earns money even if the underlying asset goes sideways.



2) TIME DECAY



Time decay works in the favor of option sellers. For option buyers, time decay causes a loss in the extrinsic value of an option contract.

Options selling provides a method for traders to take high probability trades and earn consistent income. These advantages make it an attractive alternative to buying options which have lower odds of profitability comparatively. Now let's talk about the Multi Time Option Strategy.

MULTI TIME OPTION STRATEGY

This option selling strategy involves selling out of money Nifty weekly calls and puts that are priced anywhere around Rs. 40. Our initial stoploss will be set at 100% of the premium received. Meaning, if we sell a call option for Rs. 42, our initial stoploss would be placed at Rs. 84. Conversely, if we sell a put option at Rs. 45, our initial stoploss would be Rs. 90.

Once the trade starts turning in our favor and the option premium declines by 50% from the entry price and we will reduce the stoploss by 50%. For example, if the call option's premium drops to Rs. 21, we will trail our stoploss from Rs. 84 to Rs. 42. This helps in minimizing risks and locks in the potential profit.

Another rule for this strategy is that all the trades will be exited by 3:15 p.m. on the day of entry. We are not going to hold any contracts overnight as this is not a rollover strategy.



OPTIMIZING RETURNS USING MULTIPLE TIME FRAMES

I have back tested this strategy at 4 different times of the day to test its effectiveness in the live market. I have sold both the call and put option at 4 different times of the day – 9:16 a.m.; 10:16 a.m.; 11:16 a.m.; and 12:16 p.m.; respectively.

The data below is compiled over 3 years and it reveals that while the strategy is still profitable when executed at a specific time, the results vary significantly based on the entry time. Observe each of the images carefully.

This is the result for 9:16 AM.



9:16 a.m.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Index	Entry Date	Entry-Week	Entry-Time	Entry-Price	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD				
1064.1	02/06/23	Monday	9:16:00	43.50	CE	18700	Sell	15:15:00	27.30	11.8	-30.85				
1061.2	02/06/23	Friday	9:16:00	42.8 PE	18700	Sell	15:15:00	31	11.8	-38.55					
1062.1	05/06/23	Monday	9:16:00	41.9 PE	18550	Sell	15:15:00	38.15	3.75	-34.8					
1063.2	05/06/23	Monday	9:16:00	32.1 CE	18750	Sell	15:15:00	19.85	12.25	-22.55					
1063.1	06/06/23	Tuesday	9:16:00	43.05 PE	18550	Sell	15:15:00	26.15	16.9	-5.65					
1064.2	06/06/23	Wednesday	9:16:00	43.45 PE	18650	Sell	15:15:00	36.05	7.4	0					
1064.2	07/06/23	Wednesday	9:16:00	42.15 PE	18650	Sell	15:15:00	17.25	24.9	0					
1064.2	07/06/23	Wednesday	9:16:00	30.85 CE	18700	Sell	15:01:00	61.7	-30.85	-30.85					
1065.1	08/06/23	Thursday	9:16:00	30.85 PE	18750	Sell	15:15:00	58.85	19.45	-50.3					
1066.1	09/06/23	Friday	9:16:00	30.5 PE	18550	Sell	15:15:00	0.15	30.35	-30.35					
1066.2	09/06/23	Friday	9:16:00	41.45 CE	18800	Sell	15:15:00	17.35	24.1	-17.6					
1067.1	12/06/23	Monday	9:16:00	36.7 PE	18500	Sell	15:15:00	24.35	12.35	-5.25					
1067.2	12/06/23	Monday	9:16:00	42.45 CE	18700	Sell	15:15:00	40.75	1.7	-3.55					
1068.1	13/06/23	Tuesday	9:16:00	47.25 PE	18650	Sell	15:15:00	27.5	19.75	0					
1068.2	13/06/23	Tuesday	9:16:00	36.25 CE	18750	Sell	15:15:00	41.6	5.35	-5.35					
1069.1	14/06/23	Wednesday	9:16:00	31.05 PE	18700	Sell	15:15:00	21	10.15	0					
1069.2	14/06/23	Wednesday	9:16:00	49.3 CE	18700	Sell	15:15:00	50.3	1	-1					
1070.1	15/06/23	Thursday	9:16:00	42 PE	18750	Sell	14:20:00	63	21	-21					
1070.2	15/06/23	Thursday	9:16:00	27.45 PE	18750	Sell	10:21:00	54.9	-27.45	-49.45					
1071.2	16/06/23	Friday	9:16:00	44.45 PE	18650	Sell	15:15:00	21.75	22.7	-26.75					
1072.1	19/06/23	Monday	9:16:00	43.3 PE	18850	Sell	14:20:00	86.8	43.5	-70.25					
1072.2	19/06/23	Monday	9:16:00	43.75 PE	18800	Sell	13:31:00	87.5	-43.75	-114					
1073.1	20/06/23	Tuesday	9:16:00	40.8 CE	18900	Sell	15:15:00	16.9	23.9	-90.1					
1073.2	20/06/23	Tuesday	9:16:00	39.15 PE	18700	Sell	15:15:00	15	24.2	-65.9					
1074.1	21/06/23	Wednesday	9:16:00	39.85 PE	18800	Sell	15:15:00	67.95	-22.55	-88.55					
1074.2	21/06/23	Wednesday	9:16:00	42.35 CE	18850	Sell	15:15:00	17.3	22.55	-6.6					
								Total	4453.65						
								DD	427.95						
								Years	3.25						
								Yearly points	1370.354						
								Calmar	3.202135	for every 1 Rs risk, I can make 3.2 rs					

A	B	C	D	E	F	G	H	I	J	K	L	M	N	
1	Index	Entry Date	Entry-Week	Entry-Time	Entry-Price	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD		
2125	1062.2	05/06/23	Monday	10:16:00	45.3 CE	18700	Sell	15:15:00	33.45	12.85	-26.5			
2126	1063.1	05/06/23	Tuesday	10:16:00	45.9 PE	18550	Sell	15:15:00	26.15	9.8	-6.7			
2127	1063.2	05/06/23	Tuesday	10:16:00	36.05 CE	18650	Sell	15:15:00	36.05	0	-6.7			
2128	1064.1	07/06/23	Wednesday	10:16:00	39.4 PE	18650	Sell	15:15:00	17.25	22.15	0			
2129	1064.2	07/06/23	Wednesday	10:16:00	51 CE	18650	Sell	15:15:00	93.85	42.85	42.85			
2130	1065.1	08/06/23	Thursday	10:16:00	26.5 PE	18750	Sell	11:51:00	26.5	-69.35				
2131	1065.2	08/06/23	Thursday	10:16:00	34.05 CE	18750	Sell	15:15:00	0.15	33.9	-35.45			
2132	1066.1	09/06/23	Friday	10:16:00	45.45 PE	18550	Sell	15:15:00	64.5	-19.05	54.5			
2133	1066.2	09/06/23	Friday	10:16:00	43.7 CE	18750	Sell	15:15:00	26.5	17.2	-37.3			
2134	1067.1	12/06/23	Monday	10:16:00	37 PE	18500	Sell	15:15:00	24.35	12.65	-24.65			
2135	1067.2	12/06/23	Monday	10:16:00	35.25 CE	18700	Sell	15:15:00	40.75	-5.5	-30.15			
2136	1068.1	13/06/23	Tuesday	10:16:00	35.55 PE	18650	Sell	15:15:00	27.5	8.05	-22.1			
2137	1068.2	13/06/23	Tuesday	10:16:00	41.65 CE	18750	Sell	15:15:00	41.6	0.05	-22.05			
2138	1069.1	14/06/23	Wednesday	10:16:00	45.5 PE	18700	Sell	15:15:00	21	24.5	0			
2139	1069.2	14/06/23	Wednesday	10:16:00	32.25 CE	18750	Sell	15:15:00	50.3	-18.05	-18.05			
2140	1070.1	15/06/23	Thursday	10:16:00	44.85 PE	18800	Sell	11:35:00	89.7	-44.85	-62.9			
2141	1070.2	15/06/23	Thursday	10:16:00	41.3 CE	18750	Sell	15:15:00	0.15	41.15	-21.75			
2142	1071.1	16/06/23	Friday	10:16:00	41.35 PE	18700	Sell	15:15:00	29.8	11.55	-10.2			
2143	1071.2	16/06/23	Friday	10:16:00	36.25 CE	18900	Sell	14:47:00	72.5	-36.25	-46.45			
2144	1072.1	19/06/23	Monday	10:16:00	36.75 PE	18750	Sell	15:15:00	42.9	-6.15	-52.6			
2145	1072.2	19/06/23	Monday	10:16:00	47.5 CE	18900	Sell	15:15:00	28.25	19.25	-33.35			
2146	1073.1	20/06/23	Tuesday	10:16:00	37.7 PE	18650	Sell	15:15:00	9.65	28.05	-5.3			
2147	1073.2	20/06/23	Tuesday	10:16:00	42.95 CE	18750	Sell	15:04:00	85.9	-42.95	-48.25			
2148	1074.1	21/06/23	Wednesday	10:16:00	43.2 PE	18850	Sell	15:15:00	33.2	10	-38.25			
2149	1074.2	21/06/23	Wednesday	10:16:00	34.1 CE	18900	Sell	15:15:00	24.9	9.2	-29.05			
2150								Total	4090					
2151								DD	270.25					
2152								Years	3.25					
2153								Yearly points	1258.462					
2154								Calmar	4.656657					
2155														



Index	Entry-Date	Entry-Time	Entry-Week	Exit-Time	Entry-Price	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD	
1064.2	07/06/23 Wednesday	11:16:00	51.9 CE	18650 Sell	15:15:00	93.85	-41.95	-57.4					
1065.1	08/06/23 Thursday	11:16:00	42.1 PE	18800 Sell	11:49:00	84.2	-42.1	-99.5					
1065.1	08/06/23 Thursday	11:16:00	36.85 CE	18750 Sell	15:15:00	0.15	36.7	-62.8					
1066.1	09/06/23 Friday	11:16:00	35.4 PE	18500 Sell	15:15:00	46.3	-10.9	-73.7					
1066.2	09/06/23 Friday	11:16:00	40.2 CE	18750 Sell	15:15:00	26.5	13.7	-60					
1067.1	12/06/23 Monday	11:16:00	42.55 PE	18550 Sell	15:15:00	36.05	6.5	-53.5					
1067.2	12/06/23 Monday	11:16:00	44.05 CE	18700 Sell	15:15:00	40.75	3.3	-50.2					
1068.1	13/06/23 Tuesday	11:16:00	34.25 PE	18650 Sell	15:15:00	27.5	6.75	-43.45					
1068.2	13/06/23 Tuesday	11:16:00	42.45 CE	18750 Sell	15:15:00	41.6	0.85	-42.6					
1069.1	14/06/23 Wednesday	11:16:00	33.45 PE	18700 Sell	15:15:00	21	12.45	-30.15					
1069.2	14/06/23 Wednesday	11:16:00	38 CE	18750 Sell	15:15:00	50.3	-12.3	-42.45					
1070.1	15/06/23 Thursday	11:16:00	27.8 PE	18750 Sell	14:15:00	55.6	-27.8	-70.25					
1070.2	15/06/23 Thursday	11:16:00	27.35 CE	18750 Sell	15:15:00	0.15	27.2	-43.05					
1071.1	16/06/23 Friday	11:16:00	43.15 PE	18700 Sell	15:15:00	29.8	13.35	-29.7					
1071.2	16/06/23 Friday	11:16:00	36.15 CE	18900 Sell	14:47:00	72.3	-36.15	-65.85					
1072.1	19/06/23 Monday	11:16:00	46.85 PE	18750 Sell	15:15:00	42.9	3.95	-61.9					
1072.2	19/06/23 Monday	11:16:00	34.15 CE	18900 Sell	15:15:00	28.25	5.9	-56					
1073.1	20/06/23 Tuesday	11:16:00	32.45 PE	18650 Sell	15:15:00	9.65	22.8	-33.2					
1073.2	20/06/23 Tuesday	11:16:00	44.3 CE	18750 Sell	15:05:00	88.6	-44.3	-77.5					
1074.1	21/06/23 Wednesday	11:16:00	49.1 PE	18800 Sell	15:15:00	17.3	31.8	-45.7					
1074.2	21/06/23 Wednesday	11:16:00	50 CE	18800 Sell	15:15:00	82.45	-32.45	-78.15					
										Total	3808.45		
										DD	205.55		
										Years	3.25		
										Yearly poin	1171.831		
										Calmar	5.700952		



11:16 a.m.



12:16 p.m.

Index	Entry-Date	Entry-Time	Entry-Week	Exit-Time	Entry-Price	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD	
1066.1	09/06/23 Friday	12:16:00	44.8 PE	18550 Sell	15:15:00	64.5	-19.7	-36.15					
1066.2	09/06/23 Friday	12:16:00	42 CE	18750 Sell	15:15:00	26.5	15.5	-20.65					
1067.1	12/06/23 Monday	12:16:00	42.35 PE	18550 Sell	15:15:00	36.05	6.3	-14.35					
1067.2	12/06/23 Monday	12:16:00	41.4 CE	18700 Sell	15:15:00	40.75	0.65	-13.7					
1068.1	13/06/23 Tuesday	12:16:00	47.8 PE	18700 Sell	15:15:00	43.25	4.55	-9.15					
1068.2	13/06/23 Tuesday	12:16:00	43.6 CE	18750 Sell	15:15:00	41.6	2	-7.15					
1069.1	14/06/23 Wednesday	12:16:00	46.85 PE	18750 Sell	15:15:00	36.95	9.9	0					
1069.2	14/06/23 Wednesday	12:16:00	44.55 CE	18750 Sell	15:15:00	50.3	-5.75	-5.75					
1070.1	15/06/23 Thursday	12:16:00	38.75 PE	18750 Sell	14:15:00	58.1	-19.35	-25.1					
1070.2	15/06/23 Thursday	12:16:00	42.6 CE	18700 Sell	15:15:00	0.4	42.2	0					
1071.1	16/06/23 Friday	12:16:00	41.3 PE	18700 Sell	15:15:00	29.8	11.5	0					
1071.2	16/06/23 Friday	12:16:00	36.75 CE	18900 Sell	14:47:00	73.5	-36.75	-36.75					
1072.1	19/06/23 Monday	12:16:00	45 PE	18750 Sell	15:15:00	42.9	2.1	-34.65					
1072.2	19/06/23 Monday	12:16:00	36.2 CE	18900 Sell	15:15:00	28.25	7.95	-26.7					
1073.1	20/06/23 Tuesday	12:16:00	44.05 PE	18700 Sell	15:15:00	15.2	28.85	0					
1073.2	20/06/23 Tuesday	12:16:00	31.65 GE	18800 Sell	15:09:00	63.3	-31.65	-31.65					
1074.1	21/06/23 Wednesday	12:16:00	35.8 PE	18800 Sell	15:15:00	17.3	18.5	-13.15					
1074.2	21/06/23 Wednesday	12:16:00	37.6 CE	18850 Sell	15:15:00	48.25	-10.65	-23.8					
										Total	3785.7		
										DD	233.85		
										Years	3.25		
										Yearly poin	1164.831		
										Calmar	4.981102		

The image above shows executing one lot at each specific time. For example, selling one lot of both call and put options at 9:16 a.m., 10:16 a.m., 11:16 a.m., and 12:16 p.m.

The Calmar ratio below the yearly points measures the average annual return divided by the max drawdown.

Calmar Ratio = Average Annual Rate of Return
Maximum Drawdown



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In simple words, the Calmar ratio shows the potential reward for every Rs. 1 you risk. For example,

If you risk one Rs. 1

Your potential reward will be ₹3.2 when executed at 9:16 a.m.

Total	4090
DD	270.25
Years	3.25
Yearly point	1258.462
Calmar	4.656657

10:16 a.m.

Total	3808.45
DD	205.55
Years	3.25
Yearly point	1171.831
Calmar	5.700952

11:16 a.m.

Highest Calmar ratio

Total	4453.65
DD	427.95
Years	3.25
Yearly points	1370.354
Calmar	3.202135

9:16 a.m.

Total	3785.7
DD	233.85
Years	3.25
Yearly point	1164.831
Calmar	4.981102

12:16 p.m.

Lowest Calmar ratio

At 9:16 a.m. the calmar ratio was 3.2 but after an hour at 10:16 a.m., the Calmar ratio improved to 4.6; at 11:16 a.m., It rose further to 5.7 but declined to 4.9 at 12:16 p.m. If we look at the time individually, 11:16 a.m. provided the best risk-adjusted returns based on long-term backtesting. However, relying on a single optimal time frame is still risky as markets are uncertain.