### Short ATM Straddle on NVDA US

**Objective**: Leverage high implied volatility around earnings announcements, anticipating a post-announcement decrease in volatility，causing the prices of options to drop，benefiting a short straddle position.

**Outlook:**

1. Forward looking earning/revenue expectation remain positive but decelerated.
2. Less bullish sentiment than in Q1, (no macro catalyst during that week) and decreased institutional demand as evidenced by option flows, investors are less optimistic.

The current market is relatively subdued. Even if the data beats expectations, unless it’s a huge beat, it doesn’t seem to cause much of a price reaction.

**Data:** Historical volatility (HV) over the past 15 days has been decreasing, whereas the 3-month implied volatility (IV) has peaked twice at 59%. This discrepancy between HV and IV suggests that the options are overpriced, likely due to anticipated earnings-related volatility.

Signal: the mean and standard deviation of implied volatility around past market announcements/ The threshold - 1 or 2 times the standard deviation

Advantage:

Higher premium > short call/put

No need to predict the stock's direction

ATM straddle -> maximizing the theta (time decay) benefit



