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trader56

Start With a Market Opinion?
« **on:** April 30, 2012, 04:39:36 AM »

Hello harles,

This will seem like a very simple-minded question, but would you say that deciding upon which positions to initiate - whether done synthetically, outright, or in some combination - first requires a market opinion?

Now, I'm thinking a "market opinion" can encompass an almost infinite number of scenarios:
*higher, with or without excessive volatility
*lower, again, with or without excessive volatility
*sideways, with or without excessive volatility
*NO opinion as to the future - which of course Is an opinion, if for no other reason than by exclusion of all else
*numerous other variations on the above

In any case, deciding upon strategy requires at least some viewpoint, and then takes into consideration one's goals and current positions, correct?

Thank you again for your time and insight!

Dave

Ri$k Doctor

Re: Start With a Market Opinion?
« **Reply #1 on:** April 30, 2012, 05:24:53 PM »

You've got it.

trader56

Quant / math / modeling vs the floor
« **on:** April 30, 2012, 05:03:10 AM »

Hello yet again Charles,

For some time now, there seems to have been a move toward complex mathematical modelling, use of advanced mathematics, and all the rest of the tools the so-called quants use to price and trade derivatives. But, as argued by at least one author (Taleb), traders have used experience and much simpler tools to trade and price options long before the advent of Black-Scholes and other constructs.

So, as I look at it, there would seem to be two ways to approach derivatives:
The first is to learn a LOT of complex math and theory - stochastic calculus, stats, pricing models, and so on - ala all the physics PhD's.
The second would be to take a much more trader/experience-oriented approach such as yours (I don't recall a lot of math in the ITI classes for the bankers).

This first approach has been called a top-down approach where first a theory, then model is used to deal with the world. For example, do prices really behave like a physical system? Is this an accurate model? This approach has been blamed for a lot of the hedge fund/financial institution melt-downs seen in recent years. The quants, of course, will tell you that it is the only way to go, and sneer at most anything else.

The second approach has been called a bottom-up approach that is based up experience and observation. This is an approach used successfully in markets for hundreds of years prior to the advent of math-oriented approaches. There were no small number of floor traders who could hardly do much calculus, but could certainly trade well.

Can you discuss your views on all of this, short of writing another book? Has the market moved to a point where only quant models and advanced math applications can work? Is it simply a matter of tweaking the models endlessly, or can a more pragmatic, experience-based approach be equally effective?

Thank you again for entertaining my, well, excessive attempts at thinking!

Ri$k Doctor

Quant/math/modeling vs the floor « **Reply #1 on:** April 30, 2012, 05:34:53 PM »

Go with all that you are capable of using and combine the methods, if you can. There are no absolutes.

trader56

Discretionary Skill vs Analysis
« **on:** April 28, 2012, 08:12:43 AM »

Hello Charlie,

I was a floor trader, then traded NYSE equities at a prop firm up until a couple of years ago. Both of these involved a discretionary approach that relied very heavily upon having well-developed skills. Skills, as one author has put it, translate into making this type of trading a "performance sport," just as playing basketball or a musical instrument involve performance. And as such, people will vary in their ability to develop these skills no matter how hard they try nor how much they think they understand. For example, at 5' 7" no matter how much "passion" I have for basketball, nor how much I know about the game, it will be an impossibility for me to play for the NBA.

Recently, I've been working with futures spreads. While both floor trading and prop discretionary trading relied very heavily on flat-pricing skills, spreads seem to rely on this just a bit less, but are, from my experience, still heavily reliant on flat-pricing, especially if legging the spread.

My question is this:
Do you think that options trading may rely a bit more on the analysis of positions - the outright components and synthetics - rather than skill?

No doubt, skill is indispensable, but perhaps there is a difference, however slight between trading that relies almost exclusively on skills, and trading where correct position analysis is more of a factor?

Forgive me if I'm not being as clear as I'd like; these are ideas that are just taking shape for me. Thanks for any insight you might have!

Best wishes,
Dave (from ITI)

Ri$k Doctor

Re: Discretionary Skill vs Analysis
« **Reply #1 on:** April 29, 2012, 10:24:14 AM »

Hi Dave,
Skills to be developed should include position analysis which can go shallow or deep according to different trader needs. For example, a much disciplined trader can keep it simple with spreads such as calendars, verticals and butterflies without the need to analyze anything to much of a degree.
When spreads become more convoluted with embedded harvest able opportunities then acquiring skills for deeper analysis is required.

volramp

short fly adjustment
« **on:** July 31, 2011, 12:09:14 PM »

After legging in and out of various spreads for 3 weeks on SPX July calls, I ended up with the following combo on july 11:
short 10*1310s, long 20*1320s and short 10*1330s. (gives a short fly, now that I look at it altogether.). I closed the whole thing paying up $1.75 each (X10). My question is, could I have done better? What would you do? Was there any way of breaking it up to manage as verticals? Lock in a small loss while maintaining an option for profit? Thnx.

Ri$k Doctor

Re: short fly adjustment
« **Reply #1 on:** July 31, 2011, 01:04:31 PM »

Coulda Woulda Shoulda. It is hard to say but the only thing that makes sense is to leg out of one of the verticals, if and only if, you developed an interim opinion warranting such a move and if you have the experience of taking such action based on sound planning (taking profit or loss or flattening when your opinion has manifested or has lost its reasoning).

rpex

Pricing off the fly
« **on:** June 23, 2011, 02:42:14 AM »

Hi,

I'm really interested in some of the trading heuristics you've taught. Something which I think I saw in RD material (but can't find) is a reference to "pricing off of the fly", so given what a butterfly has traded at and at what spot reference could you infer vertical/straddle prices from this?

Ri$k Doctor

Re: Pricing off the fly
« **Reply #1 on:** June 24, 2011, 11:52:12 AM »

I suppose that you might be able to infer Vertical and Straddle prices with some sort of formula but it actually works simpler the opposite way.
Straddles vs. Strangles give you Butterflies and Verticals vs Verticals give you Butterflies.

Gery
Newbie

FX Options Delta Hedge
« **on:** June 15, 2011, 11:23:59 PM »

Hi there,

I have been experimenting with the following trade:

- short /6E strangle (EURO futures)
- long the equivalent amount of delta in the spot EURUSD

The result is a somewhat flat delta for the position but what can I do with the Gamma risk?
Or what else is the downside of this strategy.

Obviously I would like to get the premium from writing the strangle with pretty wide strikes. However I would like to hedge the trade if something goes wrong.
Would it also be possible to get automatic delta hedge on TOS?

thx,
Gery

Ri$k Doctor

Re: FX Options Delta Hedge
« **Reply #1 on:** June 16, 2011, 06:07:33 AM »

Risky Business (and a bad habit to get into) has no automatic hedge because you can't predict where prices of the options will be owing to potential gaps and such.

You could place stops based on the underlying price or the options price but the fills can be nasty.

The better way to protect this synthetic short ratioed strangle configuration* is to buy further out wings to create a ratioed iron condor (BrokenWing Condor). That way you know the worst it could be.

Did you set this up arbitrarily or do you have action points to get out or adjust at?

*Please let me know the exact position and I will show you.

Gery

Re: FX Options Delta Hedge
« **Reply #2 on:** June 16, 2011, 07:46:10 AM »

Hello,

I am just testing at the moment, no real position:

-1 /6EU1 1.4Put
-1 /6EU1 1.44 Call

The expiration breakevens are 1.4609, 1.3791. I thought putting EURUSD buy and sell stop orders at these points with the delta equivalent amount like 1.25 lot.
I know it could swing back and forth in the meantime and delta is constantly changing, so I should have some delta hedging mechnisms, but how to make it work?

The aim is to speculate for theta decay for the currencies, but not on spot but on futures. I saw spot option prices and they are even wider.

thx,
Gery

Ri$k Doctor

Re: FX Options Delta Hedge
« **Reply #3 on:** June 19, 2011, 06:48:56 AM »

There are several problems with this approach:
With a 1-lot strangle you will not be able to generate even one future on a delta neutral basis.

If you do a whole future, for example when at the put strike, you will then be naked short 2 calls: the real 1.44 Call and then a Synthetic 1.40 Call.

Negative Gamma Scalping

If however, you shorted 10 strangles then the deltas may look like this, for example, down at 1.40;
140 Put -.50 delta and 1.44 Call .30 delta. Your delta hedge would be to sell 2 futures that would now result in:
Short 10*1.44 Calls
Short 8*140 Puts
Short 2 Synthetic 1.40 Calls

This may be OK for an experienced trader that has an account size to support this type of risk. I however, think that it is unnecessary to take unlimited risk and would recommend at least buying the same amount of outside strangles such as the 1.35 Put / 1.49 Call for protection (Iron Condor for Positive Theta). You also will be able to increase your size because of reduced margin.

I also think that you would be better off trading FXE the ETF for more liquidity and tighter markets.

Gery

Re: FX Options Delta Hedge
« **Reply #4 on:** June 19, 2011, 08:27:18 AM »

Thanks Charles, now it is more clear.
Anyway what is your opinion about trading options on futures in general? Are they all illiquid?

thx,
Gery

Ri$k Doctor

Re: FX Options Delta Hedge
« **Reply #5 on:** June 20, 2011, 06:43:21 AM »

For the most part and the electronic technology is way behind in the US.

sadsack1040

High Frequency Trading

« **on:** June 10, 2011, 12:53:47 PM »

Charles,

I would like your opinion on the effects of HFT (High Frequency Trading) on the options market and if the retail options trader is adversely affected by their dominance in the markets. Just curious...Jeff.

Ri$k Doctor

Re: High Frequency Trading

« **Reply #1 on:** June 14, 2011, 08:43:07 PM »

I could be wrong but by having all those bids and offers at every tick I would think that it dampens volatility. A stock or futures contract can gap open but once the HFTs come back into the market, prices tend to grind and become more orderly.

RJS

NIFTY MAY'11
« **on:** April 11, 2011, 01:23:41 AM »

Trade idea for MAY series (expiry on 26/May/2011)

(1) Trade Idea 1:
Nifty spot at 5800ish

Sell 4x 5800 C at 182.20
Buy 8 x 6200 C at 30
Inflow : 489
Theta: (1.54)...its short theta, should it be done ?

(2) Trade Idea 2:
Buy 6 x 5200 P at 27.50
Sell 4 x 5600 P at 93.70
Inflow : 210
Theta: 2.6...Negative iv skew is not in favour, should it be done ?

please comment .. is this the way to look at the trade idea ?

rakesh

Ri$k Doctor

Re: NIFTY MAY'11
« **Reply #1 on:** April 13, 2011, 05:16:27 PM »

Sorry, I am not a big fan of Back Spreads and trading in illiquid inefficient markets like the NIFTY so I will refrain from suggesting anything.

RJS

Re: NIFTY MAY'11
« **Reply #2 on:** May 01, 2011, 05:42:48 AM »

I've built following position for Nifty May (expiry 26th May 2011): and intend to track it till expiry. Seek guidance of CC and other experts (like James) Comments from fellow members is welcome

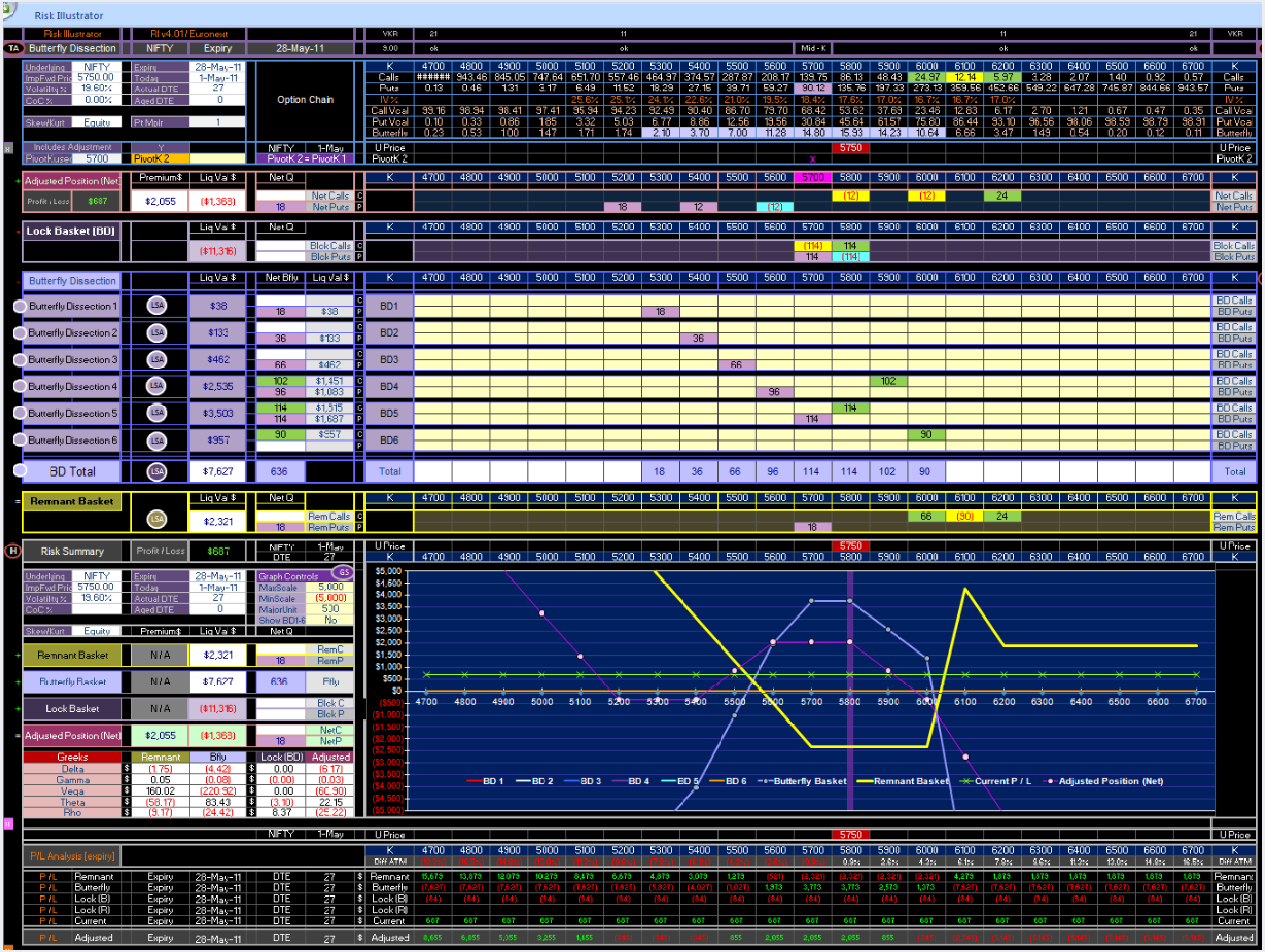
Trade 1 :
DTE: 45
iv: 21%
Nifty at 5880
+6 x 5200 P / -4 x 5600 P / -4 x 5800 C / +8 x 6200 C
Credit: 672.42

Trade 2: increased position in same strikes
DTE: 38
iv:
ifty at
redit:
.

Trade 3: Bought Puts
DTE: 37
iv : 18.9%
Nifty at 5900
+ 12 x 5400 P
Debit: 261.84

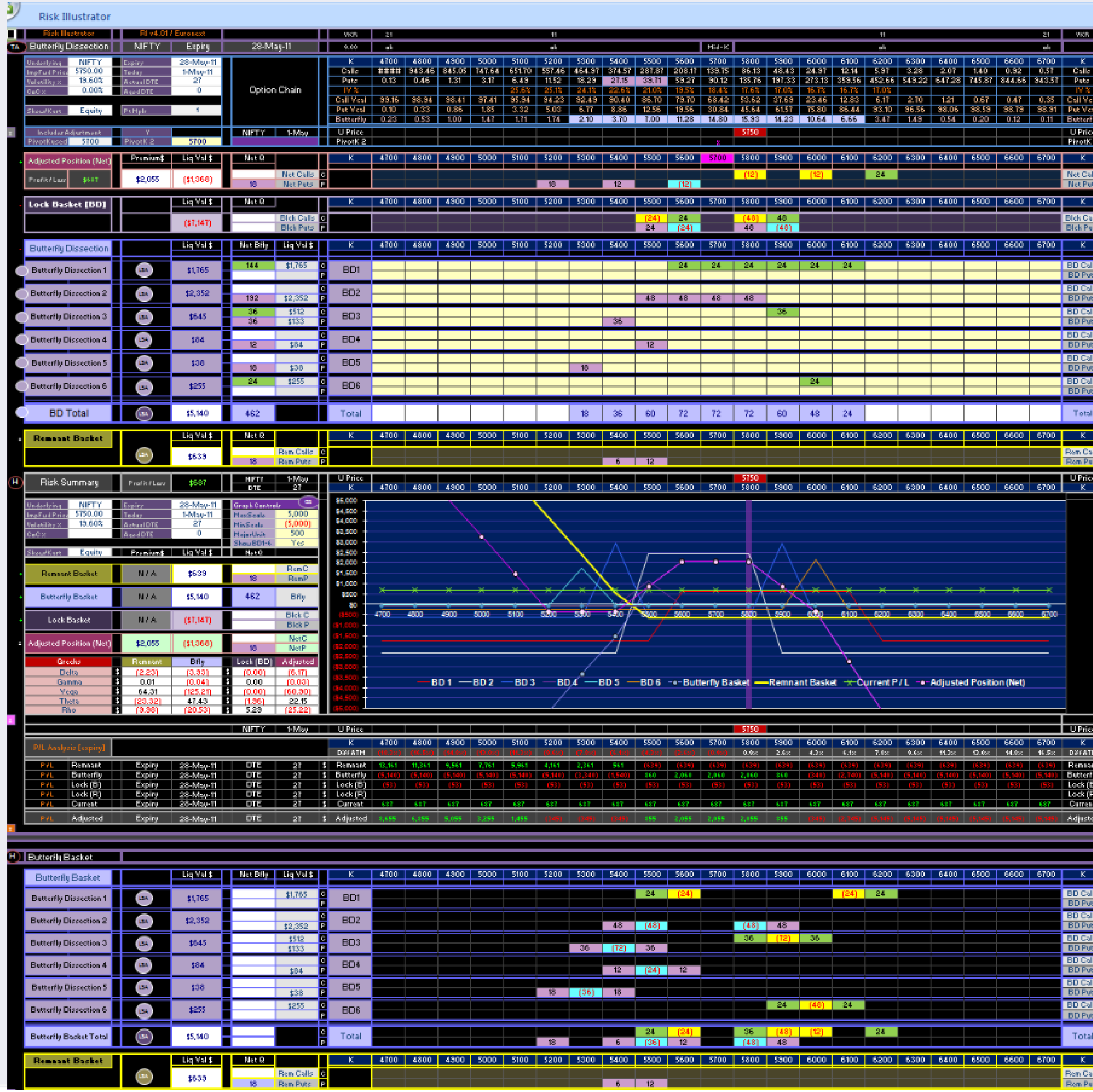
Trade 4: Sold Calls
DTE: 29
iv: 18.5%
Nifty at 5760
- 12 x 6000 C
Credit: 367.68

ere is my Butterfly issection:



Ri$k Doctor **Re: NIFTY MAY'11**
« **Reply #3 on:** May 01, 2011, 07:49:40 AM »

The goal of osition issection is to pull out ALL the Butterflies usually most appropriate to see what aked osition or atio Spread is left. I went a little further and organi ed the Butterflies into ondors:



*Coming into Expiry it maybe in appropriate.

James Parker

Re: NIFTY MAY'11

« **Reply #4 on:** May 01, 2011, 08:40:15 AM »

Charles

It would surely be simpler;

- to dissect out the 12 lot 5400/5600/5800/6000 Condor (using 12/24/24/24/12 babies at 5500-5900);
- and leave remnants +18p 5200 / -24c 6000 / +24c 6200

Rakesh could then consider the following adjustments to manage his upside risk;

a. +12c 6000 / -12c 6200
b. +12c 6000
c. -12c 5600 / +24c 5800
d. -12p 5400 / +12p 5600 / +12c 5800 / -12 6000
e. +12p 5600 / +12c 5800
f. -12p 5400 / +12p 5600 / +12c 5800

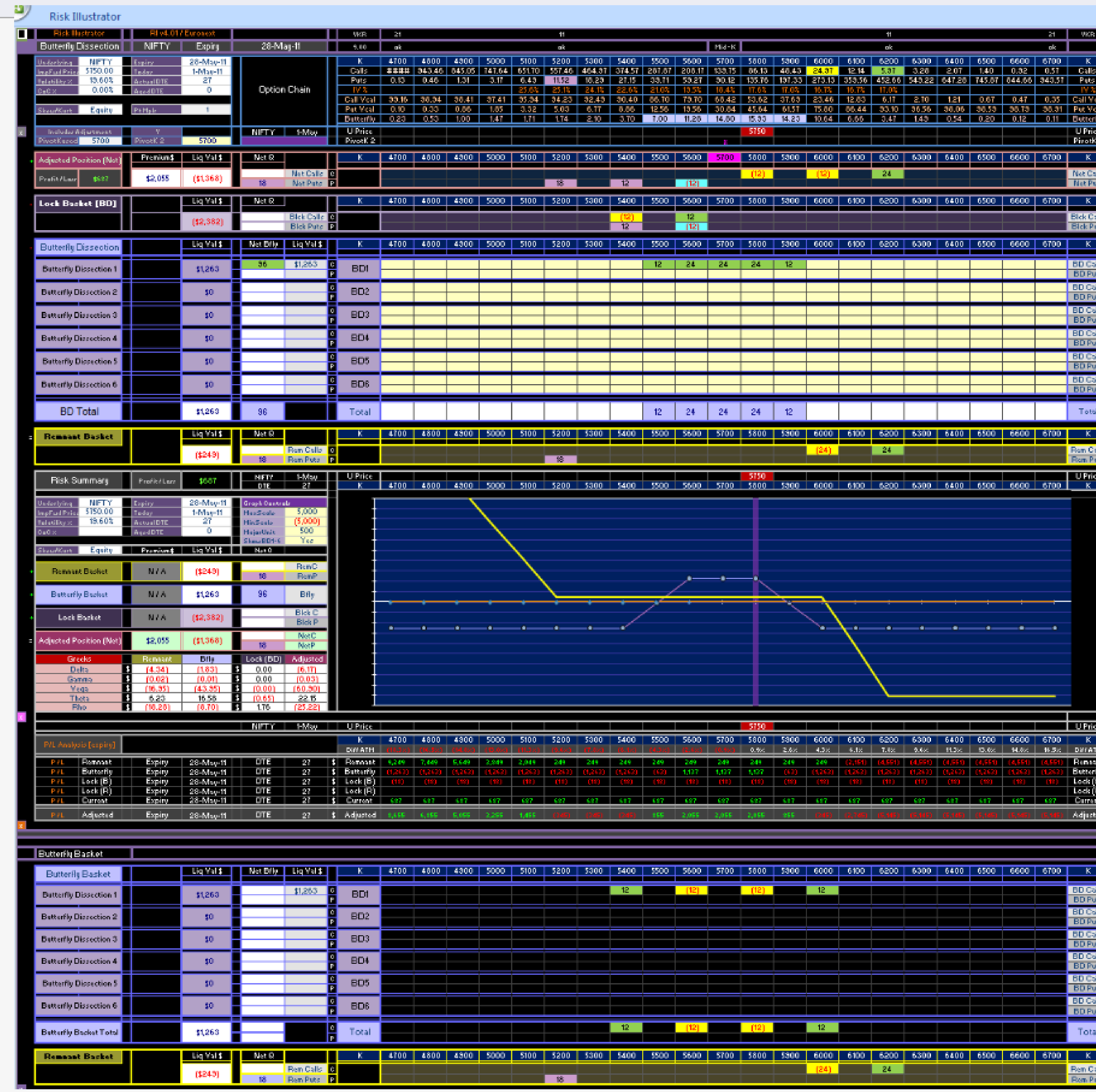
Cheers
James

Ri$k Doctor

Re: NIFTY MAY'11

« **Reply #5 on:** May 01, 2011, 10:11:13 AM »

Yes, I agree with James:



That is where I started but continued by 'zipping' the 24 Verticals down to the 18 lot -- the 3rd leg of the incomplete (missing: -18*5400 Puts) Unbalanced 5200/5400/6000/6200 Iron Condor). I then rearranged the BD Rows to illustrate as embedded Baby Condors (BD1, BD2 and BD3) and left over Baby Butterflies (BD4, BD5 and BD6).

RJS

Re: NIFTY MAY'11
« **Reply #6 on:** May 01, 2011, 07:39:34 PM »

Thanks Charles,
Thanks James

How would you look at the Greeks of the position? How should it be managed ?

Rakesh

Ri$k Doctor

Re: NIFTY MAY'11
« **Reply #7 on:** May 02, 2011, 08:23:37 PM »

Rakesh,
"How would I manage it?" is a very general question and requires a boat load of info from you like where are your action points and what is your tolerance for pain and gain. Why don't you tell me how you plan to manage it and I will critique your plan?

RJS

Re: NIFTY MAY'11
« **Reply #8 on:** May 02, 2011, 08:38:59 PM »

ok.
I will answer your questions :

Action Points:
Nifty has been finding consistent resistance in 5900-5950 points (multiple highs in this region). Decisive move beyond this range will be my action point for directional up side.
5600-5650 levels is the support zone, with 200 Day averages, several swing highs/lows in this band. So decisive break of this range will be my action point for directional down side.

To take advantage of nifty oscillating within this band , should i adopt to gamma scalping ? (I've not done this before)

Rakesh

Ri$k Doctor

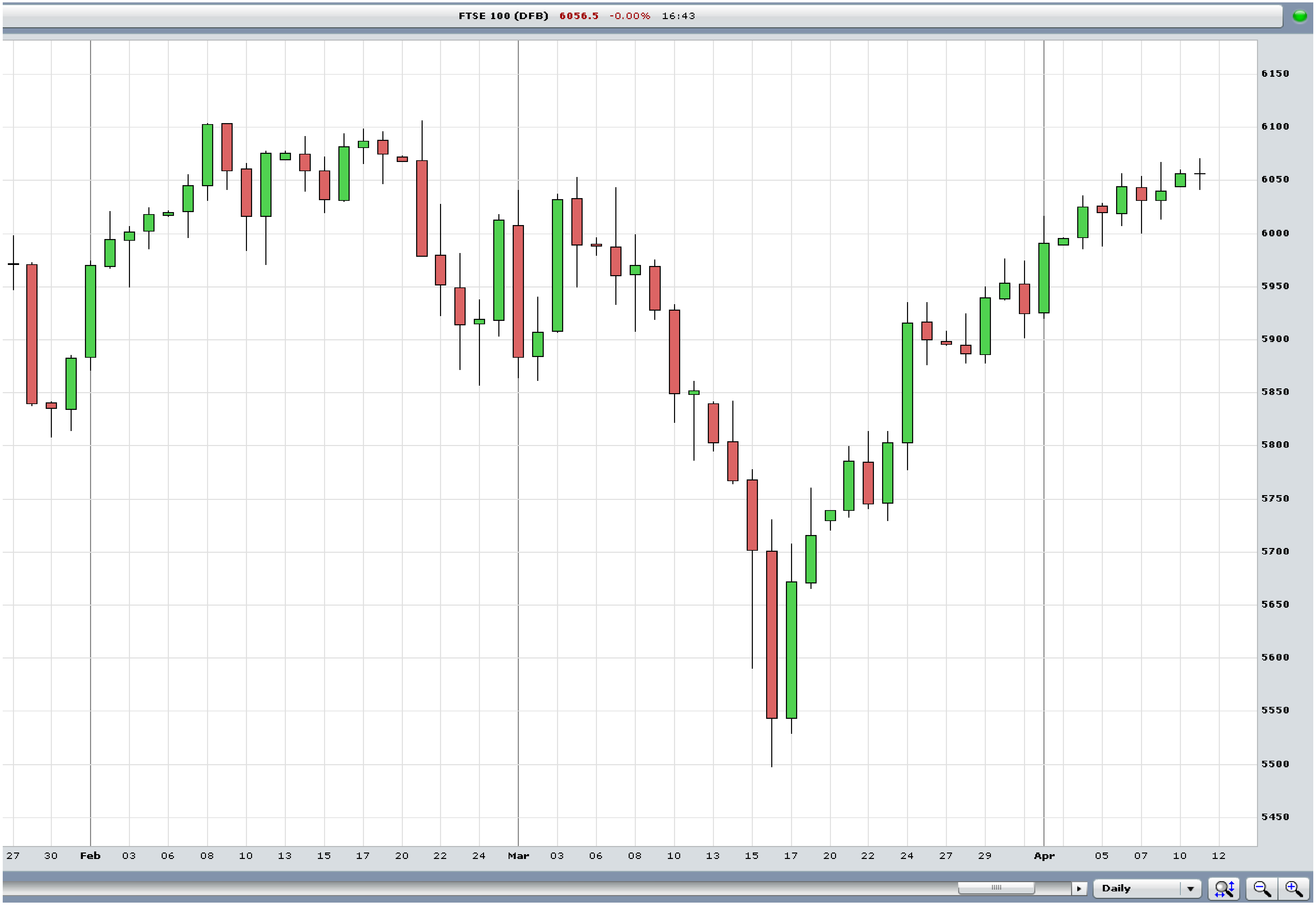
Re: NIFTY MAY'11
« **Reply #9 on:** May 04, 2011, 01:21:51 PM »

Good game plan. A little inefficient having Baby Butterflies below support (you don't believe in it). It is not a lot of money represented there, however. Negative Gamma Scalping would be giving away money when you currently believe in support and resistance levels. You have your kickers but just beef them up over time so if they come into play they will have enough fire power.

James Parker **Fancy FTSE**
« **on:** April 13, 2011, 08:22:29 PM »

A lesson from the master himself: James -- Thank you James for this Latest Installment.

FTSE | Daily Price Movement from 27 January – 11 April 2011 | Range 5500 - 6100



FTSE | June 2011 | Trade Tracker

	Risk Illustrator	RI v4.01 / Euronext		VKR	21	11		11	21	VKR	
TA	Trade Tracker	ESX	Expiry	17-Jun-11	8.00	ok	VKR > 11	Mid - K	VKR > 11	ok	H

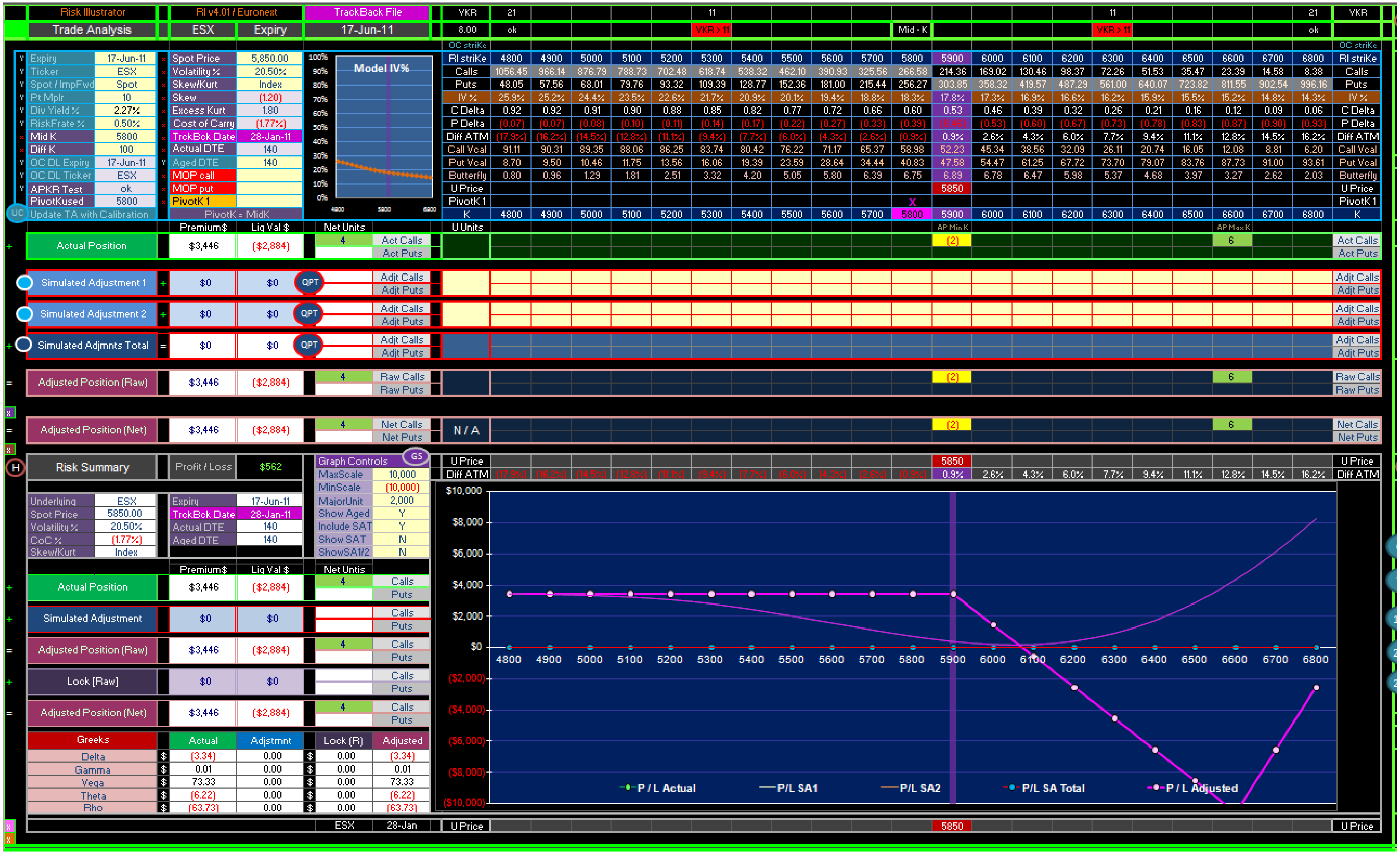
Underlying	ESX	Expiry	17-Jun-11	APKR Test	ESX	06-Apr
Spot Price	6013.83	Today	06-Apr-11	ok		
Volatility %	16.95%	Actual DTE	No	Shade Trades		
CoC %	(3.54%)	Aged DTE	65	No		

	Date	Nett Premium	$Commision #Contracts	$Commision per contract	Nett C/P		4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	Ulying Price	ATM Vol%	DTE
						K	4750	4850	4950	5050	5150	5250	5350	5450	5550	5650	5750	5850	5950	6050	6150	6250	6350	6450	6550	6650	6750			
UPrice																			6013.8											
Trade BFwd						Calls																								
						Puts																								
TRADE 1	28-Jan-11	$3,446.00	($24.00) / 8	($3.00)	4	Calls												(2)							6			5850	20.50%	140
						Puts																								
																		5850												
TRADE 2	08-Feb-11	$676.00	($24.00) / 8	($3.00)		Calls												2		(4)					2			5995	18.25%	129
						Puts																								
																			5995											
TRADE 3	24-Feb-11	$3,034.00	($6.00) / 2	($3.00)		Calls																						5845	21.45%	113
						Puts				1										(1)										
																	5845													
TRADE 4	02-Mar-11	($216.00)	($6.00) / 2	($3.00)	2	Calls																			2			5824	21.50%	107
						Puts																								
																	5824													
TRADE 5	03-Mar-11	($983.00)	($3.00) / 1	($3.00)	1	Calls														1								5822	20.84%	106
						Puts																								
																	5822													
TRADE 6	18-Mar-11	($510.00)	($60.00) / 20	($3.00)		Calls																	10		(10)			5680	22.00%	91
						Puts																								
																5680														
TRADE 7	21-Mar-11	$1,224.00	($6.00) / 2	($3.00)		Calls											(1)			1								5736	19.81%	88
						Puts																								
																5736														
TRADE 8	01-Apr-11	$907.00	($3.00) / 1	($3.00)	(1)	Calls														(1)								5997	16.76%	77
						Puts																								
																			5997											

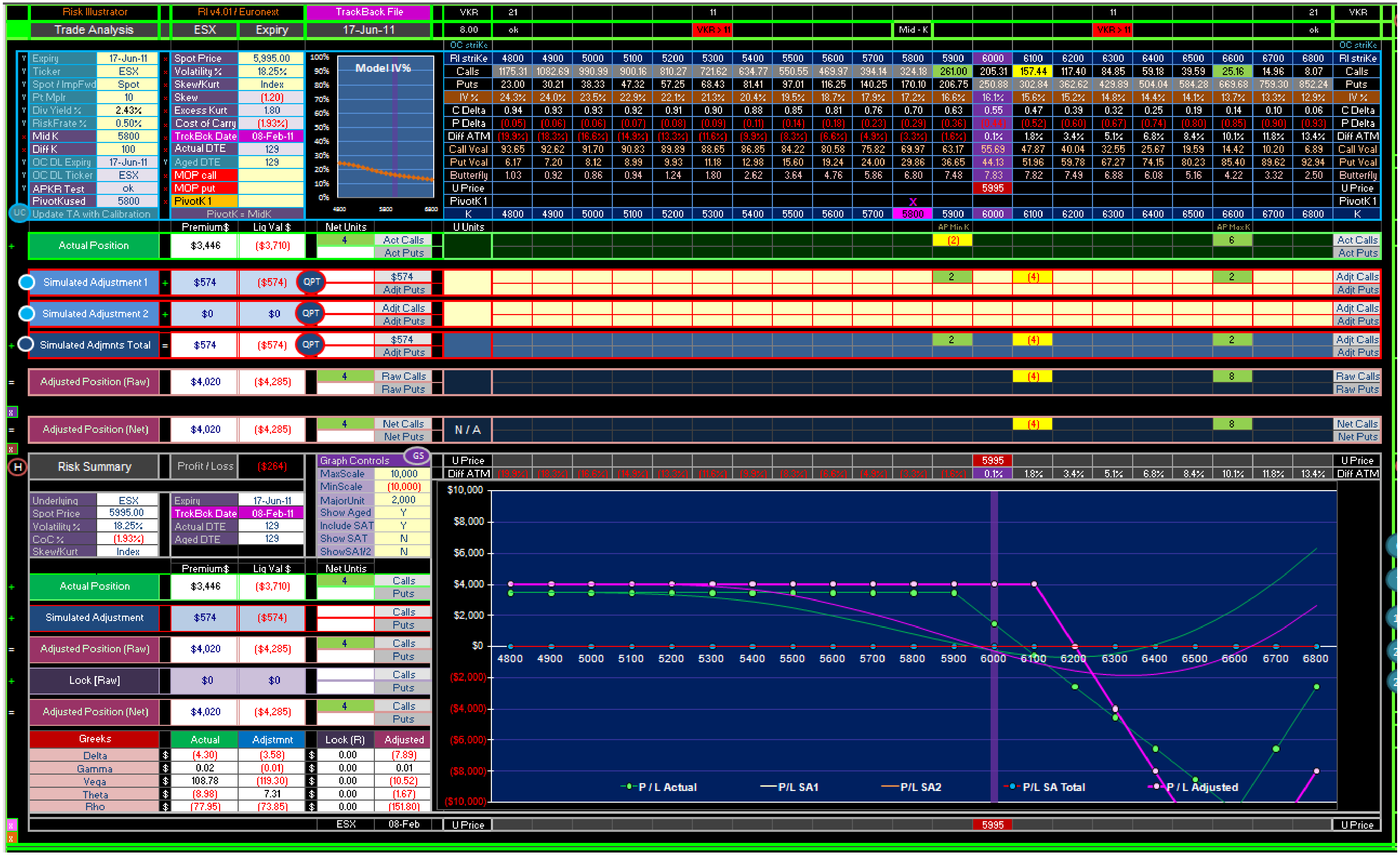
	Premium	Commission / contract				K	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	K	Liq Value	Profit / Loss
Total Actual Position	$7,578.00	($132.00) / 44	($3.00)	6	Act Calls												(1)			(3)			10					Act Calls	($5,998.13)	$1,579.87
					Act Puts					1										(1)								Act Puts		

TrackBack Trades 1 - 8

FTSE | June 2011 | Trade#1 | Long Call Backspread | AgedPL T+0 | Note risk hole to upside > 6100

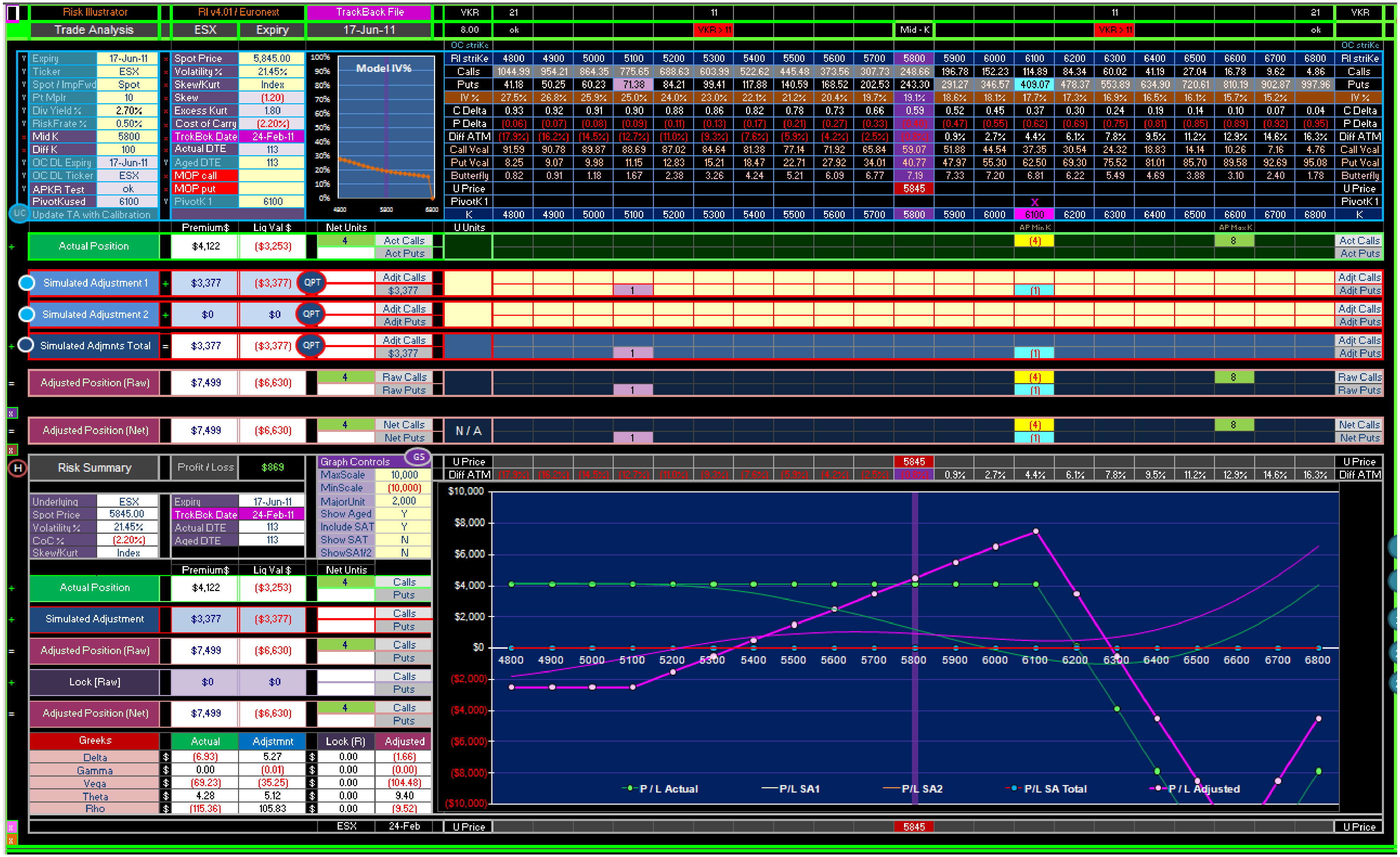


FTSE | June 2011 | Trade#2 | Long Call Broken Wing Butterfly* | AgedPL T+0 | Roll risk up | Note risk hole to upside > 6200



* Adjustments shown at RI model prices for purposes of illustration

FTSE | June 2011 | Trade#3 | Short Put Spread* | AgedPL T+0 | Market Down / Sell some put premium | Note risk hole to upside > 6300

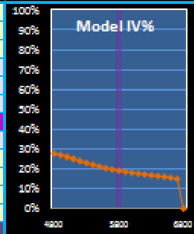


*** Adjustments shown at RI model prices for purposes of illustration**

FTSE | June 2011 | Trade#4 | Long OTM Calls* | AgedPL T+0 | Market Down / buy extra long units | Note risk hole to upside > 6300

Risk Illustrator	RI v4.01 / Euronext		TrackBack File
Trade Analysis	ESX	Expiry	17-Jun-11

Expiry	17-Jun-11	Spot Price	5,824.00
Ticker	ESX	Volatility %	21.50%
Spot / ImpFwd	Spot	Skew/Kurt	Index
Pt Mplr	10	Skew	(1.20)
Div Yield %	2.82%	Excess Kurt	1.80
RiskFrate %	0.50%	Cost of Carry	(2.32%)
Mid K	5800	TrckBck Date	02-Mar-11
Diff K	100	Actual DTE	107
OC DL Expiry	17-Jun-11	Aged DTE	107
OC DL Ticker	ESX	MOP call	
APKR Test	ok	MOP put	
PivotKused	6100	PivotK 1	6100
Update TA with Calibration			



VKR	21					11										11					21	VKR
8.00	ok					VKR > 11					Mid - K					VKR > 11					ok	
OC striKe																						OC striKe
RI striKe	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	RI striKe
Calls	1022.84	932.01	842.11	753.42	666.44	581.95	500.87	424.23	353.07	288.28	230.54	180.26	137.52	102.10	73.54	51.15	34.14	21.65	12.81	6.85	3.04	Calls
Puts	39.77	48.80	58.76	69.91	82.79	98.15	116.92	140.14	168.83	203.90	246.02	295.59	352.70	417.13	488.43	565.89	648.74	736.09	827.11	921.00	1017.05	Puts
IV %	27.6%	26.9%	26.0%	25.0%	24.0%	23.0%	22.1%	21.2%	20.4%	19.7%	19.1%	18.5%	18.0%	17.6%	17.2%	16.8%	16.4%	16.0%	15.5%	14.9%		IV %
C Delta	0.93	0.92	0.91	0.90	0.88	0.85	0.82	0.77	0.72	0.65	0.58	0.50	0.43	0.35	0.28	0.22	0.17	0.12	0.08	0.06	0.03	C Delta
P Delta	(0.06)	(0.07)	(0.08)	(0.09)	(0.11)	(0.14)	(0.17)	(0.22)	(0.28)	(0.34)	(0.41)	(0.49)	(0.57)	(0.64)	(0.71)	(0.77)	(0.83)	(0.87)	(0.91)	(0.94)	(0.96)	P Delta
Diff ATM	(17.6%)	(15.9%)	(14.1%)	(12.4%)	(10.7%)	(9.0%)	(7.3%)	(5.6%)	(3.8%)	(2.1%)	(0.4%)	1.3%	3.0%	4.7%	6.5%	8.2%	9.9%	11.6%	13.3%	15.0%	16.8%	Diff ATM
Call Vcal	91.66	90.82	89.90	88.70	86.97	84.50	81.08	76.63	71.16	64.79	57.74	50.28	42.74	35.42	28.56	22.39	17.01	12.50	8.83	5.97	3.81	Call Vcal
Put Vcal	8.19	9.03	9.95	11.16	12.88	15.36	18.77	23.22	28.69	35.06	42.12	49.57	57.11	64.44	71.29	77.47	82.84	87.36	91.02	93.89	96.05	Put Vcal
Butterfly	0.84	0.92	1.20	1.72	2.48	3.41	4.45	5.47	6.37	7.05	7.45	7.54	7.33	6.85	6.18	5.37	4.52	3.66	2.87	2.16	1.56	Butterfly
U Price											5824											U Price
PivotK 1														X								PivotK 1
K	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	K
U Units				AP Min K															AP Max K			

	Premium$	Liq Val $	Net Units		4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	
+ Actual Position	$7,150	($6,531)	4	Act Calls														(4)					8			Act Calls
				Act Puts				1										(1)								Act Puts
Simulated Adjustment 1 +	($256)	$256	2	($256)																			2			Adjt Calls
				Adjt Puts																						Adjt Puts
Simulated Adjustment 2 +	$0	$0		Adjt Calls																						Adjt Calls
				Adjt Puts																						Adjt Puts
+ Simulated Adjmnts Total =	($256)	$256	2	($256)																			2			Adjt Calls
				Adjt Puts																						Adjt Puts
= Adjusted Position (Raw)	$6,894	($6,275)	6	Raw Calls														(4)					10			Raw Calls
				Raw Puts				1										(1)								Raw Puts
= Adjusted Position (Net)	$6,894	($6,275)	6	Net Calls	N / A													(4)					10			Net Calls
				Net Puts				1										(1)								Net Puts

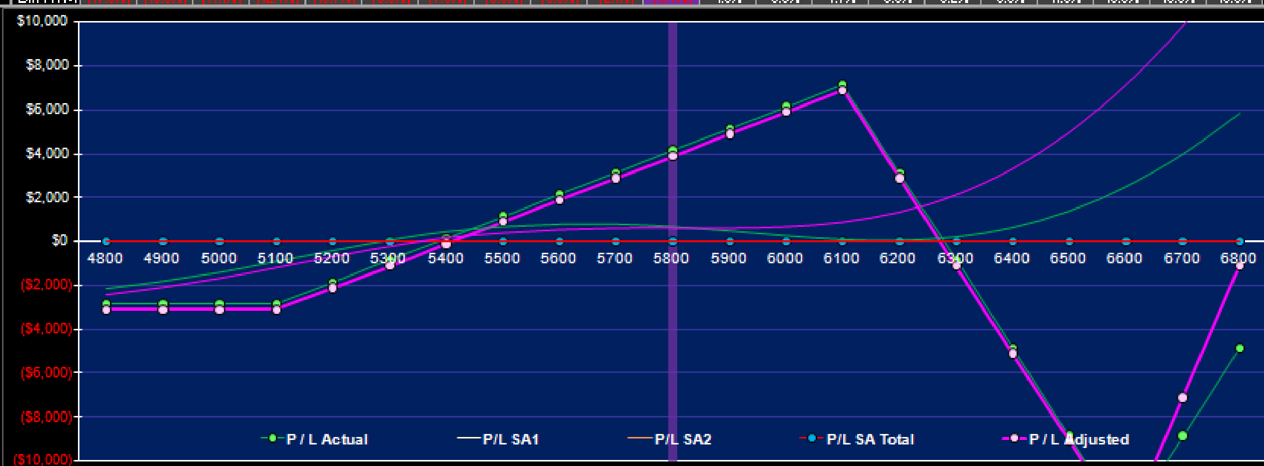
Risk Summary		Profit / Loss	$619
Underlying	ESX	Expiry	17-Jun-11
Spot Price	5824.00	TrckBck Date	02-Mar-11
Volatility %	21.50%	Actual DTE	107
CoC %	(2.32%)	Aged DTE	107
Skew/Kurt	Index		

Graph Controls	GS
MaxScale	10,000
MinScale	(10,000)
MajorUnit	2,000
Show Aged	Y
Include SAT	Y
Show SAT	N
ShowSA1/2	N

	Premium$	Liq Val $	Net Untis	
+ Actual Position	$7,150	($6,531)	4	Calls
				Puts
+ Simulated Adjustment	($256)	$256	2	Calls
				Puts
= Adjusted Position (Raw)	$6,894	($6,275)	6	Calls
				Puts
+ Lock [Raw]	$0	$0		Calls
				Puts
= Adjusted Position (Net)	$6,894	($6,275)	6	Calls
				Puts

Greeks		Actual	Adjstmnt		Lock (R)	Adjusted
Delta	$	(1.81)	1.69	$	0.00	(0.12)
Gamma	$	(0.01)	0.01	$	0.00	0.00
Vega	$	(128.42)	69.73	$	0.00	(58.69)
Theta	$	12.31	(6.31)	$	0.00	6.00
Rho	$	(11.76)	28.16	$	0.00	16.40

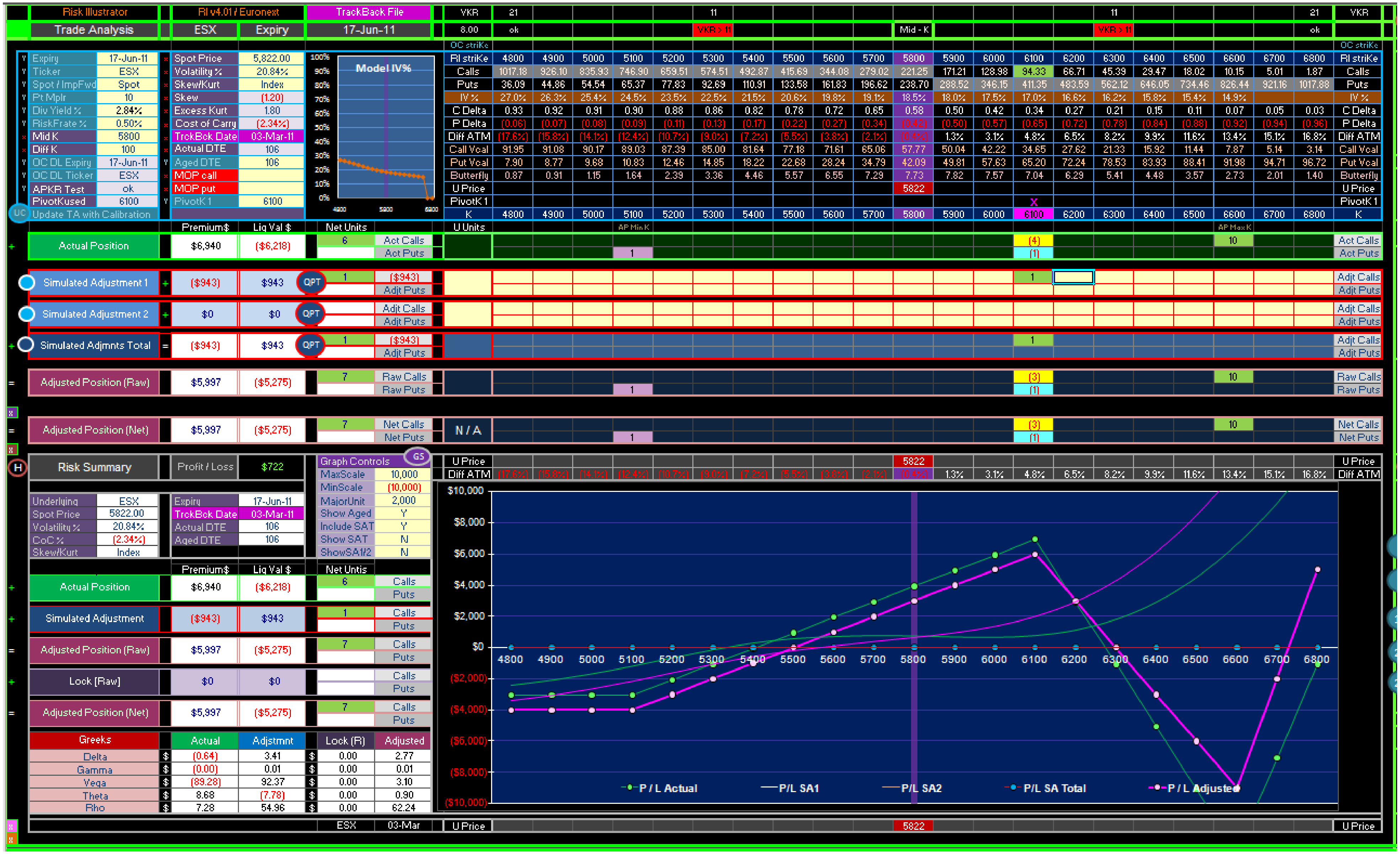
U Price											5824											U Price
Diff ATM	(17.6%)	(15.9%)	(14.1%)	(12.4%)	(10.7%)	(9.0%)	(7.3%)	(5.6%)	(3.8%)	(2.1%)	(0.4%)	1.3%	3.0%	4.7%	6.5%	8.2%	9.9%	11.6%	13.3%	15.0%	16.8%	Diff ATM



ESX	02-Mar	U Price	5824	U Price

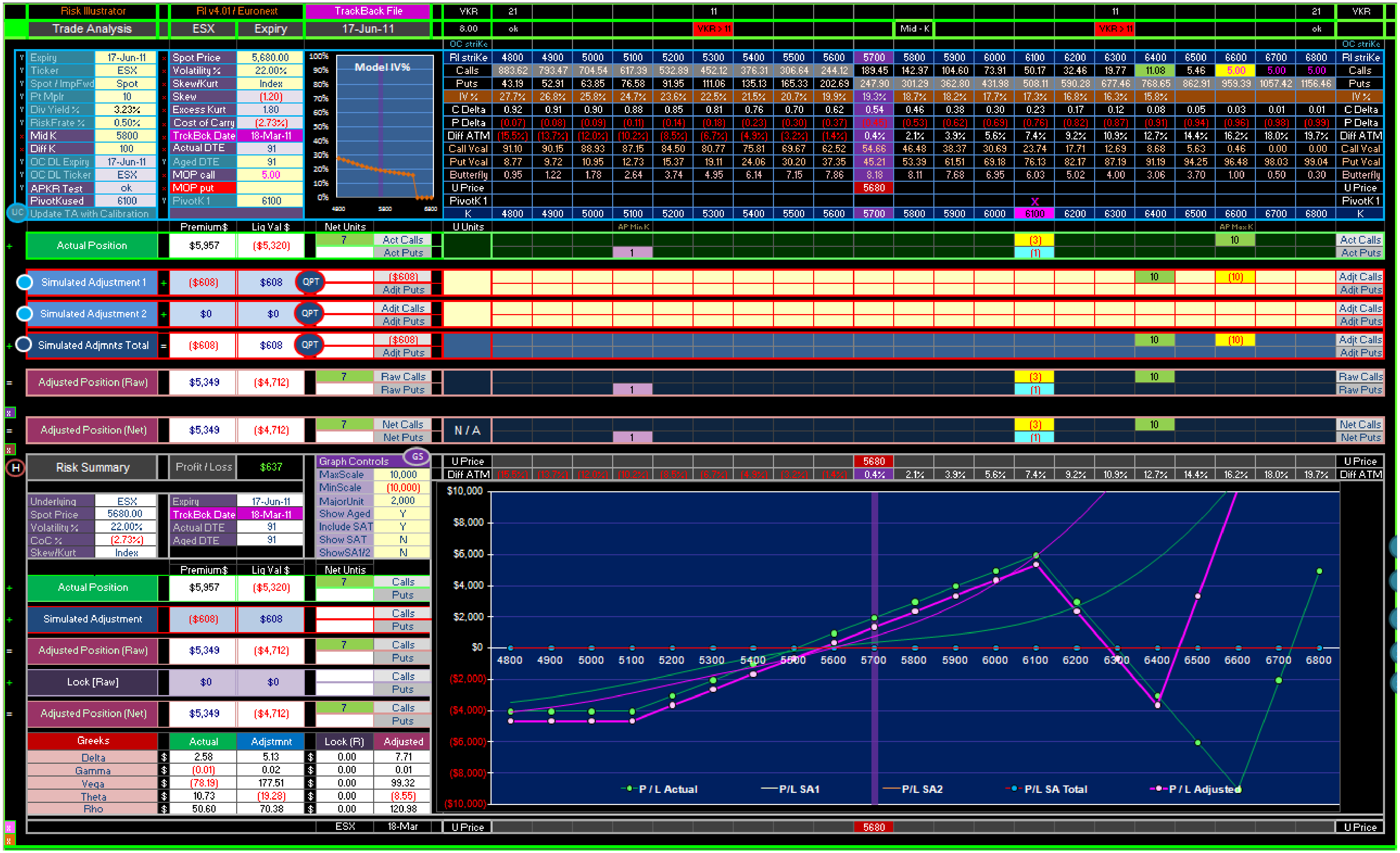
* Adjustments shown at RI model prices for purposes of illustration

FTSE | June 2011 | Trade#5 | Long OTM Call* | AgedPL T+0 | Market Down / buy in upside risk | Note risk hole to upside > 6300



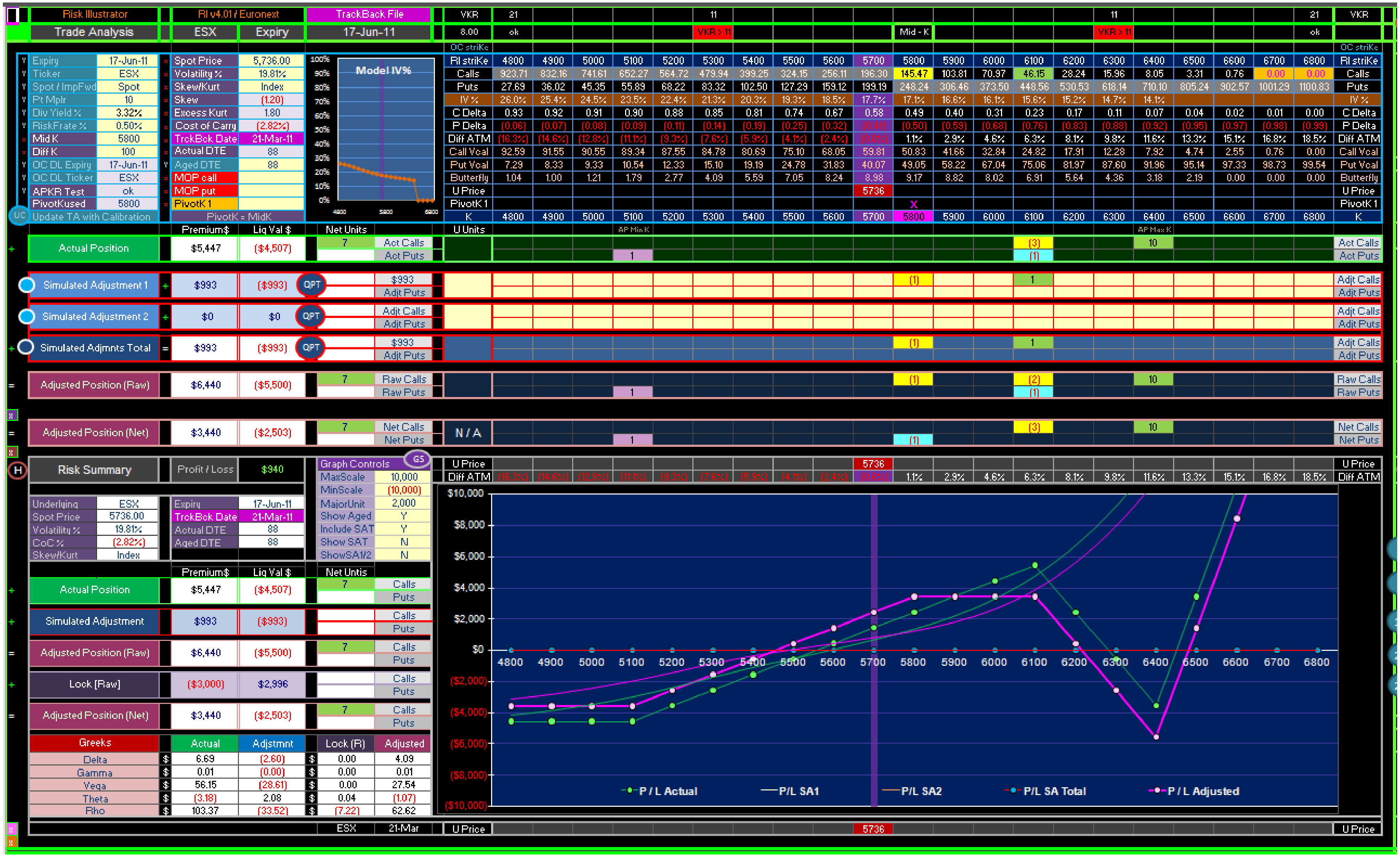
* Adjustments shown at RI model prices for purposes of illustration

FTSE | June 2011 | Trade#6 | Long OTM Call Spreads* | AgedPL T+0 | Market Down / buy in upside risk | Note risk hole to upside > 6300



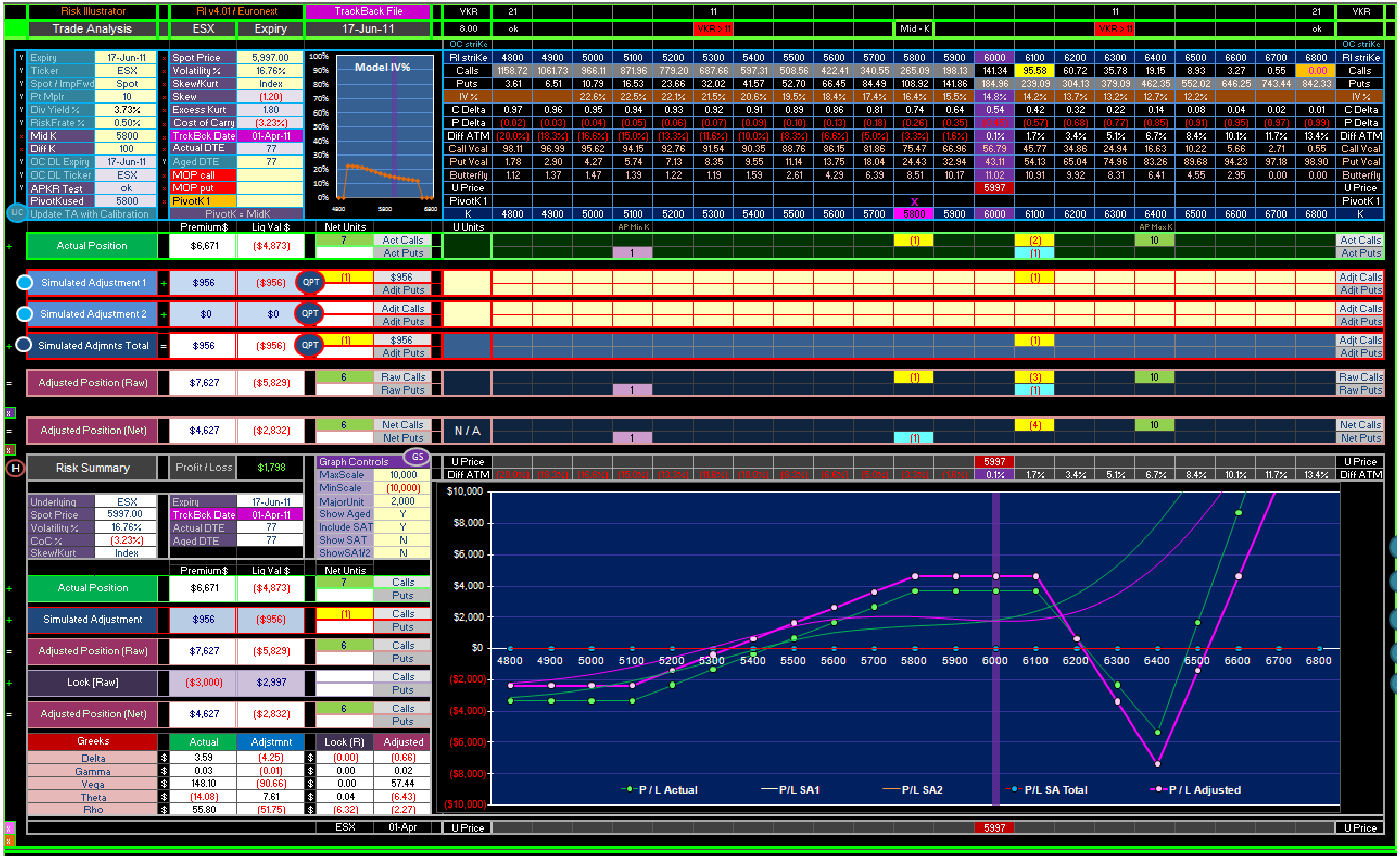
* Adjustments shown at RI model prices for purposes of illustration

FTSE | June 2011 | Trade#7 | Short ATM Call Spread* | AgedPL T+0 | Market up / sell call premium | Note risk hole to upside > 6200



*** Adjustments shown at RI model prices for purposes of illustration**

FTSE | June 2011 | Trade#8 | Short ATM Call * | AgedPL T+0 | Market up / sell call premium | Note risk hole to upside > 6200

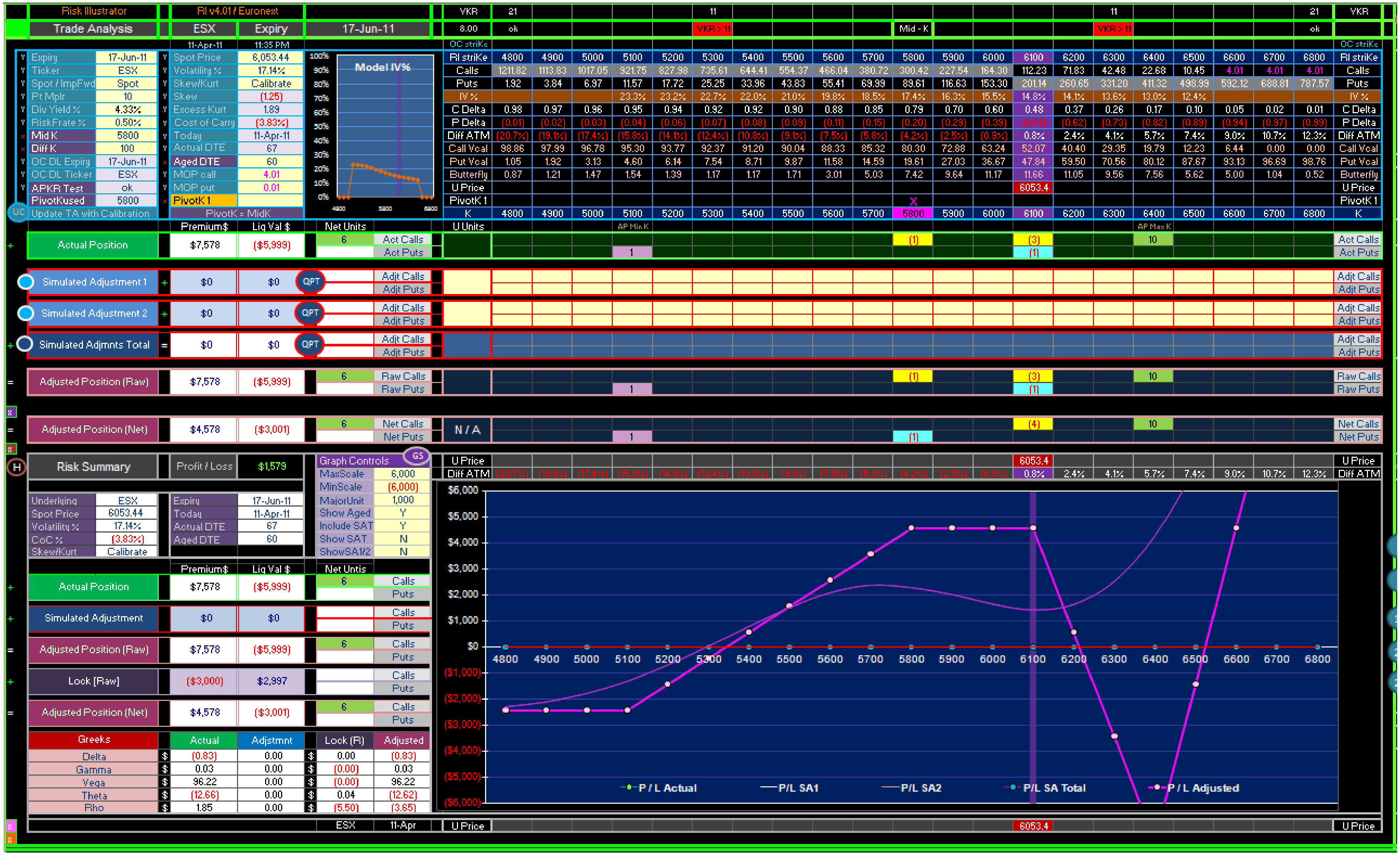


RI striKe	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	RI striKe
Calls	1158.72	1061.73	966.11	871.96	779.20	687.66	597.31	508.56	422.41	340.55	265.09	198.13	141.34	95.58	60.72	35.78	19.15	8.93	3.27	0.55	0.00	Calls
Puts	3.61	6.51	10.79	16.53	23.66	32.02	41.57	52.70	66.45	84.49	108.92	141.86	184.96	239.09	304.13	379.09	462.35	552.02	646.25	743.44	842.33	Puts
IV %			22.6%	22.5%	22.1%	21.5%	20.6%	19.5%	18.4%	17.4%	16.4%	15.5%	14.8%	14.2%	13.7%	13.2%	12.7%	12.2%				IV %
C Delta	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.89	0.86	0.81	0.74	0.64	0.54	0.42	0.32	0.22	0.14	0.08	0.04	0.02	0.01	C Delta
P Delta	(0.02)	(0.03)	(0.04)	(0.05)	(0.06)	(0.07)	(0.09)	(0.10)	(0.13)	(0.18)	(0.26)	(0.35)	(0.45)	(0.57)	(0.68)	(0.77)	(0.85)	(0.91)	(0.95)	(0.97)	(0.99)	P Delta
Diff ATM	(20.0%)	(18.3%)	(16.6%)	(15.0%)	(13.3%)	(11.6%)	(10.0%)	(8.3%)	(6.6%)	(5.0%)	(3.3%)	(1.6%)	0.1%	1.7%	3.4%	5.1%	6.7%	8.4%	10.1%	11.7%	13.4%	Diff ATM
Call Vcal	98.11	96.99	95.62	94.15	92.76	91.54	90.35	88.76	86.15	81.86	75.47	66.96	56.79	45.77	34.86	24.94	16.63	10.22	5.66	2.71	0.55	Call Vcal
Put Vcal	1.78	2.90	4.27	5.74	7.13	8.35	9.55	11.14	13.75	18.04	24.43	32.94	43.11	54.13	65.04	74.96	83.26	89.68	94.23	97.18	98.90	Put Vcal
Butterfly	1.12	1.37	1.47	1.39	1.22	1.19	1.59	2.61	4.29	6.39	8.51	10.17	11.02	10.91	9.92	8.31	6.41	4.55	2.95	0.00	0.00	Butterfly
U Price													5997									U Price
PivotK 1											X											PivotK 1
K	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	K

* Adjustments shown at RI model prices for purposes of illustration

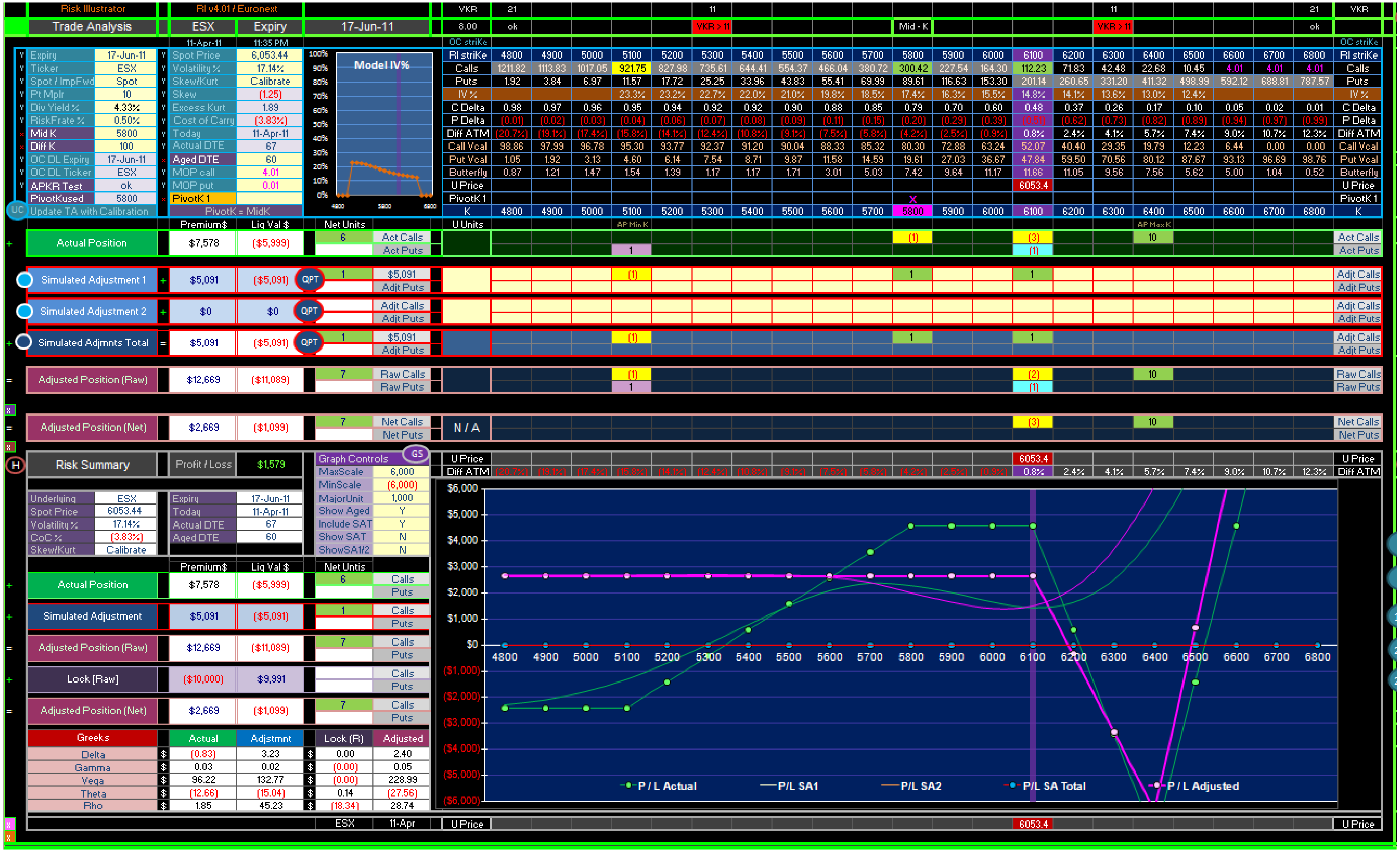
Current Position

FTSE | June 2011 | Post Trade #8 | Current Position | AgedPL at T+7



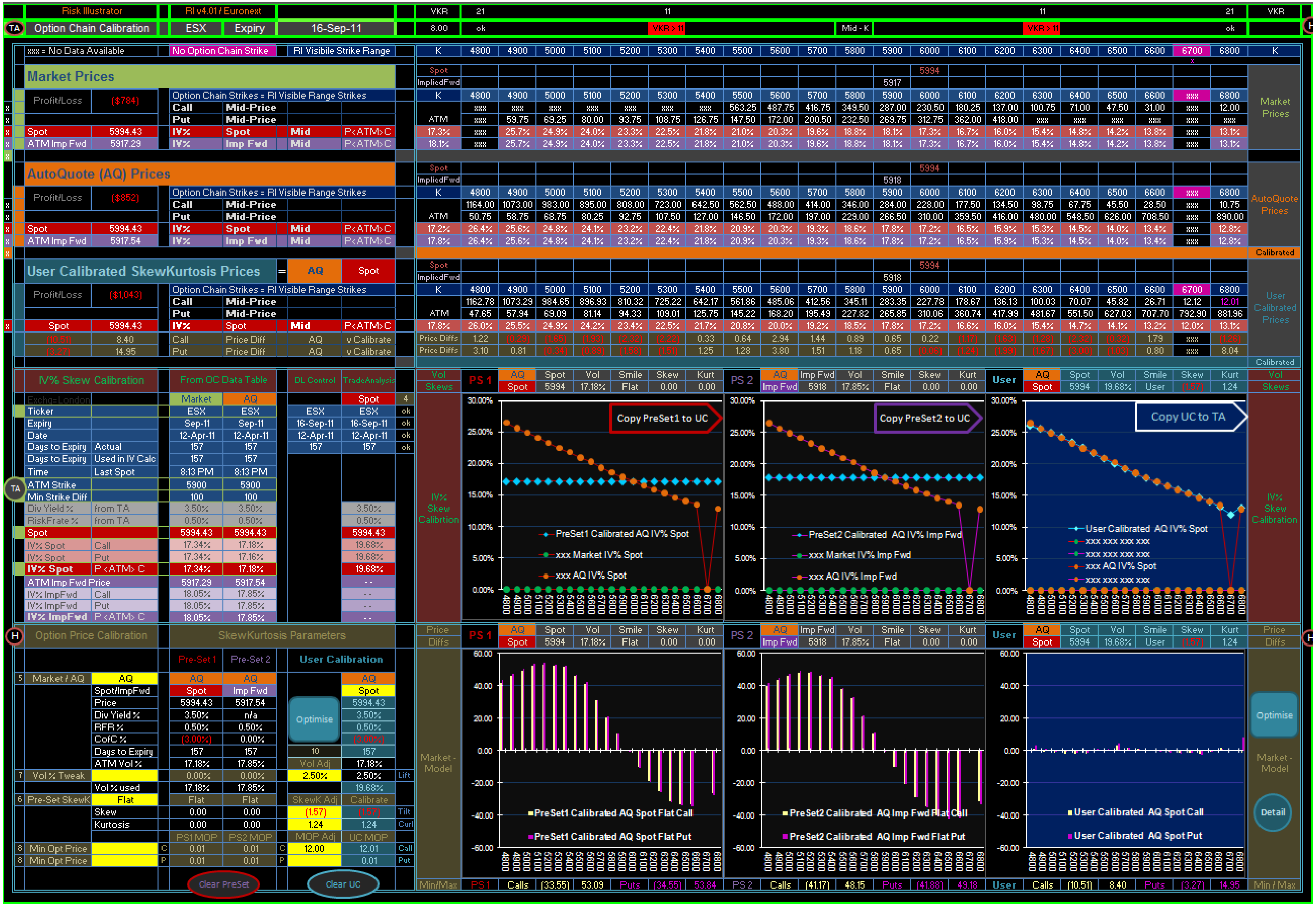
* Note Graph Scale changed from TrackBack Graphs

FTSE | June 2011 | Post Trade #8 | Possible Adjustment #1 at Target Price +$5,300 (current price +$5,091) | AgedPL at T+7



* Note Graph Scale changed from TrackBack Graphs

FTSE | June 2011 | Option Chain Calibration



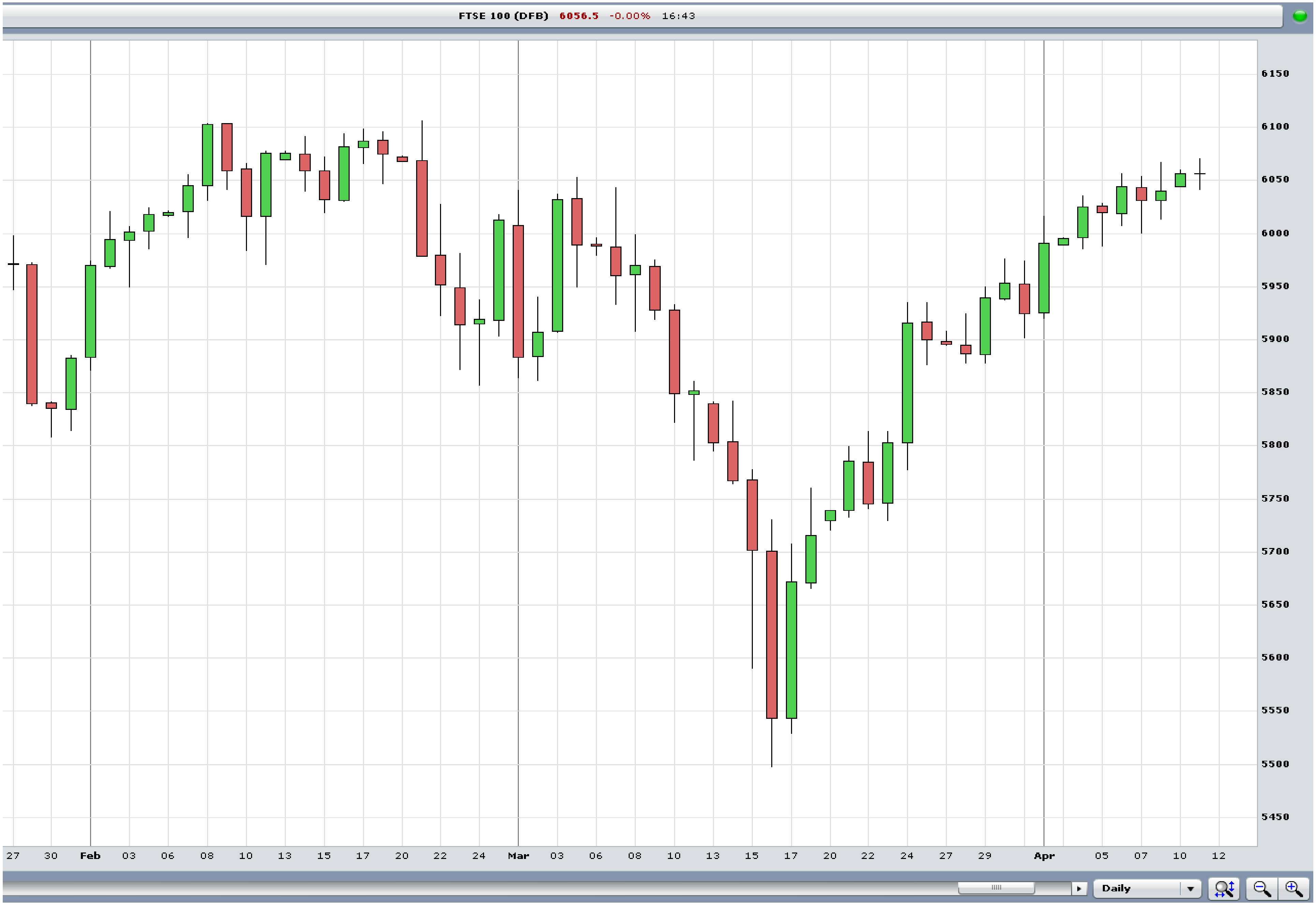
James Parker

Re: Fancy FTSE
« **Reply #1 on:** April 15, 2011, 02:22:37 AM »

FTSE100: Sep11 Expiry: 63 DTE
Trade #9: Sold 1 x 5100/5800/6100 call ladder* today for 530p on a GTC order. Current Position (Synthetically): -3c 6100 / +10c 6400 : Net Credit 286.9p. TrackBack Analysis

Cheers
James

FTSE | Daily Price Movement from 27 January – 11 April 2011 | Range 5500 - 6100



FTSE | June 2011 | Trade Tracker

Risk Illustrator	RI v4.01 / Euronext		VKR	21	11	11	21	VKR
Trade Tracker	ESX	Expiry 17-Jun-11	8.00	ok	VKR > 11	Mid - K / VKR > 11	ok	

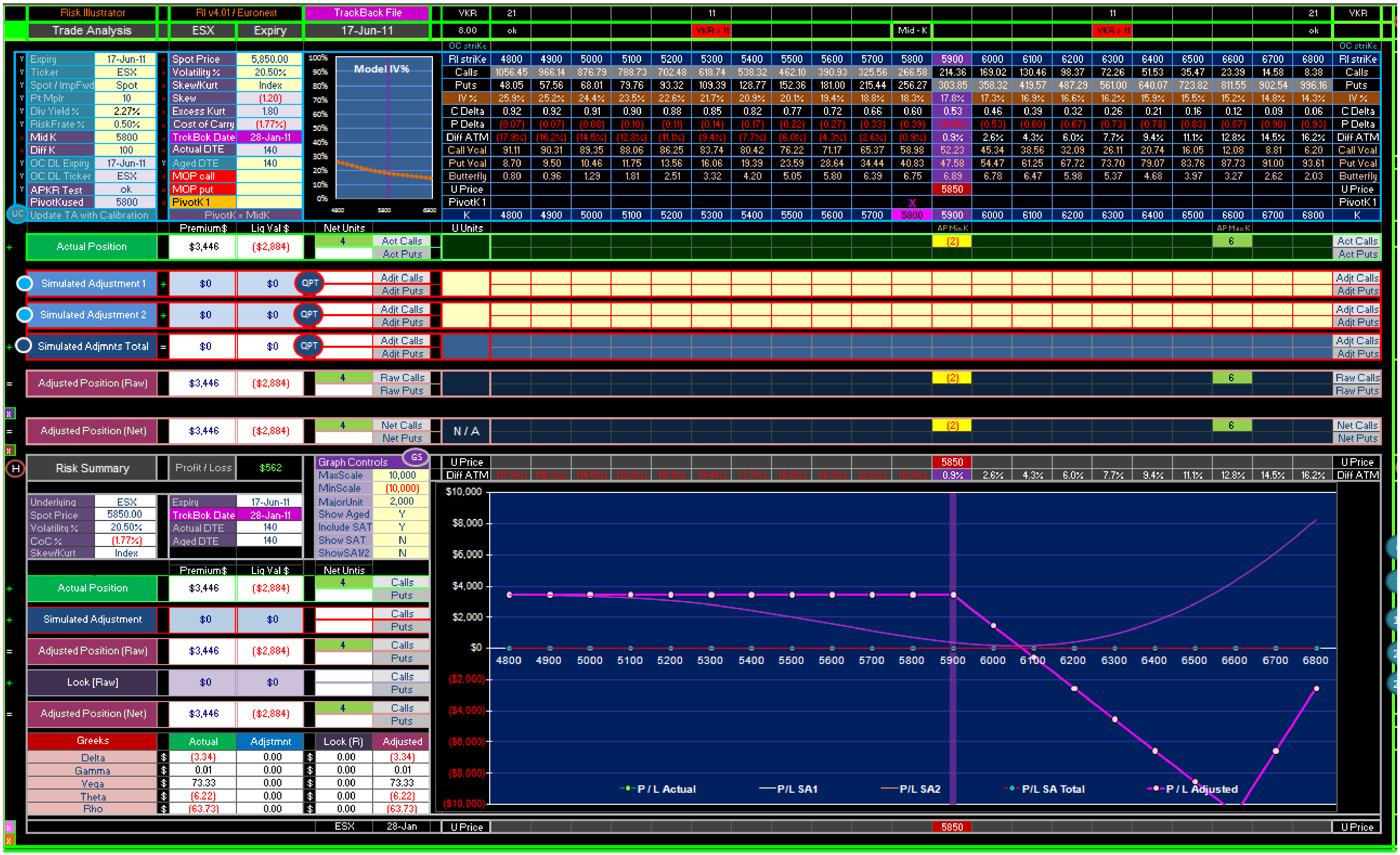
Underlying	ESX	Expiry	17-Jun-11	APKR Test
Spot Price	6013.83	Today	06-Apr-11	ok
Volatility %	16.95%	Actual DTE	No	Shade Trades
CoC %	(3.54%)	Aged DTE	65	No

	Date	Nett Premium	$Commision #Contracts	$Commision per contract	Nett C/P		K / U Units	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	K	Ulying Price	ATM Vol%	DTE
					ESX	06-Apr	U Price													6013.8									U Price			
								4750	4850	4950	5050	5150	5250	5350	5450	5550	5650	5750	5850	5950	6050	6150	6250	6350	6450	6550	6650	6750				
Trade BFwd						Calls																							Calls			
						Puts																							Puts			
TRADE 1	28-Jan-11	$3,446.00	($24.00)	($3.00)	4	Calls													(2)							6			Calls	5850	20.50%	140
			8			Puts																							Puts			
																			5850													
TRADE 2	08-Feb-11	$676.00	($24.00)	($3.00)		Calls													2		(4)					2			Calls	5995	18.25%	129
			8			Puts																							Puts			
																				5995												
TRADE 3	24-Feb-11	$3,034.00	($6.00)	($3.00)		Calls																							Calls	5845	21.45%	113
			2			Puts					1										(1)								Puts			
																		5845														
TRADE 4	02-Mar-11	($216.00)	($6.00)	($3.00)	2	Calls																				2			Calls	5824	21.50%	107
			2			Puts																							Puts			
																		5824														
TRADE 5	03-Mar-11	($983.00)	($3.00)	($3.00)	1	Calls															1								Calls	5822	20.84%	106
			1			Puts																							Puts			
																		5822														
TRADE 6	18-Mar-11	($510.00)	($60.00)	($3.00)		Calls																		10		(10)			Calls	5680	22.00%	91
			20			Puts																							Puts			
																	5680															
TRADE 7	21-Mar-11	$1,224.00	($6.00)	($3.00)		Calls												(1)			1								Calls	5736	19.81%	88
			2			Puts																							Puts			
																	5736															
TRADE 8	01-Apr-11	$907.00	($3.00)	($3.00)	(1)	Calls															(1)								Calls	5997	16.76%	77
			1			Puts																							Puts			
																				5997												

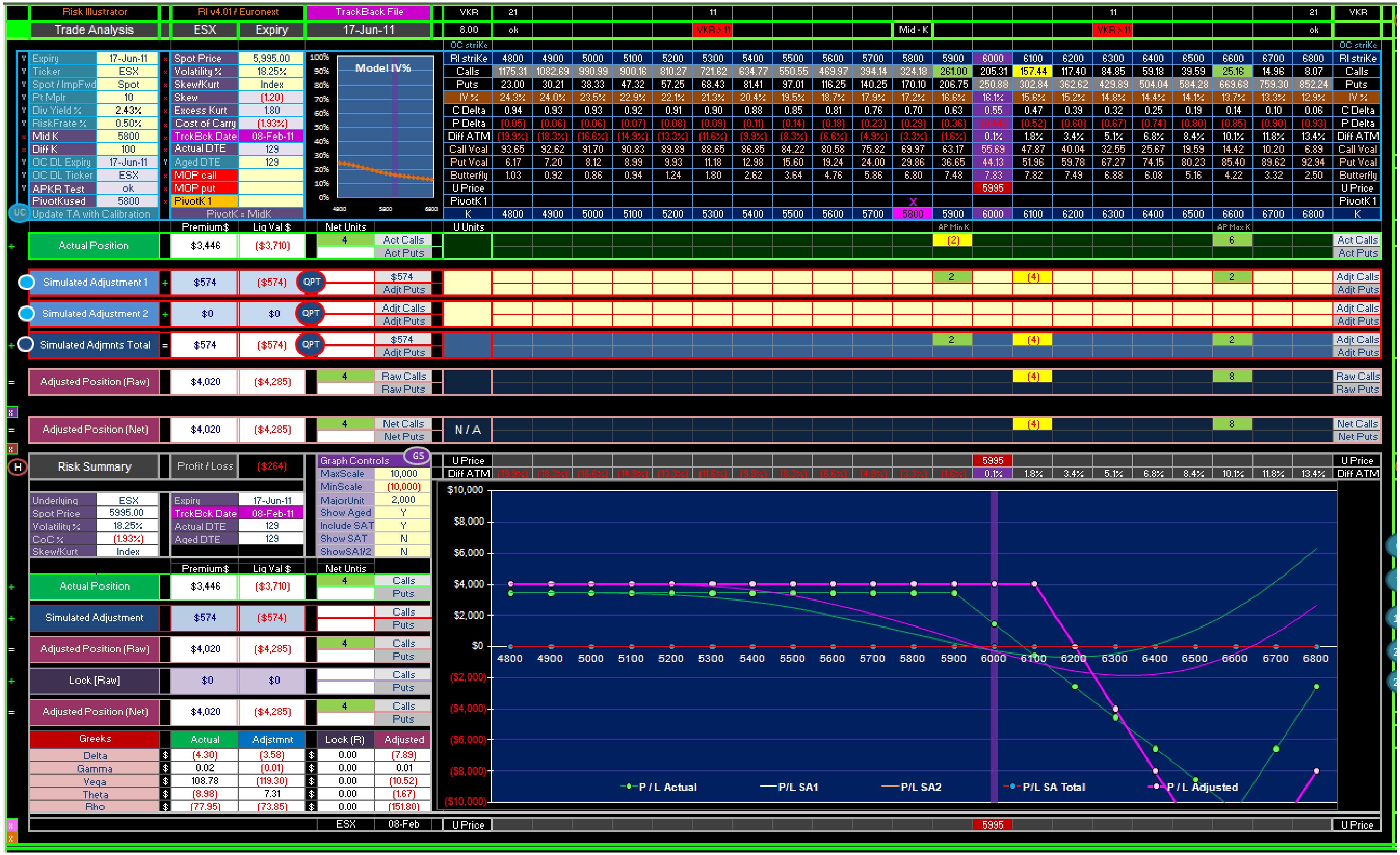
	Premium	Commission / contract				K	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	K	Liq Value	Profit / Loss
Total Actual Position	$7,578.00	($132.00)	($3.00)	6	Act Calls												(1)			(3)			10					Act Calls	($5,998.13)	$1,579.87
		44			Act Puts					1										(1)								Act Puts		

TrackBack Trades 1 - 8

FTSE | June 2011 | Trade#1 | Long Call Backspread | AgedPL T+0 | Note risk hole to upside > 6100

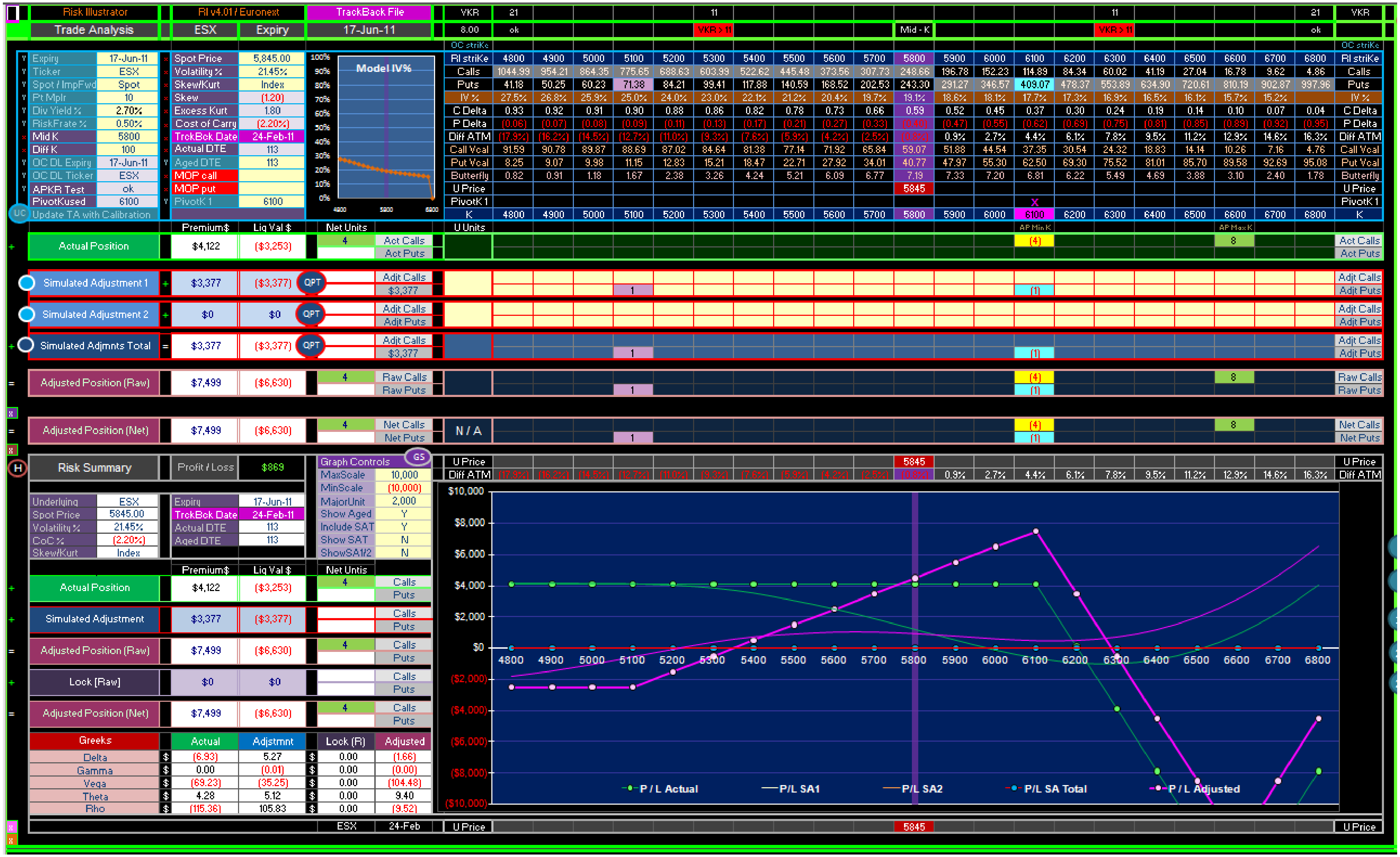


FTSE | June 2011 | Trade#2 | Long Call Broken Wing Butterfly* | AgedPL T+0 | Roll risk up | Note risk hole to upside > 6200



* Adjustments shown at RI model prices for purposes of illustration

FTSE | June 2011 | Trade#3 | Short Put Spread* | AgedPL T+0 | Market Down / Sell some put premium | Note risk hole to upside > 6300

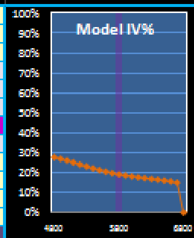


*** Adjustments shown at RI model prices for purposes of illustration**

FTSE | June 2011 | Trade#4 | Long OTM Calls* | AgedPL T+0 | Market Down / buy extra long units | Note risk hole to upside > 6300

Risk Illustrator	RI v4.01 / Euronext		TrackBack File
Trade Analysis	ESX	Expiry	17-Jun-11

Expiry	17-Jun-11	Spot Price	5,824.00
Ticker	ESX	Volatility %	21.50%
Spot / ImpFwd	Spot	Skew/Kurt	Index
Pt Mplr	10	Skew	(1.20)
Div Yield %	2.82%	Excess Kurt	1.80
RiskFrate %	0.50%	Cost of Carry	(2.32%)
Mid K	5800	TrckBck Date	02-Mar-11
Diff K	100	Actual DTE	107
OC DL Expiry	17-Jun-11	Aged DTE	107
OC DL Ticker	ESX	MOP call	
APKR Test	ok	MOP put	
PivotKused	6100	PivotK 1	6100
Update TA with Calibration			



VKR	21					11										11					21	VKR
8.00	ok					VKR > 11					Mid - K					VKR > 11					ok	
OC striKe																						OC striKe
RI striKe	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	RI striKe
Calls	1022.84	932.01	842.11	753.42	666.44	581.95	500.87	424.23	353.07	288.28	230.54	180.26	137.52	102.10	73.54	51.15	34.14	21.65	12.81	6.85	3.04	Calls
Puts	39.77	48.80	58.76	69.91	82.79	98.15	116.92	140.14	168.83	203.90	246.02	295.59	352.70	417.13	488.43	565.89	648.74	736.09	827.11	921.00	1017.05	Puts
IV %	27.6%	26.9%	26.0%	25.0%	24.0%	23.0%	22.1%	21.2%	20.4%	19.7%	19.1%	18.5%	18.0%	17.6%	17.2%	16.8%	16.4%	16.0%	15.5%	14.9%		IV %
C Delta	0.93	0.92	0.91	0.90	0.88	0.85	0.82	0.77	0.72	0.65	0.58	0.50	0.43	0.35	0.28	0.22	0.17	0.12	0.08	0.06	0.03	C Delta
P Delta	(0.06)	(0.07)	(0.08)	(0.09)	(0.11)	(0.14)	(0.17)	(0.22)	(0.28)	(0.34)	(0.41)	(0.49)	(0.57)	(0.64)	(0.71)	(0.77)	(0.83)	(0.87)	(0.91)	(0.94)	(0.96)	P Delta
Diff ATM	(17.6%)	(15.9%)	(14.1%)	(12.4%)	(10.7%)	(9.0%)	(7.3%)	(5.6%)	(3.8%)	(2.1%)	(0.4%)	1.3%	3.0%	4.7%	6.5%	8.2%	9.9%	11.6%	13.3%	15.0%	16.8%	Diff ATM
Call Vcal	91.66	90.82	89.90	88.70	86.97	84.50	81.08	76.63	71.16	64.79	57.74	50.28	42.74	35.42	28.56	22.39	17.01	12.50	8.83	5.97	3.81	Call Vcal
Put Vcal	8.19	9.03	9.95	11.16	12.88	15.36	18.77	23.22	28.69	35.06	42.12	49.57	57.11	64.44	71.29	77.47	82.84	87.36	91.02	93.89	96.05	Put Vcal
Butterfly	0.84	0.92	1.20	1.72	2.48	3.41	4.45	5.47	6.37	7.05	7.45	7.54	7.33	6.85	6.18	5.37	4.52	3.66	2.87	2.16	1.56	Butterfly
U Price											5824											U Price
PivotK 1														x								PivotK 1
K	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	K
U Units				AP Min K															AP Max K			

	Premium$	Liq Val $	Net Units		5100	6100	6600	
Actual Position	$7,150	($6,531)	4	Act Calls		(4)	8	Act Calls
				Act Puts	1	(1)		Act Puts
Simulated Adjustment 1	($256)	$256	2	($256)			2	Adjt Calls
				Adjt Puts				Adjt Puts
Simulated Adjustment 2	$0	$0		Adjt Calls				Adjt Calls
				Adjt Puts				Adjt Puts
Simulated Adjmnts Total	($256)	$256	2	($256)			2	Adjt Calls
				Adjt Puts				Adjt Puts
Adjusted Position (Raw)	$6,894	($6,275)	6	Raw Calls		(4)	10	Raw Calls
				Raw Puts	1	(1)		Raw Puts
Adjusted Position (Net)	$6,894	($6,275)	6	Net Calls		(4)	10	Net Calls
				Net Puts	1	(1)		Net Puts

N / A

Risk Summary		Profit / Loss	$619
Underlying	ESX	Expiry	17-Jun-11
Spot Price	5824.00	TrckBck Date	02-Mar-11
Volatility %	21.50%	Actual DTE	107
CoC %	(2.32%)	Aged DTE	107
Skew/Kurt	Index		

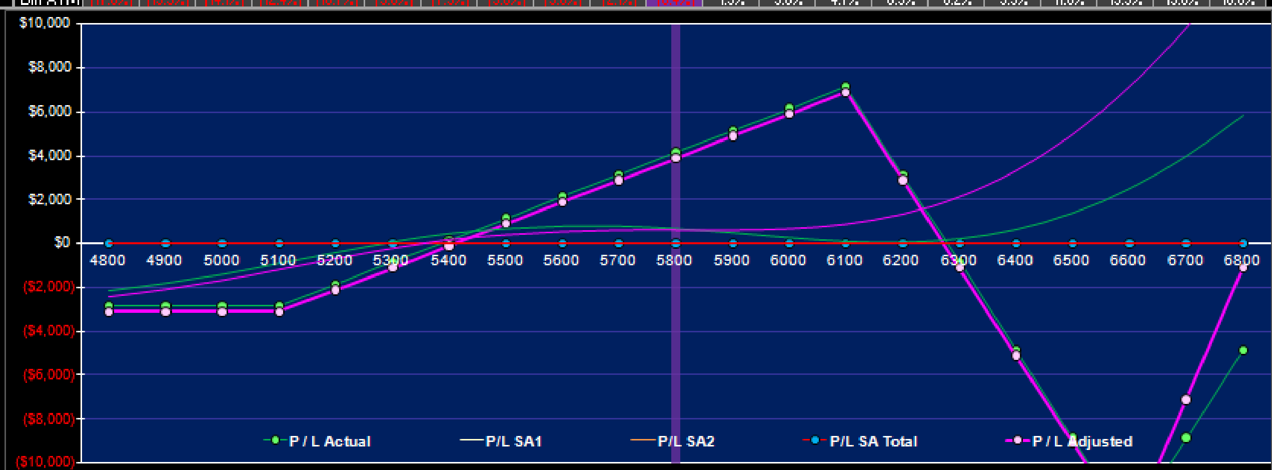
Graph Controls	GS
MaxScale	10,000
MinScale	(10,000)
MajorUnit	2,000
Show Aged	Y
Include SAT	Y
Show SAT	N
ShowSA1/2	N

	Premium$	Liq Val $	Net Untis	
Actual Position	$7,150	($6,531)	4	Calls
				Puts
Simulated Adjustment	($256)	$256	2	Calls
				Puts
Adjusted Position (Raw)	$6,894	($6,275)	6	Calls
				Puts
Lock [Raw]	$0	$0		Calls
				Puts
Adjusted Position (Net)	$6,894	($6,275)	6	Calls
				Puts

Greeks		Actual	Adjstmnt		Lock (R)	Adjusted
Delta	$	(1.81)	1.69	$	0.00	(0.12)
Gamma	$	(0.01)	0.01	$	0.00	0.00
Vega	$	(128.42)	69.73	$	0.00	(58.69)
Theta	$	12.31	(6.31)	$	0.00	6.00
Rho	$	(11.76)	28.16	$	0.00	16.40

ESX 02-Mar

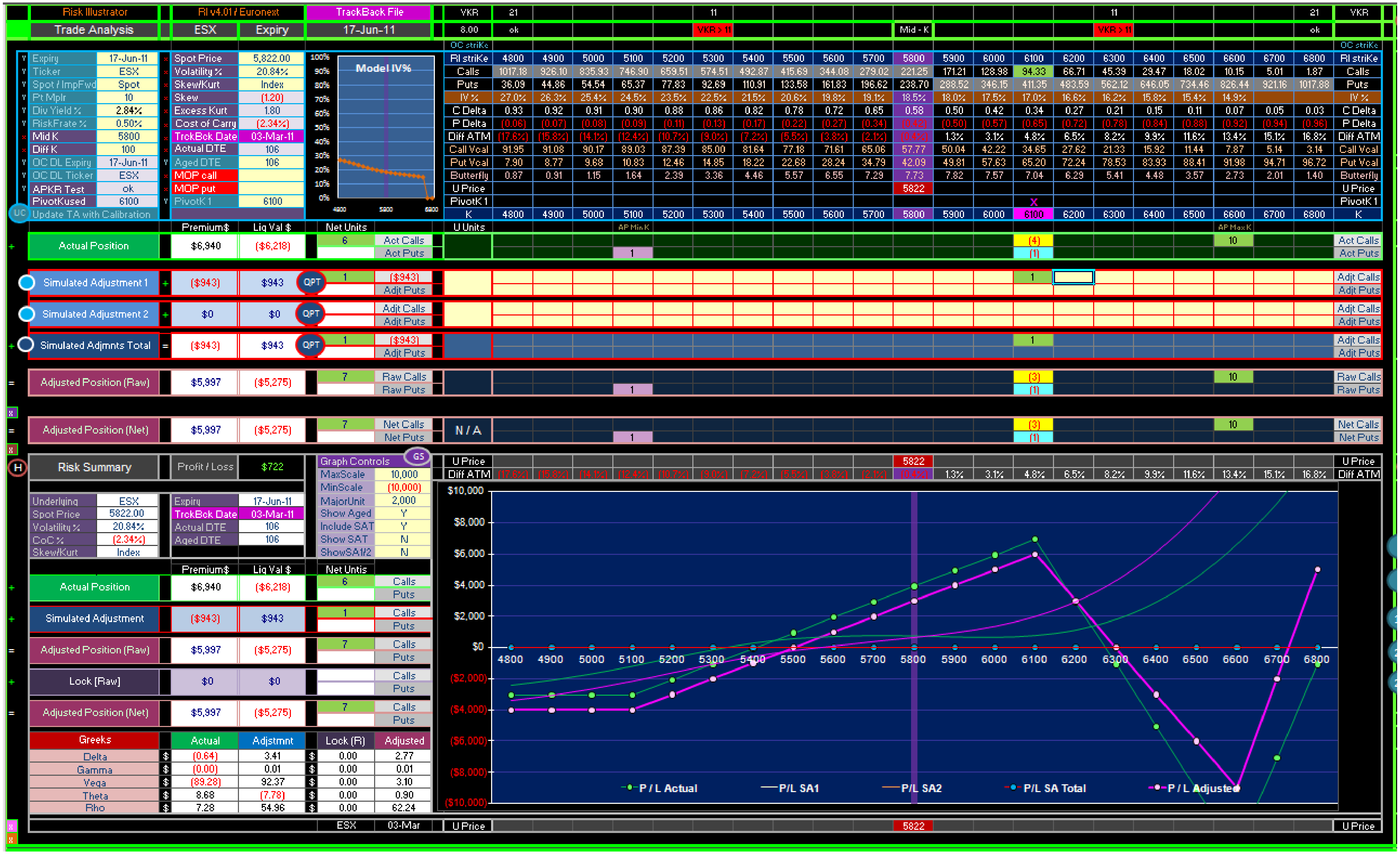
U Price											5824											U Price
Diff ATM	(17.6%)	(15.9%)	(14.1%)	(12.4%)	(10.7%)	(9.0%)	(7.3%)	(5.6%)	(3.8%)	(2.1%)	(0.4%)	1.3%	3.0%	4.7%	6.5%	8.2%	9.9%	11.6%	13.3%	15.0%	16.8%	Diff ATM



U Price	5824	U Price

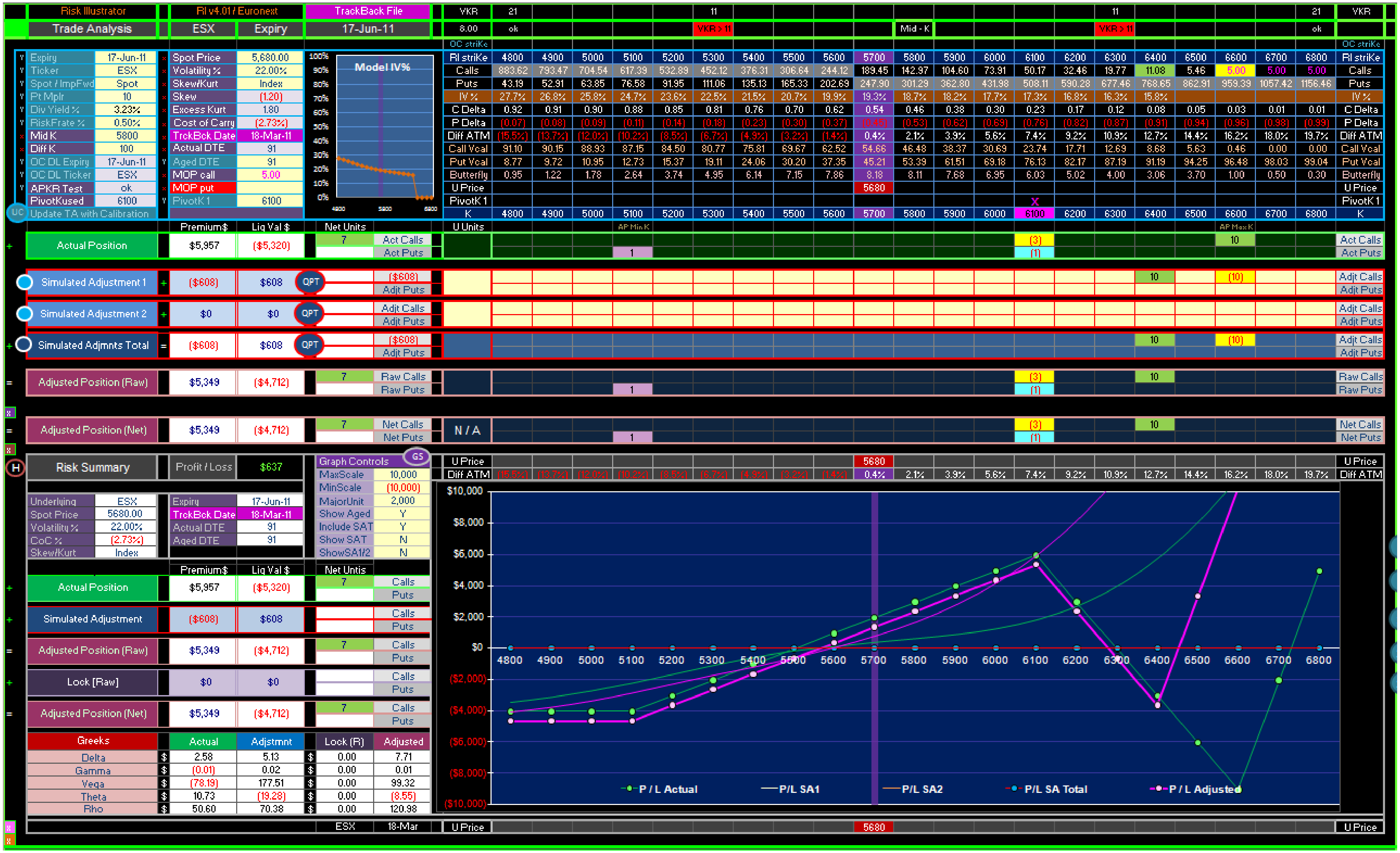
*** Adjustments shown at RI model prices for purposes of illustration**

FTSE | June 2011 | Trade#5 | Long OTM Call* | AgedPL T+0 | Market Down / buy in upside risk | Note risk hole to upside > 6300



* Adjustments shown at RI model prices for purposes of illustration

FTSE | June 2011 | Trade#6 | Long OTM Call Spreads* | AgedPL T+0 | Market Down / buy in upside risk | Note risk hole to upside > 6300



Risk Illustrator	RI v4.01 / Euronext		TrackBack File	
Trade Analysis	ESX	Expiry	17-Jun-11	

Expiry	17-Jun-11	Spot Price	5,680.00
Ticker	ESX	Volatility %	22.00%
Spot / ImpFwd	Spot	Skew/Kurt	Index
Pt Mplr	10	Skew	(1.20)
Div Yield %	3.23%	Excess Kurt	1.80
RiskFrate %	0.50%	Cost of Carry	(2.73%)
Mid K	5800	TrckBck Date	18-Mar-11
Diff K	100	Actual DTE	91
OC DL Expiry	17-Jun-11	Aged DTE	91
OC DL Ticker	ESX	MOP call	5.00
APKR Test	ok	MOP put	
PivotKused	6100	PivotK 1	6100
Update TA with Calibration			

Model IV%

VKR	21					11									11					21	VKR
8.00	ok					VKR > 11					Mid - K				VKR > 11					ok	
OC strike																					OC strike
RI strike	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800
Calls	883.62	793.47	704.54	617.39	532.89	452.12	376.31	306.64	244.12	189.45	142.97	104.60	73.91	50.17	32.46	19.77	11.08	5.46	5.00	5.00	5.00
Puts	43.19	52.91	63.85	76.58	91.95	111.06	135.13	165.33	202.69	247.90	301.29	362.80	431.98	508.11	590.28	677.46	768.65	862.91	959.39	1057.42	1156.46
IV %	27.7%	26.8%	25.8%	24.7%	23.6%	22.5%	21.5%	20.7%	19.9%	19.3%	18.7%	18.2%	17.7%	17.3%	16.8%	16.3%	15.8%				
C Delta	0.92	0.91	0.90	0.88	0.85	0.81	0.76	0.70	0.62	0.54	0.46	0.38	0.30	0.23	0.17	0.12	0.08	0.05	0.03	0.01	0.01
P Delta	(0.07)	(0.08)	(0.09)	(0.11)	(0.14)	(0.18)	(0.23)	(0.30)	(0.37)	(0.45)	(0.53)	(0.62)	(0.69)	(0.76)	(0.82)	(0.87)	(0.91)	(0.94)	(0.96)	(0.98)	(0.99)
Diff ATM	(15.5%)	(13.7%)	(12.0%)	(10.2%)	(8.5%)	(6.7%)	(4.9%)	(3.2%)	(1.4%)	0.4%	2.1%	3.9%	5.6%	7.4%	9.2%	10.9%	12.7%	14.4%	16.2%	18.0%	19.7%
Call Vcal	91.10	90.15	88.93	87.15	84.50	80.77	75.81	69.67	62.52	54.66	46.48	38.37	30.69	23.74	17.71	12.69	8.68	5.63	0.46	0.00	0.00
Put Vcal	8.77	9.72	10.95	12.73	15.37	19.11	24.06	30.20	37.35	45.21	53.39	61.51	69.18	76.13	82.17	87.19	91.19	94.25	96.48	98.03	99.04
Butterfly	0.95	1.22	1.78	2.64	3.74	4.95	6.14	7.15	7.86	8.18	8.11	7.68	6.95	6.03	5.02	4.00	3.06	3.70	1.00	0.50	0.30
U Price										5680											
PivotK 1														X							
K	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800

	Premium$	Liq Val $	Net Units		4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	
Actual Position	$5,957	($5,320)	7	Act Calls														(3)					10			Act Calls
				Act Puts				1										(1)								Act Puts
Simulated Adjustment 1	($608)	$608	($608)	Adjt Calls																	10		(10)			Adjt Calls
				Adjt Puts																						Adjt Puts
Simulated Adjustment 2	$0	$0		Adjt Calls																						Adjt Calls
				Adjt Puts																						Adjt Puts
Simulated Adjmnts Total	($608)	$608	($608)	Adjt Calls																	10		(10)			Adjt Calls
				Adjt Puts																						Adjt Puts
Adjusted Position (Raw)	$5,349	($4,712)	7	Raw Calls														(3)			10					Raw Calls
				Raw Puts				1										(1)								Raw Puts
Adjusted Position (Net)	$5,349	($4,712)	7	Net Calls														(3)			10					Net Calls
				Net Puts				1										(1)								Net Puts

Risk Summary	Profit / Loss	$637

Underlying	ESX	Expiry	17-Jun-11
Spot Price	5680.00	TrckBck Date	18-Mar-11
Volatility %	22.00%	Actual DTE	91
CoC %	(2.73%)	Aged DTE	91
Skew/Kurt	Index		

Graph Controls	
MaxScale	10,000
MinScale	(10,000)
MajorUnit	2,000
Show Aged	Y
Include SAT	Y
Show SAT	N
ShowSA1/2	N

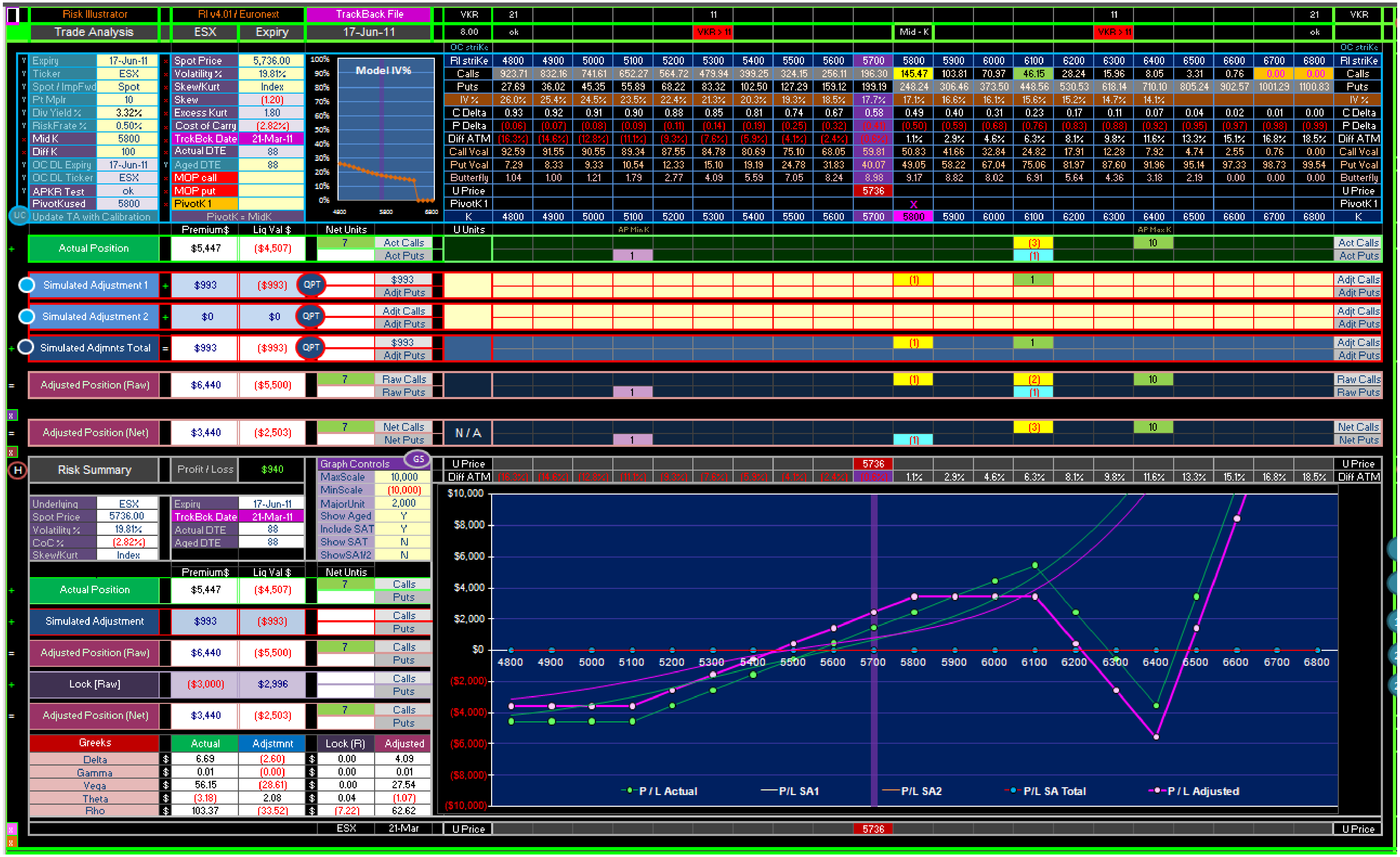
	Premium$	Liq Val $	Net Untis	
Actual Position	$5,957	($5,320)	7	Calls / Puts
Simulated Adjustment	($608)	$608		Calls / Puts
Adjusted Position (Raw)	$5,349	($4,712)	7	Calls / Puts
Lock (Raw)	$0	$0		Calls / Puts
Adjusted Position (Net)	$5,349	($4,712)	7	Calls / Puts

Greeks		Actual	Adjstmnt		Lock (R)	Adjusted
Delta	$	2.58	5.13	$	0.00	7.71
Gamma	$	(0.01)	0.02	$	0.00	0.01
Vega	$	(78.19)	177.51	$	0.00	99.32
Theta	$	10.73	(19.28)	$	0.00	(8.55)
Rho	$	50.60	70.38	$	0.00	120.98

ESX	18-Mar	U Price	5680	U Price

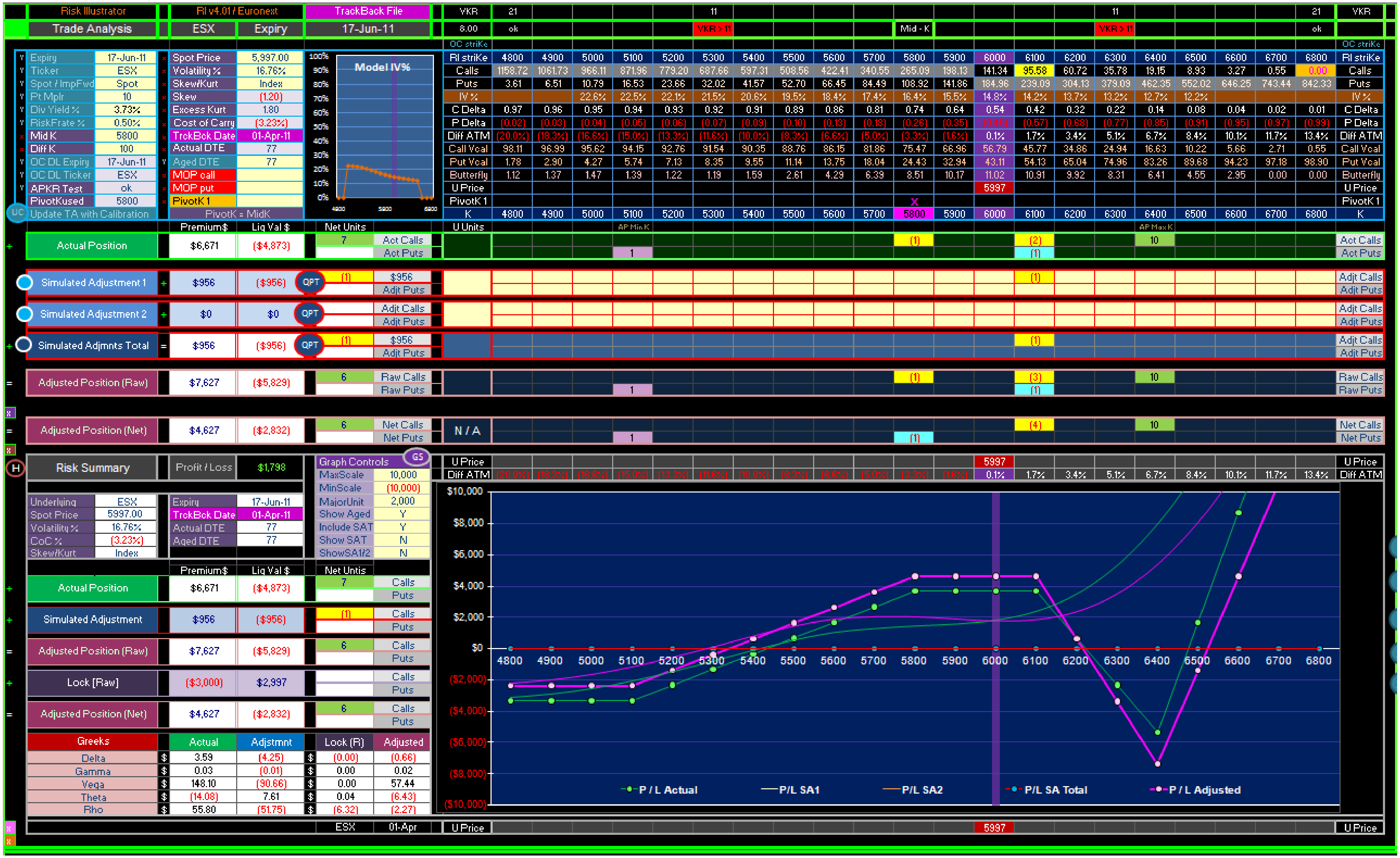
*** Adjustments shown at RI model prices for purposes of illustration**

FTSE | June 2011 | Trade#7 | Short ATM Call Spread* | AgedPL T+0 | Market up / sell call premium | Note risk hole to upside > 6200



*** Adjustments shown at RI model prices for purposes of illustration**

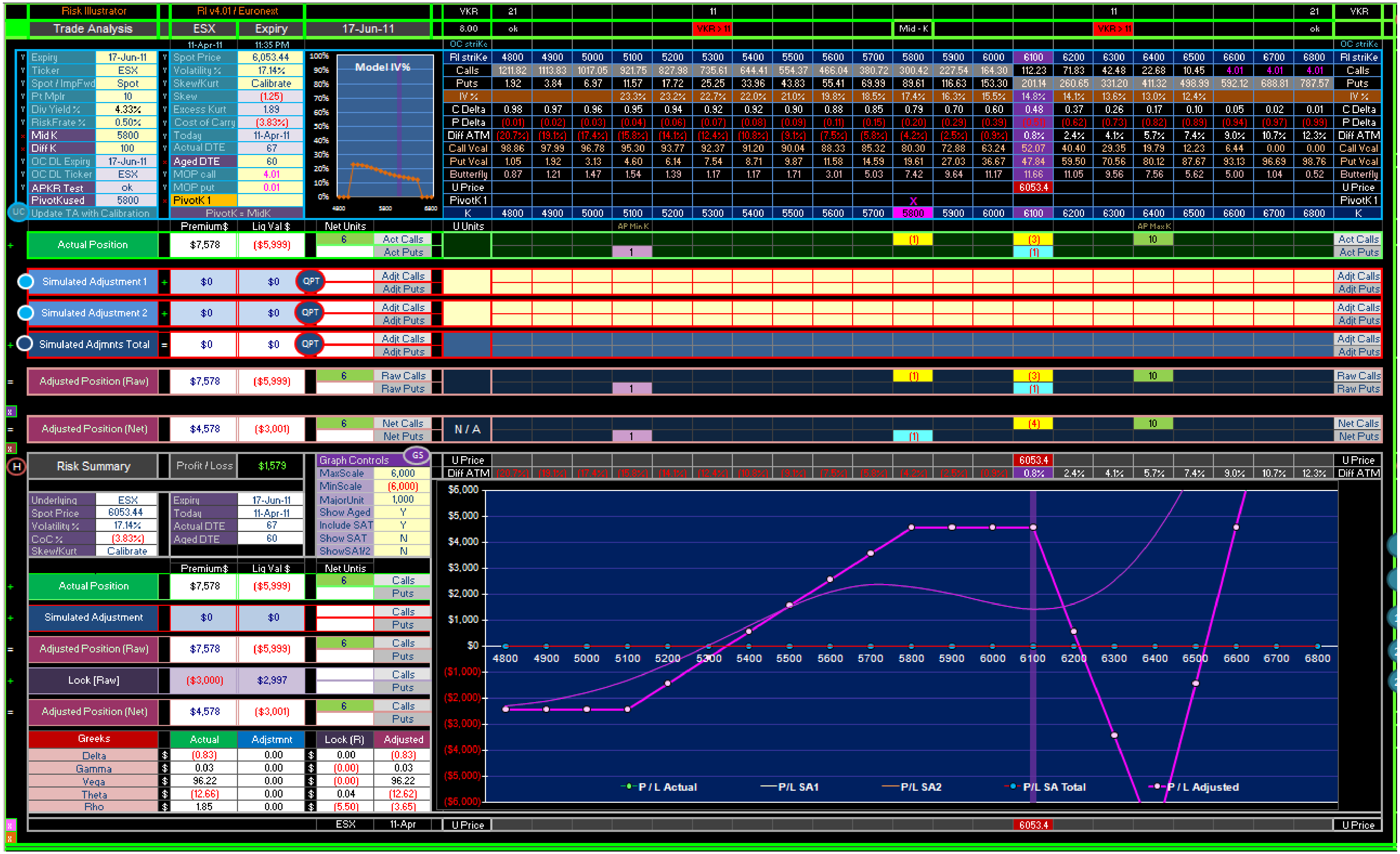
FTSE | June 2011 | Trade#8 | Short ATM Call * | AgedPL T+0 | Market up / sell call premium | Note risk hole to upside > 6200



*** Adjustments shown at RI model prices for purposes of illustration**

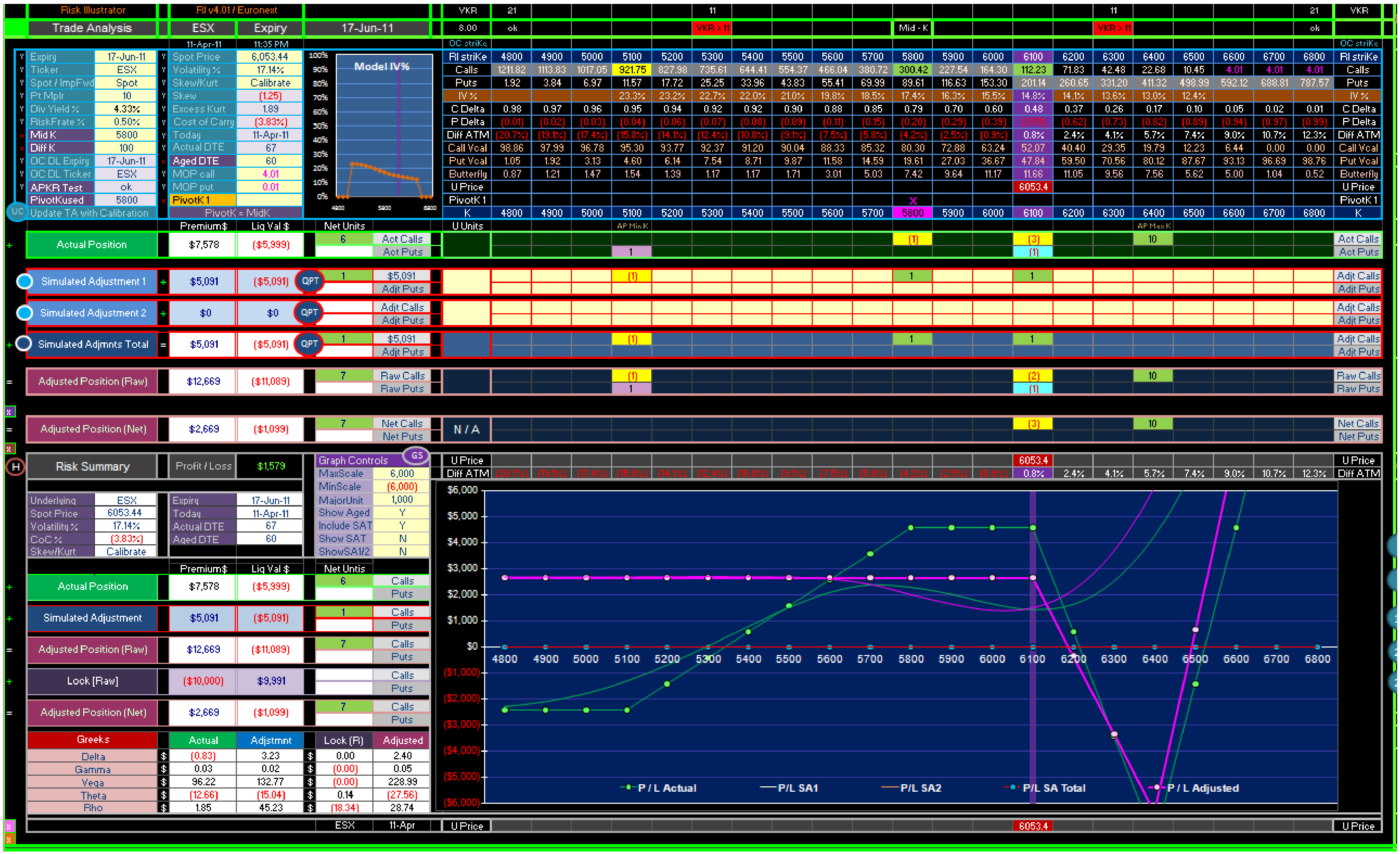
Current Position

FTSE | June 2011 | Post Trade #8 | Current Position | AgedPL at T+7



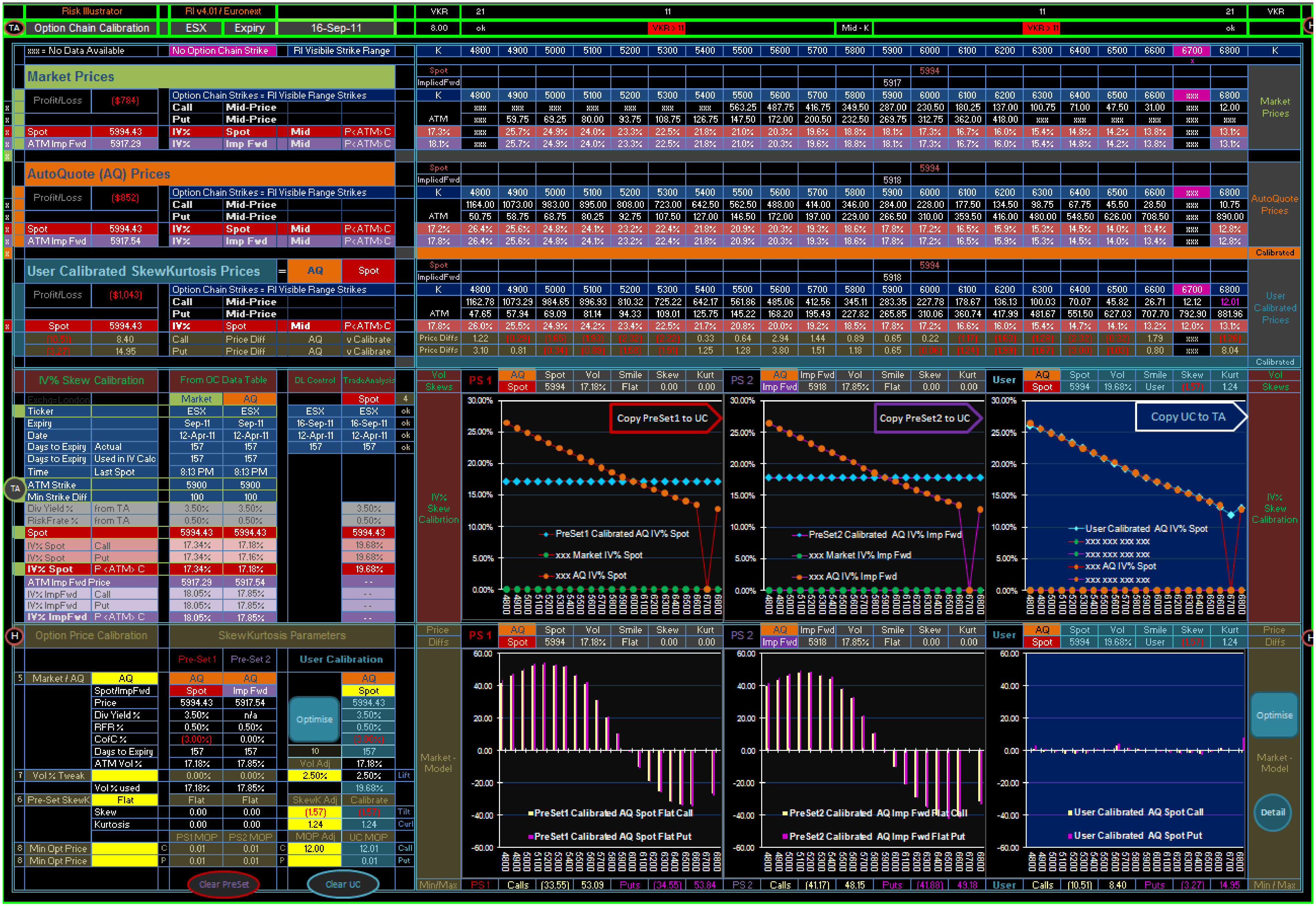
* Note Graph Scale changed from TrackBack Graphs

FTSE | June 2011 | Post Trade #8 | Possible Adjustment #1 at Target Price +$5,300 (current price +$5,091) | AgedPL at T+7



* Note Graph Scale changed from TrackBack Graphs

FTSE | June 2011 | Option Chain Calibration



RJS

NIFTY June'11

« **on:** April 11, 2011, 01:24:46 AM »

Nifty June series : observations are:
Current Nifty SPOT at 5800 ish
ATM iv : 21 ish
(1) Trade Idea 1 :
Sell 4x 5900 C At 183
Buy 6x 6300 C at 48.35
Net inflow : 442
Theta: (0.08)....because of theta, not sure whether to take this trade or no?

(2) Trade Idea 2:
Buy 4x 5100 P at 50.20
Sell 4x 5500 P at 116
Net Inflow: 263
Theta: 2.16 ...because of IV, paying more implied for long put then short put..should i consider this as a trade ?

Ri$k Doctor

Re: NIFTY June'11

« **Reply #1 on:** April 13, 2011, 05:16:16 PM »

Sorry, I am not a big fan of Back Spreads and trading in illiquid inefficient markets like the NIFTY so I wll refrain from suggesting anything.

RJS

Short Strangle and Wings
« **on:** January 27, 2011, 08:58:49 AM »

Hi Charles,

Currently Nifty (indian index) is displaying excessive volatility.
To take advantage of high volatility, i am thinking of trading this way :
Currently Nifty at 5700,
trading volatile between 5625 and 5800

Trade 1:
Create Short Strangle: 5500p, 5900c for a total of 85

Trade 2:
Buy 5400p when nifty trades near the upper end of the range

Trade 3:
Buy 6000c when nifty trades near the lower end of the range

StopLoss (enforced if Trade 2 / Trade 3 are not executed):
Buy 6000c, if Nifty trades above 5800
Buy 5500p, if Nifty trades below 5600

Strategy Advantage:
1) Reduce cost of buying wings

Strategy DisAdvantages:

1) Position will be naked short, till wings are bought
2) If Stop Loss level is hit before wings are bought, then it shall result in Higher cost of the wing

Please share your views on the above.

A question :
What % of Short Strangle should be spent on Wings, which can result in a Zero Risk Position, both sides?

Thanks
Rakesh

Ri$k Doctor

Re: Short Strangle and Wings
« **Reply #1 on:** January 27, 2011, 09:17:38 AM »

Good Plan but you still have Gap Risk, so keep the size down until wings in place. Obviously, the smaller percentage the better but I don't have any particular amount for the wings as a percentatge of the short strangle. No matter what the percentage it can still be a winner or loser.

RJS

Re: Short Strangle and Wings

« **Reply #2 on:** January 27, 2011, 09:22:58 AM »

Yes i will be running Gap risk. Hence will keep size down.

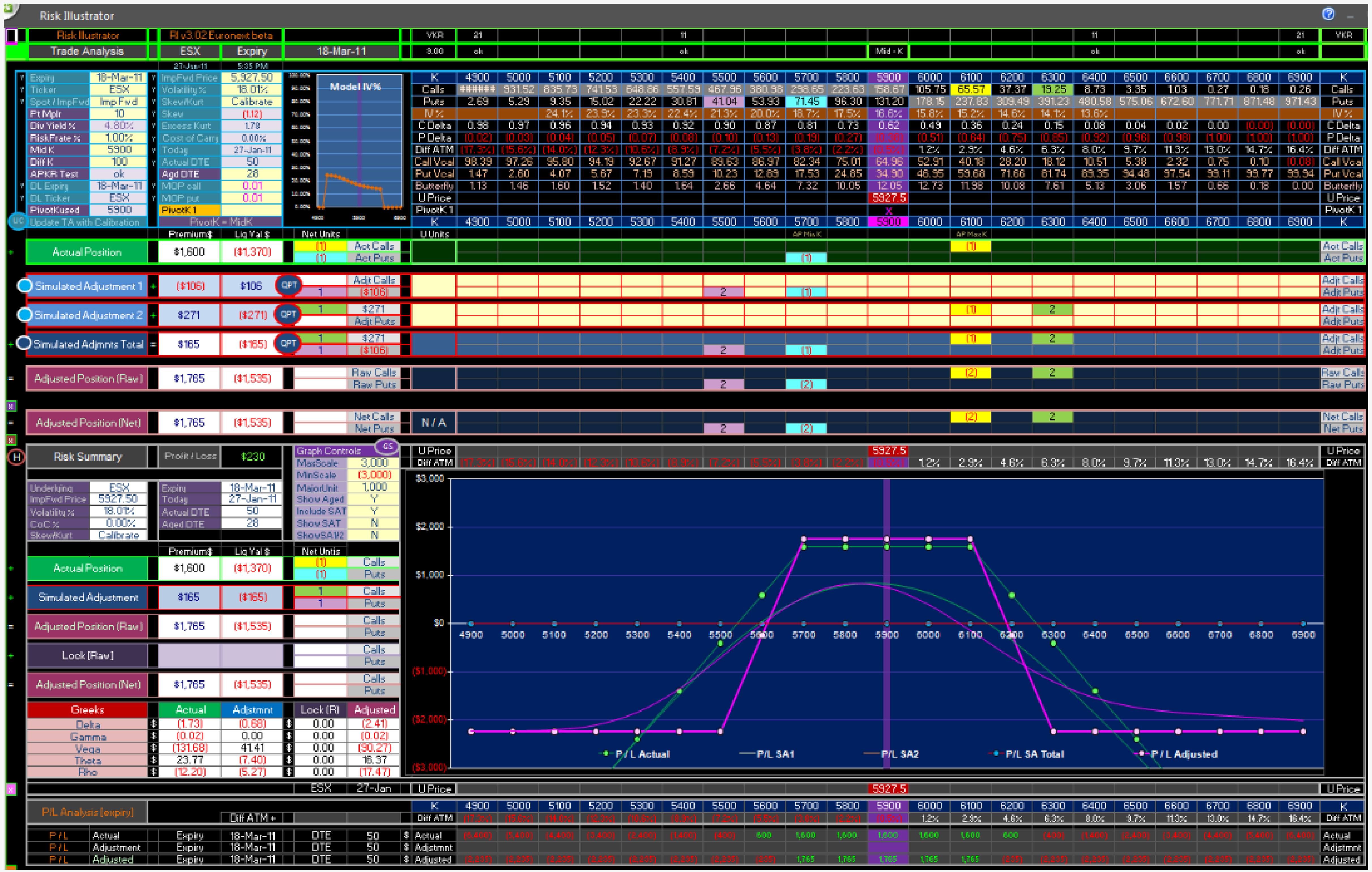
thanks

Ri$k Doctor

Re: Short Strangle and Wings

« **Reply #3 on:** January 27, 2011, 10:46:03 AM »

James chimes in with:
"To avoid Gap Risk, convert Short Strangles to Limited Risk Condors. RJS can only do well with naked short strangles if the market cooperates.
The image below is using FTSE prices [as similar strikes to the NIFTY] which illustrates that RJS might be better trading twice as many limited risk condors as strangles for a similar pay-off.":



I agree with James but your commissions and bid/ask cost structure, in India, are pretty prohibitive.

RJS

Re: Short Strangle and Wings
« **Reply #4 on:** January 28, 2011, 09:25:07 AM »

I agree with the suggestion by James, but how do I take advantage of the volatility (within the range)?

Square (cover or get flat) the opposite leg? i.e. When market reaches lower end of the range, square the bear call spread, and square bull put spread when market reaches higher end of the range?

Or..........................?

rakesh

Ri$k Doctor

Re: Short Strangle and Wings
« **Reply #5 on:** January 28, 2011, 10:14:46 AM »

You can still do those interim scalps. James's suggestion was to eliminate the naked exposure and offer a similer P&L profile with limited risk. There is noting preventing you from...

> **Quote** When market reaches lower end of the range, square the bear call spread

...covering (squaring) the call spread and even doubling up on the put spread if your bullish.

RJS

Re: Short Strangle and Wings
« **Reply #6 on:** January 29, 2011, 06:45:51 AM »

Its any day better to create a position with limited risk profile, as suggested by James (with the same Profitable range).
what i suggested/asking was how to scalp volatility.....?

rakesh

Ri$k Doctor

Re: Short Strangle and Wings
« **Reply #7 on:** January 29, 2011, 05:59:25 PM »

Sorry for the confusion, I messed up my last post and corrected it. This is from James:
As Rakesh is developing some thoughts on trading / managing positions with wings, I have attached TradeEvolution **PDF,** of a position that I have on the FTSE for March 2011 expiry, which may be of interest to him. Started back in Nov10 as pretty big -8c / +16c backspread, with a smaller number of short put verticals, playing for a pull back [right?] but overnight risk constrained as plenty of time to expiry. As time moved on and risk exposure increased, continually increased the number of upside call wings and tightened the risk exposure.
Position now wants a decent sized move next week.... in either direction .... could be interesting!

RJS

Re: Short Strangle and Wings
« **Reply #8 on:** January 29, 2011, 10:11:11 PM »

A very interesting and an unusual type of trade position.
It would be of great help if James can share his thoughts/reasoning for each trade.

My observations/questions on his position are:

1) All across he is delta short. So ideally he would like market to trade lower
2) Its only after 20 Jan , that the position is showing positive returns.
3) James is looking at what sort of strategy to evolve? (I would wish it to be all above the zero line, let market be anywhere !!!)
4) Any particular reason / benefit of getting into this so early (with 129 DTE) ?

Thanks
Rakesh

James Parker

Re: Short Strangle and Wings
« **Reply #9 on:** January 30, 2011, 12:19:46 AM »

Rakesh
In response to your questions;

1. Yes, position is net short delta ATM, and is principally playing for a pull back; but with excess longs to the usside would flip to being long delta on a melt up.
2. I tend to play a different game to most; starting 60-120 days from expiry; closing 15-30 days to expiry
3. I like strategies that have decent risk/reward ratios; and that can be managed with sensible defensive adjustments if the market doesn't cooperate
4. One of my 'strategies' is to play the 'Quarterly' expiries.

Hope this helps
James

RJS

Re: Short Strangle and Wings
« **Reply #10 on:** January 30, 2011, 09:45:54 AM »

Thanks James for sharing your thoughts.

Will appreciate if you also share :

1. if its D Grid behind selection of strikes ? or any other reason/method?
2. reasons behind timing of your adjustments
3. what will lead to wind up of positions , particularly when deep in favor (i mean if you are getting 0.5x of potential max profit, would you wind up? or any other number)

rakesh

James Parker

Re: Short Strangle and Wings
« **Reply #11 on:** January 30, 2011, 10:10:55 AM »

Rakesh

I only use these as an example of how a position can evolve; better to focus on general principles than specific trade details.
I don't use any form of technical analysis; and assume that the market will move up/down; and present opportunities to adjust.
The type of adjustment is a combination of factors such as Time to expiry; Market Direction; Size of Market move; IV/Skew.

For instance; if you take the last adjustment; -8c/+16c backspread; market had moved down sharply on Friday; IV was not particularily elevated; negative skew on Index Options; could trade the backspread for a decent credit; significantly reduced upside risk; ticked a lot of boxes.

Most of the adjustments flow directly from position dissection; and looking to buy in any risk [usually shown as Remnants] or liquidate embedded flies.
When looking to liquidate embedded flies; I always consider whether to liquidate whole or part fly; by part fly, I mean by trading call/put backspreads [if the FOTM wing is too cheap to sell] or by buying the straddle body only [leaving the OTM wings on as kickers].

From this you might see that the last adjustment -8c/+16c backspread was really nothing more than a liquidation of part fly.

Hope this helps
James

RJS

Re: Short Strangle and Wings
« **Reply #12 on:** January 30, 2011, 10:02:22 PM »

Thanks James
Please keep me in the loop till expiry of the current position

rakesh

James Parker

Re: Short Strangle and Wings
« **Reply #13 on:** January 31, 2011, 05:38:57 AM »
Rakesh

I have attached a **PDF with Screenshots** to illustrate how I am looking at the current position; and what potential adjustments I might make.

1. The position can be viewed either as

* 4 put verticals v 16 call verticals + call kickers or
* 4 SkipStrikeFlies [+4/--/--/--/-20/+16] + call kickers

2. Negative Skew indicates that OTM Puts will be more expensive than OTM Calls; and that IV will probably rise as market falls; and IV will fall if market rises. This has implications for the accuracy of the Aged Analysis in the RiskGraph.

3. Butterfly Dissection indicates SkipStrikeFly can be dissected into a series of smaller flies; BD 6/5/4/3 = Flies x4/8/12/16 respectively.

4. BD3 is nearest ATM; possibly a candidate for liquidation; current value $7,329

5 Possible Adjustments include

* Liquidate 16 x5600/5800/6000 flies
* Buy 16 * 5800/6000 Call verticals / + Buy 4 x 5800 puts
* Buy 8x 5800 calls / 4 x 5800 puts

I will be interesting to see how geo-political events play out over the next few days ...

Cheers
James

RJS

Re: Short Strangle and Wings
« **Reply #14 on:** February 20, 2011, 11:15:53 PM »

Hi James,

Can you update on the position you have built, (under current discussion)
whats the P/L right now ?
any adjustments done/planned?

thanks
rakesh

James Parker

Re: Short Strangle and Wings
« **Reply #15 on:** February 20, 2011, 11:41:30 PM »

Rakesh

Apologies for not updating ... bought 16 x 5800/6100 call verticals .... bought 4 x 5800 puts .... leaving +4 5000p / +16 6400c / +16 6600c .... all far OTM at the moment and of little value .... net credit $4k+ ...... have to dash, but will update with screenshots in due course ...

James

RJS

Re: Short Strangle and Wings
« **Reply #16 on:** March 02, 2011, 06:06:06 AM »

Hi James,

Seems you are tied up with something. Please spare some time for forum/topic

thanks
rakesh

James Parker

Re: Short Strangle and Wings
« **Reply #17 on:** April 06, 2011, 01:02:23 AM »

Rakesh

Starting below are the latest FTSE Index position for expiry June 2011, along with TradeTracker and PossibleAdjustment#1, which may be of interest as you trade the Nifty Index.

FTSE | June 2011 | Trade Tracker

Risk Illustrator	RI v4.01 / Euronext			VKR	21	11	11	21	VKR
Trade Tracker	ESX	Expiry	17-Jun-11	8.00	ok	VKR > 11	Mid - K / VKR > 11	ok	

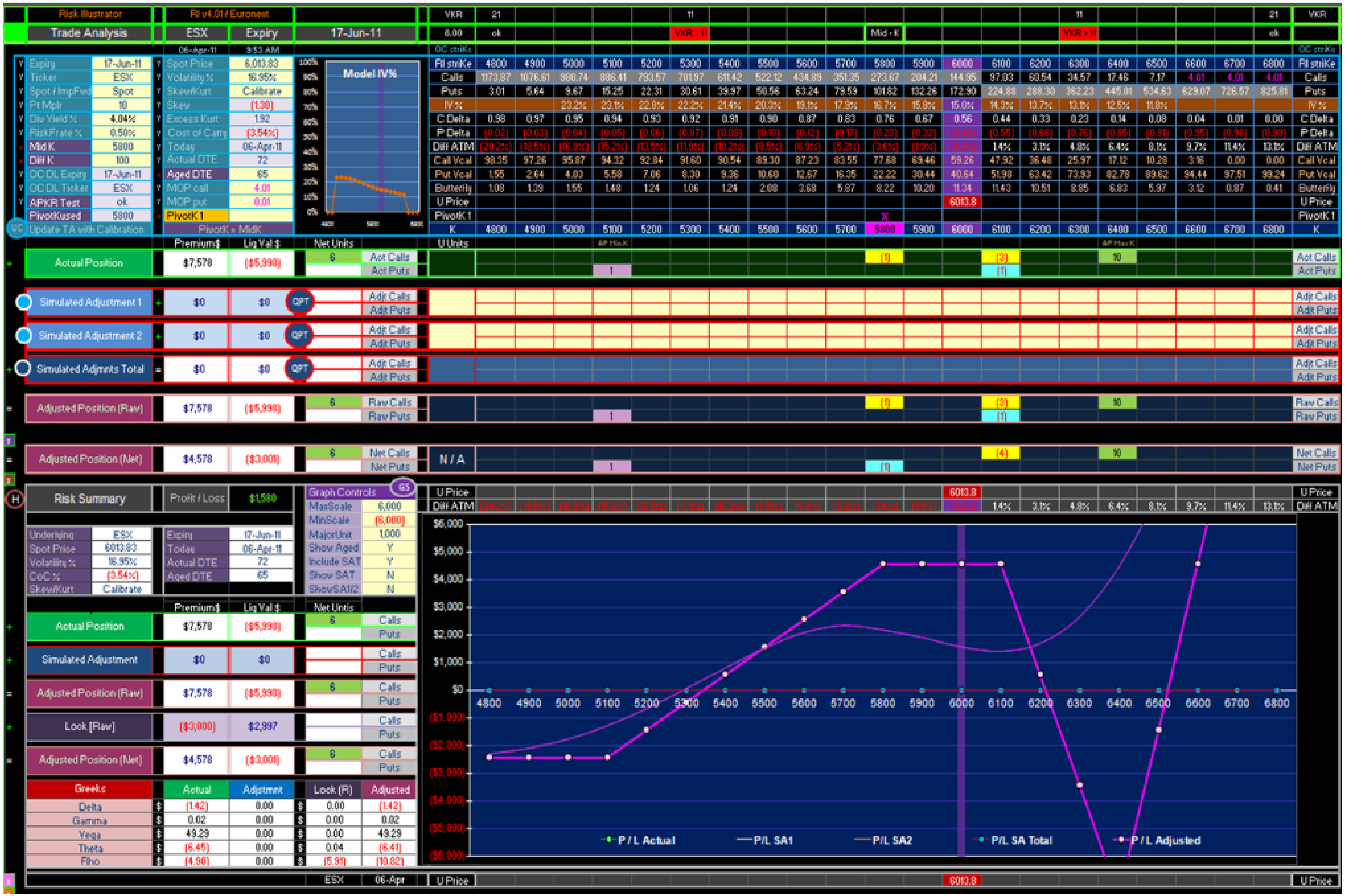
Underlying	ESX	Expiry	17-Jun-11	APKR Test	ESX	06-Apr	U Price 6013.8
Spot Price	6013.83	Today	06-Apr-11	ok			
Volatility %	16.95%	Actual DTE	No	Shade Trades			
CoC %	(3.54%)	Aged DTE	65	No			U Units

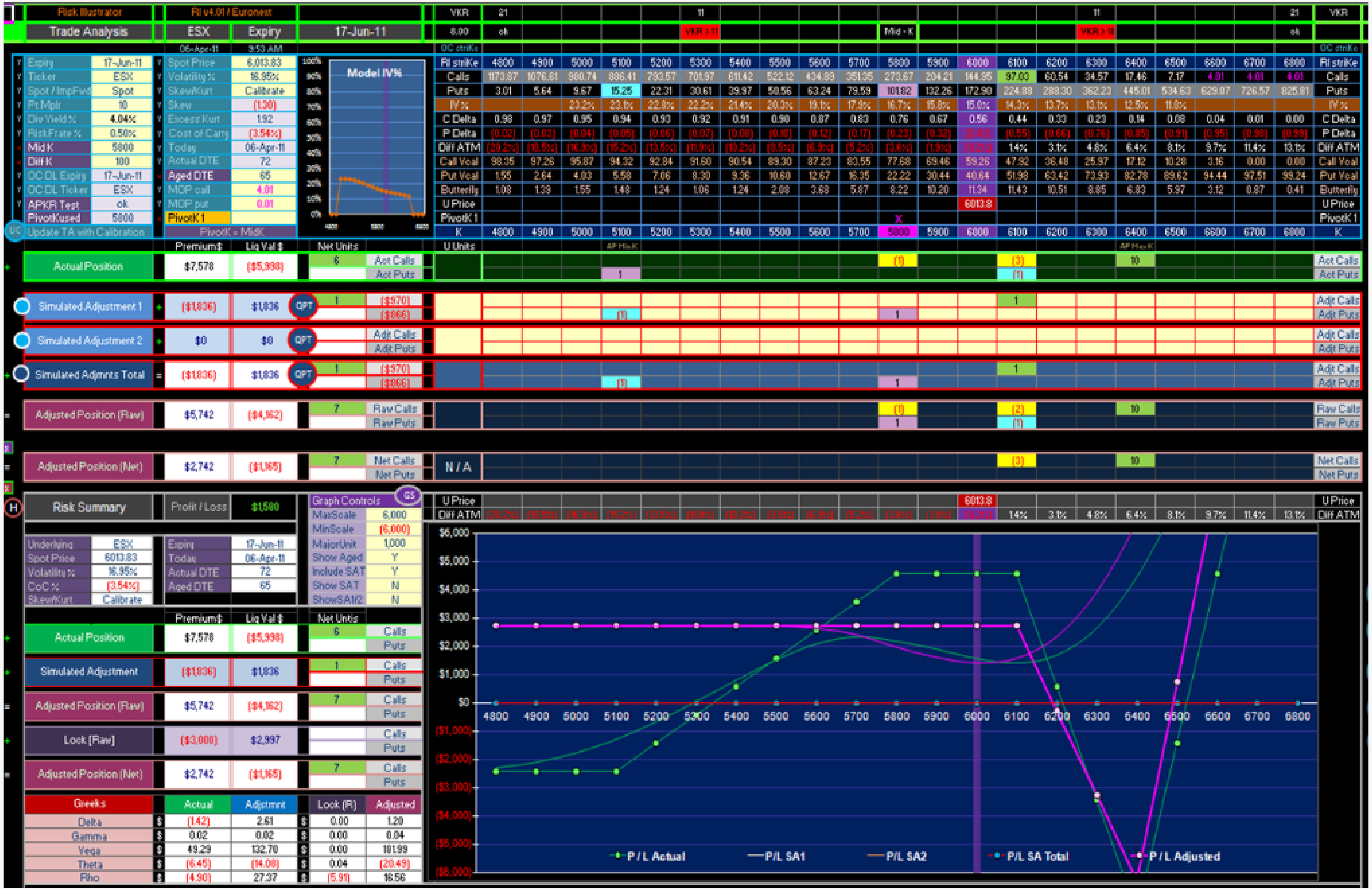
	Date	Nett Premium	$Commision #Contracts	$Commision per contract	Nett C/P		4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	Ulying Price	ATM Vol%	DTE
Trade BFwd						Calls																								
						Puts																								
TRADE 1	28-Jan-11	$3,446.00	($24.00) 8	($3.00)	4	Calls												(2)							6			5850	20.50%	140
						Puts																								
																		5850												
TRADE 2	08-Feb-11	$676.00	($24.00) 8	($3.00)		Calls												2		(4)					2			5995	18.25%	129
						Puts																								
																			5995											
TRADE 3	24-Feb-11	$3,034.00	($6.00)	($3.00)		Calls																						5845	21.45%	113
																	5822													
TRADE 6	18-Mar-11	($510.00)	($60.00) 20	($3.00)		Calls																	10		(10)			5680	22.00%	91
						Puts																								
																5680														
TRADE 7	21-Mar-11	$1,224.00	($6.00) 2	($3.00)		Calls											(1)			1								5736	19.81%	88
						Puts																								
																5736														
TRADE 8	01-Apr-11	$907.00	($3.00) 1	($3.00)	(1)	Calls														(1)								5997	16.76%	77
						Puts																								
																			5997											

	Premium	Commission / contract				4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	6500	6600	6700	6800	Liq Value	Profit / Loss
Total Actual Position	$7,578.00	($132.00) 44	($3.00)	6	Act Calls											(1)			(3)			10					($5,998.13)	$1,579.87
					Act Puts				1										(1)									

James Parker

FTSE | June 2011 | Current Position | AgedPL at T+7 | Post Trade #8





Cheers
James

RJS **Re: Short Strangle and Wings**
« **Reply #18 on:** April 06, 2011, 02:22:52 AM »

Good that you are back, James, Thanks.

rakesh

James Parker

Risk Graphs - Synthetic Equivalents
« **on:** March 30, 2011, 04:55:40 AM »

Charles

I was discussing synthetic equivalents with Alan the other day; which raised an interesting question.

It appears that the standard method of presenting Risk Graphs for synthetically equivalent Stock+Options and OptionsOnly strategies does not result in the same Risk Graph for each strategy.

If we take an oversimplified example:

Underlying Price = 100
Strike = 100
Call Price = 6
Put Price = 11
Dividend = 5

Strategy 1: Covered Call : +1u -1c: Max Profit shown in Risk Graph = +6 at Strike 100+

Strategy 2: Short Put : -1p : Max Profit shown in Risk Graph = +11 at Strike 100+

Any thoughts?

Cheers
James

Ri$k Doctor

Re: Risk Graphs - Synthetic Equivalents
« **Reply #1 on:** March 30, 2011, 06:59:11 AM »

Strategy 1: Earns the $5 Dividend, so add that to the $6 profit on the Calls and it equals the Strategy 2 profit of $11.

James Parker

Re: Risk Graphs - Synthetic Equivalents
« **Reply #2 on:** March 30, 2011, 07:31:03 AM »

Quote from: Ri$k Doctor on March 30, 2011, 06:59:11 AM
> Strategy 1: Earns the $5 Dividend, so add that to the $6 profit on the Calls and it equals the Strategy 2 profit of $11.

Charles

I understand that the 'profits' are equivalent when the dividend is included in the Covered Call; but the standard Risk Graph omits the Dividend and shows significantly different P/L when compared side by side.

The question really was; why do standard Risk Graphs 'exclude' dividends from the analysis; and more importantly, do you think they should somehow include dividends?

Cheers
James

Ri$k Doctor

Re: Risk Graphs - Synthetic Equivalents

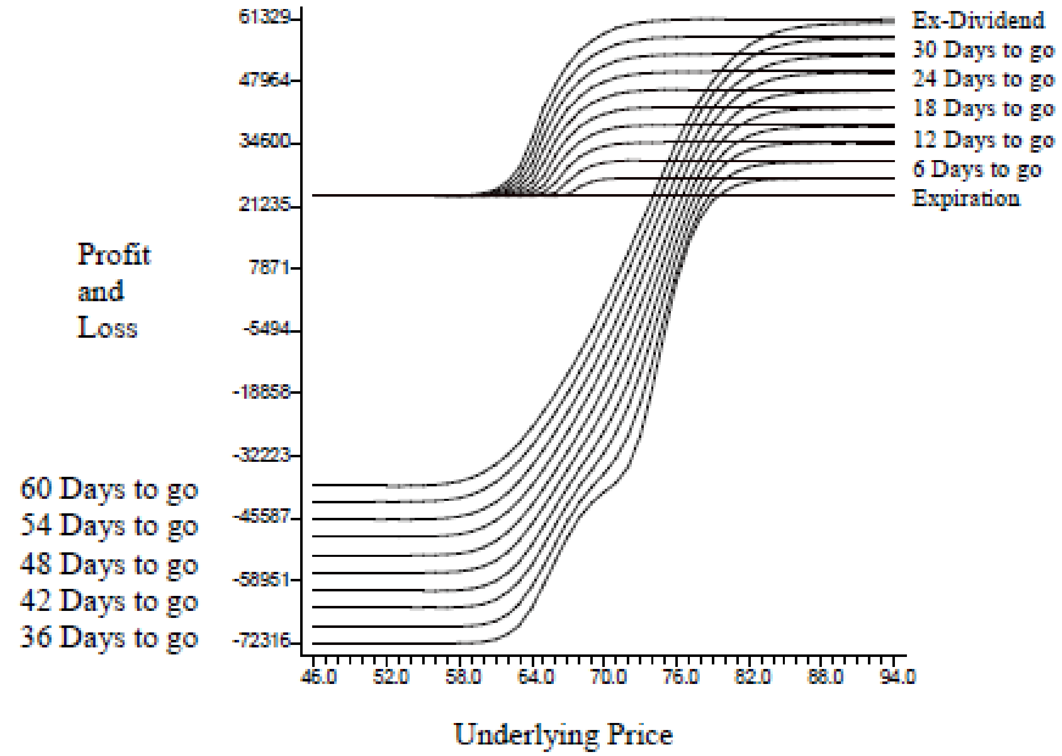
« **Reply #3 on:** March 30, 2011, 08:45:26 AM »

I think the graphs should reflect Dividends.
The software that used for the book does:

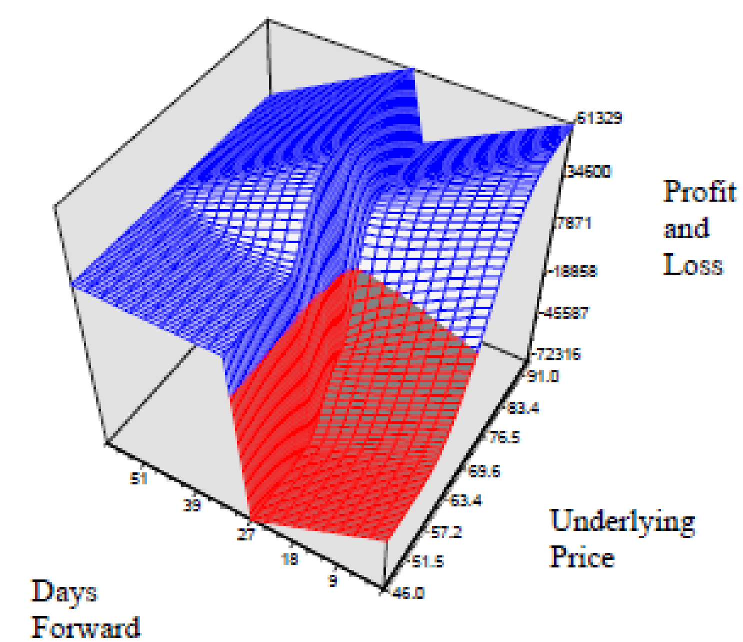
E X H I B I T 8 – 2

Equity Reversal with $1.00 Quarterly Dividend payable in 30 Days

(+1000*70C/-1000*70P/-1000ooU) Binomial Model.



Price:	46.0	52.0	58.0	64.0	70.0	76.0	82.0	88.0	94.0
P&L	-38671	-38664	-37637	-26180	0	34832	55756	60153	60555
Delta	0	7	590	3147	4996	5159	1666	192	10
Gamma	2222	1968	2032	1810	1222	-143	-437	-79	-5
Theta	-629	-630	-707	-975	-993	-519	-420	-586	-614
Vega	0	9	364	989	-54	-1910	-1411	-252	-22



I am not a programmer, a coder or a mathematician so I cannot
be of much help to you. Perhaps if you post the formula that you
are using, one of the readers who is a math whiz can help you out.

Chabrel

Selling ATM calls on owned stock

« **on:** March 26, 2011, 05:04:52 PM »

I am reading "Options Trading: The Hidden Reality" and have a question:

Is it better to sell ATM calls (singles or twice as many verticals) on stock that I own, capturing the most premium or is better to sell OTM calls (again -- single or twice as many verticals) capturing less premium but having a chance to pick up more profit on the stock?

My thinking is that selling ATM is better because you have 100% chance of capturing the greatest extrinsic premium. With OTM your chances of capturing the premium and the stock gain is less.

Ri$k Doctor

Re: Selling ATM calls on owned stock

« **Reply #1 on:** March 27, 2011, 10:35:50 AM »

This is great question and warranted the kind of an explanation that was best be served in a little series of videos. 3 videos:

10 Steps to Trading Success

Covered Call Conundrum

Market Maker Mindset

torodemi

Trading Index Weeklies

« **on:** March 06, 2011, 10:32:44 AM »

Hi,
I was wondering what your thoughts were for any strategies trading the weeklies. I've been paper trading the SPX weeklies buying unbalanced condors or just verticals, but only initiating on the Thursday before expiration. Any thoughts/comments?

Thanks,

Andy

$eaTrader

Re: Trading Index Weeklies

« **Reply #1 on:** March 06, 2011, 04:04:38 PM »

Hi Andy,

So you are doing these strategies on the SPX for 1_day? I trade in the weeklies especially for hedging longer term plays. Weeklies are great for offensive plays, except on days the market decides to move big. With weeklies there is very little time for adjusting, so size control is very important. If your looking to do verticals and condors on the SPX on a "one day" trade, you are probably looking to put on huge size, and I would caution against that.

Just my thoughts

Ronnie

Dan

Re: Trading Index Weeklies

« **Reply #2 on:** March 13, 2011, 03:30:09 PM »

Andy,

Just in case you didn't know, SPX options expire @ 1pm EST the Thursday **before** expiration Friday. The settlement price of the index is based on the opening average price of the index the following day, expiry Friday. That being said, what seemed to be a winning trade on Thursday may turn out to be a loser on Friday depending on where the index opens and you will be unable to close the position or make any adjustments.

Dan

torodemi

Re: Trading Index Weeklies

« **Reply #3 on:** March 13, 2011, 09:04:01 PM »

First, the SPX weeklies expire on friday at 3:00 pm (except for normal expirations when there is no weekly). Next, I was looking at getting long ITM vertical where if I am correct on the directional move for Thursday into Friday morning I will collect theta on the trade. If they make a big move Thursday, Thursday night or Friday in my direction then I will profit on the move. I will also buy cheap protection for a move in the opposite direction on the close Thursday. I am only playing the last two days because the time decay and implied vol drop really accelerates in the last two days. The other possibility is buying the ATM straddle on friday morning and scalp the gamma. Its normally pretty cheap in relation to the size of the moves the futures have been making lately. In my opinion it isn't really a vol play but more of a directional/movement play. Any thoughts?

Andy

James Parker

Re: Trading Index Weeklies
« **Reply #4 on:** March 14, 2011, 01:01:13 AM »

Quote from: Dan on March 13, 2011, 03:30:09 PM

> Andy,
>
> Just in case you didn't know, SPX options expire @ 1pm EST the Thursday **before** expiration Friday. The settlement price of the index is based on the opening average price of the index the following day, expiry Friday. That being said, what seemed to be a winning trade on Thursday may turn out to be a loser on Friday depending on where the index opens and you will be unable to close the position or make any adjustments.
>
> Dan

Looks like CBOE are introducing Friday 'p.m.' settled Index Options.

Dan

Re: Trading Index Weeklies
« **Reply #5 on:** March 15, 2011, 10:54:20 PM »

James,

Thanks for the link. I was wondering when the monthly SPX would expire on a 'regular' Friday expiration?

Andy,

Yes, you are correct about the weeklies. I should have been more specific. Regarding the Thursday/Friday trades. Again correct, the vegas are so small that vol is a non-factor and such trades are directional plays. In addition, there will be no vol 'to carry'. At the end of the day the options will either expire ITM or worthless. ITM spreads are priced fairly close to their strike differential by Thursday afternoon. If you buy a 5-point spread for 4 and it goes in your favor you profit by 1 point which is fine but you are risking 4-points to make 1-point. How far above/below your ITM spread you buy your cheap protection will determine whether it has a chance of hedging your ITM spread. What vehicle would you use to scalp gammas if you bought the ATM straddle, E-minis? To the best of my knowledge S&P futures are not traded electronically. Granted, the SPX has been crazy volatile lately so your proposed trades have a good chance of being profitable but in a stagnant market you might breakeven on the spread but the straddle will be destroyed in no time.

Dan

torodemi

Re: Trading Index Weeklies
« **Reply #6 on:** March 16, 2011, 05:42:34 PM »

March 14, 2011, 07:00:37 AM
"actually the pm settled spx will be offered on the C2 platform"

and:

Dan,

I could actually do these trades in the e-mini market. Their weeklies don't quite have the same volume and liquidity as the spx but the bid/ask spread is basically the same. For the last 6-8 weeks i could have bought the atm straddle for approximately 7-8 bucks on friday morning and scalped the gamma in what have been on average about 18 dollar ranges in the futures. Now obviously today the atm straddle in the minis went out at about 24 bucks, so tomorrow morning it will probably be worth approximately 22 bucks, which in less we have a big range tomorrow (50 dollars) it probably wouldn't be worth it. Plus, I'd have to wait overnight (which might not be a bad thing considering i'd be long the straddle) for the opening print and settle. Thanks for your input, just tossing around some ideas with the weeklies.

Andy

bbrooker81

Trading Vehicle vs Positioning Vehicle

« **on:** February 16, 2011, 01:41:22 PM »

Hi Charles – I am sure you are aware that Anthony Saliba has mentioned your name in an interview in his book “Option Strategies for Directionless Markets.” That interview included a discussion about butterflies & it appears that Saliba is distinguishing two kinds of uses for the Bfly. One use is as a trading vehicle whereas another use is as a positioning vehicle. Could you clarify the difference? I subscribe to RD3 and I am going through that material with an ear about the differences between the two uses of the Bfly. Thanks for your time.
Brian

Ri$k Doctor

Re: Trading Vehicle vs Positioning Vehicle

« **Reply #1 on:** February 17, 2011, 07:07:31 AM »

Positioning -- Would be a bet – you know, play for that specific range.
Trading Vehicle – That would be a Market Maker Construct, basically having a Limited Risk Inventory of long and short options with a positive Theta stance, however having lots of long wings.

The 3rd would be to use Butterflies for Position Dissection.

Qoff

When to enter trades

« **on:** February 07, 2011, 07:06:19 AM »

Hi, Charles, et al.,

When trading spreads, butterflies, etc., when is your "sweet spot" for entering trades? A few weeks before the nearest expiration date? The second expiration date out? When your charts are showing prices bumping up against a WickZone in Diamonetrics? What are your other triggers to enter a trade?

Thanks for your input.
Regina

Ri$k Doctor

Re: When to enter trades

« **Reply #1 on:** February 14, 2011, 11:27:18 AM »

Quote

> When trading spreads, butterflies, etc., when is your "sweet spot" for entering trades?

With most underlyings, depending on distances between strikes, Butterflies generally blossom in the last 14 days before expiry. They gain value even from The second expiration date out?[/quote] but really gain momentum closer to expiry.

Quote

> When your charts are showing prices bumping up against a WickZone in Diamonetrics? What are your other triggers to enter a trade?

This is where there may be an opportunity to leg the bear spread portion of a lower strikes butterfly or some other bearish type position.

Ri$k Doctor Forums

RI$K DOCTOR

RJS

Vertical Spread Behavior

« **on:** February 09, 2011, 08:44:39 AM »

From Rekesh:
Hi all,

In a normal market condition, a vertical should trade at 50% of the difference between strike when the underlying is trading around middle of 2 strikes.
That is :
Underlying at 95:
90/100 Vertical should trade at/around 5.

But, what consider following facts when :
Today : 9th Feb 2011
Expiry : 24 Feb 2011
Nifty Underlying at 5315
Futures at 5325
5300/5400 Vertical (Puts) trading at 50.70 (135.4-84.70)
5300/5400 Call Vertical trading at 46.35 (102.4-56.05)

(1) What should one derive from the above ?
(2) How can one take advantage of the above behavior

NIFTY — Underlying Value As on 09-FEB-2011 13:00:48 Hours IST : 5315.45

Futures contracts

Expiry Dates : 24FEB2011 | 31MAR2011 | 28APR2011 | 30JUN2011 | 29SEP2011 | 29DEC2011 | 28JUN2012 | 27DEC2012 | 27JUN2013 | 26DEC2013 | 24DEC2014 | 25JUN2015 | 31DEC2015 |

REFRESH PAGE For an underlying : Go

Calls											Puts										
Quote	Open Interest	Change in Open Interest	LTP	Net Change	Volume	Bid Qty	Bid Price	Offer Price	Offer Qty	Strike Price	Bid Qty	Bid Price	Offer Price	Offer Qty	Volume	Net Change	LTP	Open Interest	Change in Open Interest	Quote
Quote	-	-	-	-	-	1,000	1,203.25	1,233.75	1,000	4100.00	8,950	0.70	3.00	5,000	-	0.45	0.50	1,050	1,050	Quote
Quote	100	-	1,674.00	-	-	1,000	1,102.50	1,142.70	1,000	4200.00	5,000	0.75	1.50	2,000	-	-	0.05	-	-	Quote
Quote	-	-	-	-	-	1,000	1,006.00	1,036.40	1,000	4300.00	50	1.05	1.75	2,000	1	1.15	1.80	450	50	Quote
Quote	50	-	1,317.00	-	-	1,000	902.50	942.70	1,000	4400.00	5,000	1.00	1.70	2,450	2	-0.35	1.60	3,100	50	Quote
Quote	19,400	-1,150	810.00	3.60	176	1,000	805.05	830.00	1,000	4500.00	50	1.55	2.10	2,450	176	-0.15	2.00	40,000	550	Quote
Quote	50	-	900.00	-	-	1,000	709.00	736.40	1,000	4600.00	300	2.65	2.85	350	2,169	-0.15	2.85	182,850	22,100	Quote
Quote	1,300	-	675.00	-0.95	-	1,000	609.00	636.40	1,000	4700.00	150	3.60	3.65	700	2,103	-0.40	3.60	363,950	30,250	Quote
Quote	11,550	-50	530.00	18.50	36	550	521.10	539.50	50	4800.00	10,100	5.35	5.50	2,500	7,690	-0.70	5.25	670,650	121,900	Quote
Quote	500	-	470.00	-	-	700	417.00	460.00	1,000	4900.00	1,050	9.05	9.30	300	17,989	-0.50	9.10	1,064,450	152,150	Quote
Quote	153,400	-900	334.00	9.15	364	500	333.00	339.35	6,800	5000.00	1,900	15.90	16.10	50	68,318	-0.80	15.95	3,561,650	425,050	Quote
Quote	89,700	50,750	249.00	12.05	3,077	100	244.10	246.85	200	5100.00	550	28.20	28.30	1,000	111,297	-1.80	28.20	6,586,850	558,600	Quote
Quote	605,500	26,100	167.50	5.45	22,739	250	167.15	168.00	100	5200.00	850	50.20	50.40	100	166,587	-3.90	50.25	6,652,350	703,950	Quote
Quote	3,511,200	936,800	102.40	3.00	200,111	200	102.20	102.40	1,400	5300.00	1,000	84.35	84.70	350	222,827	-5.55	84.70	6,207,250	301,750	Quote
Quote	7,465,450	-261,150	56.05	1.50	255,982	10,000	56.05	56.30	50	5400.00	1,800	135.00	135.45	100	97,190	-7.45	135.40	7,460,750	-425,450	Quote
Quote	6,462,550	-26,750	27.30	0.15	172,209	100	27.30	27.50	400	5500.00	300	202.15	203.50	300	18,558	-8.30	203.35	3,810,450	-21,900	Quote
Quote	5,541,450	-28,200	12.70	0.20	100,738	200	12.65	12.75	1,450	5600.00	50	286.25	287.00	100	6,329	-10.25	284.75	2,693,000	-38,400	Quote

James Parker

Re: Vertical Spread Behavior
« **Reply #1 on:** February 09, 2011, 08:45:37 AM »

Rakesh
The 'rule of thumb' only applies if the Vol Smile is flat, and OTM puts / OTM calls trade at same the same Vol; which has the effect of an equal and opposite offset of intrinsic premium in the vertical.
The vertical prices you are getting could be right; caused by the effect of skew; or could be wrong; caused by bad data.
It would be unusual for index verticals with negative skew to trade for more than 50% of the spread difference when the future is below the spread mid-price.

Cheers
James

Ri$k Doctor

Re: Vertical Spread Behavior
« **Reply #2 on:** February 09, 2011, 08:50:59 AM »

Seems pretty in line to me:
Call Spread is marked at 46.13 (102.30-56.17) with about a .20 delta so if NIFTY Futures rally to 5350 (25 more) the Call Spread shoud increase another 5.00ish to 51.13ish (pumped up abit because of the lower strike skew as James suggests.

RJS

Re: Vertical Spread Behavior
« **Reply #3 on:** February 09, 2011, 09:09:21 AM »

Ok. Thanks. I thought prices were indicative of market direction ?

James Parker

Re: Vertical Spread Behavior
« **Reply #4 on:** February 09, 2011, 10:56:49 AM »

Option prices not really predictive of direction, unless some insider action going on, the skew is more indicative of 'speed' of movement, James

RJS

Re: Vertical Spread Behavior
« **Reply #5 on:** February 09, 2011, 08:44:17 PM »

James, i believe, that stock prices always lead the event. Whether you term this as insider trading or informed circles or smart people. This i feel is true across the globe. So my question in earlier post was with this perspective in mind.......
rakesh

RJS

Re: Vertical Spread Behavior
« **Reply #6 on:** February 09, 2011, 09:43:19 PM »

Also, can you elaborate on your post about: skew indicative of "speed" of the movement ?

rakesh

James Parker

Re: Vertical Spread Behavior
« **Reply #7 on:** February 09, 2011, 10:51:22 PM »

What I mean by 'Skew indicative of speed' ... is for example .... if you take stock index options ... such as SPY, FTSE, Nifty .... they usually have negative skew, with otm puts trading at higher vol than otm calls ...... which indicates, amongst other things, how the market may behave in the event of a directional move .... in this case of indices they tend to fall faster with vol increasing [hence otm puts trade at higher vols] and rise slower with falling vol [hence otm calls trade at lower vols] ... James

RJS

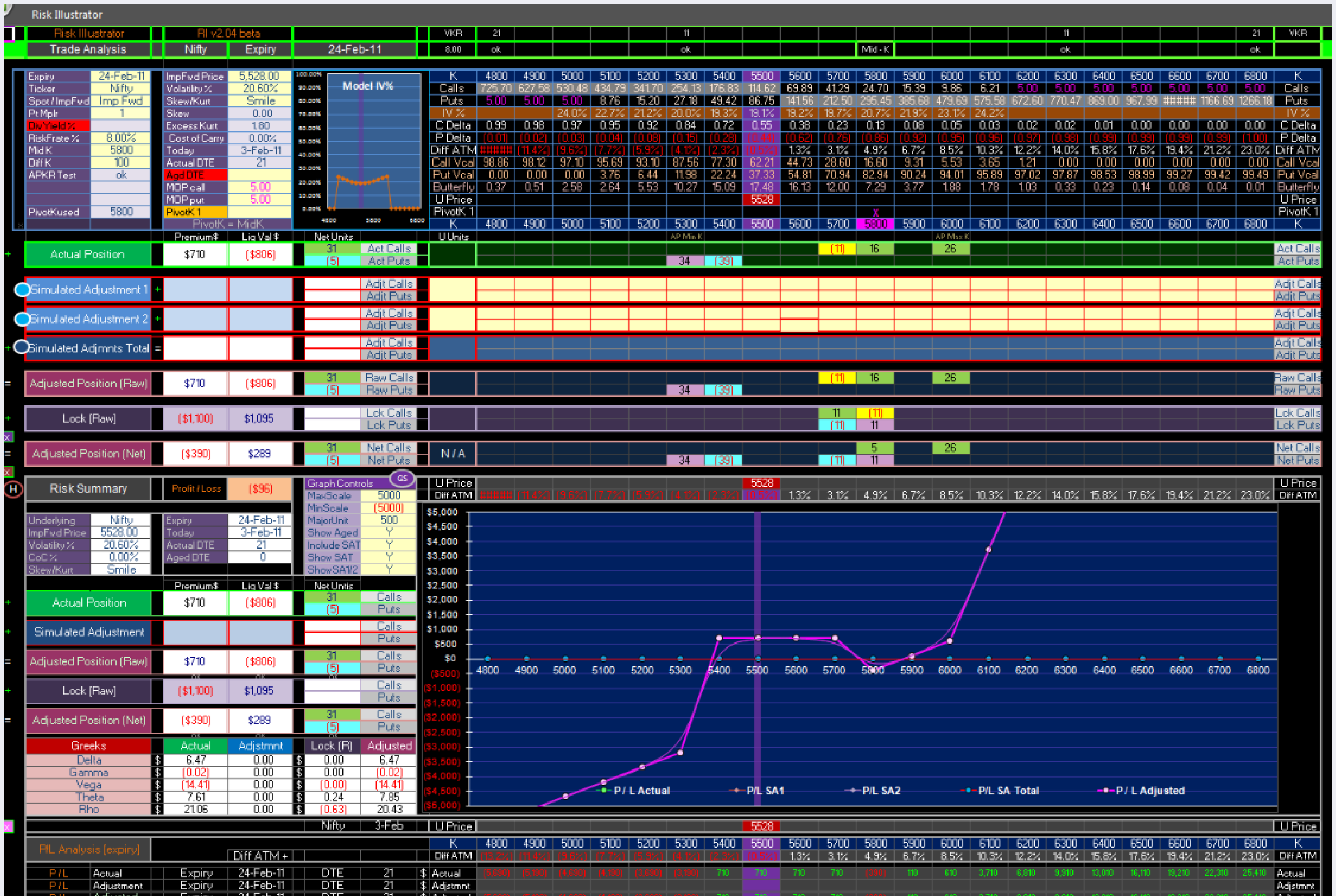
Nifty Feb'11

« **on:** February 03, 2011, 08:52:24 AM »

hi,
Nifty Future at 5528 as on 3rd Feb close of the day. Formed a low at 5405 on 1st Feb.

I have created following position in nifty feb series.
(Please note that the entire position has been created on various days, and not on a single day)

+34 5300p
-39 5400p
-11 5700C
+16 5800C
+26 6000C



Thoughts / Reasons for building above position:
-> As per D-Grid, expected Nifty to find support at 5400 levels (rising WickZone), and it did so nicely and bounced back.
-> Expecting this bounce to be quite a laborious effort (time consuming)
-> Seeing upside resistance in the vicinity of 5650 - 5700 (as per traditional technicals)
-> Have an important event coming up on Feb 11... declaration if Industrial Production Nos (known as IIP nos). This announcement is expected to decide further direction
-> I have bought kickers (during current decline, in phased manner) in case there is positive surprise in IIP nos
-> Now i want to buy puts , during current bounce to :
    a. protect short 5 5400put, and
    b. Buy kickers, in case IIP nos bring sharp downside

Option chain:

Home > F&O > Option Chain > Strike Price

NIFTY Underlying Value As on 03-FEB-2011 15:31:02 Hours IST : 5526.75

Futures contracts

Expiry Dates : 24FEB2011 | 31MAR2011 | 28APR2011 | 30JUN2011 | 29SEP2011 | 29DEC2011 | 28JUN2012 | 27DEC2012 | 27JUN2013 | 26DEC2013 | 26JUN2014 | 24DEC2014 | 25JUN2015 | 31DEC2015 |

REFRESH PAGE For an underlying : Go

Calls											Puts									
Quote	Open Interest	Change in Open Interest	LTP	Net Change	Volume	Bid Qty	Bid Price	Offer Price	Offer Qty	Strike Price	Bid Qty	Bid Price	Offer Price	Offer Qty	Volume	Net Change	LTP	Open Interest	Change in Open Interest	Quote
Quote	50	-	900.00	-	-	1,000	917.00	951.95	1,000	4600.00	150	1.60	1.90	450	460	-1.50	1.90	45,150	13,600	Quote
Quote	1,450	-	752.00	-	-	1,000	817.00	851.95	1,000	4700.00	600	2.40	2.75	1,000	891	-1.25	2.50	222,250	2,500	Quote
Quote	14,900	700	735.90	95.35	26	200	723.50	741.00	50	4800.00	50	3.75	4.00	9,650	8,764	-1.70	4.00	363,750	96,850	Quote
Quote	250	150	550.00	-38.00	5	1,000	613.15	648.05	50	4900.00	350	5.50	5.90	250	12,482	-3.25	5.90	630,600	-30,100	Quote
Quote	141,550	2,150	541.00	88.15	296	100	536.00	550.05	1,400	5000.00	500	8.05	8.85	100	44,172	-5.90	8.85	2,290,400	352,650	Quote
Quote	20,250	4,200	445.00	80.35	122	50	442.25	450.00	50	5100.00	2,600	13.40	13.45	500	73,479	-9.85	13.40	2,767,850	-354,000	Quote
Quote	271,200	-11,500	352.25	77.25	1,378	150	352.25	354.35	50	5200.00	200	20.05	20.50	50	143,059	-17.15	20.45	4,835,250	359,600	Quote
Quote	216,750	-78,100	265.75	70.65	6,829	550	265.15	268.00	100	5300.00	8,000	33.60	34.40	650	194,910	-26.30	33.60	4,929,800	699,250	Quote
Quote	2,020,200	-305,500	188.00	59.10	89,203	400	188.00	189.00	200	5400.00	9,450	54.60	55.00	3,250	347,294	-38.50	54.60	9,338,750	1,121,100	Quote
Quote	4,773,550	-1,434,250	121.10	42.95	388,409	50	121.10	122.00	1,450	5500.00	250	86.50	87.35	50	282,960	-52.20	87.30	6,589,300	1,264,650	Quote
Quote	4,673,000	-120,150	71.00	28.60	327,287	250	70.50	71.00	10,450	5600.00	900	132.35	135.55	100	46,129	-70.60	133.00	3,279,950	-67,550	Quote
Quote	6,355,200	180,600	37.65	16.70	224,059	2,400	37.55	37.60	100	5700.00	500	196.55	198.85	750	16,775	-80.30	198.00	1,661,250	-229,200	Quote
Quote	4,600,450	-209,850	18.10	7.80	109,428	200	18.15	18.25	2,250	5800.00	700	278.00	279.70	100	3,456	-89.35	278.25	1,288,200	-6,900	Quote
Quote	3,941,350	-50,800	8.25	3.05	43,388	11,100	8.25	8.50	10,000	5900.00	3,700	359.85	368.45	200	1,329	-100.10	354.25	606,800	-15,500	Quote
Quote	4,186,800	55,900	4.50	1.05	32,135	9,100	4.50	4.55	1,400	6000.00	950	456.65	462.45	450	1,162	-91.20	458.45	804,150	-33,100	Quote
Quote	1,683,500	29,800	3.00	0.45	14,389	6,650	2.90	3.00	1,850	6100.00	500	554.00	559.50	200	472	-100.80	554.50	315,100	-8,200	Quote
Quote	1,777,800	-58,150	2.20	-	3,800	6,800	2.20	2.35	2,450	6200.00	500	652.85	660.40	200	315	-100.25	650.80	189,900	-7,000	Quote
Quote	907,400	-18,200	1.85	-0.10	1,157	3,100	1.85	2.00	7,200	6300.00	800	750.05	757.75	500	98	-88.30	752.00	195,250	-3,400	Quote
Quote	818,600	-2,050	1.85	-0.05	986	3,000	1.80	1.85	3,750	6400.00	100	853.00	860.95	1,800	35	-89.95	855.15	68,450	-1,750	Quote
Quote	471,150	-11,900	1.35	-0.20	626	3,500	1.35	1.50	350	6500.00	1,000	943.15	960.00	350	69	-110.40	950.00	71,500	400	Quote

Please have a look at the attached RI.

I shall eagerly wait for comments/suggestions from CC, James and other participants.

Thanks,

Rakesh

I am looking forward to your guidance on:

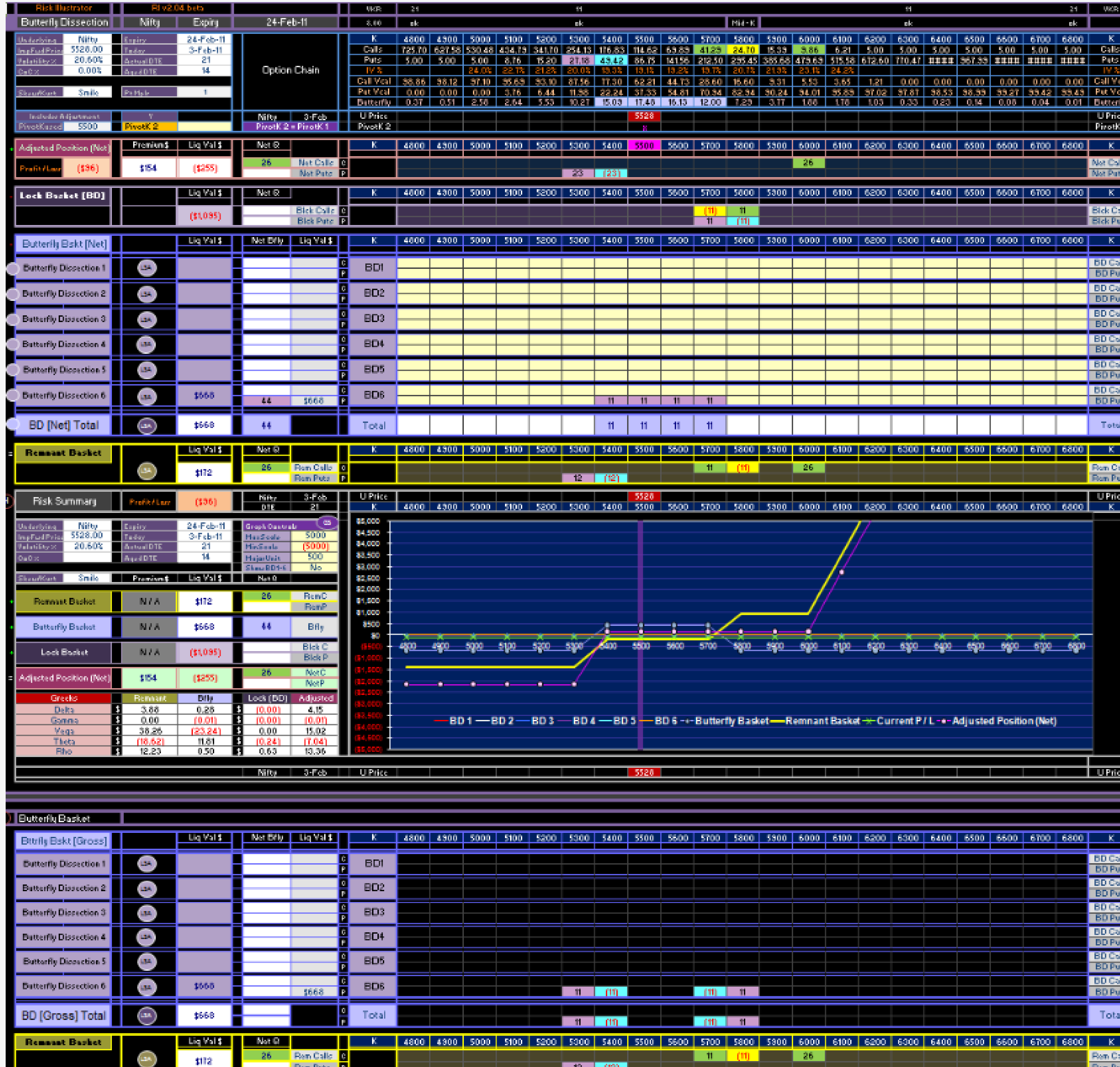
a) achieving goals mentioned (in the post)
b) harvesting
c) taking off risks
d) innovative position dissection.

James Parker **Re: Nifty Feb'11**
« **Reply #1 on:** February 03, 2011, 10:44:06 AM »

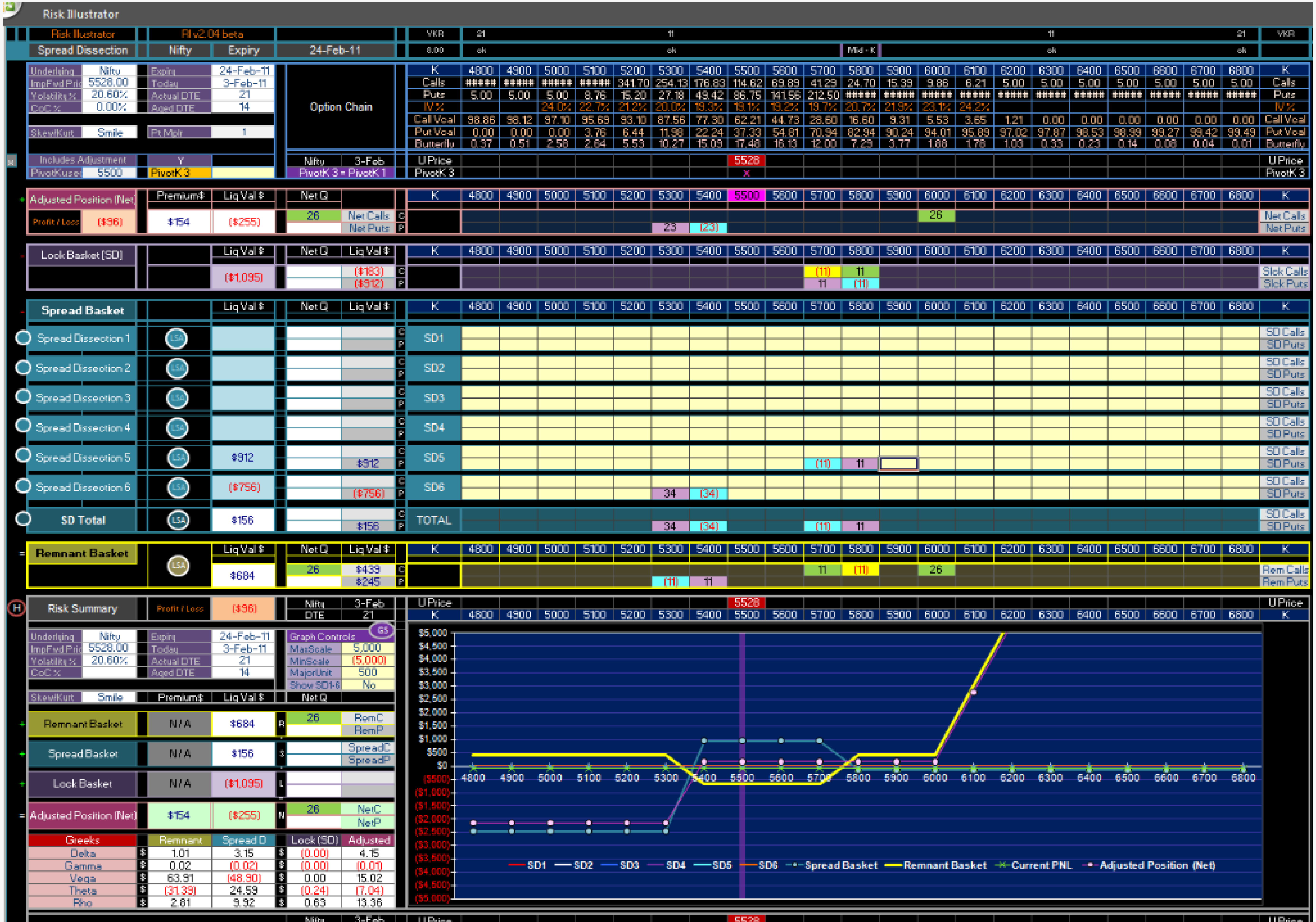
Rakesh

The trade doesn't really seem to make sense .. at least to me ..... you could achieve much the same risk profile with a much simpler position .... and eliminate the naked downside exposure.

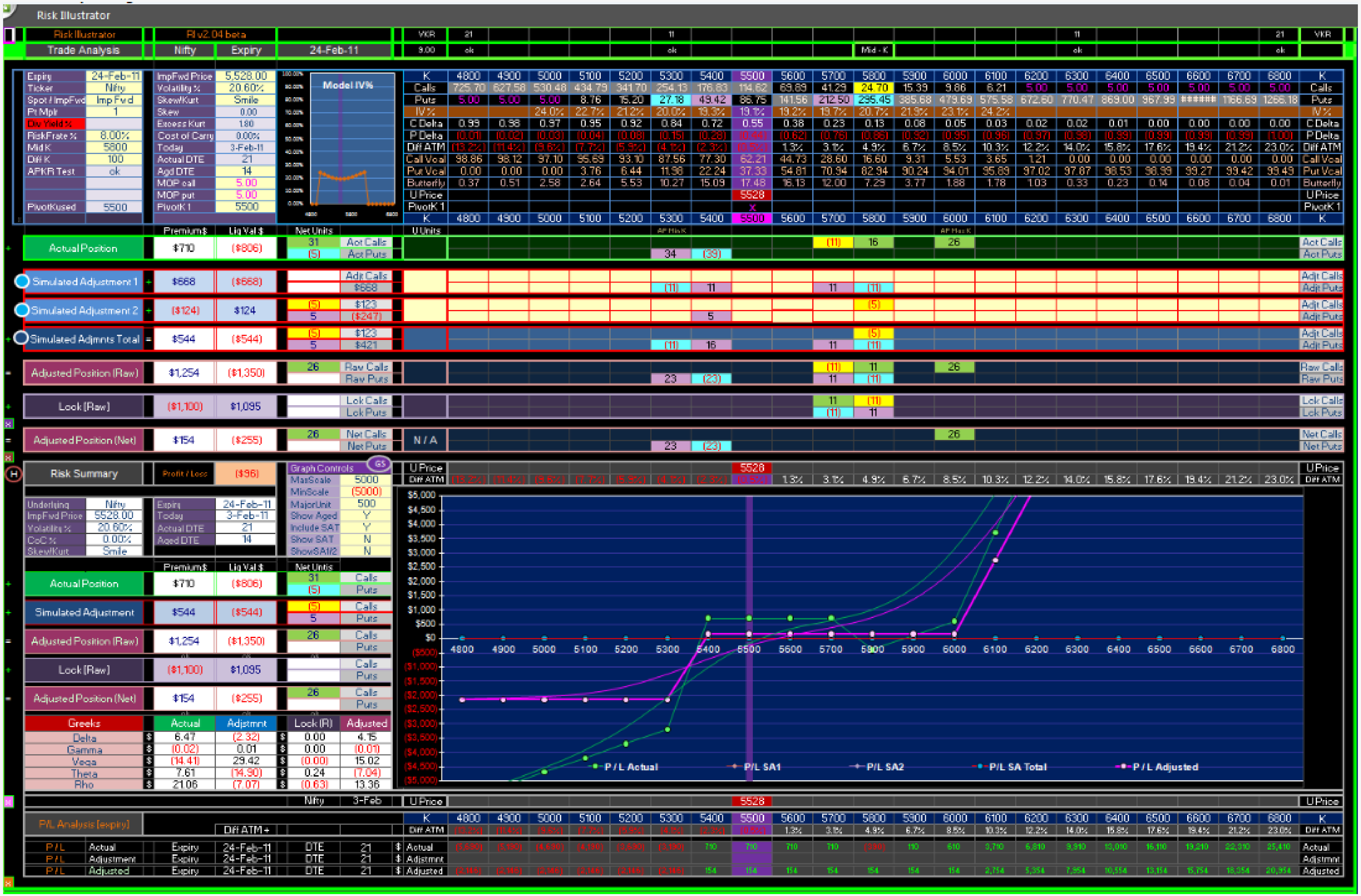
Butterfly dissection reveals 11 x 53/54/57/58 condors which you could liquidate now ... see Below. Equally, you could buy 5x 5400 puts / Sell 5x 5800 calls to tidy up the remnants ... see SA2 Below. **Butterfly Dissection Page:**



Spread Dissection Page:



Trade Analysis Page:



Hope this
helps, James

RJS

Re: Nifty Feb'11
« **Reply #2 on:** February 03, 2011, 07:44:14 PM »

superb.
unwinding condor will mean :
--> i will be taking off almost 650 off table
---> 5300p/5400p vertical is trading at 21
----> 5700c/5800c vertical is trading at 19
--> reduce downside exposure
--> have almost the same risk profile.

But :
Should i wait for few more days running in to the event, to get more of theta ? before unwinding this position

Please correct me if i am missing any thing here

rakesh

Ri$k Doctor

Re: Nifty Feb'11
« **Reply #3 on:** February 03, 2011, 08:35:23 PM »

Quote

> Should I wait for few more days running in to the event, to get more of theta, before unwinding this position?

Call 1-800 ALL MIGHTY. From India you may have to Dial 011 first.

RJS

Re: Nifty Feb'11
« **Reply #4 on:** February 03, 2011, 08:55:20 PM »

i am in queue !!!

We are trading with probabilities. It seems highly probable that market will stabilize here / spend some time / consolidate.
Hence staying with the position for some more time in to the event.

However, in case market does not behave as expected, there are always stop losses to take care of the adverse .
In the current position, i simply have to unwind verticals.

So better not to disturb HIM , what say ?

rakesh

Ri$k Doctor

Re: Nifty Feb'11
« **Reply #5 on:** February 03, 2011, 09:56:21 PM »

James has pointed out some very good stuff that you gravitate to. You may not be at the point where you say, "Absolutely, I like James's positioning better." Because if you did....If you really really truely did, you would not hesitate. You would go down to the exchange this night, bang down the door and demand to change the position, immediately, even if the exchange is closed. It would not matter theta this or gamma that -- 3 days...one more day..."**NO...NOW!!!**" That could be a bit over reactive, don't you think?

RJS

Re: Nifty Feb'11
« **Reply #6 on:** February 03, 2011, 10:41:55 PM »

agree.