

		Risk Doctor Challenge	garp		January 26, 2011, 02:05:35 PM by Ri\$k Doctor
		interesting article on AAPL's earnings report - thoughts on company guidance?	Qoff		January 19, 2011, 01:32:31 PM by Qoff
		Relationship between bull call spreads and bull put spreads	Qoff		January 10, 2011, 10:57:58 AM by Ri\$k Doctor
		favorite books on learning candlesticks and favorite chart types?	Qoff		January 05, 2011, 02:14:09 PM by Qoff
		Nifty MAR'11	RJS		December 23, 2010, 11:39:17 AM by Ri\$k Doctor
		buyout of the underlying?	Qoff		December 22, 2010, 10:42:12 PM by Ri\$k Doctor
		NIFTY DEC'10	RJS		December 19, 2010, 11:24:56 AM by Ri\$k Doctor
		Uncertainty about early exercise	\$eaTrader		December 13, 2010, 04:28:17 PM by \$eaTrader
		Nifty	RJS		November 29, 2010, 10:03:54 AM by Ri\$k Doctor
		Variation of A Ratio Spread on T Bond	Shinobi		November 17, 2010, 10:44:34 AM by Ri\$k Doctor
		Constructing long VIX positions	Beowolf350		October 31, 2010, 05:57:23 AM by Ri\$k Doctor
		Nifty Calendar	RJS		October 03, 2010, 08:46:51 AM by RJS
		Gamma and Theta has always the inverse relation, however...	Ri\$k Doctor		September 28, 2010, 06:10:44 AM by Ri\$k Doctor
		[Question] Directional Model	jace		August 31, 2010, 09:01:11 AM by Ri\$k Doctor
		daily newsletter / options market report	mark88		August 31, 2010, 08:53:59 AM by Ri\$k Doctor
		Exercising and Assignments	David		August 23, 2010, 08:57:40 PM by Ri\$k Doctor
		Managing inventory at expiration	Pauleoh		June 22, 2010, 07:59:25 AM by Ri\$k Doctor
		COT Report & Position Dissection	NP		June 15, 2010, 11:04:17 AM by NP
		Scanning, selection - does it take forever?	Gery		March 24, 2010, 10:36:55 PM by Gery



garp

Risk Doctor Challenge

« on: January 26, 2011, 12:47:37 PM »

Hello Riskdoctor,

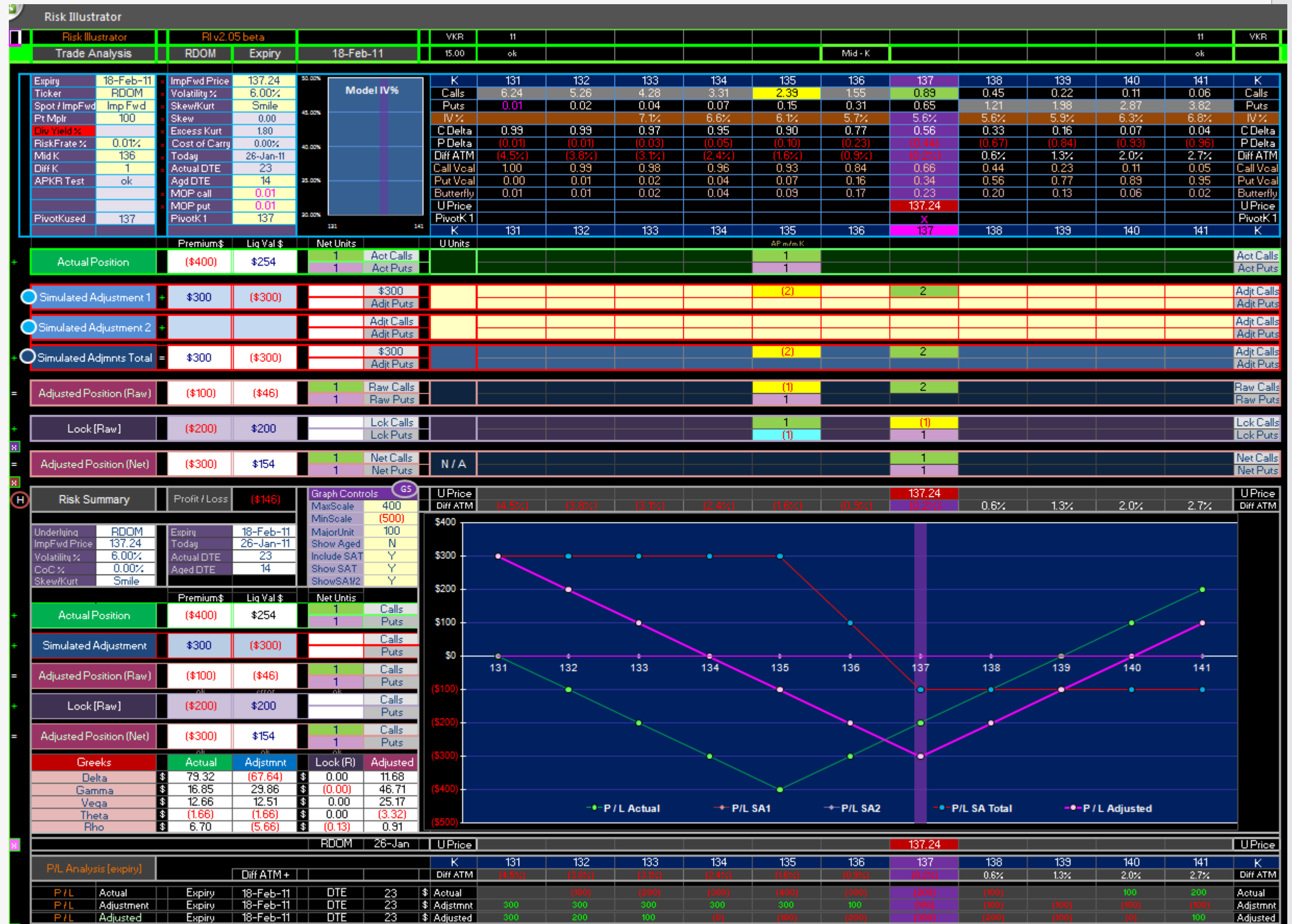
I did the Sedona Challenge and after reading and watching the answer for question 4, I still don't get it. You buy a 135 straddle for 4.00, you sell twice as many 135/137 Call Spreads for 1.50 (each) and the result is an 137 straddle, synthetically.

The straddle migration, I understand. But what puzzles me is the 300 dollars risk on the table after that. You spend \$400, get \$ 300 for two spreads, you have a box worth \$200 dollars. How does that add up to \$ 300 dollars?

A \$2 dollar box means that money is going nowhere, so those \$2 can't be risk, so its not $4 - 3 + 2$. But what is it then?

Regards Marien

Paid: \$400 on Trade 1
Received \$300 on Trade 2
Net Paid 100
Long a 137 Straddle synthetically for \$300 because \$100 net paid PLUS you must add the \$200 that you will have to buy the 135/137 box back for at Expiry.



Risk Illustrator																	
Risk Illustrator			RI v2.05 beta			VKR	11						11	VKR			
Trade Analysis			RDOM	Expiry	18-Feb-11	15.00	ok				Mid - K		ok				
Expiry	18-Feb-11	ImpFwd Price	137.24	<div>Model IV%</div>	K	131	132	133	134	135	136	137	138	139	140	141	K
Ticker	RDOM	Volatility %	6.00%		Calls	6.24	5.26	4.28	3.31	2.39	1.55	0.89	0.45	0.22	0.11	0.06	Calls
Spot / ImpFwd	Imp Fwd	Skew/Kurt	Smile		Puts	0.01	0.02	0.04	0.07	0.15	0.31	0.65	1.21	1.98	2.87	3.82	Puts
Pt Mplr	100	Skew	0.00		IV %			7.1%	6.6%	6.1%	5.7%	5.6%	5.6%	5.9%	6.3%	6.8%	IV %
DivYield %		Excess Kurt	1.80		C Delta	0.99	0.99	0.97	0.95	0.90	0.77	0.56	0.33	0.16	0.07	0.04	C Delta
RiskFrate %	0.01%	Cost of Carry	0.00%		P Delta	(0.01)	(0.01)	(0.03)	(0.05)	(0.10)	(0.23)	(0.44)	(0.67)	(0.84)	(0.93)	(0.96)	P Delta
Mid K	136	Today	26-Jan-11		Diff ATM	(4.5%)	(3.8%)	(3.1%)	(2.4%)	(1.6%)	(0.9%)	(0.2%)	0.6%	1.3%	2.0%	2.7%	Diff ATM
Diff K	1	Actual DTE	23		Call Voal	1.00	0.99	0.98	0.96	0.93	0.84	0.66	0.44	0.23	0.11	0.05	Call Voal
APKR Test	ok	Agd DTE	14		Put Voal	0.00	0.01	0.02	0.04	0.07	0.16	0.34	0.56	0.77	0.89	0.95	Put Voal
PivotKused	137	MOP call	0.01		Butterfly	0.01	0.01	0.02	0.04	0.09	0.17	0.23	0.20	0.13	0.06	0.02	Butterfly
		MOP put	0.01		U Price							137.24					U Price
		PivotK 1	137		PivotK 1							X					PivotK 1
		Premium\$		Net Units	U Units					AP m/m K							
Actual Position			(\$400)	\$254	1	Act Calls				1							Act Calls
					1	Act Puts				1							Act Puts
Simulated Adjustment 1			\$300	(\$300)		\$300				(2)		2					Adj Calls
						Adj Puts											Adj Puts
Simulated Adjustment 2			(\$200)	\$200		(\$150)				1		(1)					Adj Calls
						(\$50)				(1)		1					Adj Puts
Simulated Adjmnts Total			\$100	(\$100)		\$150				(1)		1					Adj Calls
						(\$50)				(1)		1					Adj Puts
Adjusted Position (Raw)			(\$300)	\$154	1	Raw Calls						1					Raw Calls
					1	Raw Puts						1					Raw Puts
Lock (Raw)						Lock Calls											Lock Calls
						Lock Puts											Lock Puts
Adjusted Position (Net)			(\$300)	\$154	1	Net Calls	N / A					1					Net Calls
					1	Net Puts						1					Net Puts
<div>Risk Summary</div> <div>Profit / Loss (\$146)</div> <div>Graph Controls G5</div> <div>Underlying RDOM</div> <div>ImpFwd Price 137.24</div> <div>Volatility % 6.00%</div> <div>CoC % 0.00%</div> <div>Skew/Kurt Smile</div> <div>Expiry 18-Feb-11</div> <div>Today 26-Jan-11</div> <div>Actual DTE 23</div> <div>Aged DTE 14</div> <div>MaxScale 400</div> <div>MinScale (500)</div> <div>MajorUnit 100</div> <div>Show Aged N</div> <div>Include SAT Y</div>																	

Long a 137 Straddle \$300 because \$100 net paid PLUS \$200 that you bought the 135/137 box back for.

Qoff

interesting article on AAPL's earnings report - thoughts on company guidance?

« on: January 19, 2011, 01:32:31 PM »

Hi, all,

I read this interesting article on AAPL's earnings report and would like to hear others' thoughts on it, particularly on whether companies should provide guidance, or if guidance is just a way that companies can help make their stocks look good.

<http://pragcap.com/apple-makes-a-mockery-of-the-system-again>

Regina

Qoff

Relationship between bull call spreads and bull put spreads

« on: January 07, 2011, 03:03:23 PM »

I'm trying to understand the relationship between bull call spreads and bull put spreads. I grasp that they have the same risk profile: limited risk, limited reward, profit increases as underlying increases. I'm trying to understand which is the best way to trade when having a bullish outlook.

Here's what I've put together using KO as the underlying, trading at 62.92 on 1/7/2011, when I looked at the prices for Aug 11 expiration. Commissions have been left out.

Bull Call Spreads		Bull Put Spreads	
60/62.5 strikes			
ITM call	cost: 153 deb	OTM put	cost: 103 cred
	max loss: 153		max loss: 147
	max prof: 97		max prof: 103
	risk:reward::1:0.63		risk:reward::1:0.7

62.5/65 strikes			
ATM call	cost: 119 deb	ATM put	cost: 135 cred
	max loss: 119		max loss: 115
	max prof: 131		max profit: 135
	risk:reward::1:1.1		risk:reward::1:1.17

65/67.5 strikes			
OTM call	cost: 85 deb	ITM put	cost: 165 cred
	max loss: 85		max loss: 85
	max prof: 165		max prof: 165
	risk:reward::1:1.94		risk:reward::1:1.94

So, it seems that if I am bullish on KO, the best way to play it from a risk:reward standpoint is the 65/67.5 strikes, since in either case I am risking one dollar to make almost two. I would want to give myself time to be right, so I would choose a further-out month, hence the Aug prices rather than the Jan.

If it's correct to trade the 65/67.5 strikes, is it better to trade the OTM calls or the ITM puts, or does it absolutely not matter either way?

Sorry about the formatting. It looks correct in the field box when I type, but not in the preview.)

James Parker

Re: Relationship between bull call spreads and bull put spreads

« Reply #1 on: January 08, 2011, 06:11:49 AM »

BELOW/AT/ABOVE the current price.

The **60/62.5 verticals** which are **BELOW** the current price are 'Theta' positive, put time on your side as CC would say, and will be profitable providing stock is above 61.92 on expiry. The **65/67.5 verticals** which are **ABOVE** the current price are 'Theta' negative, time is against you, and will be profitable providing stock is above 65.85 on expiry.

If you are going to go for the verticals ABOVE the current price, then you have to be right on direction!

Hope this helps
James

Re: Relationship between bull call spreads and bull put spreads

« Reply #2 on: January 08, 2011, 11:03:52 PM »

There is actually a lot more than meets the eye here. JAN spreads will move faster than AUG spreads so more time can actually penalize you if your timeframe for a move is shorter than AUG:

KO

Coca-Cola Co (The)

B: 62.56

A: 63.00

62.92

UNDERLYING

Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low		
62.92 D	-.11	62.56 P	63.00 P	3 x 8	8,298,452	62.78	63.00	62.56		
Yield	PE	EPS	Div	Div.Freq	Div.Date	52High	52Low	Beta	P/C Ratio	Shares
2.80%	19.36	3.25	.44	Q	11/29/10	65.88	49.47	.6067	0.478	2,322,034,000

OPTIONS

Spread: Single

Layout: Mark, Delta, Impl Vol, Theta

Exchange: Composite

CALLS								Strikes: 7	PUTS							
Mark	Delta	Impl Vol	Theta	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Mark	Delta	Impl Vol	Theta			
JAN 11 (12) 100 20.8																
7.90	1.00	--	.00	7.80 X	8.00 X	JAN 11	55	.02 C	.06 X	.04	-.02	36.74%	-.01			
5.425	1.00	0.00%	.00	5.30 X	5.55 X	JAN 11	57.5	.05 I	.06 C	.055	-.04	27.68%	-.01			
3.05	.87	22.52%	-.02	3.00 X	3.10 X	JAN 11	60	.12 C	.14 C	.13	-.11	20.44%	-.02			
.95	.59	15.96%	-.03	.94 C	.96 I	JAN 11	62.5	.53 I	.55 N	.54	-.41	14.98%	-.03			
.125	.13	15.79%	-.02	.12 I	.13 I	JAN 11	65	2.17 X	2.23 C	2.20	-.91	13.07%	-.01			
.035	.04	20.82%	-.01	.03 C	.04 A	JAN 11	67.5	4.55 X	4.65 X	4.60	-1.00	0.05%	.00			
.015	.02	26.09%	.00	0 W	.03 X	JAN 11	70	7.05 X	7.15 X	7.10	-1.00	0.05%	.00			
AUG 11 (222) 100 20.3																
8.675	.80	22.43%	.00	8.60 X	8.75 X	AUG 11	55	1.25 X	1.28 I	1.265	-.20	20.70%	-.01			
6.625	.73	20.72%	-.01	6.55 X	6.70 C	AUG 11	57.5	1.77 I	1.80 I	1.785	-.28	19.26%	-.01			
4.775	.63	19.09%	-.01	4.70 C	4.85 C	AUG 11	60	2.50 C	2.54 I	2.52	-.38	17.96%	-.01			
3.25	.51	17.90%	-.01	3.20 X	3.30 C	AUG 11	62.5	3.50 C	3.60 C	3.55	-.49	16.88%	-.01			
2.06	.39	16.91%	-.01	2.04 I	2.08 X	AUG 11	65	4.85 C	4.95 C	4.90	-.62	15.93%	-.01			
1.215	.27	16.16%	.00	1.20 C	1.23 C	AUG 11	67.5	6.50 C	6.60 A	6.55	-.74	14.91%	-.01			
.675	.17	15.66%	.00	.66 C	.69 C	AUG 11	70	8.45 X	8.60 X	8.525	-.84	14.11%	-.01			

OPTIONS

Spread: Vertical

Layout: Mark, Delta, Impl Vol, Theta

Exchange: Composite

CALLS								Strikes: 7	PUTS							
Mark	Delta	Impl Vol	Theta	Bid X	Ask X	Strike	Bid X	Ask X	Mark	Delta	Impl Vol	Theta				
JAN 11 (12) 100 20.8																
2.475	.00	--	.00	2.25	2.70	55 / 57.5	-.01	.04	.015	-.02	32.21%	.00				
2.375	.13	11.26%	.02	2.20	2.55	57.5 / 60	.06	.09	.075	-.07	24.06%	-.01				
2.10	.29	19.24%	.01	2.04	2.16	60 / 62.5	.39	.43	.41	-.30	17.71%	-.01				
.825	.45	15.88%	-.01	.81	.84	62.5 / 65	1.62	1.70	1.66	-.50	14.03%	.01				
.09	.10	18.31%	-.01	.08	.10	65 / 67.5	2.32	2.48	2.40	-.09	6.56%	.01				
.02	.02	23.45%	.00	0	.04	67.5 / 70	2.40	2.60	2.50	.00	0.05%	.00				
-.01	.00	30.93%	.00	-.05	.03	70 / 72.5	2.30	2.95	2.625	.04	21.65%	-.02				
AUG 11 (222) 100 20.3																
2.05	.08	21.57%	.00	1.90	2.20	55 / 57.5	.49	.55	.52	-.08	19.98%	.00				
1.85	.10	19.91%	.00	1.70	2.00	57.5 / 60	.70	.77	.735	-.10	18.61%	.00				
1.525	.12	18.50%	.00	1.40	1.65	60 / 62.5	.96	1.10	1.03	-.12	17.42%	.00				
1.19	.12	17.41%	.00	1.12	1.26	62.5 / 65	1.25	1.45	1.35	-.12	16.40%	.00				
.845	.12	16.53%	.00	.81	.88	65 / 67.5	1.55	1.75	1.65	-.12	15.42%	.00				
.54	.10	15.91%	.00	.51	.57	67.5 / 70	1.85	2.10	1.975	-.10	14.51%	.00				
.32	.07	15.51%	.00	.29	.35	70 / 72.5	1.95	2.65	2.30	-.05	14.34%	.00				

James covered most of everything, thanks James but there is a slight complication with the August pricing with regard to the .44 dividend that will be paid around the end of May, which can throw off the 2.50 valuations of the boxes. This means that the boxes can add up to more than 2.50. If IV is low enough, the box can be valued up to \$2.94 (Strike Diff plus Div). At present, the lower strike boxes are valued at 2.57ish (uncertainty of which calls will be exercised for Dividend).

Qoff

Re: Relationship between bull call spreads and bull put spreads

« Reply #3 on: January 10, 2011, 10:25:05 AM »

Thank you, James and Charles.

The 60/62.5 verticals which are BELOW the current price are 'Theta' positive, put time on your side as CC would say, and will be profitable providing stock is above 61.92 on expiry. The 65/67.5 verticals which are ABOVE the current price are 'Theta' negative, time is against you, and will be profitable providing stock is above 65.85 on expiry.

If I'm choosing the 60/62.5 below the current price of 62.92, "time on my side" means I want less time on my side, to give the underlying less time to move to the downside, right? So I would want to trade these lower strikes with, say the JAN? But if I'm choosing the 65/67.5 above the current price, I need more time for the underlying to move up, so then I would want the AUG, right? And if I choose the AUG, I can close my position early if I reach the target level, right? Although, closing the position early would give back some of the time value, I believe.

I'm studying Chapter 5 on the verticals. I guess one of the major points is the idea that risk reward ratios do not necessarily have to be favorable. Rather, I need to focus on probabilities of price targets in the given time frames - since the maximum rewards will come when the stock is trading at the desirable/needed levels as close to expiration as possible, correct?

Thanks again.

Ri\$k Doctor

Re: Relationship between bull call spreads and bull put spreads

« Reply #4 on: January 10, 2011, 10:57:58 AM »

Sorry that I did not catch James's error, before;

Quote

The 60/62.5 verticals which are BELOW the current price are 'Theta' positive, put time on your side as CC would say, and will be profitable providing stock is above 61.92 on expiry.

I assume this was for the AUG Call vertical going for 1.53 which would mean that the stock needed to be above 61.53 (60 Strike + 60 Call ITM Amount).

Quote

..."time on my side" means I want less time on my side, to give the underlying less time to move to the downside, right?

No, I would say that you need time to go by before adverse movement occurred.

Quote

But if I'm choosing the 65/67.5 above the current price, I need more time for the underlying to move up, so then I would want the AUG, right?

The reason would be more about the current trend and the projection for me but in general if someone is bullish on a stock then yes, you would need more time for it to get there. You would be sorry, however, if it got there fast enough for JAN to be ITM because it would be closer to 2.50 than the AUG would be.

Quote

And if I choose the AUG, I can close my position early if I reach the target level, right?

Yes, as in the last answer, the value will not be anywhere close to 2.50 if it was sooner rather than later. Having said that, no one went broke taking profits even if they were not optimizing their strategy's timing.

Qoff

favorite books on learning candlesticks and favorite chart types?

« on: January 05, 2011, 02:14:09 PM »

Hi, all,

Please post your favorite books (with authors) on candlestick charts, in the order in which I should read them. Right now, I am completely unfamiliar with them. Up to this point, I've only used bar charts, line charts, and P&F charts. 🙄

Also, I'd be interested in knowing people's favorite types of charts to use, along with timeframes, from those who typically hold positions for weeks to months. I'm not considering day trading.

Thanks for your input.
Regina

Ri\$k Doctor

favorite books on learning candlesticks and favorite chart types?« Reply

#1 on: January 09, 2011, 11:50:50 AM »

Steve Nison is the Candle Stick Man.

RJS

Nifty MAR'11

« on: December 22, 2010, 10:07:51 PM »

At present IV for various expiry series for Nifty (cmp : 5982) are :
Jan'11 18.2%
Mar'11 20.7%

Mar'11 IVs are likely to go up further to 25+ levels
I want to go long Mar IV but need to protect theta loss:
Should i :
(a) Buy March 6000P (cmp : 220) and Sell Jan 6000P (cmp : 123)
iv: 20.7% iv : 18.3%
theta: 0.83 theta : 1.91

(b) Buy March 6300C (cmp : 141) and sell Jan 6300C (cmp : 31)
iv : 19.7% iv : 16.4%
theta : 0.94 theta : 2.38

OR 🤔??
What do you suggest ?
thanks,
Rakesh

Ri\$k Doctor

Re: Nifty MAR'11

« Reply #2 on: December 22, 2010, 10:46:15 PM »

Given your opinion, the 6300 Calendar would be the way to go because the trend is up. Why have the 6000 Calendar when you don't believe in it?

BTw: What is "cmp"?

RJS

Re: Nifty MAR'11

« Reply #3 on: December 22, 2010, 10:56:46 PM »

Ok,
Do i need to manage delta ?

would you recommend any strategy involving only March series ?

CMP = Current Market Price

thanks

Ri\$k Doctor

Re: Nifty MAR'11

« Reply #4 on: December 23, 2010, 11:39:17 AM »

If you are comfortable with your 6300 projection then you want Long Delta that your calendar will have and it will neutralize up at 6300 but turn short beyond that target level.

Qoff

buyout of the underlying?

« on: December 20, 2010, 01:12:14 PM »

Hi, Charles,
What happens to the options you are holding when the underlying company is bought out?
And is there usually a certain timeframe between the announcement of the buyout and the actual execution of that buyout, so that if one is holding the options in the company being bought out, one has time to sell those options?
Thanks,
Regina

Ri\$k Doctor

Re: buyout of the underlying?

« Reply #1 on: December 22, 2010, 10:42:12 PM »

Usually, if it is a 'Done Deal" and say a stock is going to be aquired for sure at say \$60. The stock goes right to 60 and all the ITM options go to intrinsic value and the OTMs go worthless. You have time to exercise or trade out. If, on the otherhand, there is uncertainty, then extrinsic value will remain in anticipation of the deal falling apart or a bigger fish making a better bid.

RJS

NIFTY DEC'10

« on: November 29, 2010, 09:14:48 AM »

I am stuck in the following position and seek your advise :
Current Nifty Future around 5840

Position :
+6 Nifty 5700P at 82.50 (position initiated when nifty was at 5880) (cmp 218)
-6 Nifty 6000P at 80.50 (position initiated when nifty was at 6150)(cmp 79)
+3 Nifty 6000C at 115 (position initiated when nifty was at 5975) (cmp 63.50)
(positions taken on different days)
+10 Nifty 5800c / -10 Nifty 5900c at 51 (cmp 52)

As can be seen, running into loss.
What should be / can be done now?
What should I have done?

Rakesh

NIFTY

Underlying Value As on 29-NOV-2010 15:30:47 Hours IST : 5830.00

Futures contracts

Expiry Dates : 30DEC2010 | 27JAN2011 | 24FEB2011 | 31MAR2011 | 30JUN2011 | 29SEP2011 | 29DEC2011 | 28JUN2012 | 27DEC2012 | 27JUN2013 | 26DEC2013 | 26JUN2014 | 24DEC2014 | 25JUN2015 |

REFRESH PAGE

For an underlying :

Go

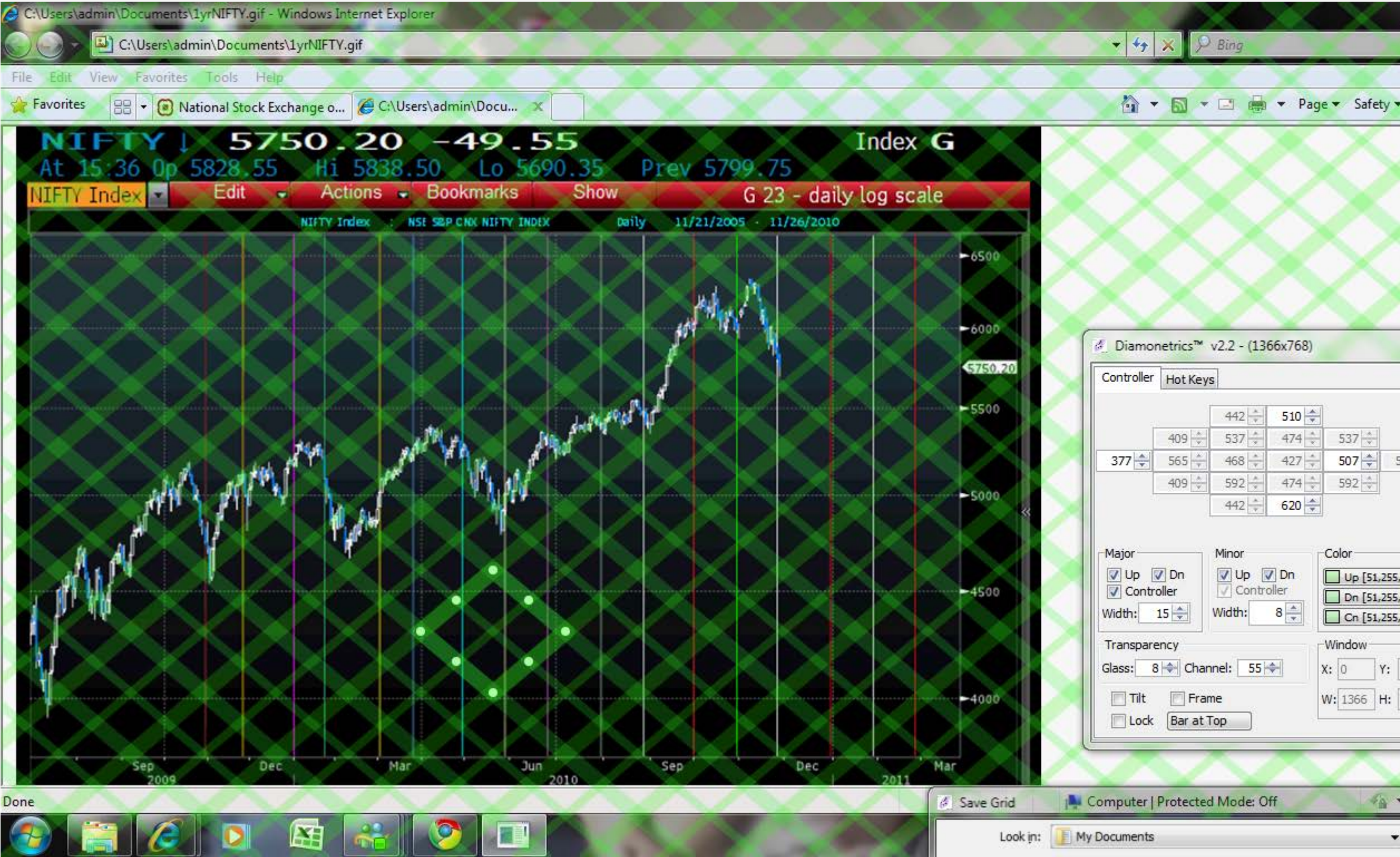
Calls											Puts										
Quote	Open Interest	Change in Open Interest	LTP	Net Change	Volume	Bid Qty	Bid Price	Offer Price	Offer Qty	Strike Price	Bid Qty	Bid Price	Offer Price	Offer Qty	Volume	Net Change	LTP	Open Interest	Change in Open Interest	Quote	
Quote	-	-	-	-	-	50	1,400.25	-	-	3900.00	50	1.30	2.45	950	1,449	-0.80	1.25	47,550	-	Quote	
Quote	96,300	-	1,836.75	1.75	8	50	1,839.95	1,866.50	100	4000.00	450	1.80	1.90	500	68	-0.30	1.80	909,150	50	Quote	
Quote	-	-	-	-	-	100	1,262.00	-	-	4100.00	100	1.90	2.50	2,500	1,482	-0.30	2.00	46,000	-	Quote	
Quote	203,100	-	1,720.00	-	-	-	-	-	-	4200.00	200	2.20	2.50	650	38	-0.25	2.50	223,900	-	Quote	
Quote	100,050	-	1,717.90	-	-	-	-	-	-	4300.00	2,300	2.00	2.50	2,500	59	-0.05	2.50	208,200	-	Quote	
Quote	10,900	-	1,525.00	-	-	200	1,151.00	-	-	4400.00	10,000	2.25	2.80	350	11	-0.85	2.15	149,000	-	Quote	
Quote	55,800	-	1,530.00	-	-	100	1,201.00	-	-	4500.00	300	2.85	2.95	1,750	857	-0.80	2.95	329,400	-50	Quote	
Quote	55,450	-	1,350.00	-	-	200	1,033.00	1,434.00	100	4600.00	100	2.75	3.45	2,000	3	-0.60	3.30	257,350	-150	Quote	
Quote	8,200	-	720.25	-	-	1,000	1,109.15	1,279.00	100	4700.00	12,950	3.00	3.15	9,900	256	-1.15	3.00	444,100	2,700	Quote	
Quote	294,400	9,650	1,039.00	70.85	266	150	1,039.65	1,047.95	100	4800.00	500	3.10	3.20	150	1,181	-1.25	3.20	485,100	12,100	Quote	
Quote	108,650	50	947.45	72.45	1	100	938.95	956.40	50	4900.00	8,850	3.75	4.15	250	1,083	-2.15	4.00	519,500	-4,000	Quote	
Quote	501,300	-150	840.00	70.20	54	500	841.75	851.00	500	5000.00	500	4.90	5.30	50	5,728	-3.35	5.10	1,458,550	-26,800	Quote	
Quote	72,250	2,300	745.00	56.95	51	200	744.00	761.40	500	5100.00	14,000	6.15	6.50	200	7,097	-4.25	6.40	924,350	-6,400	Quote	
Quote	162,600	-2,650	650.00	65.00	82	500	648.45	658.75	200	5200.00	100	10.00	10.35	50	14,591	-6.40	10.00	1,763,900	-12,750	Quote	
Quote	134,900	-2,900	564.00	69.75	69	650	549.75	563.50	350	5300.00	14,700	13.70	13.85	650	37,559	-10.90	13.70	3,230,900	205,900	Quote	
Quote	309,650	5,050	465.00	56.65	505	650	457.90	470.10	100	5400.00	4,750	20.70	20.95	650	70,837	-15.70	20.70	3,474,000	424,250	Quote	
Quote	1,454,600	6,250	380.00	50.85	2,195	500	376.75	386.55	4,200	5500.00	1,150	33.55	33.90	400	100,832	-19.75	33.90	5,289,350	356,800	Quote	
Quote	909,150	-15,550	297.00	45.30	3,550	100	295.15	297.00	350	5600.00	650	52.05	52.95	900	149,257	-25.50	52.90	6,904,800	4,000	Quote	
Quote	1,082,500	-1,100	222.00	39.80	16,458	50	221.60	222.90	50	5700.00	600	78.50	78.90	200	188,600	-32.50	79.00	6,019,750	645,000	Quote	
Quote	2,587,700	153,350	157.00	26.25	137,393	250	157.00	158.35	200	5800.00	50	112.60	114.00	1,100	173,451	-40.40	113.95	5,420,050	298,950	Quote	
Quote	4,016,100	383,500	104.65	17.85	181,033	50	104.55	105.00	18,050	5900.00	750	158.00	160.40	250	37,315	-48.25	159.50	2,779,100	64,300	Quote	
Quote	6,384,000	393,550	63.50	10.20	192,513	100	63.25	63.50	150	6000.00	100	214.15	218.45	550	14,303	-54.15	218.00	2,807,700	-85,900	Quote	
Quote	3,584,650	179,500	34.90	5.10	106,616	800	34.20	34.90	1,050	6100.00	2,500	282.00	286.50	250	2,881	-61.35	286.00	1,120,700	-20,200	Quote	
Quote	4,150,900	479,250	16.35	0.35	89,179	1,500	16.25	16.35	1,450	6200.00	1,000	358.15	368.05	250	2,186	-68.95	367.00	649,150	-41,550	Quote	
Quote	4,001,200	719,250	7.75	-0.20	46,828	1,200	7.70	7.75	12,650	6300.00	100	447.20	458.95	600	1,282	-72.30	451.00	443,700	-22,350	Quote	
Quote	2,716,850	-4,050	4.55	-0.25	12,968	100	4.50	4.65	4,900	6400.00	200	544.15	554.50	300	445	-53.70	556.95	184,800	-3,100	Quote	
Quote	2,185,200	247,350	3.50	0.10	13,697	50	3.50	3.60	5,550	6500.00	100	642.60	651.50	50	101	-64.90	644.85	153,250	-2,000	Quote	
Quote	953,650	-31,300	2.90	0.10	4,168	650	2.90	3.00	150	6600.00	500	740.00	751.50	200	12	10.00	790.00	17,150	-100	Quote	
Quote	609,750	-39,600	2.30	0.10	1,827	1,650	2.30	2.50	2,850	6700.00	1,200	824.30	849.50	200	2	-60.00	850.00	164,800	-100	Quote	
Quote	293,300	11,600	2.20	0.10	1,185	4,300	2.20	2.40	4,650	6800.00	1,000	924.60	959.50	1,050	1	-57.25	944.10	6,950	-50	Quote	
Quote	344,100	2,600	1.95	0.25	2,882	2,050	1.85	2.00	500	6900.00	1,000	1,040.00	1,046.50	200	171	-78.25	1,040.00	92,250	5,750	Quote	
Quote	74,650	26,900	1.85	0.15	883	500	1.75	1.90	1,950	7000.00	50	1,101.00	1,323.00	100	-	-	1,436.00	3,350	-	Quote	

« Reply #1 on: November 30, 2010, 09:13:50 AM »
From Rakesh:

Nifty Futures rallied further today to 5915 before settling around 5880

View :
As per traditional technicals, the bottom formed on 26th nov at 5725 is yet to be sealed, needs to be retested

The Grids below have this bottom captured by the WickZones:
1 Year:



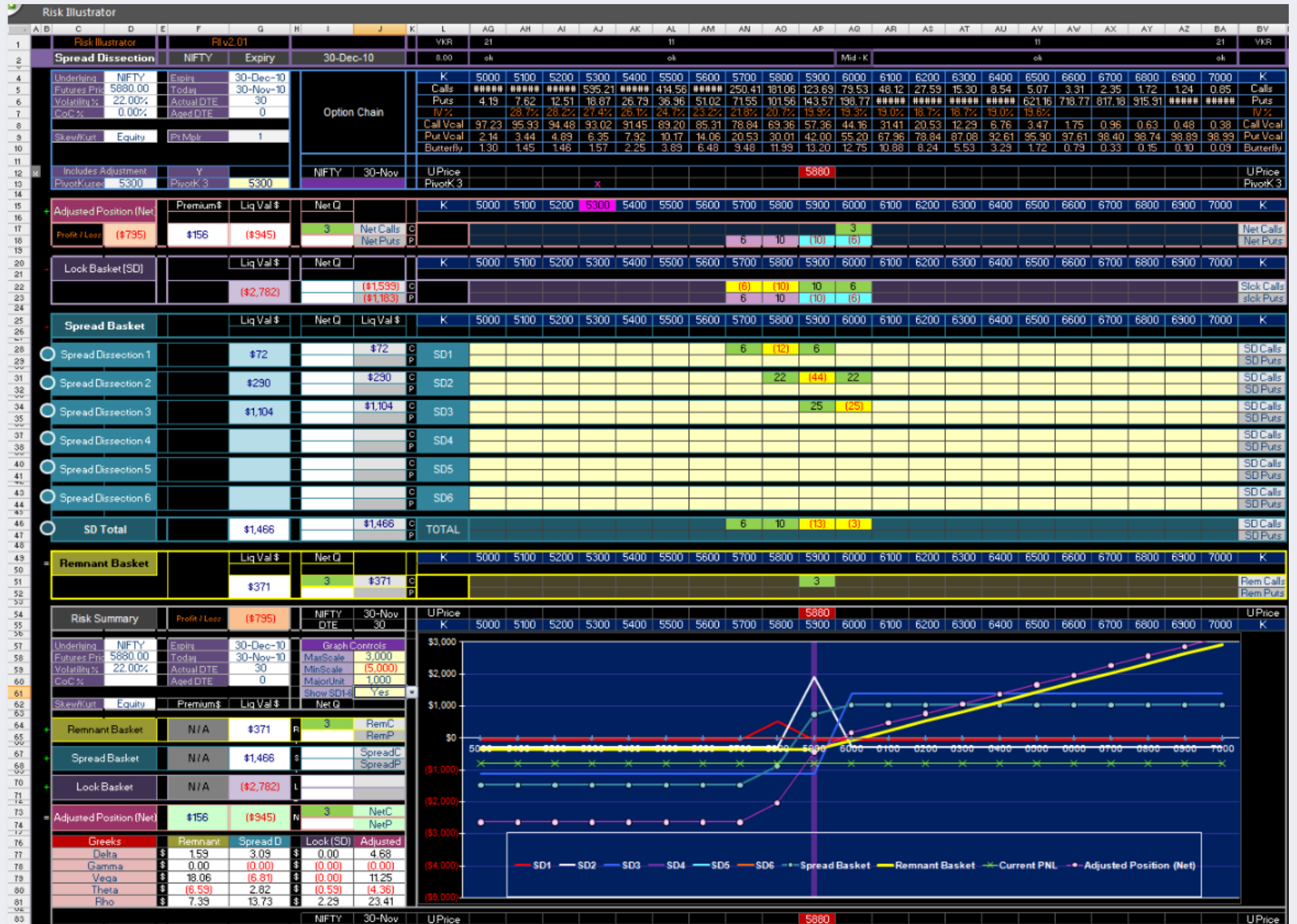
2 Year:



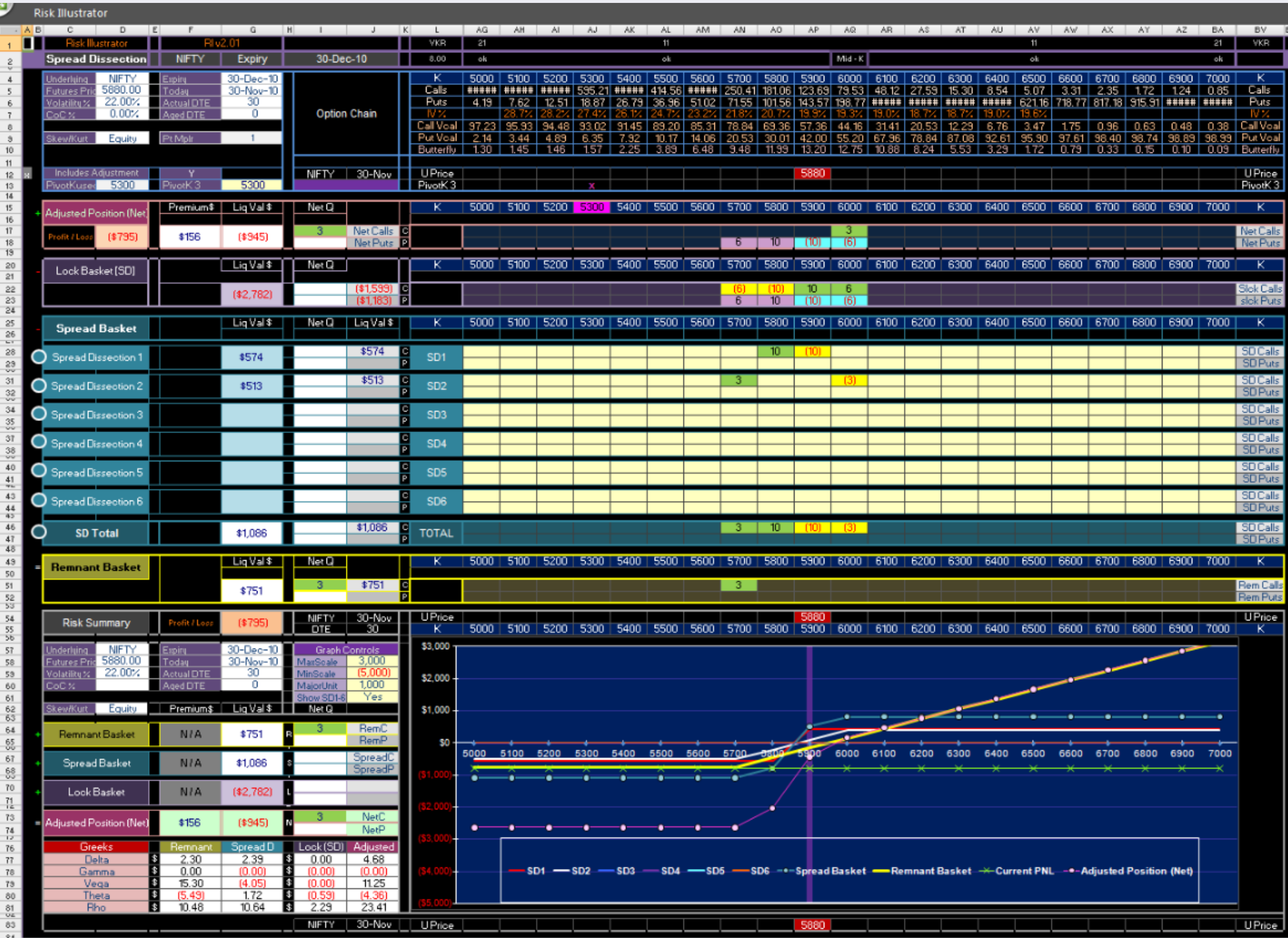
the current rally, NIFTY is likely to decline to retest 5725 levels (and to be seen whether it makes double bottom / higher bottom OR breaks it decisively).
o be an opportunity to get rid of the painful short 6000P position OR adjust.

ms to be my real test -- being stuck on the wrong side of the market.

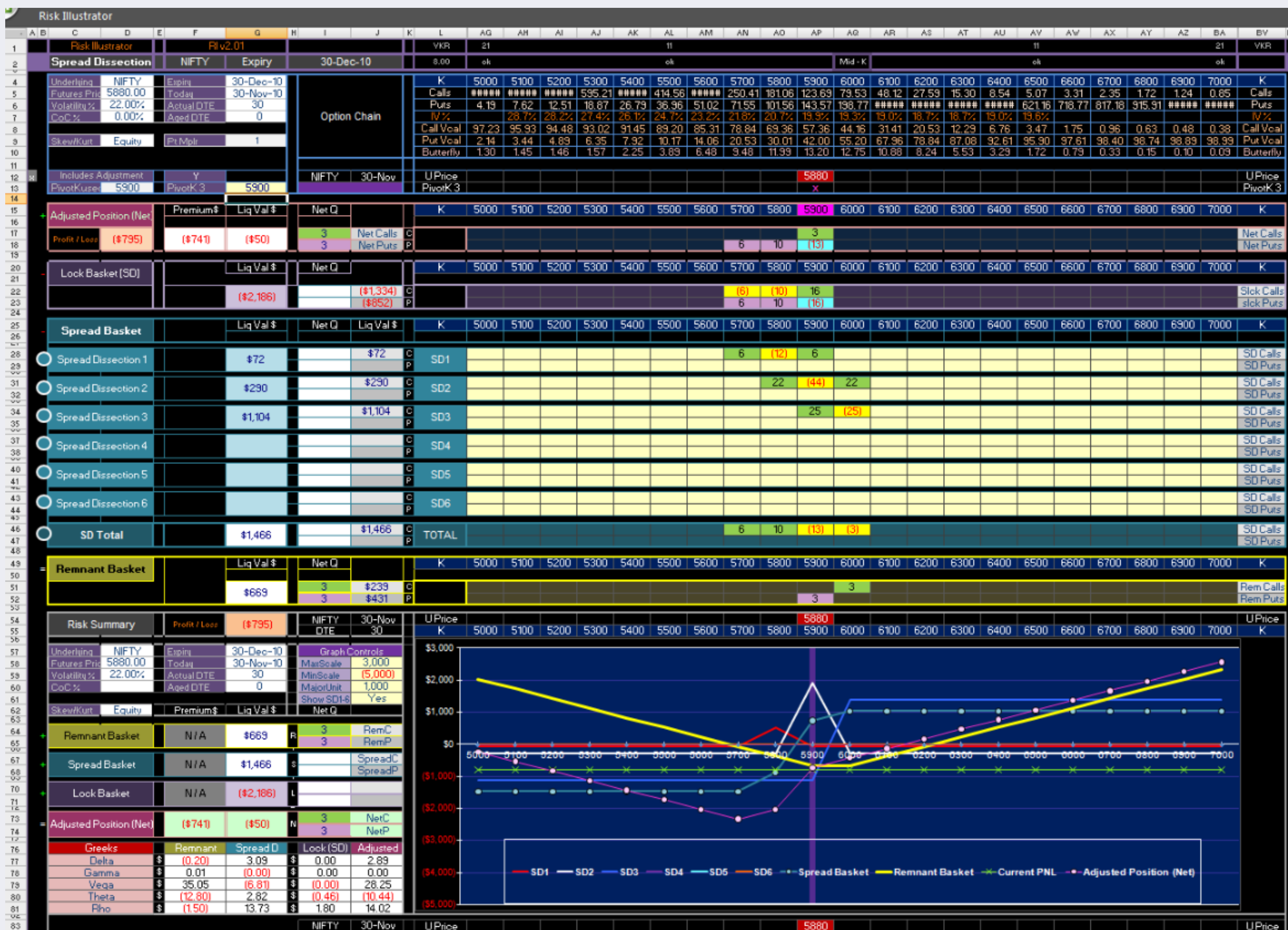
I would look at the positions 2 ways. The first dissection shows the easiest set of trades that takes \$1500 off the table and leaves the opportunity for the butterflies to blossom:



The second dissection has you trading way less contracts (good in your “fees rip-off” market), simple verticals but you can choose, systematically what to unwind first:



If you buy the puts back as you suggest your basically adding a strangle to the mix which is counter to your idea that IV is too high at the moment:



Quote

Currently NIFTY has gone down almost 10% off the top in last 2 weeks as happens always. IV has moved up sharply I am of the opinion that it is likely to bounce (corrective) AND IV is likely to cool off.

I think you need to bail out of the long deltas and the the bull spreads at a minimum.

RJS	<div>Re: NIFTY DEC'10</div> <div>« Reply #3 on: November 30, 2010, 10:11:14 AM »</div> <div>Thanks for the reply Based on your suggestion, i plan to do the following : 1. At the first sight of rally getting exhausted, i shall EXIT Bull spread (10 5800C/5900C) 2. Convert Long 3 6000C to bear spread by selling 3 5900C (....combined i will sell 10 of 5800C, and buy 7 of 5900C) OR get rid of the vertical as well as +3 6000C position? 3. However, i am not sure how to take care of Short 6 6000P ?..... a) buy it back at a huge loss ? b) buy 3 of 6100P, converting into short more spread (after adjustment, position will look like: +3 6100P/-6 6000p)..but this will not be sufficient if Nifty continues to slide to 5700ish levels ? c) 😞 Please guide thanks, Rakesh</div>
Ri\$k Doctor	<div>Re: NIFTY DEC'10</div> <div>« Reply #4 on: December 01, 2010, 06:33:08 AM »</div> <div>Quote</div> <div>3. However, i am not sure how to take care of Short 6 6000P ?..... a) buy it back at a huge loss ? b) buy 3 of 6100P, converting into short more spread (after adjustment, position will look like: +3 6100P/-6 6000p)..but this will not be sufficient if Nifty continues to slide to 5700ish levels ?</div> <div>The Short Puts are an illusion. The other trades make them irrelevant. The dissection proves it. You have Long Butterflies Plus Bull Verticals Plus Long Calls (Dissection 1) and/or Long Calls Plus Bull Verticals (Dissection 2). I don't see any Short Puts. Forget about them.</div>
RJS	<div>Re: NIFTY DEC'10</div> <div>« Reply #5 on: December 01, 2010, 07:38:51 AM »</div> <div>Oh what a way to look at it ! the dissection brings out "Options Reality" Since all positions, post dissection, are bullish, i have to be careful as the current move seems to be a "rally" only to the severe fall from 6350 to 5725 So my questions in the (immediate earlier) post were aimed at taking care of long positions , where in the most pain will be from short 6000P, if market starts to slide again Today Nifty reached 5980 levels, again nearing/reaching down slopping wickzones Please let me know, how to take care of short 6000P Rakesh</div>
Ri\$k Doctor	<div>Re: NIFTY DEC'10</div> <div>« Reply #6 on: December 01, 2010, 09:19:30 AM »</div> <div>There are no puts.</div>
RJS	<div>Re: NIFTY DEC'10</div> <div>« Reply #7 on: December 01, 2010, 09:38:11 AM »</div> <div>OK. So I just need to unwind bull spreads whenever rally ends? rakesh</div>
Ri\$k Doctor	<div>Re: NIFTY DEC'10</div> <div>« Reply #8 on: December 02, 2010, 03:22:18 PM »</div> <div>Wow, you know when the rally is going to end? Amazing! The rest of us would just have to liquidate when we thought we would have no more gain or remove risk of giving back profits or reducing losses, whether we were right or wrong. But in answer to "selling just the call verticals", you will also have the 3 lot of naked long calls to get rid of, as well and hopefully at the exact top "end of the rally"</div>

RJS

Re: NIFTY DEC'10
« Reply #9 on: December 02, 2010, 08:13:21 PM »
i would have been GOD if i knew this.
what i meant was trailing stop consciousness
currently nifty futures trading at 6020,
i have raised my stop to break of 5990 levels

Ri\$k Doctor

Re: NIFTY DEC'10
« Reply #10 on: December 02, 2010, 08:27:31 PM »
Perfect.

RJS

Re: NIFTY DEC'10
« Reply #11 on: December 03, 2010, 05:36:11 AM »

DEC expiry range , as per grids :
1 year: 5750 to 6050
2 year : 5750 to 5900

is this correct ?

RJS

Re: NIFTY DEC'10
« Reply #12 on: December 08, 2010, 08:19:07 AM »

i am eagerly waiting for your comments on my earlier post on expiry range
On friday, i hit the trailing stop in nifty (dip below 5990) and exited my position

Ri\$k Doctor

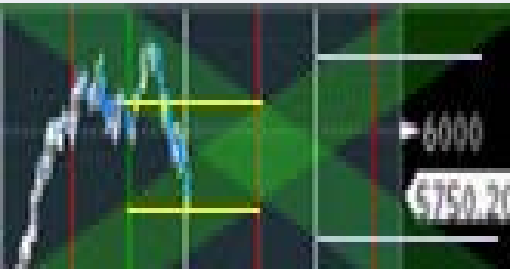
Re: NIFTY DEC'10
« Reply #13 on: December 09, 2010, 09:26:30 PM »

The 1-Yr Grid from Post 1 has very little Validity. The 2-Yr Expiry Range of 5750 to 6050 looks pretty good.

RJS

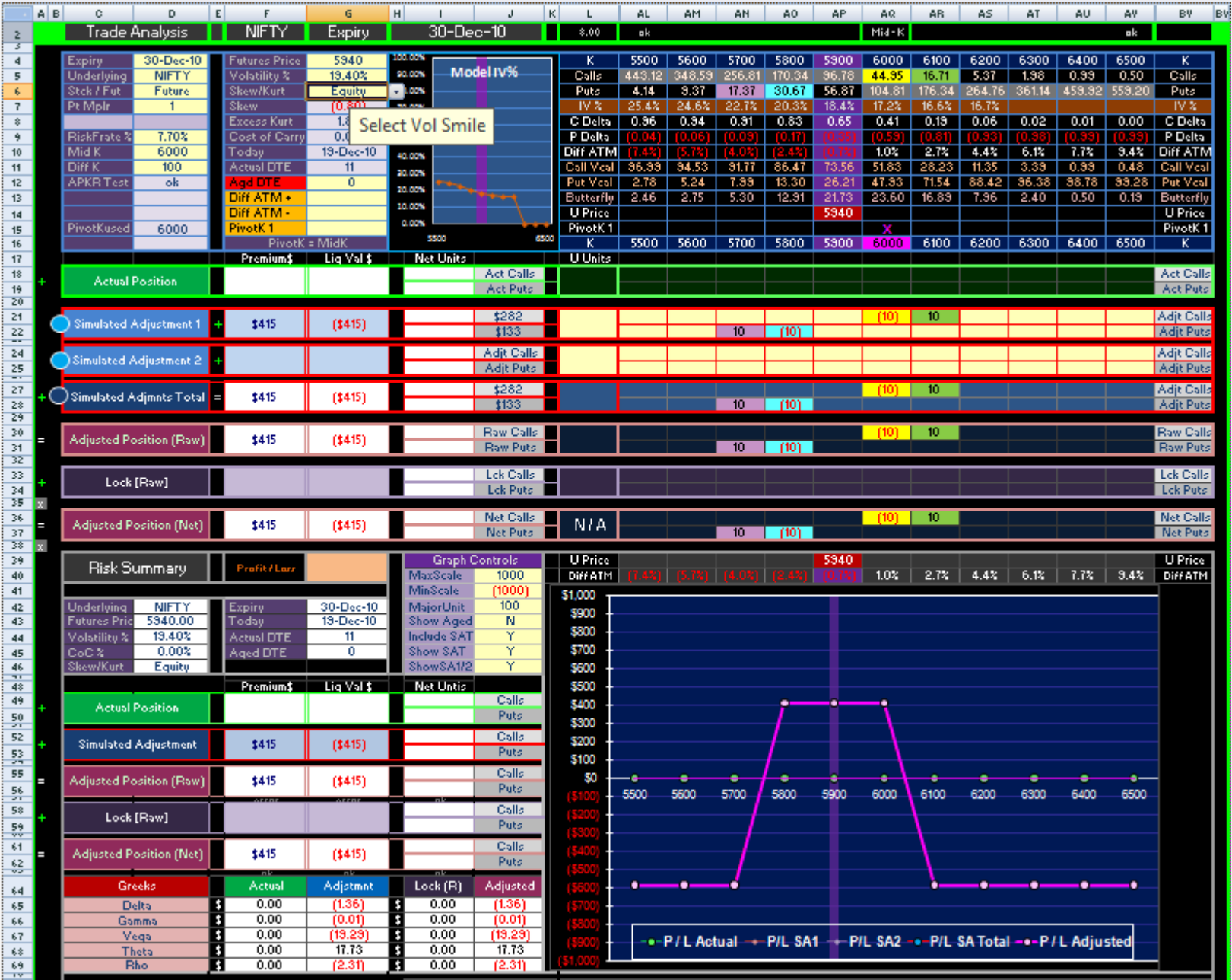
Re: NIFTY DEC'10
« Reply #14 on: December 19, 2010, 03:53:39 AM »

Nifty currently trading around 5950 levels, and with 10 days til expity, it seems likely to be between the projected range of 5750-6050 at DEC expiry (shown by yellow horizontal lines) can this range be narrowed down?



For JAN Expiry (shown by lavender horizontal lines), is this the range to play for?

Propose following trade for DEC expiry:
Risk:Reward is just even!
What do you think COULD be a better play?



Ri\$k Doctor

Re: NIFTY DEC'10
« Reply #15 on: December 19, 2010, 09:43:16 AM »

I would not go with your JAN projection as it ignores both possible trends, the dominant trend being Up. Certainly it could go sideways into your proposed Diamond but I personally would not play for that.

RJS

Re: NIFTY DEC'10
« Reply #16 on: December 19, 2010, 09:52:35 AM »

in case nifty moves further into the upper diamond, can conclude that the lower end of expiry range will be 5950-6000 mark ? and then construct a spread...?

Ri\$k Doctor

Re: NIFTY DEC'10
« Reply #17 on: December 19, 2010, 11:24:56 AM »

Yes, if Bullish remains the dominant trend.

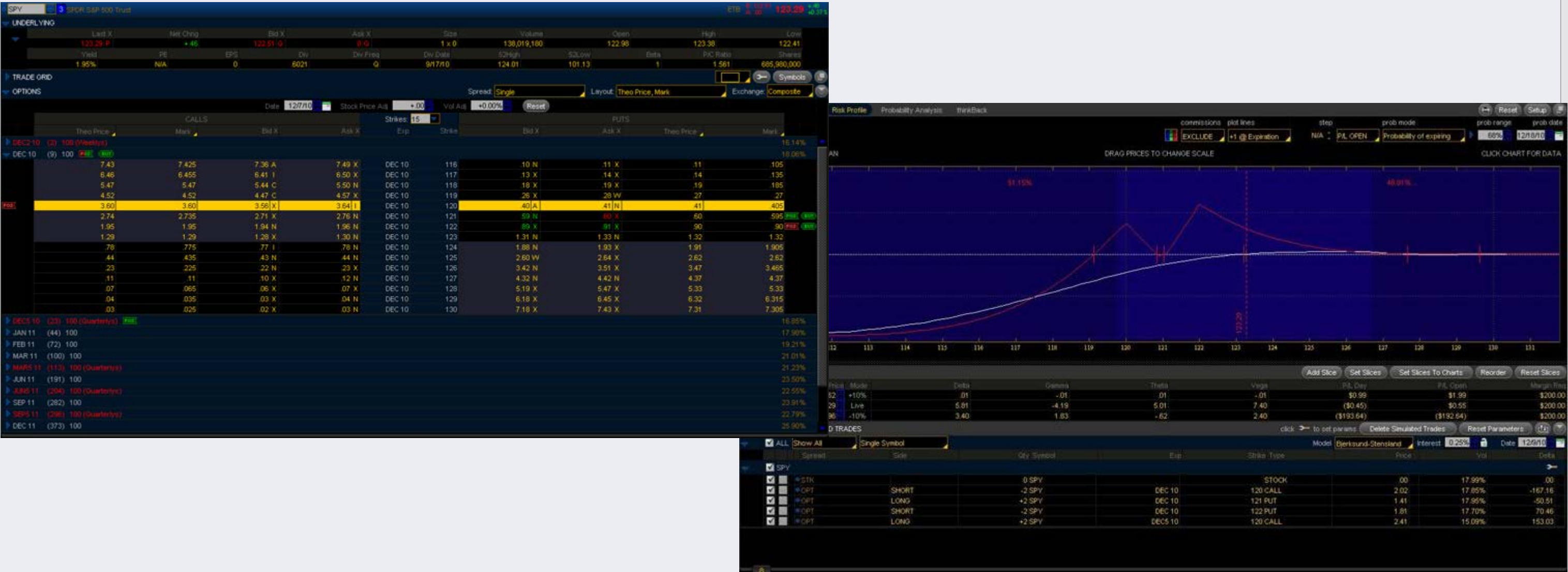
\$eaTrader

Uncertainty about early exercise
« on: December 08, 2010, 05:30:05 PM »

Hi Charles,

I have on a SPY 120 Call Calendar partially financed by a put vertical, that is \$2.00 in the money. I was just made aware that the SPY have a dividend this month. My question to you is.....should I be concerned about early exercise at the 120 level with the puts trading @ \$0.40 and the Dividend being \$0.60?? I'm not really sure if I have early exercise risk here.

Position Details:



Thanks Charles

Ronnie

☺ \$eaTrader

Ri\$k Doctor

Re: Uncertainty about early exercise
« Reply #1 on: December 08, 2010, 10:57:41 PM »

It will be assigned on the Dividend Date if the Puts are trading less than the Dividend but I imagine you will have traded out of this by then.

\$eaTrader

Re: Uncertainty about early exercise
« Reply #2 on: December 09, 2010, 06:41:08 AM »

Thanks Charles,

Ronnie

☺ \$eaTrader

James Parker

Re: Uncertainty about early exercise

« Reply #3 on: December 09, 2010, 07:02:48 AM »
Quote from: \$eaTrader on December 08, 2010, 05:30:05 PM

Hi Charles,

I have on a SPY 120 Call Calendar partially financed by a put vertical, that is \$2.00 in the money. I was just made aware that the SPY have a dividend this month. My question to you is.....should I be concerned about early exercise at the 120 level with the puts trading @ \$0.40 and the Dividend being \$0.60?? I'm not really sure if I have early exercise risk here.

Ronnie

Hi, I am quite interested in a number of aspects of this trade;

- Which order did you leg into the position; Calendar first; Vertical second
- Was there a reason to mix the 'options'; by that I mean, as you were Long the Call Calendar, why not buy the Call Vertical rather than sell the Put Vertical
- Is there some sort of 'strategic' logic that suggests you should hedge/finance Calendars with Verticals

Cheers
James

\$eaTrader

Re: Uncertainty about early exercise
« Reply #4 on: December 09, 2010, 10:40:04 AM »

Hey James,

This trade was based on the following D-Grid:

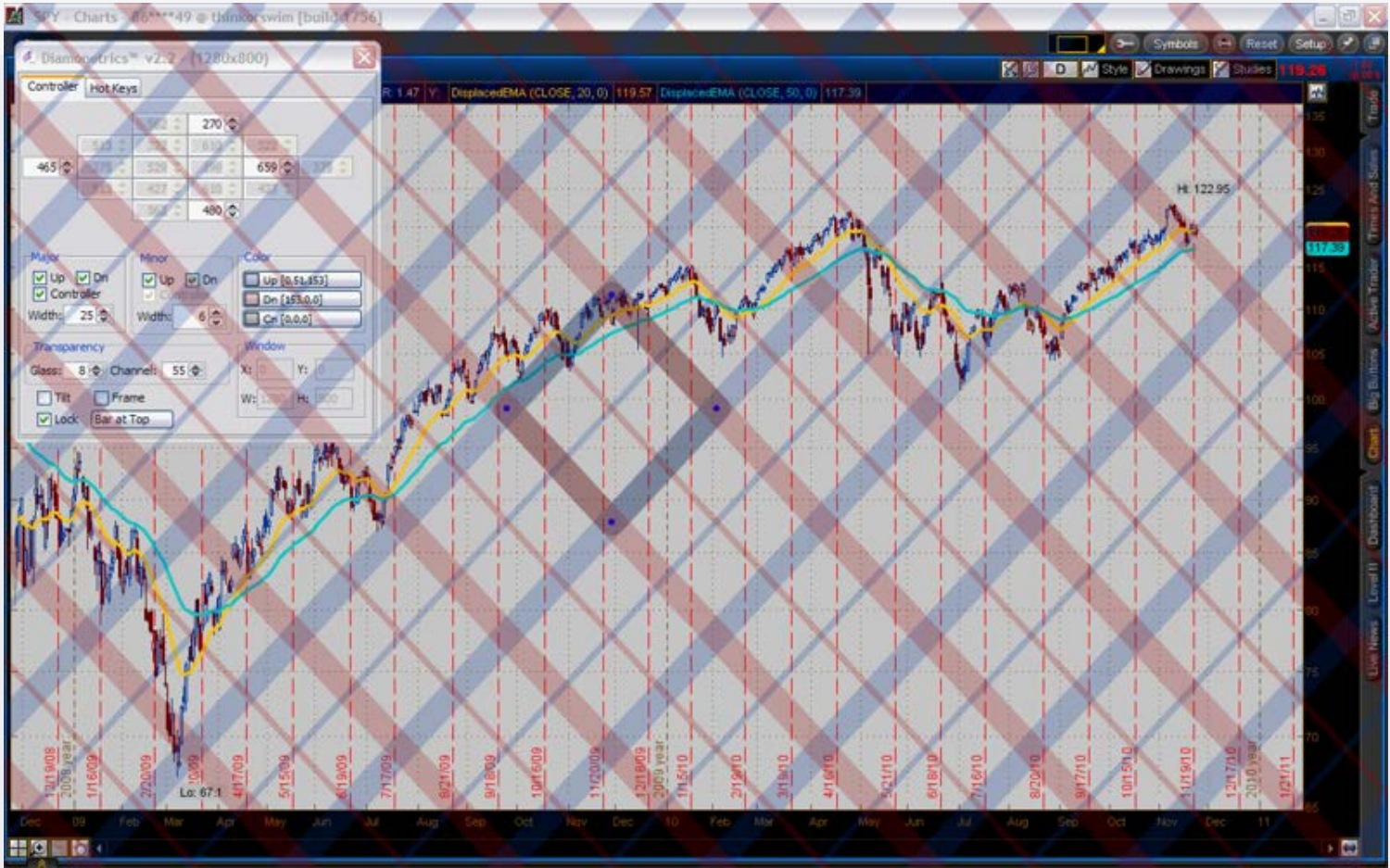
I wasn't sure which way the SPY would go for some time, but once the SPY ticked above the down channel, it gave me some sense of direction and I became bullish. I'm betting that the SPY will not go past \$125ish. On Dec 2nd when the Spy ticked up, I decided to sell the put vertical to push out my break-even to reflect my \$125 thesis. Unfortunately for me, I didn't look for a dividend when I bought the call calendar.

Summary of the trades:

- 11/19 (2 DEC/DEC5 Call Calendars @ \$0.39); (SPY @ 120.03)
- 12/02 (-2 DEC 121/122 Put Vertical @ \$0.40); (SPY @ 122.45)

Thanks James
Ronnie

☺ \$eaTrader



Re: Uncertainty about early exercise
« Reply #5 on: December 13, 2010, 03:45:40 PM »

The next SPY ex-dividend date is said to be 17th of December, 2010 and estimated at \$0.70 per share.
That makes your long an exercise candidate. However, don't do it if you are bearish and hope to sell the real put later. If you do not exercise your DEC5 120 Call in order to save paying the .70 Dividend, you will be synthetically holding the DEC5 120 Put via the Long Call/Short Stock hoping for a break and hopefully creating a greater value than .70 (less: any interest you recive for short stock) for the DEC5 120 Put (closed at .55ish). At the Moment, all the Calls in the Red rectangles are candidates for Early Exercise for the Dividend. If you are thinking of Exercising, than you would be better off selling the Call Calendar for anything greater than commissions for the trade versus Double exercise costs.

SPY

SPDR S&P 500 Trust

B: 124.56

A: 124.57

124.56

+08

+0.06%

UNDERLYING

Last X

Net Chng

Bid X

Ask X

Size

Volume

Open

High

Low

124.56 D

+08

124.56 Q

124.57 Q

5 x 40

133,683,247

125.05

125.20

124.52

Yield

PE

EPS

Div

Div.Freq

Div.Date

52High

52Low

Beta

P/C Ratio

Shares

1.93%

N/A

0

.6021

Q

9/17/10

124.60

101.13

1

2.07

675,480,000

TRADE GRID

Spread: Single

Layout: Delta, Gamma, Theta, Vega, Mark, Volume, Open I...

Exchange: Composite

OPTIONS

CALLS

Strikes: 20

PUTS

Delta

Gamma

Theta

Vega

Mark

Volume

Open....

Bid X

Ask X

Exp

Strike

Bid X

Ask X

Delta

Gamma

Theta

Vega

Mark

Volume

Open....

DEC 10

(4)

100

20.56%

.94

.01

-.06

.02

9.625

675

107,744

9.56 I

9.69 X

DEC 10

115

.05 X

.06 X

-.03

.01

-.04

.01

.055

1,778

236,243

.94

.01

-.06

.02

8.63

160

65,355

8.56 X

8.70 W

DEC 10

116

.05 X

.06 W

-.03

.01

-.04

.01

.055

2,099

129,908

.94

.02

-.06

.02

7.635

931

61,746

7.57 X

7.70 W

DEC 10

117

.06 C

.07 N

-.04

.02

-.04

.01

.065

3,322

141,713

.94

.02

-.05

.02

6.635

794

89,998

6.57 X

6.70 W

DEC 10

118

.07 X

.08 X

-.05

.02

-.04

.01

.075

5,039

202,097

.93

.03

-.05

.02

5.635

2,581

67,508

5.57 I

5.70 X

DEC 10

119

.09 X

.10 X

-.06

.03

-.05

.02

.095

8,656

172,238

.92

.04

-.05

.02

4.655

15,331

180,622

4.60 X

4.71 X

DEC 10

120

.12 X

.13 X

-.08

.05

-.05

.02

.125

40,484

186,021

.89

.06

-.05

.03

3.69

5,077

83,965

3.64 A

3.74 I

DEC 10

121

.19 X

.20 W

-.12

.07

-.07

.03

.195

33,875

115,551

.84

.09

-.06

.03

2.75

15,881

99,601

2.71 X

2.79 X

DEC 10

122

.31 I

.33 X

-.19

.09

-.08

.04

.32

27,029

126,183

.76

.14

-.07

.05

1.87

51,792

124,858

1.85 A

1.89 I

DEC 10

123

.54 I

.56 X

-.29

.12

-.10

.05

.55

63,968

73,338

.60

.18

-.07

.06

1.13

44,369

198,503

1.11 X

1.15 X

DEC 10

124

.92 I

.93 C

-.42

.13

-.11

.06

.925

77,382

75,631

.41

.19

-.07

.06

.595

64,773

133,603

.58 X

.61 W

DEC 10

125

1.49 X

1.53 X

-.55

.13

-.12

.06

1.51

43,284

44,280

.24

.15

-.06

.05

.28

38,635

82,076

.27 X

.29 X

DEC 10

126

2.26 X

2.31 X

-.65

.10

-.13

.05

2.285

29,709

28,713

.12

.10

-.04

.03

.125

22,232

82,673

.12 X

.13 I

DEC 10

127

3.11 I

3.21 X

-.72

.08

-.14

.05

3.16

28,930

7,597

.06

.06

-.03

.02

.055

16,390

93,535

.05 X

.06 I

DEC 10

128

4.01 X

4.16 X

-.77

.07

-.14

.04

4.085

2,518

2,942

.04

.03

-.02

.01

.035

3,408

39,462

.03 A

.04 A

DEC 10

129

5.01 X

5.18 C

-.79

.05

-.16

.04

5.095

2,719

720

.03

.02

-.02

.01

.025

2,210

127,511

.02 X

.03 X

DEC 10

130

5.93 X

6.16 C

-.81

.05

-.16

.04

6.045

41

30,365

.02

.01

-.01

.01

.015

476

29,602

.01 X

.02 A

DEC 10

131

6.94 X

7.20 C

-.82

.04

-.17

.04

7.07

16

1,668

.01

.01

-.01

.01

.015

49

13,155

.01 X

.02 W

DEC 10

132

7.95 X

8.15 X

-.84

.03

-.18

.04

8.05

0

1,715

.00

.00

.00

.00

.005

478

14,015

0 I

.01 I

DEC 10

133

8.95 X

9.15 C

-.85

.03

-.19

.03

9.05

11

476

.00

.00

.00

.00

.005

1,403

8,701

0 C

.01 W

DEC 10

134

9.95 X

10.15 C

-.86

.03

-.19

.03

10.05

40

200

DEC5 10

(18)

100 (Quarterlys)

16.94%

.94

.02

-.02

.03

9.635

117

12,030

9.53 I

9.74 I

DEC5 10

115

.13 X

.15 A

-.05

.02

-.02

.03

.14

744

55,435

.95

.02

-.01

.03

8.615

8

13,632

8.49 X

8.74 X

DEC5 10

116

.17 X

.21 X

-.07

.02

-.02

.04

.19

68

20,810

.93

.02

-.02

.04

7.655

651

4,148

7.56 X

7.75 I

DEC5 10

117

.22 X

.25 A

-.09

.03

-.02

.05

.235

9,168

46,676

.93

.03

-.01

.04

6.65

54

12,316

6.53 X

6.77 X

DEC5 10

118

.30 X

.32 N

-.11

.03

-.03

.05

.31

8,656

91,432

.90

.04

-.02

.05

5.71

31

18,244

5.61 N

5.81 I

DEC5 10

119

.40 X

.44 X

-.15

.04

-.03

.07

.42

9,104

26,993

.87

.05

-.02

.06

4.785

427

16,588

4.71 X

4.86 I

DEC5 10

120

.53 X

.58 X

-.19

.05

-.04

.08

.555

27,687

65,591

.82

.07

-.02

.08

3.895

1,685

15,440

3.84 C

3.95 X

DEC5 10

121

.71 C

.77 X

-.24

.06

-.04

.09

.74

3,425

38,331

.75

.08

-.03

.09

3.075

998

30,147

3.02 C

3.13 X

DEC5 10

122

.96 X

1.02 X

-.30

.07

-.05

.10

.99

8,314

30,985

.66

.10

-.03

.10

2.34

3,051

37,790

2.29 C

2.39 X

DEC5 10

123

1.28 I

1.34 X

-.38

.08

-.05

.11

1.31

33,801

11,619

.56

.11

-.03

.11

1.71

13,659

48,014

1.66 C

1.76 X

DEC5 10

124

1.71 X

1.75 X

-.45

.08

-.05

.11

1.73

5,583

4,670

Re: Uncertainty about early exercise
« Reply #6 on: December 13, 2010, 04:28:17 PM »

Thanks Charles, this really helps
Ronnie

RJS

Nifty
« on: June 14, 2010, 12:08:09 PM »

I need help to adjust my position in Nifty Options (India)
The open position right now is :
20 JUN 5000/5100 Put Bear Spreads (-20*5000p / +20*5100p), 48 debit
10 JUN 5000/5100 Call Bear Spread (-10*5000c / +10*5100c), 45 credit
Currently Nifty is trading near 5200 and the position is running at a loss. **Option Chain:** The Put Vertical is trading at about 14 and the Call vertical is about 86.
Expiry is 24th June
Please advise.
Thanks,
Rakesh

James Parker

Re: Nifty
« Reply #1 on: June 14, 2010, 10:09:23 PM »

Rakesh
With the Nifty at 5190, your position is synthetically equivalent to -30p 5000 / +30p 5100 for a debit of 103 [-48dr+45cr-100box].
Are the premiums you quote for each spread or in total?
The 5000/5100 put vertical is going for 15.80.
I am not quite certain how the nifty works, but this implies you could sell a 30 lot 5000/5100 put vertical for 15.80ea, total 474cr, against synthetic debit 103, locking in a profit of 371.
Would you pls clarify initial premiums?
James

Ri\$k Doctor

Re: Nifty
« Reply #2 on: June 15, 2010, 06:32:38 AM »

Sorry James,

I think you are seeing the position wrong or perhaps I made a typo when I edited the post.

The Put Verticals were done for a 48 debit and is down to 14.
The Call Verticals were done for 45 credit (synthetically a 55 debit which is also down to 14) which is up to 86.

Rakesh has a total running loss here of 109 or roughly 36 average per Vertical.

James Parker

Re: Nifty
« Reply #3 on: June 15, 2010, 07:15:09 AM »

Apologies, I misread the original post whilst eating breakfast, I thought the premium quoted was in Total and not for each spread ... Yikes there is not a lot Rakesh can do at this point with so little time to expiry ... except pray for a pull back looking at the prices of the original trade, he must have bought/sold the original 5000/5100 spreads when the market was at approx 5050 which would be interesting to understand why? ... Cheers, James

RJS

Re: Nifty

« Reply #4 on: June 15, 2010, 08:04:57 AM »

You are right, the spread was done when the Nifty was trading around 5050 level.
Converting spread to butterfly or rolling up the bear spread should have been done earlier (when it crossed overhead resistance of 5120-5150?).

Rakesh

Ri\$k Doctor

Re: Nifty

« Reply #5 on: June 15, 2010, 08:55:42 AM »

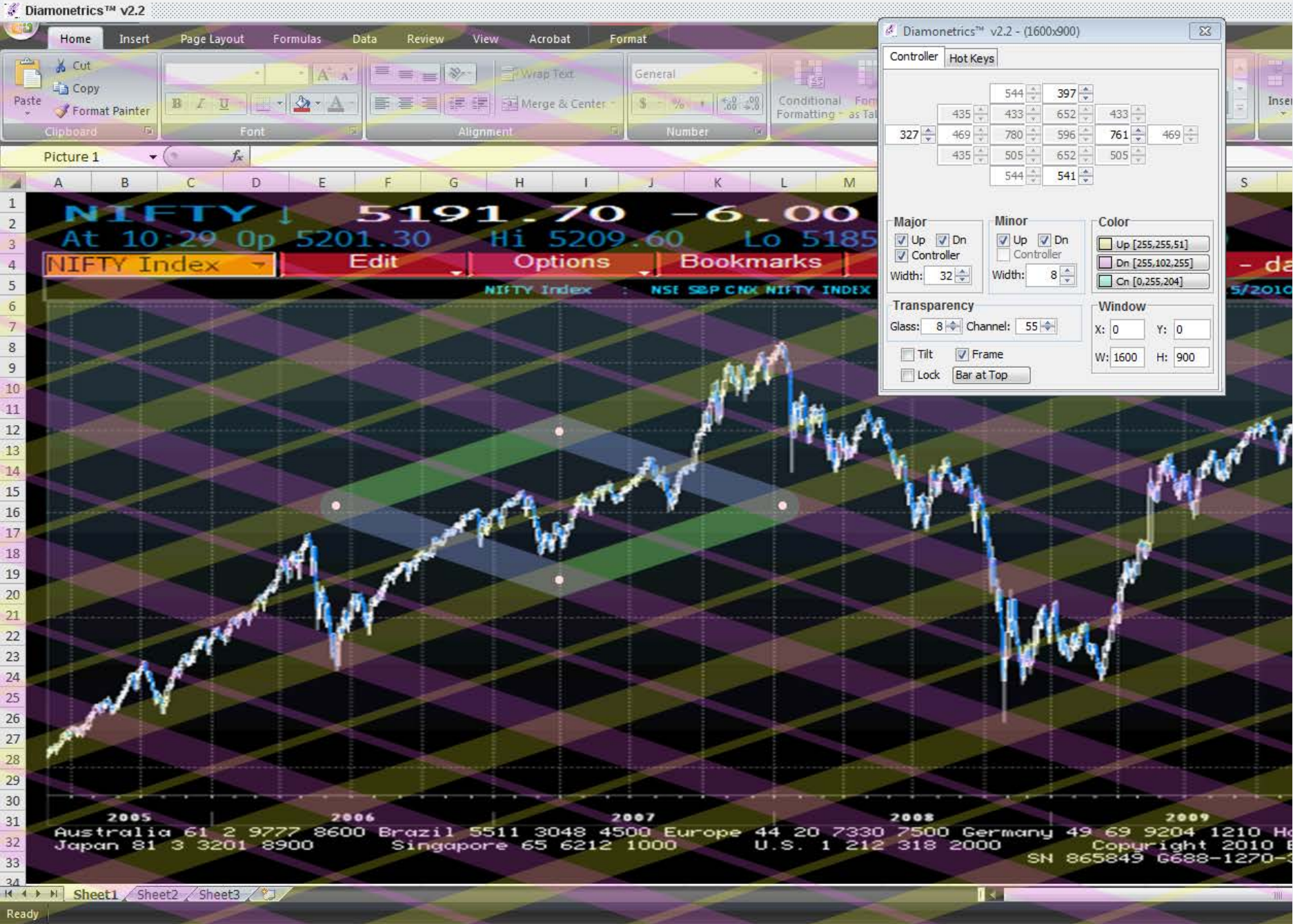
Quote
...rolling up the bear spread should have been done earlier (when it crossed overhead resistance of 5120-5150?)
I don't think rolling up is what you would have wanted to do, in fact, it would be a cheaper price to do that now, that the Nifty is closer to 5200. I think you meant to 'liquidate' when it crossed overhead resistance of 5120-5150.

Ri\$k Doctor

Re: Nifty

« Reply #6 on: June 15, 2010, 12:37:52 PM »

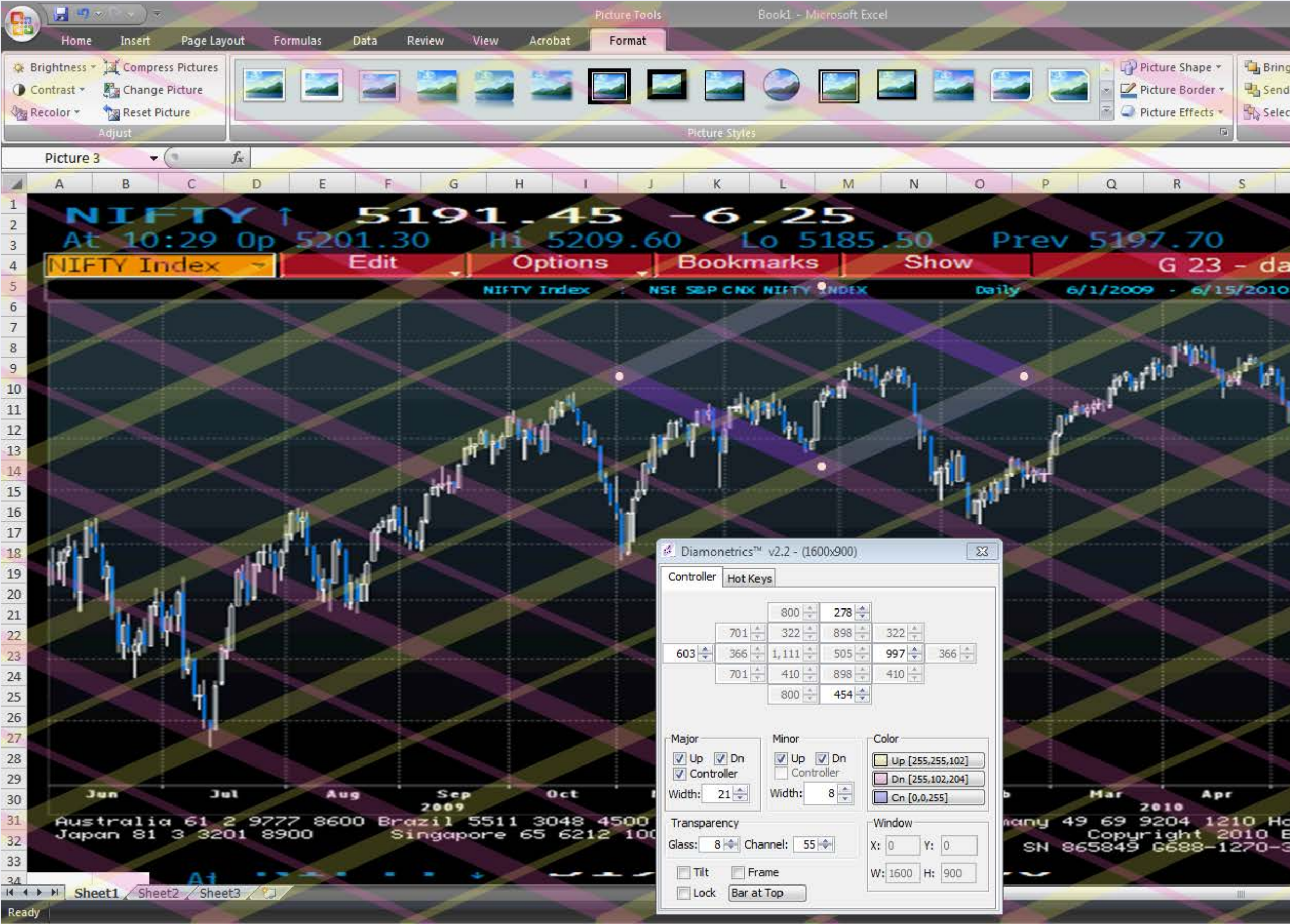
Here Are Diamonetric Grids for the Nifty. These images were sent to me and I pasted them into Excel and then used the Java version.
Nifty 5-Year (Meeting Reistance)



Nifty 2-Year (Nothing Conclusive right now)



Nifty 1-Year (Meeting Resistance)



Only 9 days to go but you could catch a break.

By the way, for other readers, the exchange rate is 45 INR per dollar or 45 per 100 cents so each.

hapi2lips

Re: Nifty
« Reply #7 on: June 15, 2010, 03:02:16 PM »

After dissecting this position, I found it to be equivalent to +30*5000/5100 P i.e. a long put spread, not a short one.....

Teri

Ri\$k Doctor

Re: Nifty
« Reply #8 on: June 15, 2010, 03:22:18 PM »

Right you are, Teri:

	C	D	E	F	G	H	I	J	K
11		Raw Calls		Total Net Contracts			Raw Puts		
12									
13				PivotK	5200				
14			Month	JUN				Inc Adj	Y
15		Raw Position							
16	nC	rC	Adj	Cur	K	Cur	Adj	rP	nP
36					4900				
37		(10)		(10)	5000	(20)		(20)	(30)
38		10		10	5100	20		20	30
39					5200				
40					5300				
59					Net				

RJS

Nifty
« Reply #9 on: June 15, 2010, 08:18:39 PM »

If , as dissected, position was a LONG Put spread (and not a SHORT), then it should have been in the money . But unfortunately, that is not the case. Position is loosing money

????????????
😞😞😞😞😞??

Rakesh

Ri\$k Doctor

Re: Nifty
« Reply #10 on: June 15, 2010, 09:51:41 PM »

At this point it is a total finger crossing for luck situation. You need a break. Aggressive adjustments like selling a tonne of 4900/4800 put credit spreads would expose you to crazy risk. Either that or salvage the wreckage. I personally would hang in there, if it were my trade, for a break to the breakeven area. I think there is a good chance for retracement.

RJS

Re: Nifty
« Reply #11 on: June 16, 2010, 06:03:37 AM »

How about legging? I mean square the loosing position right now and then wait for favor to square the other leg? Is it advisable to do so? As a rule of thumb, should it be done at all? If it does not work out as planned, then should one replace the squared leg?

Rakesh

CWS

Re: Nifty
« Reply #12 on: June 16, 2010, 06:17:19 AM »

IMO, legging is not a good idea as both option are loosing. But even if one option is making money, it's not a good idea to leg if you don't have very strong opinion about direction. Also, you need to cover short first, in this case, which will book the loss, and then you have to cross your finger for your long to go deep in the money (which is loosing money very fast-high theta at this moment in time). Also, lifting your short leg (which is making little bit money back) will expose naked long which will increase your risk(money at risk) more than double what you have right now. I have been thru similar situation. My thinking might be wrong, but Charles can throw more light on this. - Jay

Re: Nifty

« Reply #13 on: June 16, 2010, 06:52:31 AM »

Actually Jay, in this case, the short 5000 put options (both real and synthetic), are making a profit but it is irrelevant. The other points you bring up are very valid. It would add to risk and it would be an act of desperation and a waste of money. Rakesh already will benefit from a break and does not need to add to a loser in this fashion. the current prices show that he would have to invest in more long 5100s for 23ish while covering shorts at 11ish will be a longshot. I love legging but only when it makes sense. If I were short the put spread I would consider covering some of the 5100s, for example.

Bid Price	Offer Price	Strike Price	Bid Price	Offer Price
231.20	233.60	5000.00	11.85	11.90
142.50	143.00	5100.00	23.50	23.95
66.60	66.85	5200.00	46.30	46.40

Re: Nifty

« Reply #14 on: August 05, 2010, 10:56:56 PM »

I did following trade for August 2010 (expiry on 26th Aug 10) with the intention to get some theta earlier in the month Nifty fut at 5420

+5100 P @ 25

+5600 C @ 25

-5400 C @ 106

-5400 P @ 94

Nifty Futures at 5420

Nifty Spot at 5410

Net inflow 150

Delta : 0.07

Theta: -1.20

Gamma: -0.03

Would welcome your comments on this trade with respect to:

- a. Composition
- b. Greeks
- c. intention
- d. When should i square ?

Rakesh

Update on 2nd Aug 2010

Nifty Future at 5440

Entire butterfly (expiry 26 Aug 2010) now trading at 140 (initiated at inflow of 150), i.e. profit of 10 points

Greeks update:

Delta: -0.60 (prev: 0.07)

Do you feel any action required ?

Rakesh

[Futures contracts](#)

Expiry Dates : 26AUG2010 | [30SEP2010](#) | [28OCT2010](#) | [30DEC2010](#) | [31MAR2011](#) | [30JUN2011](#) |
 [29DEC2011](#) | [28JUN2012](#) | [27DEC2012](#) | [27JUN2013](#) | [26DEC2013](#) | [26JUN2014](#) |
 [24DEC2014](#) | [25JUN2015](#) |

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	309,050	-1,850	1,055.00	3.60	37	1,000	1,036.30	1,043.95	100	4400.00	4,050	1.15	1.20	2,100	196	-0.10	1.20	1,161,500	3,000	Quote
Quote	31,050	300	940.00	-12.70	6	1,000	934.30	946.75	100	4500.00	15,050	1.25	1.30	150	905	-0.20	1.30	715,900	8,650	Quote
Quote	16,200	-	865.45	33.35	1	1,000	834.30	846.70	100	4600.00	29,500	1.45	1.50	1,250	980	-0.30	1.45	802,200	-5,000	Quote
Quote	34,750	-	740.50	-12.80	3	350	739.25	749.85	1,000	4700.00	14,950	1.80	1.85	14,400	9,959	-0.40	1.85	1,303,150	-93,250	Quote
Quote	104,600	1,500	642.00	-12.20	50	50	642.00	646.15	500	4800.00	150	2.60	2.65	5,000	5,310	-0.30	2.60	1,647,250	56,900	Quote
Quote	94,600	-550	543.00	-11.00	117	200	538.60	546.90	500	4900.00	1,250	3.55	3.70	700	10,480	-0.20	3.50	2,825,500	77,750	Quote
Quote	352,700	2,900	435.00	-20.60	443	200	443.30	448.00	150	5000.00	5,250	5.90	6.00	400	19,945	-0.05	5.90	5,876,300	65,250	Quote
Quote	361,400	-7,150	348.40	-15.65	332	200	348.60	353.95	150	5100.00	100	10.10	10.50	2,100	32,733	-0.35	10.50	6,347,600	8,600	Quote
Quote	692,150	-24,600	261.70	-11.90	1,183	150	259.25	261.95	1,200	5200.00	1,300	19.20	19.35	500	66,868	-1.05	18.60	6,711,900	360,800	Quote
Quote	1,765,300	41,900	175.00	-13.00	11,183	1,000	175.00	176.65	850	5300.00	1,350	33.10	33.50	100	105,682	-1.15	33.00	9,972,700	-164,700	Quote
Quote	4,840,300	657,350	101.65	-11.70	110,310	500	100.35	100.50	100	5400.00	50	59.15	59.30	1,400	215,857	0.45	58.90	8,125,950	-352,700	Quote
Quote	7,522,700	-384,850	47.40	-9.15	207,244	2,650	46.80	47.00	6,550	5500.00	1,250	102.20	102.85	50	80,102	3.20	102.70	3,299,500	176,050	Quote
Quote	8,618,200	-391,450	15.75	-4.55	107,268	100	15.25	15.45	50	5600.00	50	168.00	168.95	50	4,252	7.25	168.00	303,250	2,100	Quote
Quote	4,018,050	59,650	4.50	-1.60	45,407	1,750	4.30	4.45	650	5700.00	200	255.40	258.40	750	516	9.80	256.30	130,950	-6,350	Quote
Quote	1,312,000	90,200	1.90	-0.60	20,440	7,200	1.80	1.95	2,000	5800.00	50	350.00	410.00	50	37	22.25	360.00	60,300	-	Quote
Quote	543,700	-66,800	1.00	-0.45	8,431	40,950	1.00	1.10	68,850	5900.00	1,000	444.10	470.05	1,000	114	33.00	458.00	37,400	5,000	Quote
Quote	372,850	83,400	0.75	-0.20	3,618	7,900	0.75	0.85	54,150	6000.00	200	539.45	551.00	100	38	28.65	543.60	71,400	-300	Quote
Quote	4,500	-4,450	0.45	-0.15	1,538	5,050	0.45	0.50	1,500	6100.00	50	468.00	660.00	50	-	-	630.00	100	-	Quote

RJS

Re: Nifty
« Reply #15 on: August 08, 2010, 09:20:14 PM »

Hi,
Today (August 6th) I did the following trade adjustments :
1. Bought back 30 AUG 5400 C,
 reason: market showed signs of trending on the upside (above 5450 levels)
2. Bought 10 additional AUG 5600 C,
 reason: kicker on the upside
3. Sold 10 AUG 5500C,
 reason: market slipped back below the break out level and i wanted to hedge as we approached week end
The first two trades were done during the first half, the third trade was done just prior to close.
Please comment
Thanks,
Rakesh

Ri\$k Doctor

Re: Nifty
« Reply #16 on: August 09, 2010, 07:01:10 AM »

Your original strategy is in line with the Diamonetric Grid.



Your adjustment is really going for it:

1	Risk Illustrator		RI v2.01				VKR	21																	ti																	ti	21	VKR														
2	Basket Dissection		NIFTY	Expiry	26-Aug-10	8.00	ok																	ok																	ok																	ok
3	Underlying		NIFTY	Expiry	26-Aug-10			K	4400	4500	4600	4700	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	K																												
4	Futures Price		5441.00	Today	6-Aug-10			Calls	#####	#####	#####	#####	#####	#####	442.15	346.01	#####	168.04	99.18	52.35	26.20	13.62	7.50	4.01	1.90	0.76	0.26	0.07	0.02	Calls																												
5	Volatility %		16.50%	Actual DTE	20			Puts	0.01	0.01	0.01	0.06	0.31	1.13	3.00	6.44	13.02	27.64	58.36	111.10	184.53	271.53	#####	461.08	#####	#####	#####	#####	#####	Puts																												
6	CoC %		0.00%	Aged DTE	5			IV%																	18.3%	16.9%	15.8%	15.3%	15.4%	16.0%	17.2%	18.5%	19.6%	#####	#####	#####	#####	#####	IV%																			
7	Skew/Kurt		Smile	Pt Mpr	1			Call Vcal	99.58	99.58	99.57	99.53	99.33	98.76	97.71	96.14	93.01	84.96	68.86	46.83	26.15	12.58	6.12	3.49	2.11	1.14	0.51	0.18	0.06	Call Vcal																												
8								Put Vcal	0.00	0.00	0.00	0.05	0.25	0.82	1.87	3.44	6.57	14.62	30.72	52.75	73.43	87.00	93.46	96.09	97.47	98.44	99.07	99.39	99.52	Put Vcal																												
9								Butterfly	0.00	0.00	0.05	0.20	0.56	1.06	1.57	3.13	8.05	16.10	22.02	20.68	13.57	6.46	2.63	1.38	0.97	0.63	0.32	0.13	0.04	Butterfly																												
10	Includes Adjustment		Y		NIFTY	6-Aug	UPrice																	5441																	UPrice																	
11	PivotKurt		5300	PivotK 2	5300		PivotK 2																	x																	PivotK 2																	
12	Adjusted Position (Net)		Premium\$	Liq Val \$	Net Q		K	4400	4500	4600	4700	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	K																													
13	Profit / Loss		(\$4)	\$1,029	(\$1,033)	30	Net Calls																	(10)	40																	Net Calls																
14							Net Puts																	(30)																		Net Puts																
15	Lock Basket (BD)			Liq Val \$	Net Q		K	4400	4500	4600	4700	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	K																													
16				(\$8,962)			Blck Calls																	(20)	(50)	70																	Blck Calls															
17							Blck Puts																	20	50	(70)																	Blck Puts															
18	Butterfly Basket			Liq Val \$	Net Bfly	Liq Val \$	K	4400	4500	4600	4700	4800	4900	5000	5100	5200	5300	5400	5500	5600	5700	5800	5900	6000	6100	6200	6300	6400	K																													
19	Butterfly Dissection 1			\$241	30	\$241	BD1																	30																	BD Calls																	
20							BD Puts																																		BD Puts																	
21	Butterfly Dissection 2			\$207	10	\$207	BD2																		10																	BD Calls																
22							BD Puts																																			BD Puts																
23	Butterfly Dissection 3			\$966	60	\$966	BD3																	60																	BD Calls																	
24							BD Puts																																			BD Puts																
25	Butterfly Dissection 4			\$1,542	70	\$1,542	BD4																	70																	BD Calls																	
26							BD Puts																																			BD Puts																
27	Butterfly Dissection 5			\$620	30	\$620	BD5																	30																	BD Calls																	
28							BD Puts																																			BD Puts																
29	Butterfly Dissection 6																																																									

RJS

Re: Nifty
« Reply #17 on: August 09, 2010, 08:28:44 AM »

Sir what is the likely expiry range and the centre point ? For august expiry

Ri\$k Doctor

Re: Nifty
« Reply #18 on: August 09, 2010, 08:41:43 AM »

5400, the center of the oval.

RJS

Re: Nifty
« Reply #19 on: August 09, 2010, 09:01:50 AM »

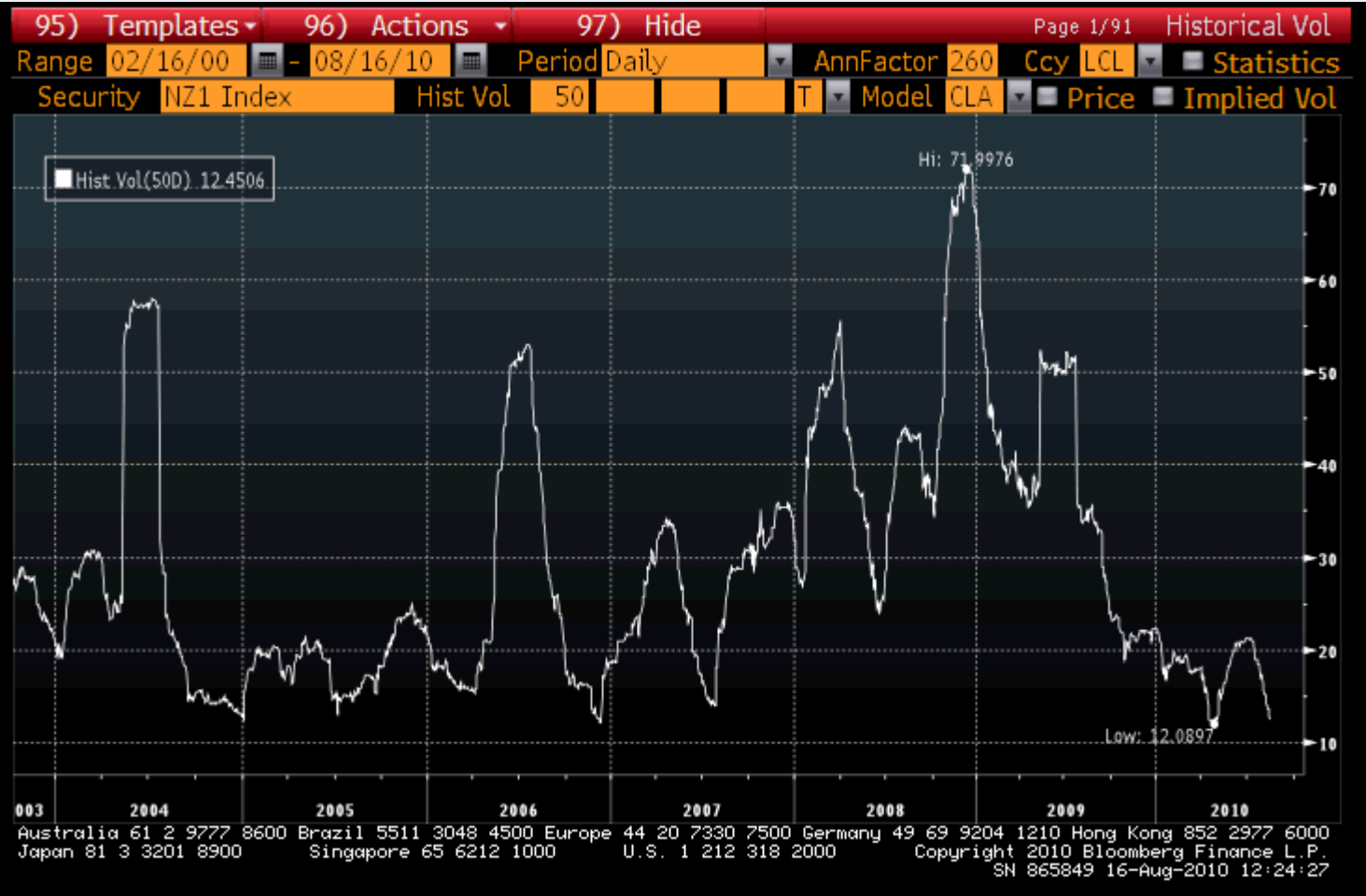
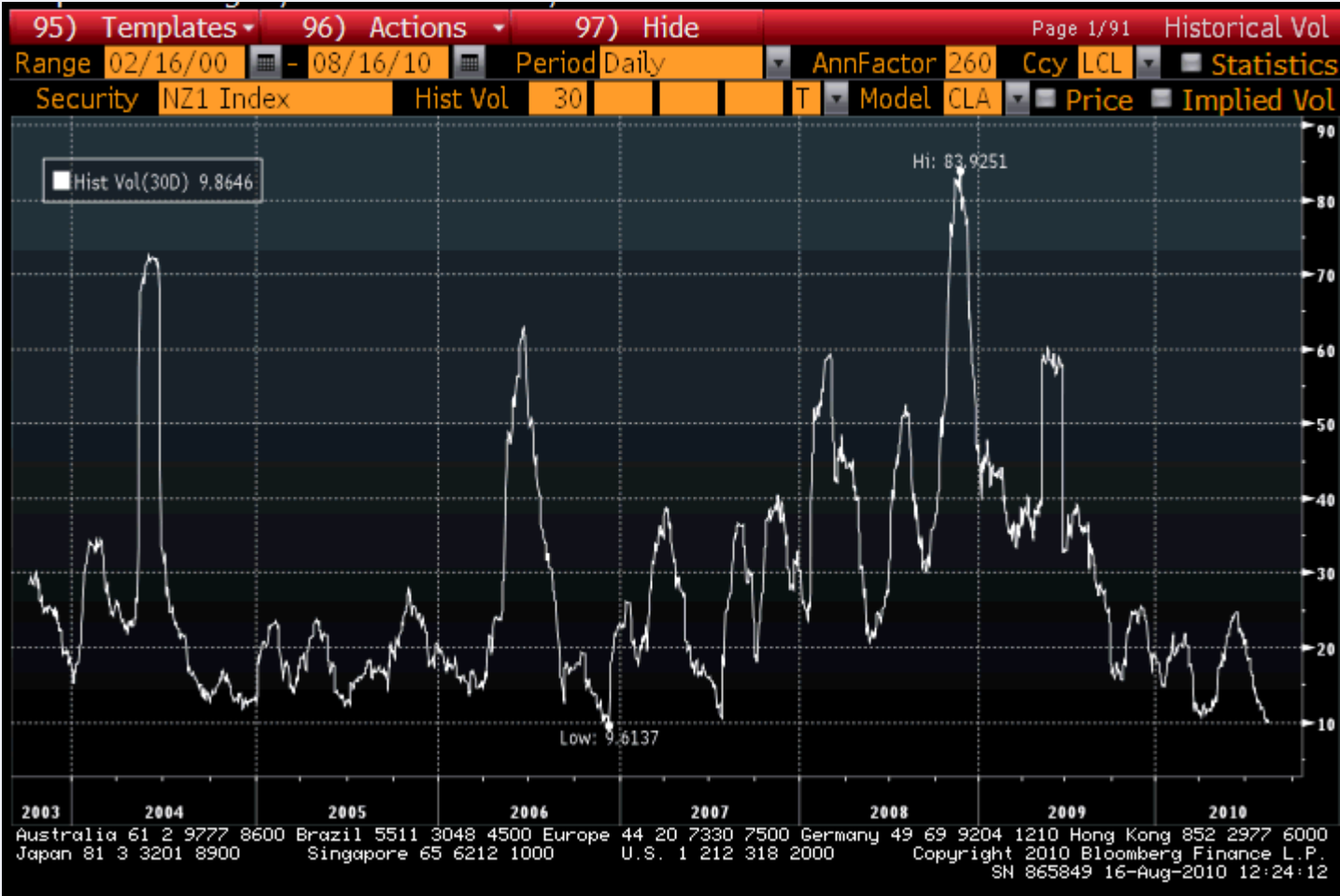
Thanks..
Update 9 aug 2010
Nifty Futures rallied and closed at highest point of recent times 5485. Short 5500 C now giving pain (approx. 10 points in unfavor). Nifty looks poised to scale further heights. Next resistance seen at 5520. Slow Pace of uptrend discourages one from going long and keeping long call (theta hurting badly). Confused about it. What to do please throw some light

RJS

Re: Nifty
« Reply #20 on: August 16, 2010, 02:43:35 AM »

Hi,

updates, since last post:





- 1) Squared off short 5500C
- 2) Did bull spread with puts (+5200p, -5300p)
- 3) Squared off long 5600C

Now left with :

+30 5100 P
+10 5200 P
-10 5300 P
-30 5400 P

Q: Now how do i box this off to lock in the profits ? or do something else ?

Rakesh

Re: Nifty
« Reply #21 on: August 16, 2010, 10:20:12 PM »

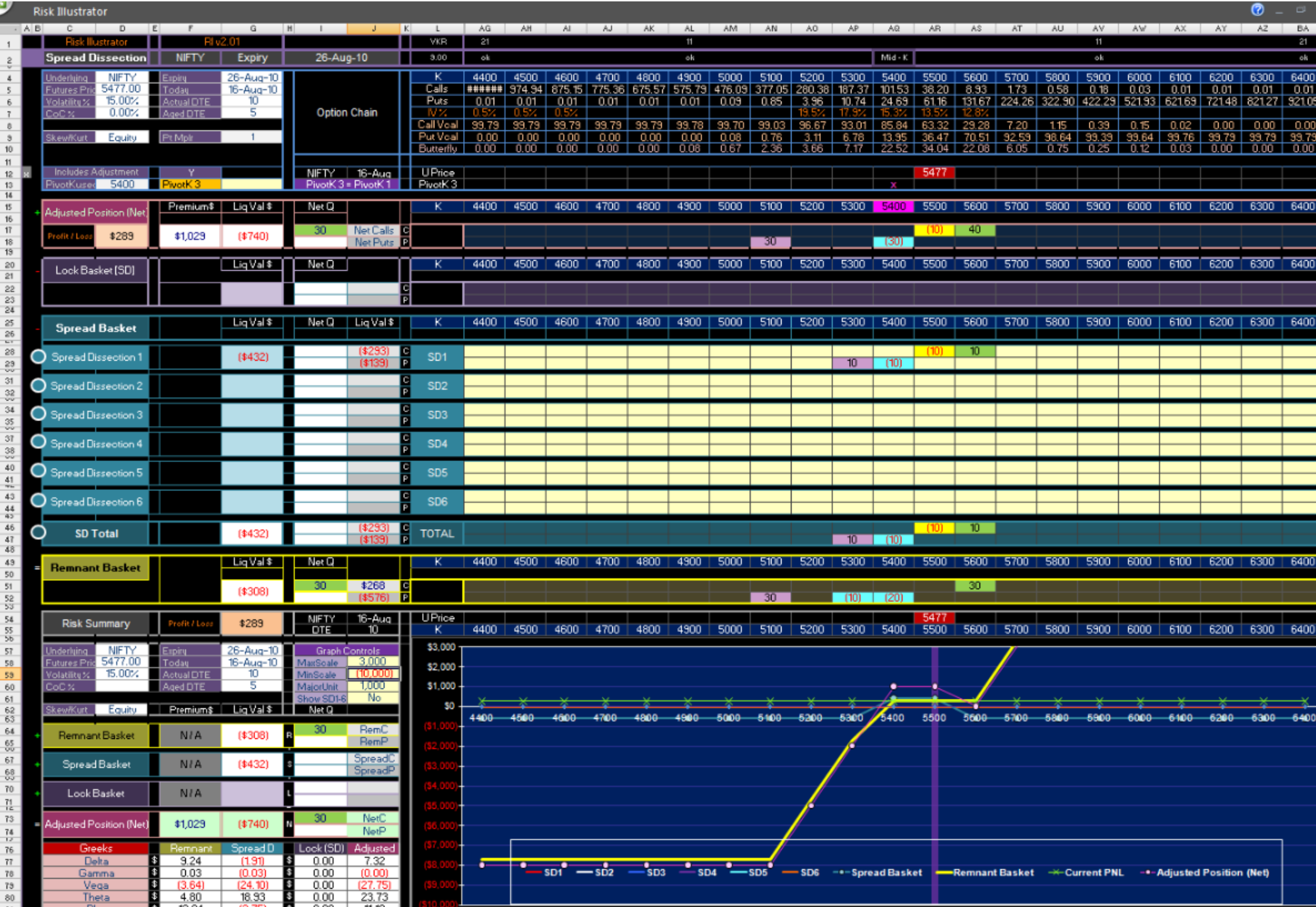
Sorry that I just got around to this:

Quote
Update 9 aug 2010
Nifty Futures rallied and closed at highest point of recent times 5485. Short 5500 C now giving pain (approx.10 points in unfavor). Nifty looks poised to scale further heights. Next resistance seen at 5520. Slow Pace of uptrend discourages one from going long and keeping long call (theta hurting badly). Confused about it. What to do please throw some light

Nifty Option Chain

NIFTY											Underlying Value As on 17-AUG-2010 11:35:42 Hours IST : 5412.50									
											Futures contracts									
Expiry Dates : 26AUG2010 30SEP2010 28OCT2010 30DEC2010 31MAR2011 30JUN2011 29DEC2011 28JUN2012 27DEC2012 27JUN2013 26DEC2013 26JUN2014 24DEC2014 25JUN2015											REFRESH PAGE For an underlying : <input type="text"/> <input type="button" value="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	284,750	-150	1,011.25	11.95	6	100	1,006.05	1,011.00	700	4400.00	1,900	0.80	0.85	1,200	618	-0.10	0.85	1,122,900	650	Quote
Quote	22,000	-1,700	910.00	-4.15	58	100	906.05	911.95	250	4500.00	6,350	0.95	1.00	6,250	1,073	-	1.00	672,400	-950	Quote
Quote	16,550	-	813.25	13.05	2	100	806.05	812.50	1,000	4600.00	50	1.10	1.15	11,000	3,519	0.05	1.10	862,800	88,100	Quote
Quote	32,200	-	708.70	-	-	900	707.05	713.95	1,000	4700.00	2,750	1.20	1.25	39,400	7,387	0.20	1.25	1,272,100	168,900	Quote
Quote	89,800	-750	625.80	12.80	17	100	606.05	610.80	500	4800.00	4,000	1.30	1.35	16,000	6,414	0.10	1.30	1,438,350	50,200	Quote
Quote	87,200	-1,000	511.00	-3.35	66	100	506.05	510.95	200	4900.00	2,850	1.50	1.55	14,850	6,024	0.05	1.55	2,915,650	-63,600	Quote
Quote	305,350	-2,450	415.00	1.90	77	1,400	407.65	411.50	50	5000.00	6,150	2.55	2.60	8,950	9,736	-0.05	2.55	6,216,150	-5,450	Quote
Quote	324,550	-3,050	315.00	-1.65	91	50	310.25	314.55	700	5100.00	900	4.25	4.30	500	15,312	-0.20	4.30	7,551,500	-139,750	Quote
Quote	507,850	-1,000	220.00	-4.55	509	2,300	217.20	219.00	250	5200.00	1,100	10.20	10.25	500	29,126	-0.35	10.20	8,669,650	211,950	Quote
Quote	1,546,250	34,400	132.95	-4.30	8,179	500	132.60	132.90	650	5300.00	250	23.95	24.00	1,900	52,949	0.10	24.00	11,700,200	248,750	Quote
Quote	6,625,350	54,400	60.80	-2.75	71,040	50	60.75	60.80	4,000	5400.00	750	52.10	52.30	50	107,415	1.45	52.10	9,494,100	483,150	Quote
Quote	8,858,900	218,600	18.30	-2.35	68,148	2,100	18.30	18.35	1,000	5500.00	700	105.50	105.80	50	37,678	1.50	105.50	3,583,400	143,700	Quote
Quote	9,649,850	122,700	3.45	-0.70	30,431	2,900	3.35	3.45	900	5600.00	1,650	187.85	189.40	50	1,244	2.95	188.95	274,250	4,300	Quote
Quote	4,284,900	1,450	0.80	-0.15	7,175	85,400	0.80	0.85	4,950	5700.00	1,850	282.80	285.95	50	95	6.20	286.95	99,700	-2,150	Quote
Quote	1,161,800	-30,150	0.55	-0.10	1,660	19,900	0.50	0.55	6,300	5800.00	100	380.25	386.70	300	8	-43.15	356.85	34,150	-	Quote
Quote	419,100	-7,450	0.30	-0.05	266	20,250	0.25	0.35	19,000	5900.00	100	479.95	486.70	500	16	1.00	483.00	26,850	-650	Quote
Quote	333,050	2,200	0.15	-	111	4,950	0.10	0.15	6,600	6000.00	100	579.70	584.70	300	44	-2.65	582.45	67,500	-1,100	Quote
Quote	10,300	-	0.10	-	20	5,000	0.05	0.10	2,050	6100.00	1,000	662.00	697.90	1,000	-	-	660.00	8,150	-	Quote

Why so concerned about the 5500 calls? You were doing fine with the position. You had 10 Iron Condor that wanted 5400 to 5500 (5520 not an emergency) along with all the Put Credit Spreads and if Nifty took off, you had the 5600 call kickers.



Re: Nifty

« Reply #22 on: August 16, 2010, 10:24:29 PM »

How can i box the existing put bull spreads so as to lock in profits ?

if i do

-5300c

 $+5400c$

i am wiping out profits

rakesh

Ri\$k Doctor

Re: Nifty

« **Reply #23** on: August 16, 2010, 10:36:08 PM »

Quote

Now left with :

+30	5100	P
-----	------	---

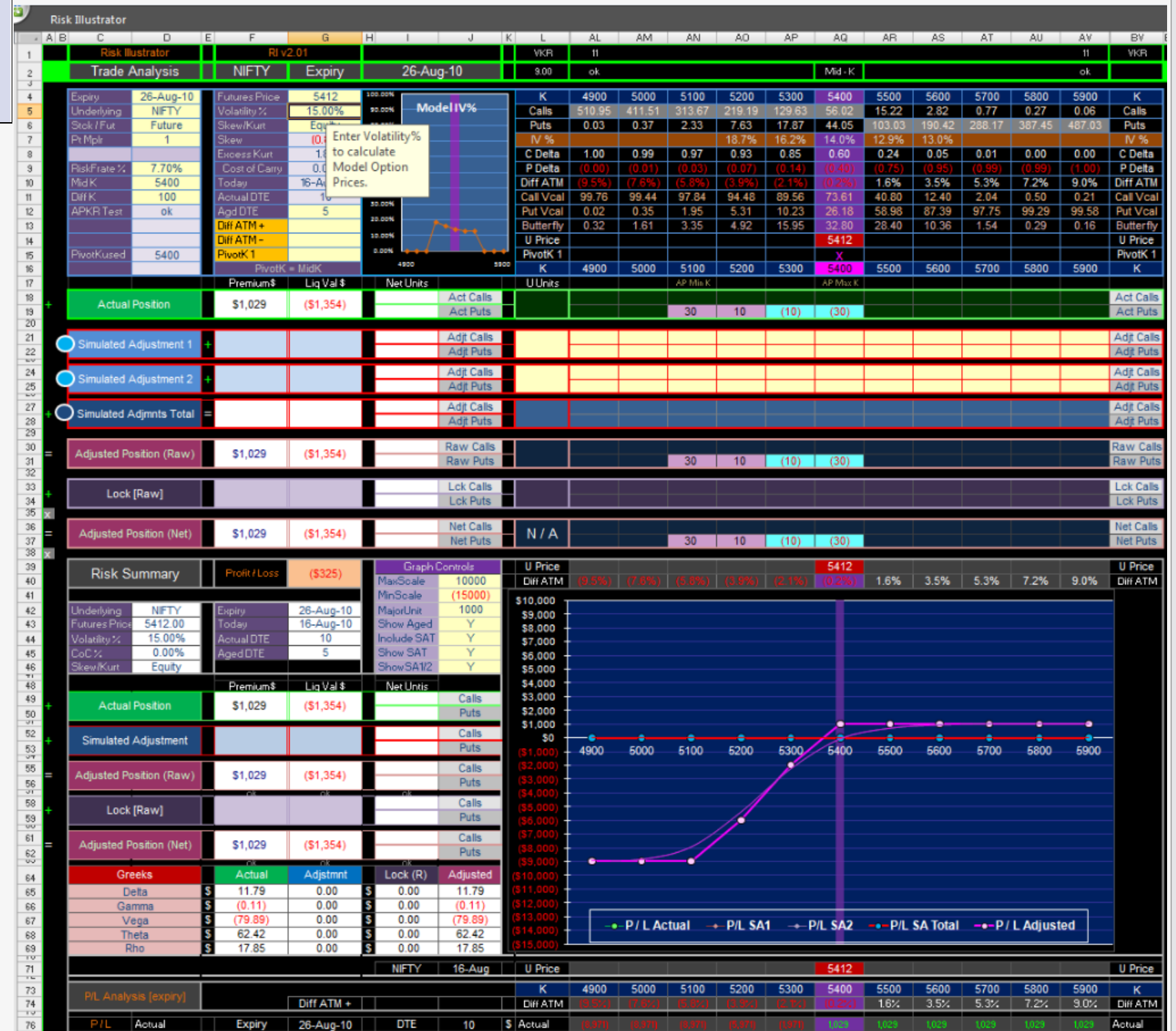
+10 5200 P

-10 5300 P

-30 5400 P

Q: Now how do i box this off to lock in the profits ? or do something else ?

You really need Nifty to stay above 5400.



RJS

Re: Nifty

« Reply #24 on: August 16, 2010, 10:41:39 PM »

My cut-off point for bullish view is fall below 5350 levels

I am considering following alternatives:

1. either to roll down short 5400 P to 5300 P at a cost of <15, if Nifty does not manage to cross 5475 levels now, OR
 2. Roll up Long 5100p to 5300p at a cost <15 (right now cost approx 17)
- but in either case i will be giving away a huge chunk of profits

Advise/Comment Rakesh

Ri\$K Doctor

Re: Nifty

« Reply #25 on: August 17, 2010, 11:25:04 AM »

Quote

in either case i will be giving away a huge chunk of profits

It should not be like that. It should always be about risk/reward from this point moving forward. Bring it back to the present.

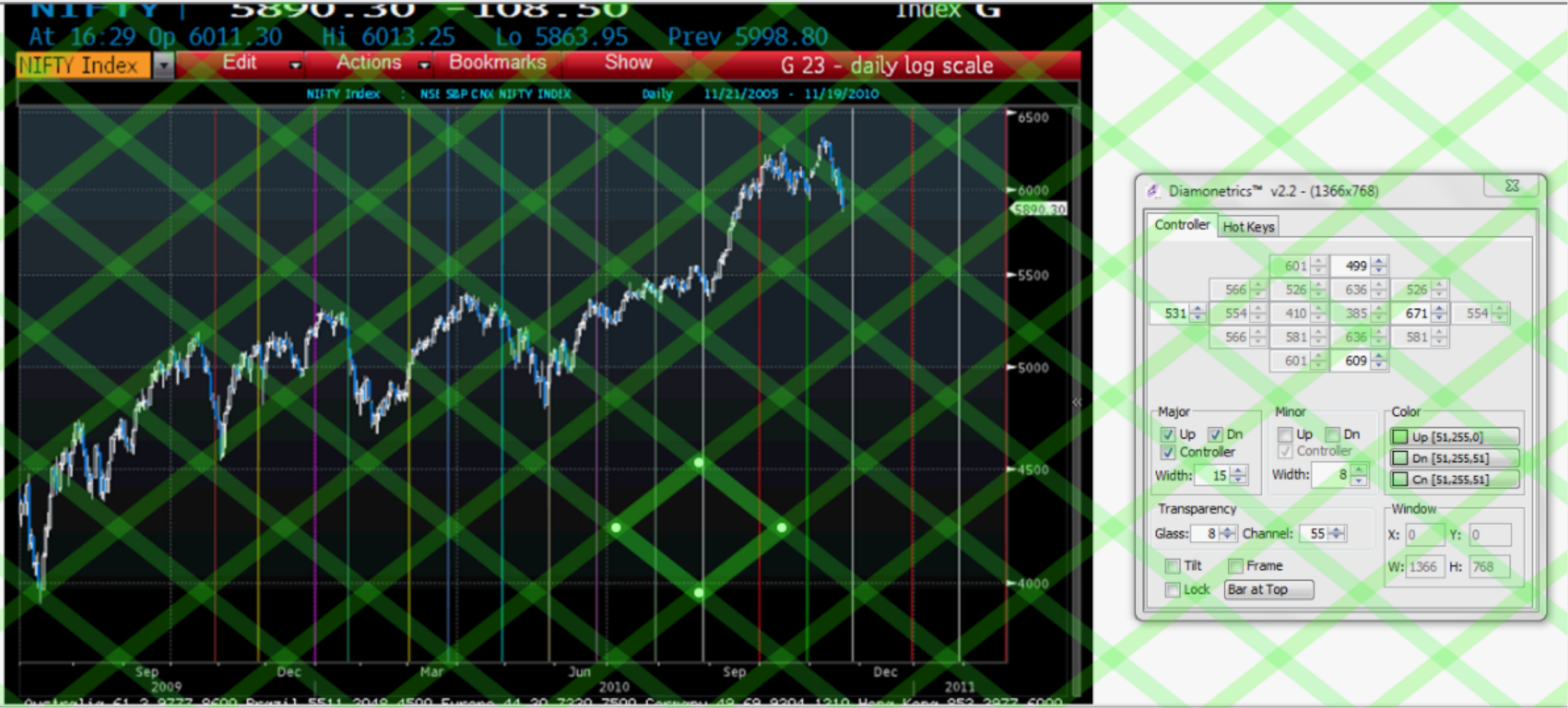
RJS

Re: Nifty

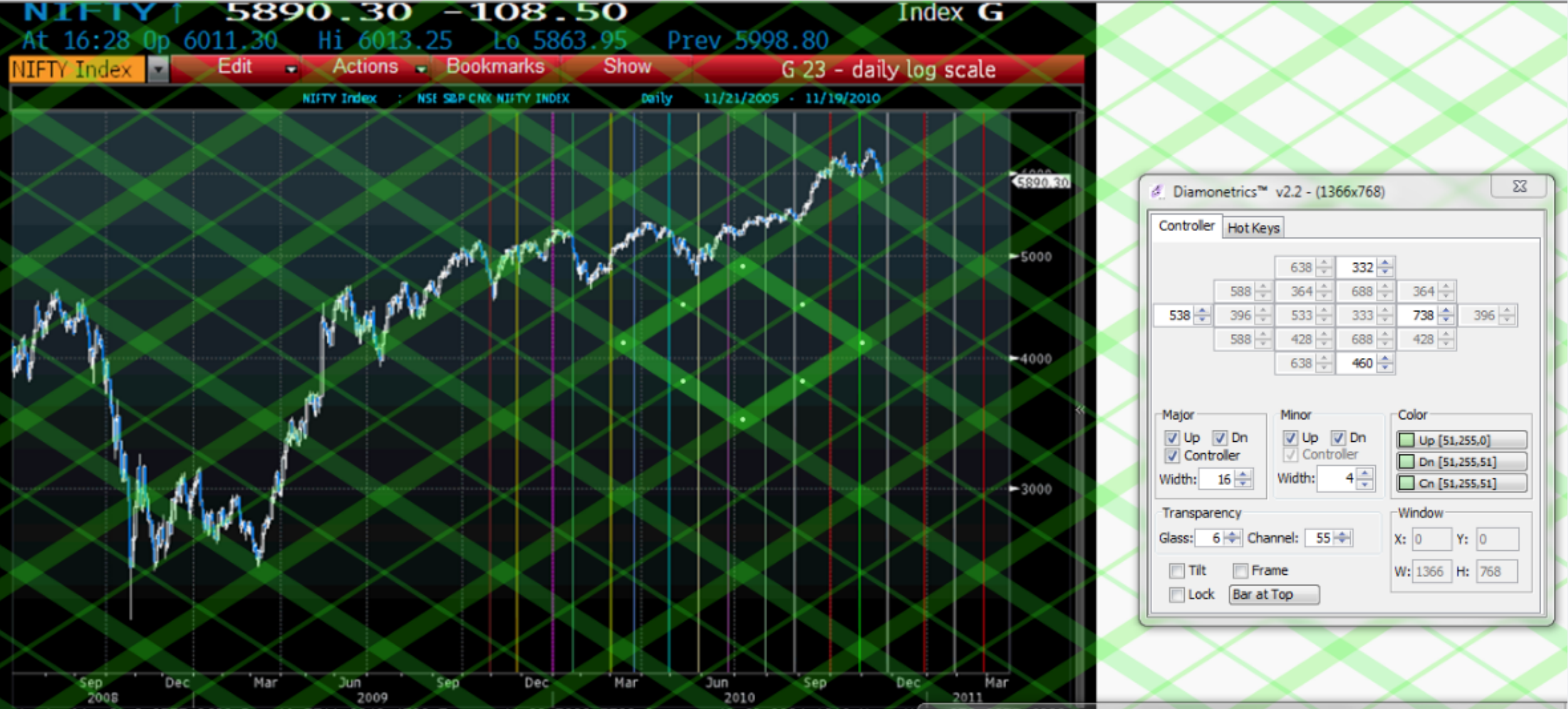
« Reply #26 on: November 20, 2010, 06:18:48 AM »

Below are updated NIFTY grids for 1 year and 2 year.

1 Year:



2 Year:



I have not changed grid parameters from previous grids.

Current high recorded, does not fall on any of the zones (in either 1year and 2year).....and market has broken previous swing low since then.
So do I need to tweak the grid?

Should both the recent tops shave been on wickzones, ideally?

Please comment.

Thanks,
Rakesh

Re: Nifty
« Reply #27 on: November 21, 2010, 12:30:57 PM »

Your 1-Yr needs only needs to be tweaked like an 1/8th of an inch by sliding the grid down to the right.
1 Year:



Your 2-Yr is off to begin with. Can you please send me a raw 2-Yr? I will update mine.
2 Year:



Ri\$k Doctor

Re: Nifty

« Reply #28 on: November 21, 2010, 09:14:30 PM »

I found a grid that I did back on June 15th when Nifty was trading at 5191.40. It had a different scale but I eyeballed where the dots were in relation to time and price in the June Grid while placing my November Grid when Nifty was at 5890.30:



RJS

Re: Nifty

« Reply #29 on: November 21, 2010, 10:35:04 PM »

Thanks.

For Dec Expiry :
1 year grid points at either 6200ish or 5700ish
2 year grid points at 6200ish

IVs have spiked currently to around 21.5 from 15.50 How should one trade for DEC?

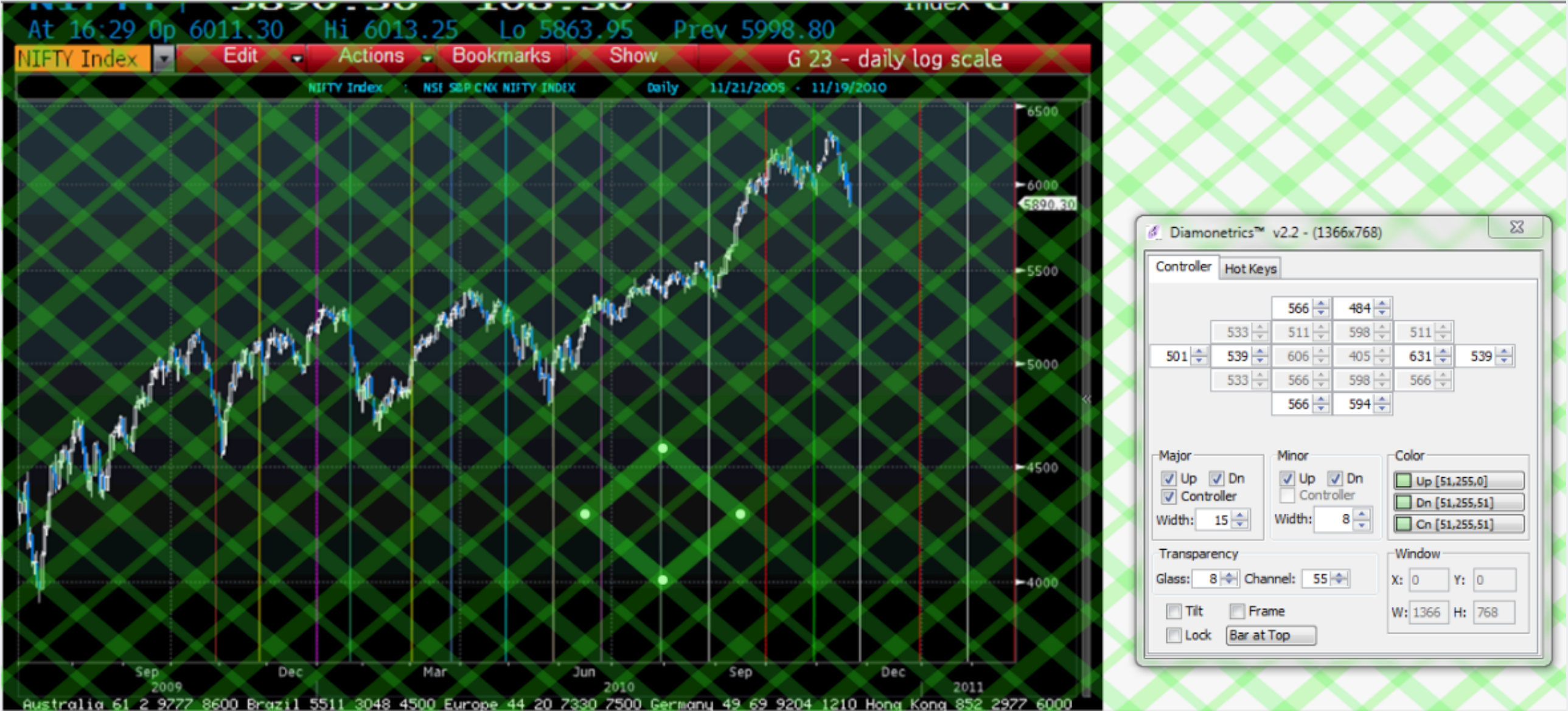
Rakesh

Looks like the down-sloping WickZone called the cyclical resistance point pretty good for now.

RJS

Re: Nifty
« Reply #30 on: November 22, 2010, 03:45:43 AM »

I have made a fresh attempt on 1-YR and 2-YR Grids
1 Year:



2 Year:



Diamonetrics™ v2.2 - (1366x768)

Controller Hot Keys

		432	273		
	310	318	553	318	
189	364	434	329	675	364
	310	409	553	409	
		432	455		

Major
☒ Up ☒ Dn
☒ Controller
Width: 21

Minor
☒ Up ☒ Dn
☐ Controller
Width: 8

Color
☐ Up [51,255,0]
☐ Dn [51,255,51]
☐ Cn [51,255,51]

Transparency
Glass: 8 Channel: 55

Window
X: 0 Y: 0
W: 1366 H: 768

☐ Tilt ☐ Frame
☐ Lock Bar at Top

Please compare with the grid made by you and help me decide, which ones to follow.

Thanks
Rakesh

RJS

Re: Nifty

« Reply #31 on: November 22, 2010, 04:07:11 AM »

i have made a fresh attempt on 1 year nifty image, post your comment earlier
please comment, if this is better

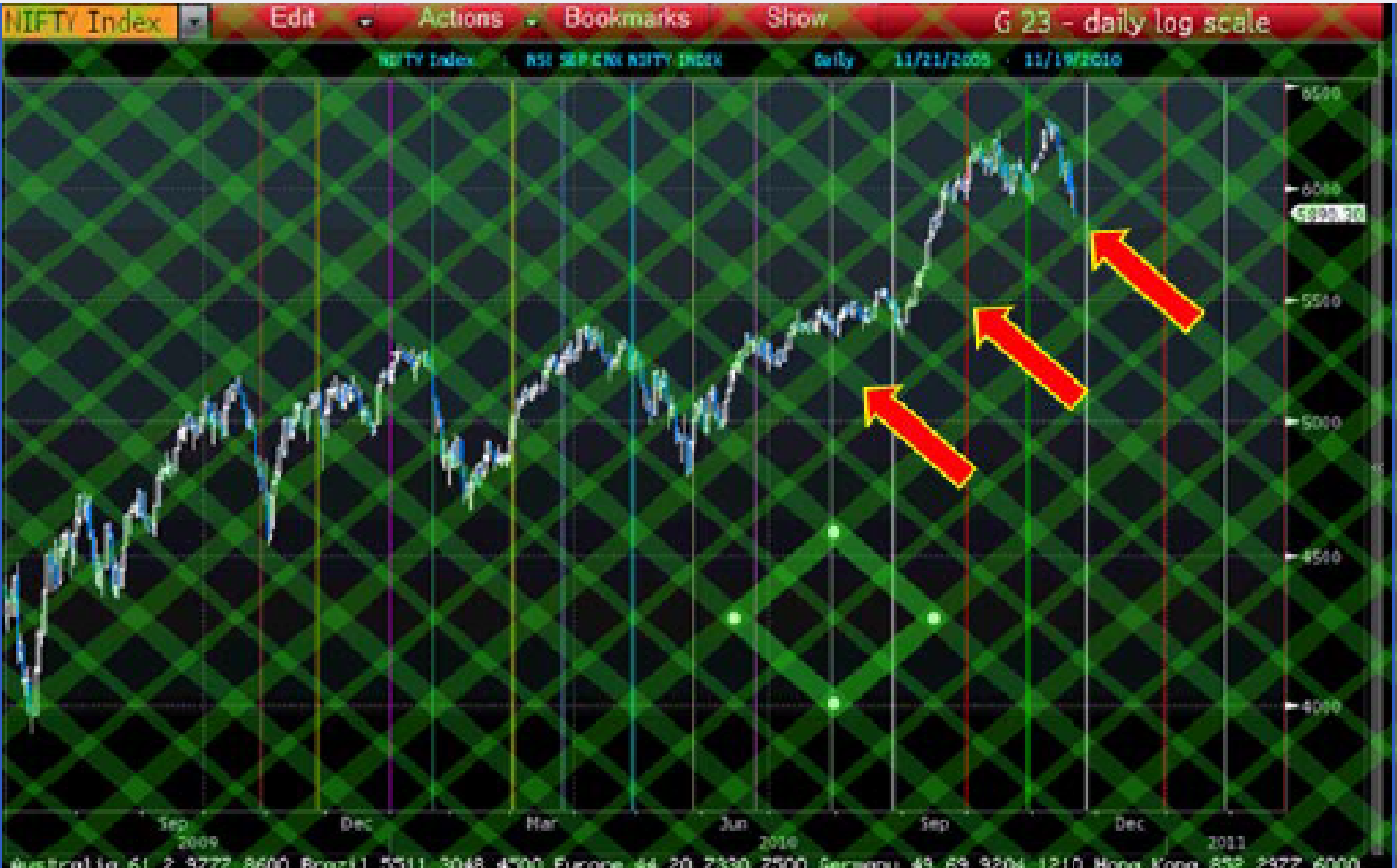
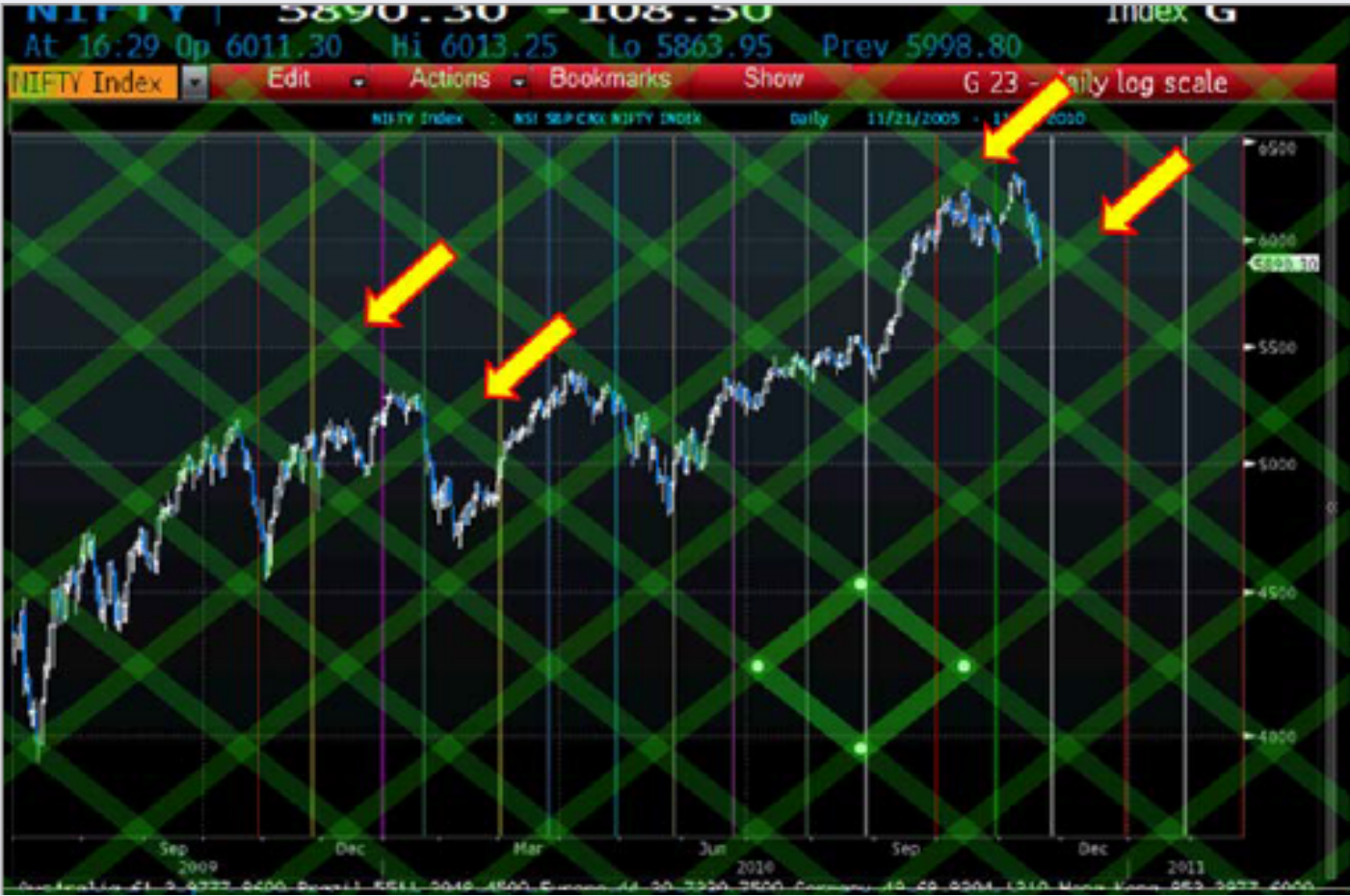
thanks,
rakesh

Ri\$k Doctor

Re: Nifty

« Reply #32 on: November 24, 2010, 08:26:59 AM »

Your 1-Yr needed only to be slid down the grid to the right but you brought it straight down. You now need to slide it back up to the left:
1 Year:



I guess the main difference in our 2-YRs is that yours "R" is a Resistance WickZone Uptrend and mine "CC" is a Support WickZone Uptrend. Yours can work better but it is a Trader's/Artist's choice. Intuitively mine makes more sense to me.

2 Year:



RJS

Re: Nifty

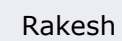
« Reply #33 on: November 24, 2010, 09:33:50 AM »

Yes, support WickZone and resistance wickzone will make a lot of difference, going forward thanks for highlighting this crucial difference between 2 grids.

For DEC Expiry, what is the level to aim for based on these grids?

Rakesh

1 Year:



Re: Nifty
« Reply #35 on: November 26, 2010, 03:30:26 AM »

I have recreated 2 year grid, for the reason that the high of 6350 does not fall on any of the wickzones.
2 Year:



Please comment.

Rakesh

Ri\$k Doctor	<div>Re: Nifty</div> <div>« Reply #36 on: November 28, 2010, 12:29:30 PM »</div> <div>Quote</div> <div>Have I done the correct shift (1 year grid) as you directed?</div> <div>No. Perhaps if you remove the Minor Grid and try again. All you needed to do was slide the DownSloping WickZones down like you did but leave the UpSloping WickZones the way you had them.</div> <div>The 2-YR Grid looks good.</div>
RJS	<div>Re: Nifty</div> <div>« Reply #37 on: November 29, 2010, 04:56:41 AM »</div> <div>Is the way to slide this, by locking the upper top? I will remove minor grids.</div>
Ri\$k Doctor	<div>Re: Nifty</div> <div>« Reply #38 on: November 29, 2010, 06:01:00 AM »</div> <div>No. You click inside the Controller Box and drag the whole Grid.</div>
RJS	<div>Re: Nifty</div> <div>« Reply #39 on: November 29, 2010, 08:54:49 AM »</div> <div>Currently NIFTY has gone down almost 10% off the top in last 2 weeks, as happens always, IV has moved up sharply. I am of the opinion that it is likely to bounce (corrective) AND IV is likely to cool off.</div> <div>To take advantage of the bounce : I am considering 5800/5900 Bull Call Vertical for around 50 or so. It's long delta, short vega (BUT short Theta 😞)</div> <div>To take advantage of cool off in IV : What can be done? 😞 Please advise.</div> <div>Rakesh</div>
Ri\$k Doctor	<div>Re: Nifty</div> <div>« Reply #40 on: November 29, 2010, 10:03:54 AM »</div> <div>Well if the spread is around 50 it means that Nifty is around 5850 give or take 10 or so. That means you are pretty neutral to IV and time. You could butterfly it or brokenwing it by selling some OTM Verticals above to bring in some limited risk premium.</div>

Shinobi

Variation of A Ratio Spread on T Bond

« on: November 16, 2010, 11:56:49 AM »

Entered the following position on November 4, 2010 :

+3 DEC 10 118 PUT
-5 DEC 10 122 PUTS
-1 DEC 10 124 PUT
+1 DEC 10 126 PUT

My understanding of this trade is: I sold 5 PUTS hedged with a debit spread and 3 PUTS - all out of the money. I paper traded this strategy for 3 trades all of which were very profitable - over 20 %. I had to take the whole trade off on November 15th as my losses became too great. I let the 118 Puts ride overnight and sold them Tuesday morning.

I then constructed this position on the Call side on Tuesday Nov 16:

-5 DEC 118 CALLS
+2 DEC 122 CALLS
+1 DEC 124 CALL
-1 DEC 126 CALL

As of 2:51 PM on Nov 16th it is down \$265.00 on margin of \$4,700.

Ri\$ Doctor

Re: Variation of A Ratio Spread on T Bond

« Reply #1 on: November 17, 2010, 10:44:34 AM »

The first position makes a bit more sense than the second but I am not a big fan of positions like these as they complicate a simple play: "Naked Short Options". **First Position:**

Quote

+3 DEC 10 118 PUT
-5 DEC 10 122 PUTS
-1 DEC 10 124 PUT
+1 DEC 10 126 PUT

Options Chain as of November 16th:

/ZBH1

30-Year U.S. Treasury Bond Futures,Mar-2011,ETH

B: 125'30
A: 126'00

125'31
+1'12
+1.10

UNDERLYING

Last X

Net Chng

Bid X

Ask X

Size

Volume

Open

High

Low

125'31

+1'12

125'30 G

126'00 G

76 x 14

9,490

123'28

126'04

123'26

TRADE GRID

OPTIONS

Spread: Single

Layout: Last X, Mark, Delta, Open Interest, Volume

Exchange: Composite

CALLS

Strikes: 16

PUTS

Last X

Mark

Delta

Open.Int

Volume

Bid X

Ask X

Exp

Strike

Bid X

Ask X

Last X

Mark

Delta

Open.Int

Volume

DEC4 10 (37) 1 /ZBH113.56%

6"610

6"610

1.00

0

0

6"110 G

8"320 G

DEC4 10

118

0"130 G

0"160 G

0"140

0"140

- .08

319

62

6"050

6"050

1.00

0

0

5"240 G

7"400 G

DEC4 10

119

0"190 G

0"210 G

0"210

0"210

- .11

327

526

5"160

5"310

1.00

0

0

5"310 G

6"410 G

DEC4 10

120

0"260 G

0"280 G

0"310

0"280

- .14

4,123

93

4"300

4"400

1.00

0

0

4"400 G

5"510 G

DEC4 10

121

0"350 G

0"370 G

0"390

0"370

- .18

2,096

242

3"480

4"420

.79

0

0

4"420 G

4"590 G

DEC4 10

122

0"470 G

0"500 G

0"460

0"470

- .22

1,709

3,572

3"150

3"580

.73

0

2

3"580 G

4"100 G

DEC4 10

123

0"630 G

1"010 G

1"020

1"010

- .29

3,484

385

3"080

3"160

.66

25

2

3"160 G

3"210 G

DEC4 10

124

1"180 G

1"210 G

1"170

1"180

- .35

5,063

786

2"000

2"400

.58

100

89

2"400 G

2"450 G

DEC4 10

125

1"420 G

1"460 G

1"550

1"460

- .42

2,903

430

2"040

2"050

.51

378

70

2"050 G

2"090 G

DEC4 10

126

2"060 G

2"110 G

2"080

2"080

- .49

1,834

120

1"430

1"430

.43

661

93

1"390 G

1"430 G

DEC4 10

127

2"370 G

2"460 G

3"150

2"460

- .56

3,213

8

1"120

1"140

.36

962

88

1"140 G

1"180 G

DEC4 10

128

3"030 G

3"440 G

4"240

3"440

- .61

2,609

126

0"610

0"610

.29

5,281

175

0"580 G

0"610 G

DEC4 10

129

3"460 G

4"520 G

5"020

4"520

- .64

2,515

0

0"460

0"450

.23

1,533

325

0"420 G

0"450 G

DEC4 10

130

4"310 G

4"540 G

5"550

4"540

- .75

823

0

0"330

0"330

.18

4,686

169

0"300 G

0"330 G

DEC4 10

131

5"150 G

7"230 G

6"470

6"470

- .69

18

0

0"200

0"210

.13

4,262

213

0"210 G

0"230 G

DEC4 10

132

6"050 G

8"180 G

7"410

7"410

- .71

389

0

0"160

0"160

.10

7,818

317

0"140 G

0"170 G

DEC4 10

133

6"600 G

9"150 G

8"370

8"370

- .73

7

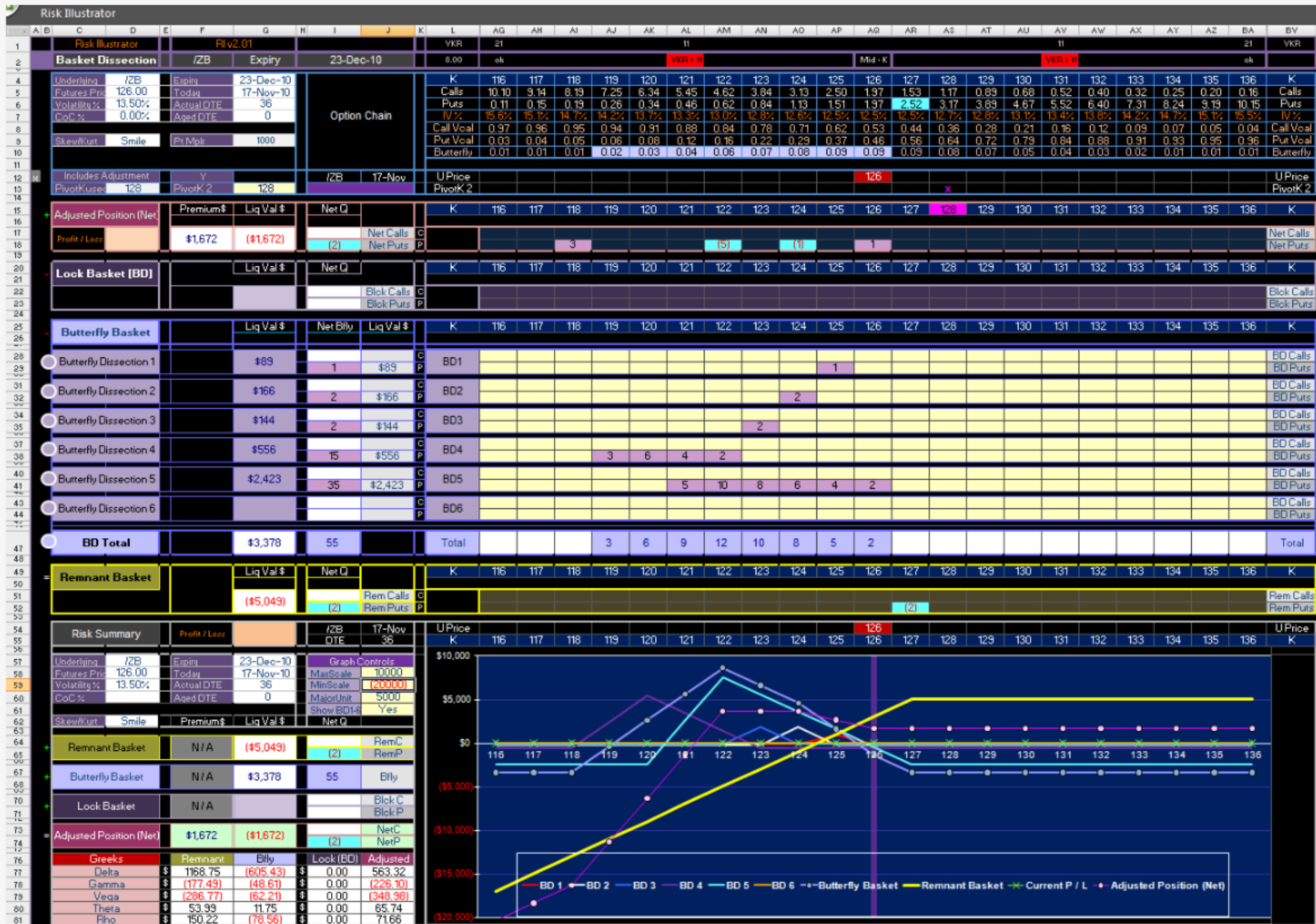
0

Butterfly Dissection 1:



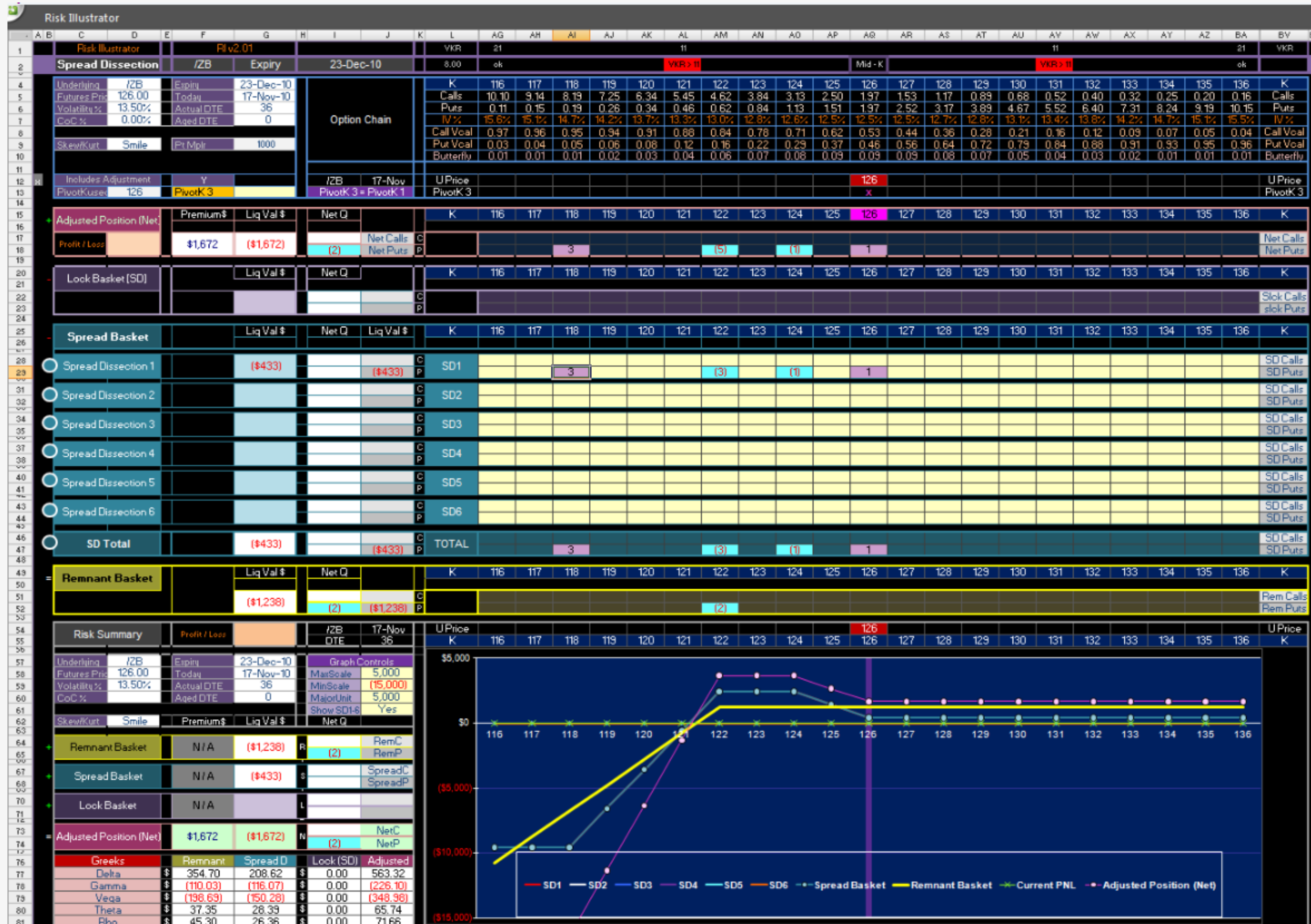
Net of 20 cheap limited-risk butterflies, you are left with a position not even considered a spread – Short More Closer Options.

Butterfly Dissection 2:



Shows 35 more butterflies (getting up there) and can use 2 Long DEC 127 Puts in a pinch to stop any bleeding or take profits.

Spread Dissection

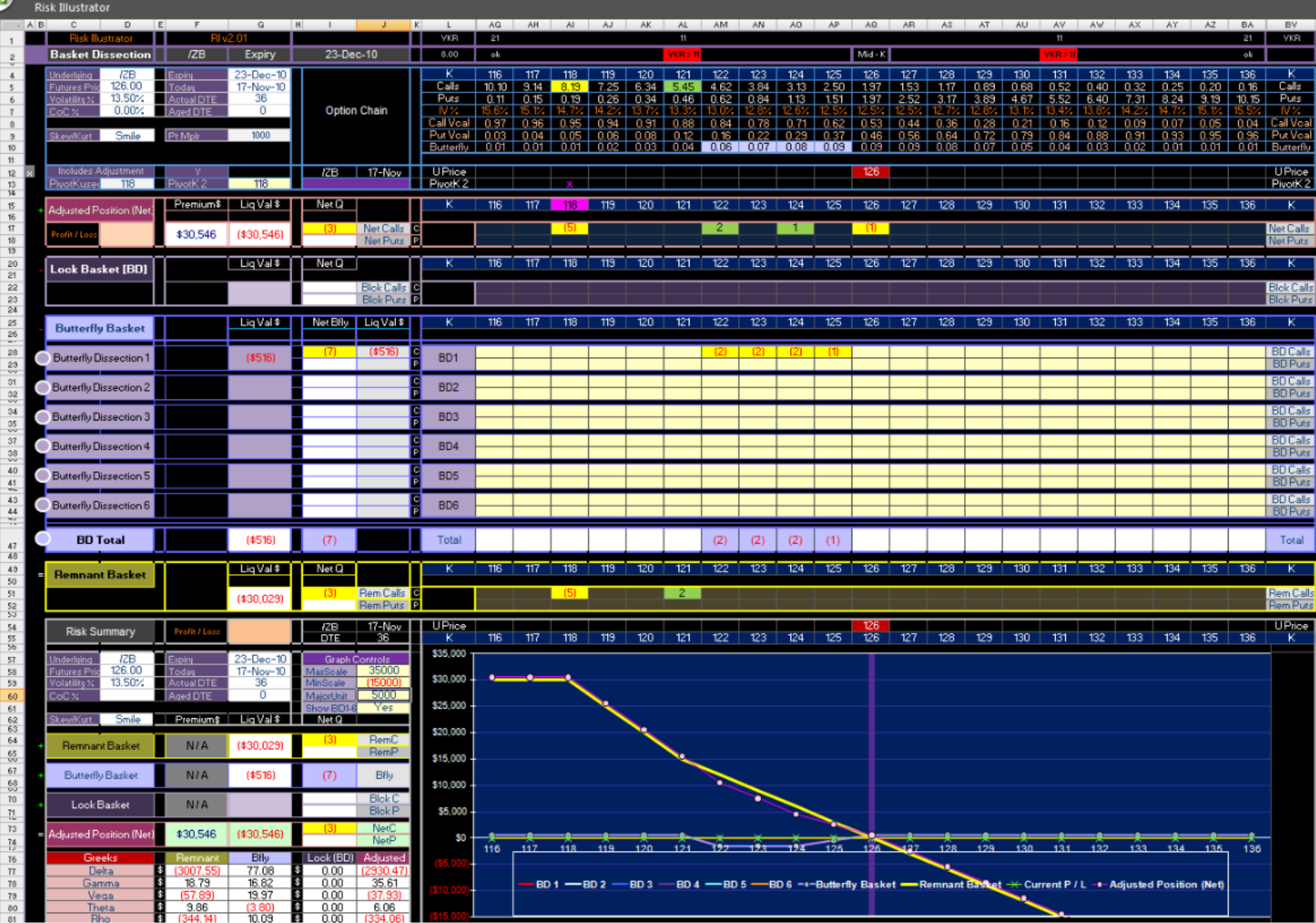


This shows a more sensible way to short premium with an aggressive ratioed BrokenWing Condor if you cover the 2 Naked DEC 122 Puts.

Second Position:

Quote

-5	DEC	118	CALLS
+2	DEC	122	CALLS
+1	DEC	124	CALL
-1	DEC	126	CALL



Sorry but a position makes absolutely no sense when either short any too cheap to be short butterfly configuration that is not worth the credit and it would be simpler just to sell 3 or 4 calls naked rather than complicate it with another short a greater amount of closer options like the -5 by +2 spread.

Beowolf350

Constructing long VIX positions

« on: October 29, 2010, 08:03:52 PM »

Hi,

I'm looking at constructing a long VIX position using either options (buy calls/sell puts) or VIX futures. I live in Australia, and I don't mind transferring some of my Australian dollars to USD for this trade, because the AUD is at like 20 year highs vs the USD. (This lowers the currency risk. If there is a flight to quality, the USD should rise against the AUD, making this position even more profitable)

Looking at the options chains for VIX though, the longer out I go in time, the more I have to pay for the synthetic long. (The VIX is at 21.20 and an April 2011 VIX combo is equivalent to buying the VIX at around 28). I don't want to pay so much for the VIX, I'm happy to pay around 21 or 22.

Is there a way to get long a position that mirrors the VIX at around the levels that the VIX is at now & hold the position for about 12 months?

Many Thanks, 😊

Martin

Ri\$k Doctor

Re: Constructing long VIX positions

« Reply #1 on: October 31, 2010, 05:57:23 AM »

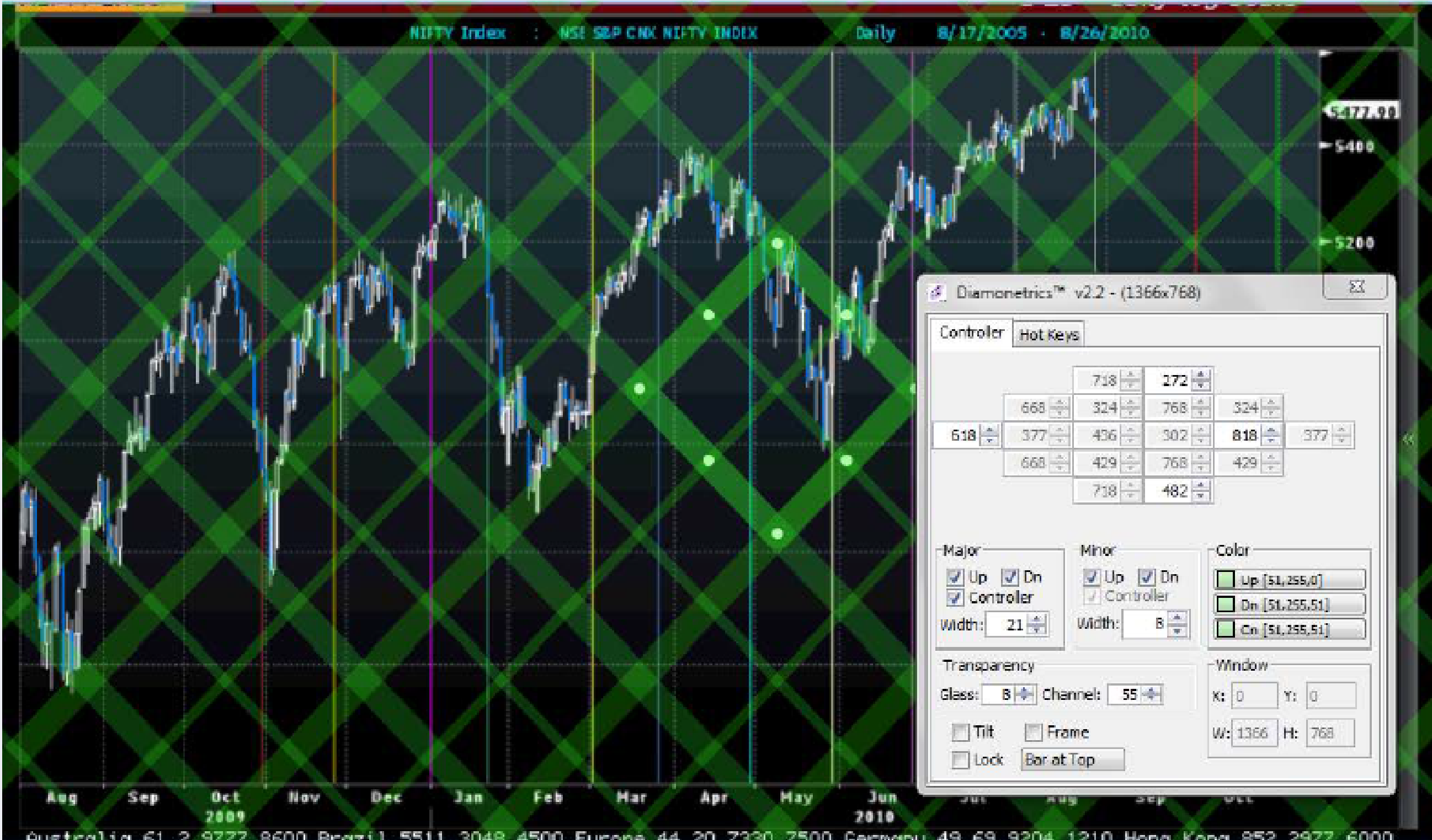
Given your parameters, the current costs and the fact that the VIX does not go much below 16, I would establish a small futures position and weather any unrealized losses on the down-side. Consider any potential loss to be equivalent to premium lost.

I don't know an options strategy for a year out that will get you in at the 22 level except to wait for a drop to that level.

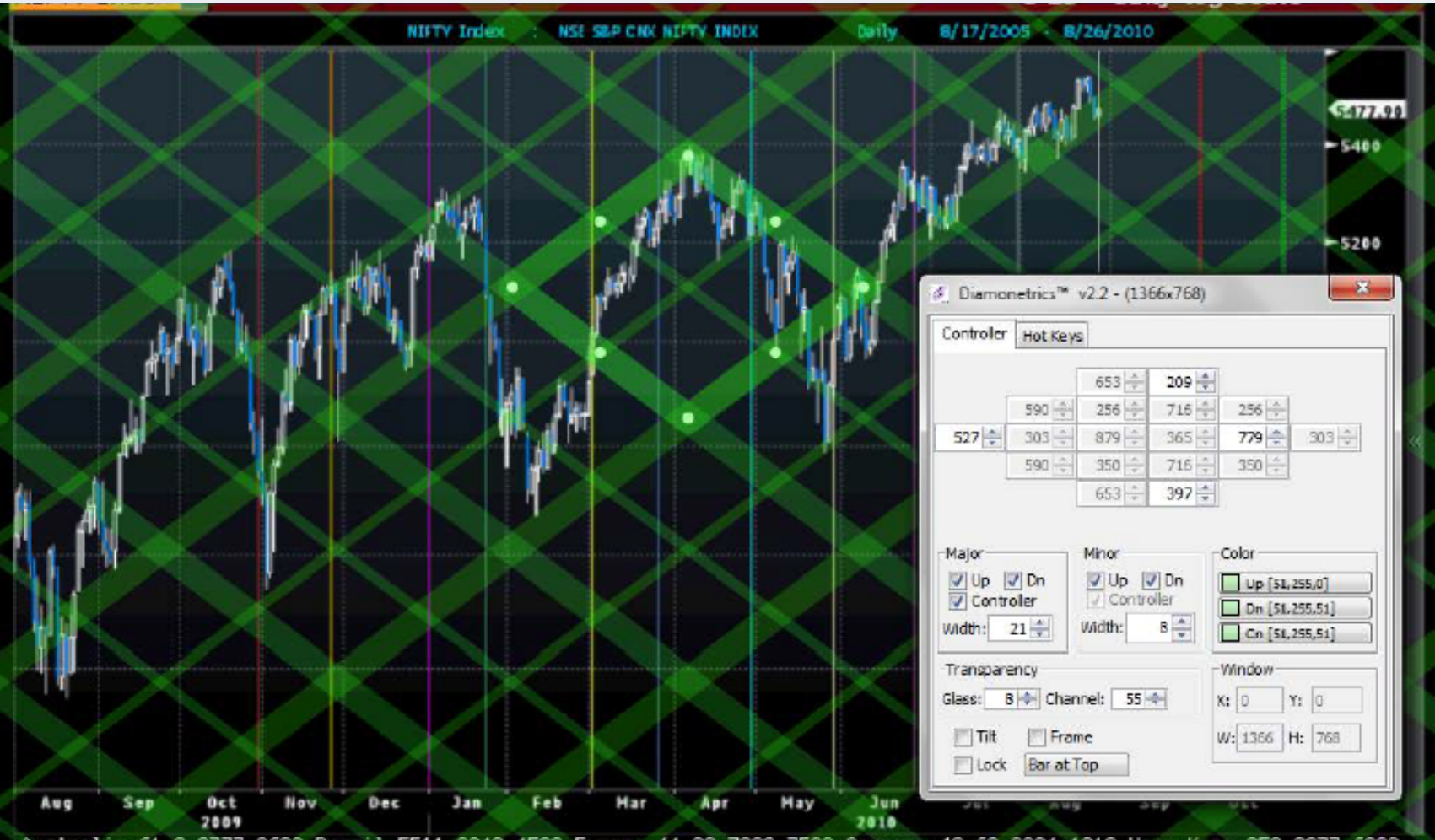
Nifty Calendar

« on: August 26, 2010, 06:31:57 AM »

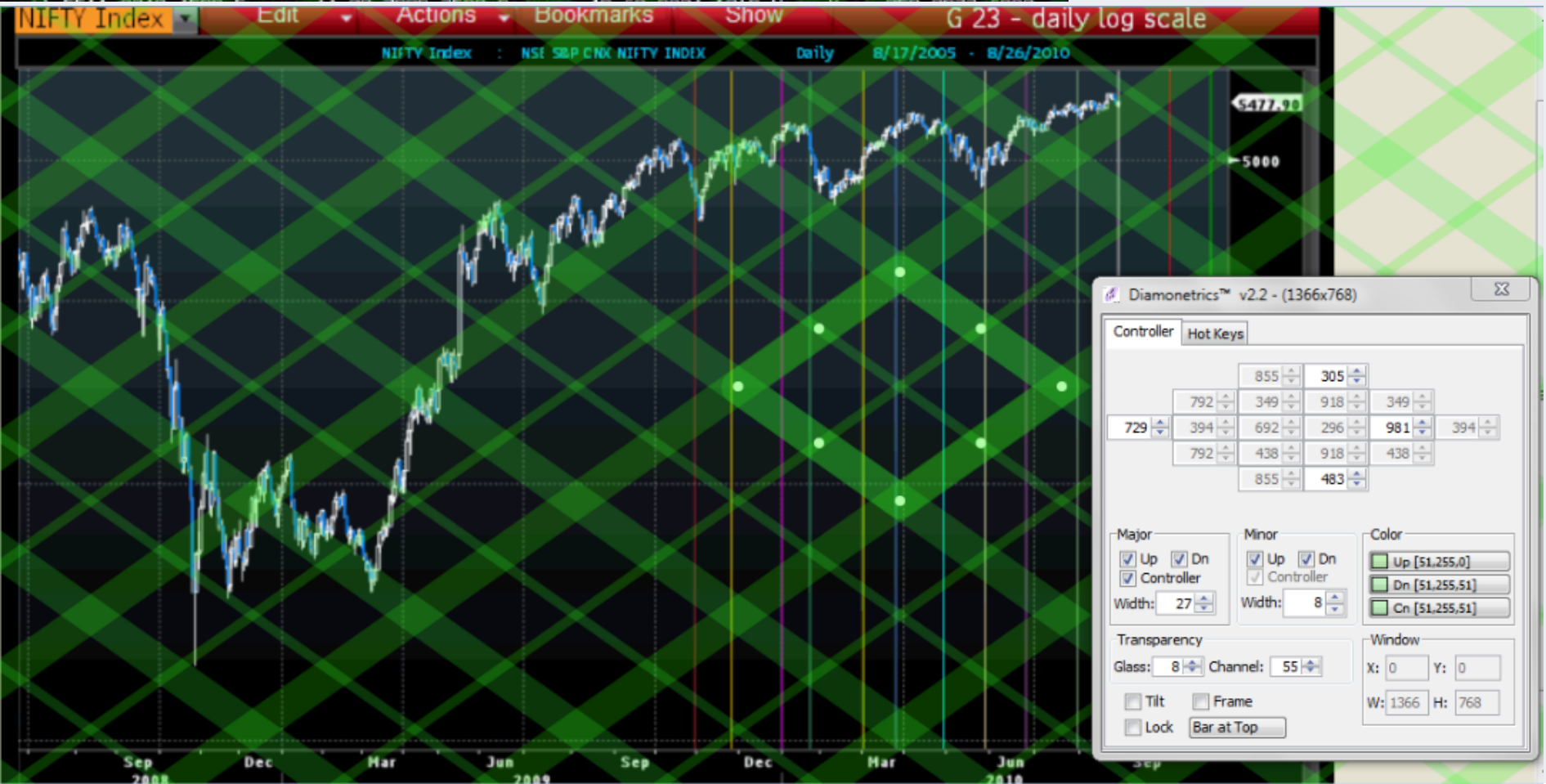
Hi,
Here are Nifty 1 Year grids with 12 Old expiries and 2 new expiries marked with vertical colored lines
(by the way: August series ended today with Nifty at 5478)
Please comment on which of the 1-YR Grids is better and should be followed:
1st 1-YR



2nd 1-YR



2-YR



I am considering following trade :

Data:
NIFTY at 5478
SEP Expiry on 30-Sep-2010

NIFTY

Underlying Value As on 26-AUG-2010 15:30:24 Hours IST : 5477.90

Expiry Dates :

26AUG2010

30SEP2010

28OCT2010

30DEC2010

31MAR2011

30JUN2011

29DEC2011

28JUN2012

27DEC2012

27JUN2013

26DEC2013

26JUN2014

24DEC2014

25JUN2015

REFRESH PAGE

For an underlying :

Go

Futures contracts

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	42,900	19,650	1,457.10	-6.45	396	1,000	1,442.55	1,459.05	100	4000.00	400	1.65	1.85	550	1,409	-0.50	1.85	1,185,900	2,300	Quote
Quote	1,050	50	1,355.00	100.00	1	1,000	1,342.15	1,375.00	200	4100.00	50	1.50	1.80	200	161	-0.75	1.60	174,350	4,550	Quote
Quote	45,850	2,400	1,260.00	-30.00	48	50	1,240.35	1,266.85	50	4200.00	300	1.65	2.10	500	487	-0.75	2.05	583,400	-	Quote
Quote	41,000	500	1,163.30	-72.90	10	1,000	1,138.15	1,167.00	100	4300.00	2,500	1.80	2.00	13,350	2,345	-1.05	2.00	788,550	36,250	Quote
Quote	208,500	184,100	1,055.00	-10.85	3,752	2,000	1,052.00	1,069.00	500	4400.00	2,550	1.65	1.90	850	4,320	-1.65	1.65	706,050	151,500	Quote
Quote	62,100	10,550	960.00	-12.20	317	2,000	950.00	977.00	50	4500.00	50	2.60	2.80	3,000	2,494	-1.50	2.60	639,700	24,300	Quote
Quote	20,800	6,050	860.00	-8.50	216	1,000	838.00	893.05	1,000	4600.00	5,050	3.00	3.50	3,900	1,640	-2.30	3.00	795,700	-9,800	Quote
Quote	22,150	10,650	760.20	-18.20	213	1,000	750.05	770.00	200	4700.00	500	3.80	4.45	200	4,294	-2.85	3.80	1,086,600	24,400	Quote
Quote	121,200	27,600	662.05	-9.40	609	550	662.05	670.00	50	4800.00	1,300	6.05	6.45	35,850	16,088	-3.35	6.45	2,217,000	397,400	Quote
Quote	91,950	34,750	571.00	-12.40	715	400	566.85	577.00	50	4900.00	350	10.30	10.40	4,500	35,671	-4.05	10.30	3,566,850	1,045,550	Quote
Quote	411,800	136,950	477.00	-9.45	2,897	600	476.50	481.00	500	5000.00	50	16.05	16.20	600	37,846	-5.45	16.00	4,600,400	713,350	Quote
Quote	336,850	50,750	387.25	-7.90	1,194	350	385.95	390.00	2,000	5100.00	200	23.50	23.90	1,850	44,705	-8.25	23.50	5,496,300	214,850	Quote
Quote	558,700	195,750	300.15	-8.75	4,136	5,000	300.05	301.00	1,000	5200.00	1,900	36.05	36.40	13,100	55,815	-9.50	36.40	6,845,650	658,350	Quote
Quote	1,515,950	98,100	220.00	-10.65	5,032	850	218.10	221.95	200	5300.00	800	54.50	55.00	10,550	51,430	-9.40	55.00	5,456,500	308,950	Quote
Quote	3,256,800	137,850	147.50	-9.80	29,954	100	147.50	149.60	100	5400.00	4,400	80.00	80.70	50	95,945	-9.55	80.80	7,446,650	1,025,750	Quote
Quote	5,844,800	843,800	86.00	-9.25	99,760	500	86.10	86.75	2,300	5500.00	600	117.40	118.00	1,700	67,966	-7.05	118.00	4,082,800	179,800	Quote
Quote	6,741,800	882,100	41.50	-7.10	92,732	3,450	41.50	41.60	350	5600.00	950	168.55	171.00	100	8,997	-3.45	171.20	1,359,000	18,850	Quote
Quote	5,162,400	522,150	16.50	-4.90	62,937	4,000	16.50	16.75	5,550	5700.00	50	242.00	245.50	500	1,671	-0.45	244.40	181,400	56,600	Quote
Quote	3,731,300	227,550	6.50	-2.10	39,736	1,200	6.45	6.50	22,600	5800.00	200	325.85	334.00	50	1,172	1.15	330.00	103,200	30,450	Quote
Quote	1,145,300	113,000	3.10	-0.45	9,152	200	2.95	3.10	50	5900.00	700	416.30	429.45	200	496	-1.35	415.15	37,100	24,800	Quote
Quote	716,950	109,150	2.10	-	3,728	550	2.10	2.15	50	6000.00	500	518.95	531.80	250	1,006	4.35	521.00	122,750	49,450	Quote
Quote	118,450	31,850	1.35	-	805	150	1.20	1.65	200	6100.00	200	612.15	638.95	200	17	-1.75	610.10	12,050	850	Quote

NIFTY

Underlying Value As on 26-AUG-2010 15:30:24 Hours IST : **5478.30**

[Futures contracts](#)

Expiry Dates : [26AUG2010](#) | [30SEP2010](#) | [28OCT2010](#) | [30DEC2010](#) | [31MAR2011](#) | [30JUN2011](#) | [29DEC2011](#) | [28JUN2012](#) | [27DEC2012](#) | [27JUN2013](#) | [26DEC2013](#) | [26JUN2014](#) | [24DEC2014](#) | [25JUN2015](#) |

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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	-	-	-	-	-	100	622.00	715.00	50	4800.00	1,250	26.55	27.90	2,100	4,985	-6.15	26.55	1,903,600	46,100	Quote
Quote	800	150	590.00	-32.00	6	1,000	576.10	674.85	1,000	4900.00	2,200	36.55	38.45	50	3,325	-6.15	38.50	885,050	64,350	Quote
Quote	4,700	700	505.00	-25.50	19	1,000	480.25	505.00	50	5000.00	350	52.15	53.80	250	5,780	-8.75	52.20	1,571,100	89,100	Quote
Quote	2,000	900	428.60	-11.40	27	100	428.60	438.00	50	5100.00	400	68.75	69.95	8,800	3,622	-9.65	68.65	1,291,500	29,250	Quote
Quote	62,250	8,900	357.00	-11.55	279	400	342.10	359.90	1,000	5200.00	50	89.75	91.00	500	9,613	-9.20	89.50	2,294,350	265,450	Quote
Quote	163,950	19,550	275.15	-7.15	525	250	275.00	282.00	200	5300.00	100	108.55	113.00	500	2,324	-9.40	110.00	946,450	49,600	Quote
Quote	436,250	29,900	207.55	-5.10	1,784	400	195.00	207.65	100	5400.00	500	135.65	139.00	5,000	9,730	-6.55	139.50	731,300	341,400	Quote
Quote	786,750	86,800	143.00	-9.00	6,148	50	142.60	143.00	100	5500.00	1,200	168.00	172.50	500	3,797	-13.00	172.00	719,400	99,200	Quote
Quote	1,031,600	27,100	88.55	-11.00	5,004	3,000	88.00	89.00	50	5600.00	1,000	211.85	219.90	50	613	-15.50	215.15	161,900	19,200	Quote
Quote	1,267,800	11,100	50.00	-8.95	5,746	1,000	49.35	50.00	1,300	5700.00	50	272.00	282.95	500	358	-5.50	274.30	44,600	11,150	Quote
Quote	1,324,700	25,250	23.05	-7.00	7,080	9,250	23.05	23.30	900	5800.00	500	341.00	357.95	500	155	-10.85	342.10	7,100	5,850	Quote
Quote	714,550	10,650	12.00	-3.05	4,923	1,250	12.00	12.95	1,000	5900.00	100	361.50	479.90	1,500	-	-	-	-	-	Quote
Quote	302,050	3,300	5.25	-1.85	1,285	650	5.25	5.50	350	6000.00	5,000	451.25	569.90	1,500	7	107.00	508.00	5,700	300	Quote
Quote	131,850	20,600	3.00	-0.40	868	500	3.05	3.15	100	6100.00	100	551.50	704.00	100	-	-	-	-	-	Quote

Trade being considered:
Buy Nifty 5500 Oct Call @ 142.50
Sell Nifty 5500 (ATM) Sep Call @ 86.50

Cost: 56

Resons for considering the above trade are:

- 1) IVs are currently around all time low levels. So considering Calendar instead of Butterfly
- 2) Considering Call Spread instead of Put Spread as IVs are tighter in case of Calls (OCT IVs > SEP IVs)
- 3) OCT is the month of quarterly results, hence IVs are higher than SEP

Questions arising :

- 1) Currently the spread is delta neutral. But going forward do i need to adjust delta ? If yes, what are the guidelines ?
- 2) In case IVs drop further, how will this spread behave ? In that case, I should be ready with what type of adjustments ?
- 3) In case IVs inch UP, how will this spread behave ? In that case, I should be ready with what type of adjustments ?

OR

Would you consider doing something other than the calendar ?

Please comment

Rakesh

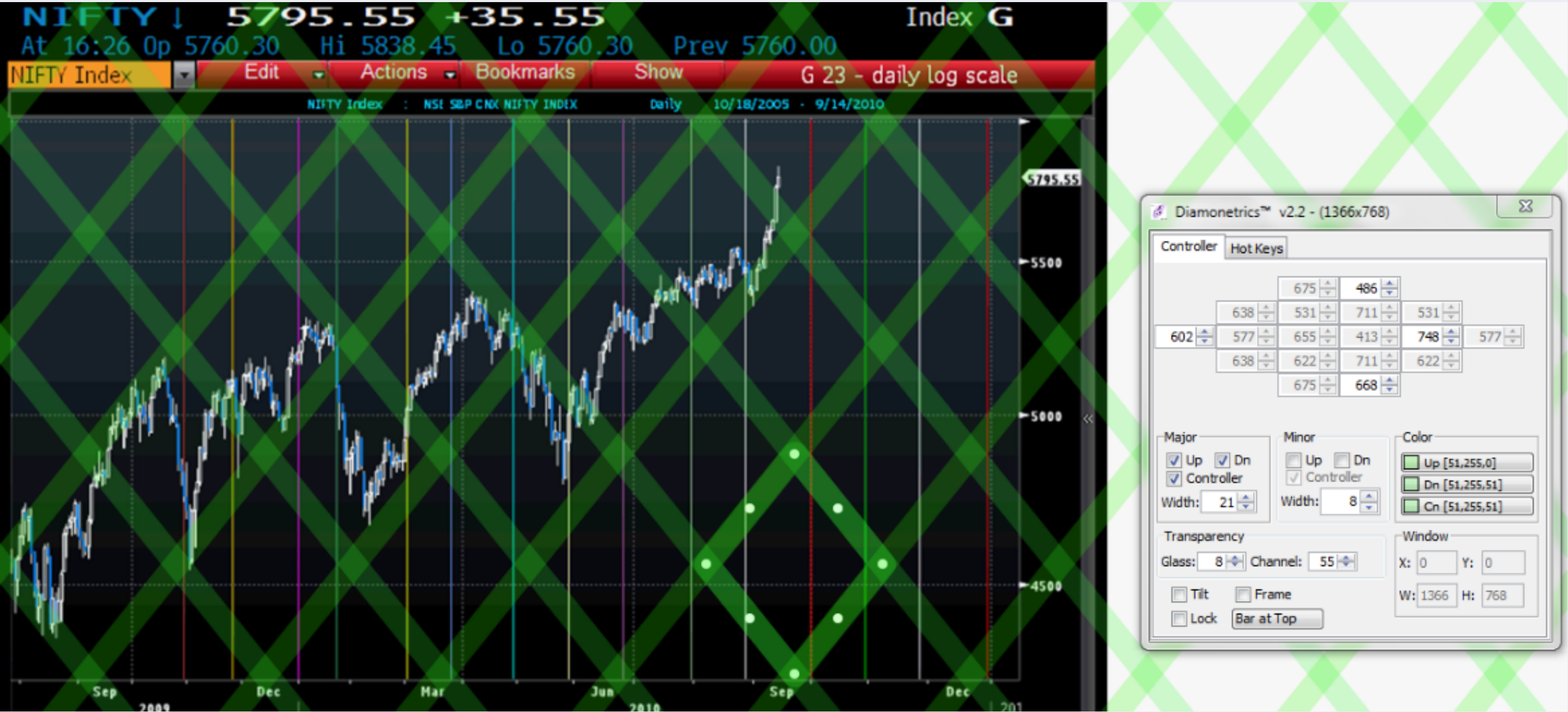
Re: Nifty Calendar
« Reply #5 on: September 03, 2010, 06:10:13 AM »

Yes, using the calendar data will help.

An SPX butterfly going for .50 is \$50. If I buy 20 butterflies (80 contracts) for a total of \$1000, that can go to \$10,000 (if the butterfly goes to 5.00), it will cost \$40 in commissions, each way at TradeMONSTER (.50 per contract). thinkorswim would charge \$120 each way at their published rate.

Re: Nifty Calendar
« Reply #6 on: September 15, 2010, 08:29:29 PM »

Nifty is constantly making new highs



rakesh

Re: Nifty Calendar
« Reply #7 on: September 15, 2010, 08:38:47 PM »

It looks like a pretty good Grid. Do you have a position?

RJS

Re: Nifty Calendar

« Reply #8 on: September 15, 2010, 09:50:55 PM »

no position. Where to expect expiry ?

rakesh

Ri\$k Doctor

Re: Nifty Calendar

« Reply #9 on: September 15, 2010, 09:59:39 PM »

If your Grid is correct then it is pointing at 6000 for OCT.

RJS

Re: Nifty Calendar

« Reply #10 on: September 15, 2010, 10:05:42 PM »

Anything for SEP expiry ?

Which strategy can be built for OCT expiry expectation of 6000 ?

Option chain:

NIFTY

Underlying Value As on 16-SEP-2010 15:30:14 Hours IST : 5828.70

Expiry Dates :

[30SEP2010](#)

[28OCT2010](#)

[25NOV2010](#)

[30DEC2010](#)

[31MAR2011](#)

[30JUN2011](#)

[29DEC2011](#)

[28JUN2012](#)

[27DEC2012](#)

[27JUN2013](#)

[26DEC2013](#)

[26JUN2014](#)

[24DEC2014](#)

[25JUN2015](#)

Futures contracts

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For an underlying :

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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	40,250	5,850	1,054.10	-16.30	117	50	1,050.00	1,060.00	200	4800.00	100	7.85	8.50	3,000	2,790	-0.05	8.40	1,510,150	-32,100	Quote	
Quote	12,300	150	945.00	-23.00	3	50	953.00	962.00	50	4900.00	100	9.35	10.40	500	2,947	-0.95	9.50	981,950	-7,650	Quote	
Quote	45,000	4,700	850.00	-23.00	134	500	858.00	868.00	50	5000.00	1,100	10.75	11.30	100	6,130	-1.10	11.05	2,567,550	-23,850	Quote	
Quote	14,950	-450	755.00	-30.00	32	100	760.45	781.95	100	5100.00	250	12.30	15.90	1,000	4,876	-1.35	13.05	1,978,900	10,700	Quote	
Quote	85,900	-5,250	665.90	-18.00	265	950	665.05	716.55	100	5200.00	500	15.60	16.00	600	9,268	-2.20	15.55	2,968,300	-6,500	Quote	
Quote	362,750	-2,250	571.65	-22.90	188	300	569.70	583.85	100	5300.00	300	19.05	20.00	100	16,323	-2.85	19.10	2,565,700	-171,700	Quote	
Quote	786,000	-36,300	485.00	-13.35	1,320	400	480.05	490.50	400	5400.00	1,100	25.20	25.70	750	19,943	-2.10	25.50	2,486,050	-60,500	Quote	
Quote	1,203,400	-12,650	394.95	-9.75	2,394	5,000	392.00	399.95	100	5500.00	2,300	34.00	34.25	1,500	39,044	-2.05	34.50	3,036,300	807,750	Quote	
Quote	1,736,450	-24,800	309.00	-12.85	3,758	500	307.05	317.95	500	5600.00	250	49.20	49.50	1,000	32,715	-1.95	49.00	2,366,100	213,100	Quote	
Quote	2,620,550	-20,800	234.70	-7.90	7,428	50	235.00	235.95	50	5700.00	1,750	72.00	72.50	2,500	36,435	-2.70	71.50	1,656,300	133,850	Quote	
Quote	3,763,650	-202,050	164.20	-9.20	23,501	150	164.20	165.00	50	5800.00	1,100	102.00	103.00	100	29,096	-2.40	102.90	1,124,950	31,350	Quote	
Quote	4,499,800	147,800	109.20	-9.10	32,446	100	110.05	111.00	400	5900.00	2,000	145.50	147.90	1,150	11,907	-0.75	147.00	442,250	218,500	Quote	
Quote	2,451,550	150,350	69.90	-4.50	44,782	50	70.15	70.50	4,200	6000.00	1,050	206.00	210.00	50	2,375	3.70	207.05	136,400	27,500	Quote	
Quote	1,073,800	222,800	40.50	-2.70	21,600	100	40.50	40.90	1,100	6100.00	450	275.00	280.00	50	65	8.90	275.00	3,850	2,050	Quote	
Quote	608,400	83,900	23.00	-1.30	9,751	5,050	22.00	22.50	200	6200.00	200	305.00	360.00	150	132	18.00	359.00	16,300	5,800	Quote	
Quote	36,300	13,050	13.00	-0.65	560	300	12.90	15.00	4,000	6300.00	50	433.00	457.90	150	25	-25.00	415.00	1,950	1,250	Quote	
Quote	28,900	13,950	7.50	-1.05	431	3,800	6.50	7.50	1,900	6400.00	50	528.00	549.90	150	32	-50.00	480.00	2,100	1,600	Quote	
Quote	2,700	2,700	5.10	-3.10	158	100	4.55	6.00	1,000	6500.00	-	-	-	-	1	1.80	595.00	50	50	Quote	

Since last couple of days, we are seeing change in the character of NIFTY movement. Against a smooth rise earlier, it has started showing volatility And this volatility is increasing by the day To the right is a tick-by-tick graph for past 9 days, and as you can see:



Smooth rise on 6th
Low volatility on 7th , 8th, 9th
Smooth rise on 13th,
Volatile earlier on 14th, then a smooth rise
Volatile on 15th
Hugely Volatile on 16th.

Implied Vols have also risen from 10.5 (on 2nd sep) to 18ish (today)

How should one play rising volatile market ?
Please guide

Thanks,
Rakesh

Ri\$k Doctor

Re: Nifty Calendar

« Reply #11 on: September 16, 2010, 05:57:28 PM »

IV High, Have projection of 6000. Butterfly with 6000 as Body.

Why don't you suggest something and I will tell you the pros and cons anout it and ask you some questions tho help isolate the right trade for you.

RJS

Re: Nifty Calendar

« Reply #12 on: September 16, 2010, 08:09:58 PM »

With a roaring bull market, i think bull spread / naked long call funded with put spread of lower strike should do well.

I have observation that during sharp moves, market tends to over shoot target (upside as well as downside)....

--> I would like to know how would you play rising volatility scenario ?

Ri\$k Doctor

Re: Nifty Calendar

« Reply #13 on: September 16, 2010, 08:37:31 PM »

Not my kind of market. I like to play for ranges. That should not stop you from buyng naked calls and financing them with short put verticals*. Just have an "I'M WRONG" plan of action in the way of a trailing stop.

*Realize that if you Short a (5850/5900) Put Vertical Spread with the short strike the same as the Long Call (5900) that the whole position is synthetically Long the Call at the long Put strike (5850):

	C	D	E	F	G	H	I	J	K
11		10	Raw Calls	Total Net Contracts			Raw Puts		
12									
13				PivotK	5850				
14			Month	Aug			Inc Adj	Y	
15			Raw Position						
16	nC	rC	Adj	Cur	K	Cur	Adj	rP	nP
36					5550				
37					5600				
38					5650				
39					5700				
40					5750				
41					5800				
42	10				5850	10		10	
43		10		10	5900	(10)		(10)	
44					5950				
59	10	10		10	Net				

So if that's the case, for example, save yourself 2 extra sets of fees, commissions and slippage. Perhaps you should run whatever it is that you choose to do, by me before you make the trade. I will let you know if there is any hidden reality.

RJS

Re: Nifty Calendar

« Reply #14 on: September 16, 2010, 09:36:38 PM »Thanks for explaining this way. Learning practical is so much "permanent" than from the book.

Now the only problem with financing long call with Puts Vertical is that premium for Puts have vanished. i would like to do a put vertical using 5600//5700 strikes.

what to do ?

Ri\$k Doctor	<div>Re: Nifty Calendar</div> <div>« Reply #15 on: September 16, 2010, 10:44:57 PM »</div> <div>You would have to ratio it, adding risk, perhaps selling 3 verticals to buy one call. -- Not for everyone. Have to be disciplied and get out at pre-determined level bsd on underlying price. You would be taking on Gap Risk so be able to afford the hit in a worst case scenario. Would have to modulate your size down small so that in the event it turns real bad, your loss is sustainable. Kind of why I look for the other type of plays and ignore this type of play. No one says you have to trade it.</div>
RJS	<div>Re: Nifty Calendar</div> <div>« Reply #16 on: September 20, 2010, 09:32:52 AM »</div> <div>nifty futures traded and closed at 6000 today</div>
Ri\$k Doctor	<div>Re: Nifty Calendar</div> <div>« Reply #17 on: September 20, 2010, 10:47:24 AM »</div> <div>A little early for the October projection but you were right about it going to go higher. How did you play it?</div>
RJS	<div>Re: Nifty Calendar</div> <div>« Reply #18 on: September 20, 2010, 07:52:36 PM »</div> <div>have not created any position in nifty. it has been a vertical rise, straight line</div>
RJS	<div>Re: Nifty Calendar</div> <div>« Reply #19 on: October 03, 2010, 08:46:51 AM »</div> <div>NIFTY SEP expiry at 6030.</div> <div>As on 1st Oct, nifty futures has reached a new high at 6182</div>

Ri\$k Doctor

Gamma and Theta has always the inverse relation, however...

« on: September 26, 2010, 09:38:17 PM »

From RJS:

Is it true that:
ITM & ATM Put Debit Spreads, ITM Call Butterflies, ITM & OTM Put Butterflies
< ATM Iron Condors have positive gamma and theta?

ITM & ATM Put Credit Spread
> ATM Iron Condors have negative gamma and theta?
Please enlighten me on this if it is true.

Ri\$k Doctor

Re: Gamma and Theta has always the inverse relation, however...

« Reply #1 on: September 28, 2010, 06:10:44 AM »

Sorry but your question is kind of confusing to me but here are the items that are always long gamma and have negative theta:
OTM Put Debit Spreads
OTM Call Debit Spreads

With little time to go or far enough from the money:
ITM and OTM (Long the Wings) Butterflies (including irons) are long gamma and have negative theta.

With a lot of time or relatively close to the money, ITM and OTM (Long the Wings) Butterflies will be short gamma and have positive theta.

When you say ATM verticals, if the underlying is right between the strikes, then gamma and theta are close to neutral. When the underlying drifts closer to one of the two strikes then gamma becomes long and theta negative when closer to the long strike. Conversely, gamma becomes short and theta turns positive if the underlying is closer to the short strike of the vertical.

jace

[Question] Directional Model

« on: August 30, 2010, 02:11:29 PM »

I have been working on a short term trading model for the qqqq and it seems to work pretty good as far as win Percentage and probability of picking the right direction.

What I would like to do is figure out how should I develop a option back-testing model to see if I can bump up my returns using options.

I have about 10 years of closing option prices and was trying out what my next step should be.

For example my model outputs a long or short signal for a given trading day, how should I go back using the historical option data a pick the best option trade to do? I mean a long signal in a high volatility market may mean a totally different spread type than in a low volatility market. and How should I gauge what is high or low going back in time

Sorry for the ramblejust a lot of variable to think about.

Ri\$k Doctor

Re: [Question] Directional Model

« Reply #1 on: August 31, 2010, 09:01:11 AM »

I am not a back-tester. For options it may unfair and may not validate your work with back-testing underlyings. If you understand what the strategies are supposed to do then perhaps you can get your valuable back-testing to pay off using bull ATM bull and bear spreads (underlying between strikes) for plays that are intended to last at least a few days. If you are in and out in a day, however, you would be better off scalping the underlying.

mark88

daily newsletter / options market report
« on: August 22, 2010, 11:20:06 PM »

Hi.
I have just start looking at index options on the CBOE. Any recommendations of decent free and / or paid daily market reports, option specific?
Thanks in advance,
Mark

Ri\$k Doctor

Re: daily newsletter / options market report
« Reply #1 on: August 31, 2010, 08:53:59 AM »

CBOE.com has pretty good coverage and Dr J often discusses Indexes in his [CBOE Daily Videos](#).

David

Exercising and Assignments

« on: August 23, 2010, 05:47:58 PM »

Last week I had my back side handed to me. I need to understand about exercising and assignments. I understand the definition but I don't understand how they really work and effect the options writer when it comes to ITM option calls or puts.

This is what happened to me:

8/16/10 SOLD -1 VERTICAL OEX 100 AUG 10 460/465 CALL@4.85 CBOE
(I received a credit for \$485.00)

8/19/10 Assignment 1.0 OEX 100 AUG 10 460 CALL for \$3645 cash settlement
(My account was debited \$3645)

Ri\$k Doctor

Re: Exercising and Assignments

« Reply #1 on: August 23, 2010, 08:57:40 PM »

Sorry that you got dinged, Dave.
The lesson is: Don't trade the OEX. Trade the XEO instead even though it may look less liquid. The same market makers are trading it in the same pit and price 99% of the XEO options at the same price as the OEX options.
Below is an excerpt from my book that explains what happened to you. Simply, the S&P future dropped after 3:00 -- the OEX stopped at 3:00 and the options did not participate.
OEX at Close showing ITM of Call amount = to Cash Price minus strike (496.45 - 460 = 36.45 which is times 100)

OEX

S&P 100 INDEX

8/18/10

496.45

+77

+0.16%

UNDERLYING

Last	Net Chng	Volume	Open	High	Low
496.45	+77	N/A	495.55	499.18	492.88

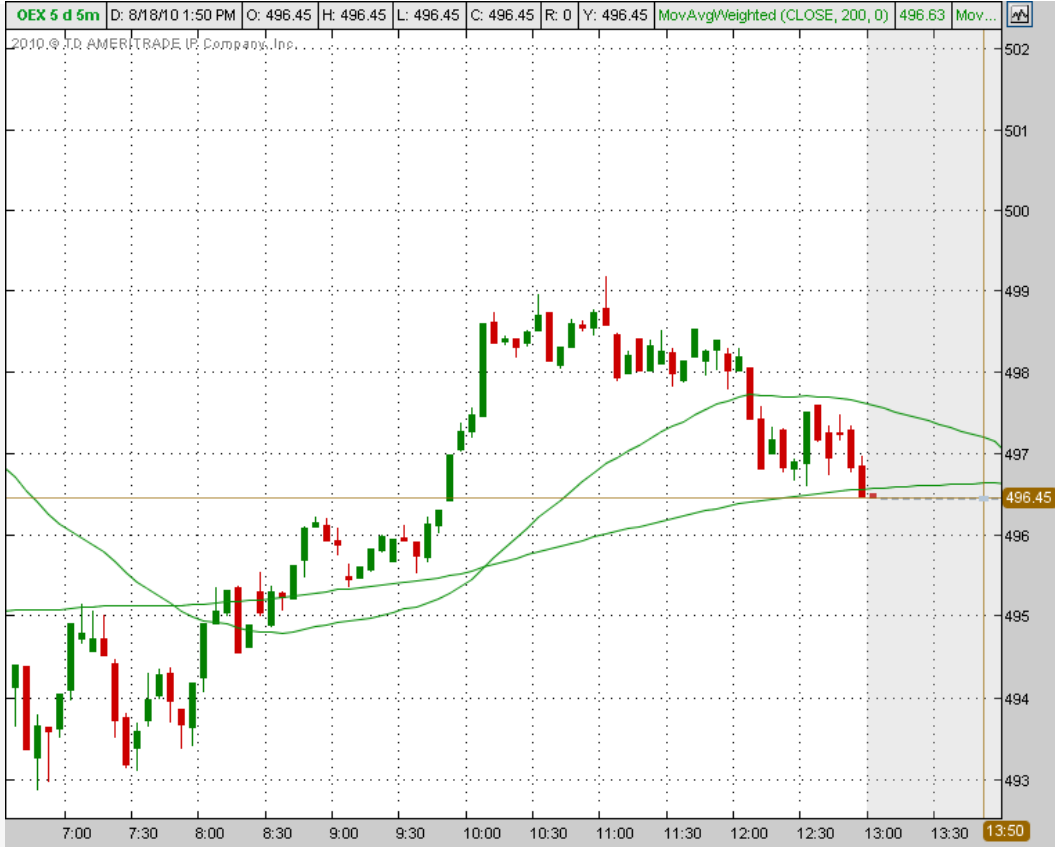
OPTIONS

Spread: Single

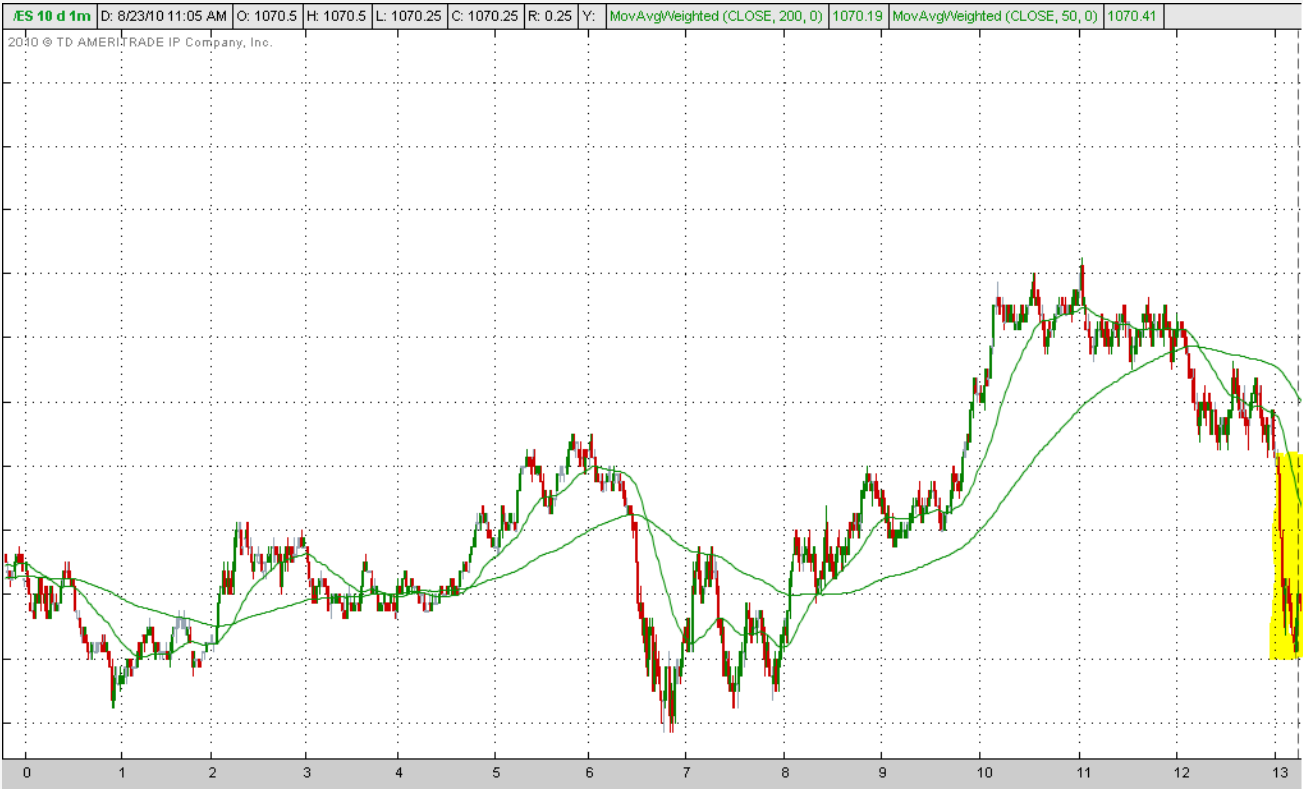
Layout: Delta, Gamma, Theta, Vega

CALLS							Strikes: 15	PUTS							
Delta	Gamma	Theta	Vega	Bid	Ask	Exp	Strike	Bid	Ask	Delta	Gamma	Theta	Vega		
AUG 10 (2) 100															25.95%
1.00	.00	.00	.00	34.00	38.90	AUG 10	460	.05	.25	-.02	.00	-.18	.02		
1.00	.00	.00	.00	29.00	33.90	AUG 10	465	.05	.30	-.03	.00	-.20	.03		
1.00	.00	.00	.00	24.00	28.90	AUG 10	470	.15	.40	-.05	.01	-.27	.04		
1.00	.00	.00	.00	19.00	23.90	AUG 10	475	.30	.45	-.07	.01	-.33	.06		
1.00	.00	.00	.00	14.00	16.50	AUG 10	480	.40	.85	-.11	.02	-.46	.08		
1.00	.00	.00	.00	9.00	13.90	AUG 10	485	1.10	1.35	-.20	.03	-.68	.13		
1.00	.00	.00	.00	4.00	8.90	AUG 10	490	2.00	2.35	-.34	.04	-.88	.16		
.52	.06	-.27	.16	3.00	3.60	AUG 10	495	3.50	4.30	-.55	.05	-1.02	.18		
.24	.04	-.21	.13	1.00	1.05	AUG 10	500	6.50	8.00	-.77	.04	-1.08	.14		

The exerciser locked in the 3:00 value and replaces the 100 deltas needed with the Futures at much lower prices.



The Yellow shaded area shows the 15 minutes of S&P Futures trading after the OEX closed:



Excerpt from Chapter 8 of “Options Trading: The Hidden Reality”

THE OEX EARLY EXERCISE

An exercise usually takes place from just after the cash market closes (3:00 P.M. Chicago time) until the futures and options close (3:15 P.M. Chicago time) when the OEX combos or the S&P futures at the CME make a significant move in either direction. If there is a large move in the market, traders take the opportunity to buy/sell the S&Ps and exercise the OEX calls/puts that are far enough in the money. Traders have until 3:20pm, or five minutes after the options market close to exercise, and public customers have a little bit more time. “Far enough in the money” means that they could either buy the same strike puts, for example in the case of a break (market decline), for significantly less than the combo’s discount to cash (dividends on the basket minus the implied carry) and still be in the conversion (inter-market spread), or buy the same strike puts a lot cheaper than they have recently been trading for. Conversely, if there is an after-cash-market rally, traders will sell the S&Ps and exercise their puts. Of course, the corresponding calls must be trading cheaper than the premium to cash (implied interest minus dividends) and still put the trader into the reversal at a favorable price.

An experienced OEX options trader, Shelly, recalls a story that helps to identify an exercise nuance in the OEX and the additional risks inherent in being short cash settled American-style options.

Story: Uh-OEX: In the days before the Iraqi invasion of Kuwait in August 1990, a customer of a major New York investment firm entered the OEX options market as a size (i.e. huge) buyer of out-of-the-money puts. Over the course of several hours, the customer accumulated several thousand put options. The customer single-handedly inflated the value of that particular put from approximately 2 5/8 to nearly 3 1/2, with little movement in the underlying price. In the process, due to his demand pressures, he forced OEX implied volatility a lot higher. Within a week, Iraq initiated its invasion of Kuwait, sending tremors through the international oil, gold, and equity markets. The U.S. markets fell in response to both higher oil prices and the uncertainty of turmoil in the Middle East.

Within days, the market suffered a decline in excess of 10 percent. The puts purchased for around 2 5/8 to 3 1/2 were now trading over 14. The intrinsic value of these puts was just over 13, thus they still had about a dollar in time premium. Then the customer did the unthinkable; he exercised his puts early. To the OEX crowd, it appeared to be a gigantic blunder. Why would someone exercise these puts while they had time value remaining? With hindsight, it wasn’t such a bad ploy.

By exercising, the customer liquidated his position immediately by effectively selling his puts at parity. In view of his purchase price and exercise price, he realized an incredible profit on his investment. He may have been able to get better prices. However, by entering the markets during the trading day, his actions would certainly have affected the underlying price of the market, effectively diminishing the value of his put position. (By selling a large quantity of in-the-money puts, traders on the other side of the order, that are buying them, are forced to hedge by buying S&P futures or stocks, which forces the market higher and causes put values to fall). Those traders and individuals, who were assigned on their short put positions, initially believed that a mistake had been made. However, it was soon evident that the quantity assigned was significant. By the time the markets opened the following morning, the crowd as a whole had a large short delta position in the OEX market (by being assigned on short puts, one is effectively forced to buy them back at parity). Assuming that the customer bought and then exercised over 10,000 contracts, the assignments represented nearly 2,000 short S&P 500 futures contracts (one S&P future is usually offset by five OEX combos). On the opening, the value of the puts that had been assigned decreased by about \$4.00 (the market makers were no longer short them) because the short market positions were covered. Over the long term, the impact of this sort of position on the markets is negligible. The short-term impact on the neutral trader is quite dramatic (traders lost \$8,000,000 collectively). **End**

The important lesson to be learned from this example is that with cash-settled products, deltas disappear upon exercise (the holder has the control) and assignment (the trader who is short may find that he or she has more or less deltas than anticipated). Each party is subject to the payment and receipt of the cash value as opposed to the delivery of an instrument (stock or futures contract) that replaces the lost deltas. In the OEX, the assigned loses approximately 1.00 for each assigned short put, or –1.00 for each assigned call. As I mentioned earlier, when exercising an option one must buy the corresponding same strike OTM option in order to maintain one’s exposure.

As of July 23rd 2001, the CBOE launched a new S&P 100 index with European-style exercise, XEO. XEO options are cash settled and may only be exercised at expiration.

Pauleoh

Managing inventory at expiration

« on: June 22, 2010, 06:32:12 AM »

Dear Charles,

When you were trading on the floor and held a large inventory of positions, how did you manage those front month positions in the lead up to, and at expiration?

What were the major risks you were on the lookout for and how could you prevent/tame/remove them?

What were the good plays/opportunities to watch for at expiration?

Best regards,

Paul

Ri\$k Doctor

Re: Managing inventory at expiration

« Reply #1 on: June 22, 2010, 07:59:25 AM »

Quote

When you were trading on the floor and held a large inventory of positions, how did you manage those front month positions in the lead up to, and at expiration?

Started to get flat the front month with about a week to go, and began to build inventory in the next month.

Quote

What were the major risks you were on the lookout for and how could you prevent/tame/remove them?

Explosive short gamma. On the flipside hege negative theta. Did not want either.

Quote

What were the good plays/opportunities to watch for at expiration?

Early exercise plays, like the one explained in Chapter 3. Also cheap long shots.

NP

COT Report & Position Dissection

« on: June 15, 2010, 09:52:48 AM »

There are many traders out there that use the commitment of traders report as a trading tool. When taking position dissection and synthetics into account how valid can the COT report be? I just don't see how it could work especially when you are trading futures along with options to create your overall position. Any thoughts?

Ri\$k Doctor

Re: COT Report & Position Dissection

« Reply #1 on: June 15, 2010, 10:15:14 AM »

I have never even heard of COT before you brought it to my attention. I googled it and watched a little video about it but found it to be inconclusive. I never have put too much weight even into put call ratios as you never know if hedgers who are still bullish are just turning futures or stock into long calls by purchasing puts. Just because they buy outs, they still want the market to rally. So you are correct in considering synthetics when measuring COTs. Sorry that I cannot be of any more help on this.

NP

Re: COT Report & Position Dissection

« Reply #2 on: June 15, 2010, 11:04:17 AM »

It must be bogus if the Risk Doctor has never even heard of the COT report. All jokes aside, your probably right though. Counting up net longs and shorts without taking the full position under consideration doesn't make much sense. It is similar to the put call ratio in that the information can appear inconclusive when you think of postions synthetically.

Here is the link to the COT report for anyone who might not be familiar with it: <http://www.cftc.gov/marketreports/commitmentsoftraders/index.htm>

Gery

Scanning, selection - does it take forever?

« on: December 13, 2009, 12:28:24 PM »

Hi,
I have been trading for more than 4 years now. I am trading only options.
I started with many instruments, but narrowed it down to 500 (!) stocks only and ETF's.
Sometimes I feel very burdensome to go through all the tickers.
It is only one thing to go through them and find a nice setup, but then it is very disappointing to find out that the options are lame for that particular ticker for the particular strike, so I have to move on.
So it would be logical to start on the options end the scanning procedure. But how?
One way is to use the Spreadhacker from TOS, it could identify nice good P/L spreads, but what else are you using to scan the market for good opportunities?
How many tickers do you guys have on your radars?
Thanks,
Gery

Ri\$k Doctor

Re: Scanning, selection - does it take forever?

« Reply #1 on: December 13, 2009, 01:02:48 PM »

I have about 30 Underlyings (Stocks, Indexes, ETFs, Commodities and Currencies) on my Radar, thinks of interest, high volume and tight markets. I pretty much ignore the rest 99% of the time.

rpex

Re: Scanning, selection - does it take forever?

« Reply #2 on: December 16, 2009, 09:52:16 AM »

I narrow it down by liquidity. Euronext.liffe has a "target group" of about 30 equity options which have 3 different market making / liquidity schemes applicable to them. Eurex has something similar. Not sure how the OPRA exchanges allocate liquidity provision, but you could try sticking only to options which participate in the penny pricing scheme.

I think IB has a scanner for options with the highest open interest, TOS probably has something similar.

Gery

Re: Scanning, selection - does it take forever?

« Reply #3 on: December 19, 2009, 09:37:35 AM »

I haven't found a scanner for high open interest, but my 500 pieces of watchlist containt pretty high OI and volume instruments.
I know I should somehow narrow the range of stocks and instruments, but I am not sure, from which aspect.
Charles, I guess this 30 underlyings are not public, right?
Gery

Ri\$k Doctor

Re: Scanning, selection - does it take forever?

« Reply #4 on: January 08, 2010, 07:45:40 AM »

Not secret. In no particular order, currently I am watching: AAPL, RIMM, GS, CME, MSFT, GE, JPM, GLD, SPY, RUT, NDX, DJX, FXE, FXA, FXB, AMZN, IBM, INTC, SBUX, XLE, XLF, WMT, SMH, EEM, NTES, USO, AMGN, IYR, TLT, WFMI.

	<div>Re: Scanning, selection - does it take forever?</div> <div>« Reply #5 on: January 08, 2010, 01:25:51 PM »</div> <div>Thanks Charles!</div>		
csrote	<div>Re: Scanning, selection - does it take forever?</div> <div>« Reply #6 on: January 12, 2010, 09:37:34 PM »</div> <div>Here is a list of tickers with Penny-Increment options. I extracted this list from TOS yesterday, 01-11-10: A, AA, AAPL, ABX, AIG, AMD, AMGN, AMZN, AUU, AXP, BA, BAC, BBT, BBY, BMY, BP, C, CAT, CHK, CIT, COF, COP, CSCO, CVX, DE, DELL, DIA, DJX, DNDN, DOW, DRYs, EBAY, EEM, EFA, EMC, ETFC, EWZ, F, FAS, FAZ, FCX, FITB, FLEX, FSLR, FXI, GDX, GE, GG, GLD, GS, HAL, HD, HGSI, HIG, HPQ, IBM, INTC, IYR, JAVA, JNJ, JNPR, JPM, KO, LVS, MCD, MGM, MNX, MO, MON, MOS, MOT, MRK, MS, MSFT, NEM, NLY, NOK, NVDA, NYX, OIH, ORCL, PALM, PBR, PFE, PG, POT, QCOM, QQQQ, RF, RIG, RIMM, RIO, RMBS, S, SBUX, SDS, SKF, SLB, SLV, SMH, SNDK, SPY, SRS, SSO, STI, SVNT, T, TBT, TGT, TXN, UNG, UNH, UPS, USB, USO, UYG, V, VLO VZ, WFC, WFMI, WMT, WYNN, X, XHB, XLE, XLF, XLI, XLU, XOM, XRT, XSP, YHOO</div>		
Ri\$k Doctor	<div>Re: Scanning, selection - does it take forever?</div> <div>« Reply #7 on: January 19, 2010, 09:10:44 AM »</div> <div>Thanks Cliff, This is very usefull for candidates with possibilities for better fills owing to potentially tighter markets.</div>		
Gery	<div>Re: Scanning, selection - does it take forever?</div> <div>« Reply #8 on: January 22, 2010, 12:59:30 PM »</div> <div>How do you guys pick stocks? For me the most difficult part is to find the *right* setup. I do not have a solid working strategy that I can follow when picking stock. I do it mostly on an intuitive basis which has low results. Do you have any guidance? Gery</div>		
Ri\$k Doctor	<div>Re: Scanning, selection - does it take forever?</div> <div>« Reply #9 on: January 24, 2010, 07:37:50 AM »</div> <div>Excerpt from OTTHR (CHAPTER 11 OPTION DIALOGUE): Ri\$kDoctor: January 4, 1999 Re: What do I do? “Thinking to use mostly verticals” gives you a lot of versatility and allows you to profit from being correct in your market opinion by being able to employ a wide variety strategies for almost any market scenario (bullish, bearish, tight range, big move either way, not to mention vega and theta control -- volatility long versus short versus neutral, etc. Now, if verticals were to become your bread and butter spread, you should also read, Chapter 5’s: "Adjusting Speculative Trades Using Verticals".</div>	<div>All trades start with a directional opinion and/or a volatility assumption. I use Diamonetrics. Where has the stock and implied volatility been and where might they be going? Take it slowly. Walk before you run. An analogy to playing a hole in golf: Remember that if you take a triple bogie on a hole, there are still a lot more left to birdie. Don't get discouraged and upset your inner game. 1. Line up your shot and take your stance (get a hunch). 2. Drive the ball (Put on your play or spread). 3. Go to where you hit the ball in order to plan your next shot (after some time or a market move, assess the situation). 4. Hit it again (adjust, exit or stay with it).</div>	<div>There is no need to wonder anything until you get to the ball. (Until you get to know your trading self, learn. Don't worry about the strategy until your time horizon expires or your price targets or exit points have been met). Each time, assess your lie and your view to the pin. You are going to slice, hook and fall into traps so keep your exposure low until you can rely on your own experience and abilities (not the golf book or video) to get you back on course. I think it would also be helpful to review some sections in the book. Please re-read "Rule the Beast" in Chapter 2.</div>

Gery

Re: Scanning, selection - does it take forever?

« Reply #10 on: March 17, 2010, 09:36:47 AM »

Hi All,

I still face problems when choosing the *right* candidate to trade. I have a list of 250 stocks and don't know what type of strategy to trade. I mean I do not have problems with options, but to find the candidate to trade. I mostly do the opposite that I should do, strange isn't it?!) What I am not clear about is how to choose the trading candidates? What do you guys trade buy, technical setups, fundamental information, news, what?

There are so many information on the web, there are so many trading ideas and so called "strategies" but I haven't seen real profitable ones. Sometimes it seems to me that the most of the strategies are just junk, non-working strategies, just they are there to get you paid or subscribed.

The first step is to find the right candidate. Only the second step is to choose the options.
The main problem I face is the first step. I do not want to overeducate myself in options when I have no idea what to trade and by which strategy.

How do you overcome these barriers?

thx,
Gery

Ri\$k Doctor

Re: Scanning, selection - does it take forever?

« Reply #11 on: March 17, 2010, 10:33:46 AM »

Most successful traders gravitate to a very few strategies that they are really good at, like verticals, butterflies and brokenwings, for example. Then they watch a handful of underlyings and wait for certain setups to take advantage of. When the market screams at them to get in, they pounce. Are you gravitating to any type(s) of strategy(ies) now that much of the education has had a chance to filter through you?

Gery

Re: Scanning, selection - does it take forever?

« Reply #12 on: March 17, 2010, 01:49:32 PM »

I am gravitating towards verticals and butterflies. But as you said: "Then they watch a handful of underlyings and wait for certain setups to take advantage of. " - this is exactly the part I am lost in. I do not know which handful of underlyings to follow and which "certain setups" to take advantage of.
I think this is the most essential part that all the teachings lack. Everyone says: "trade according to your style and strategy" - but I guess the majority would need help in this area...

What do you think?

Ri\$k Doctor

Re: Scanning, selection - does it take forever?

« Reply #13 on: March 17, 2010, 08:59:39 PM »

Quote

I mostly do the opposite that I should do, strange isn't it?!)

Give me an example. Also, what do you use to form your bullish or bearish opinions of the underlying or IV?

Gery

Re: Scanning, selection - does it take forever?

« Reply #14 on: March 18, 2010, 12:30:54 AM »

An example would be USO on March 1st. The big red candle told me that this might be a change in trend. I sold 39/40 Call spread, close to the money. Obviously it is almost full loss at the moment, since oil has run up from that level and tomorrow is expiration...

So somehow I don't get the right idea about direction. What tools could help me? How to find the right candidates?

Ri\$k Doctor

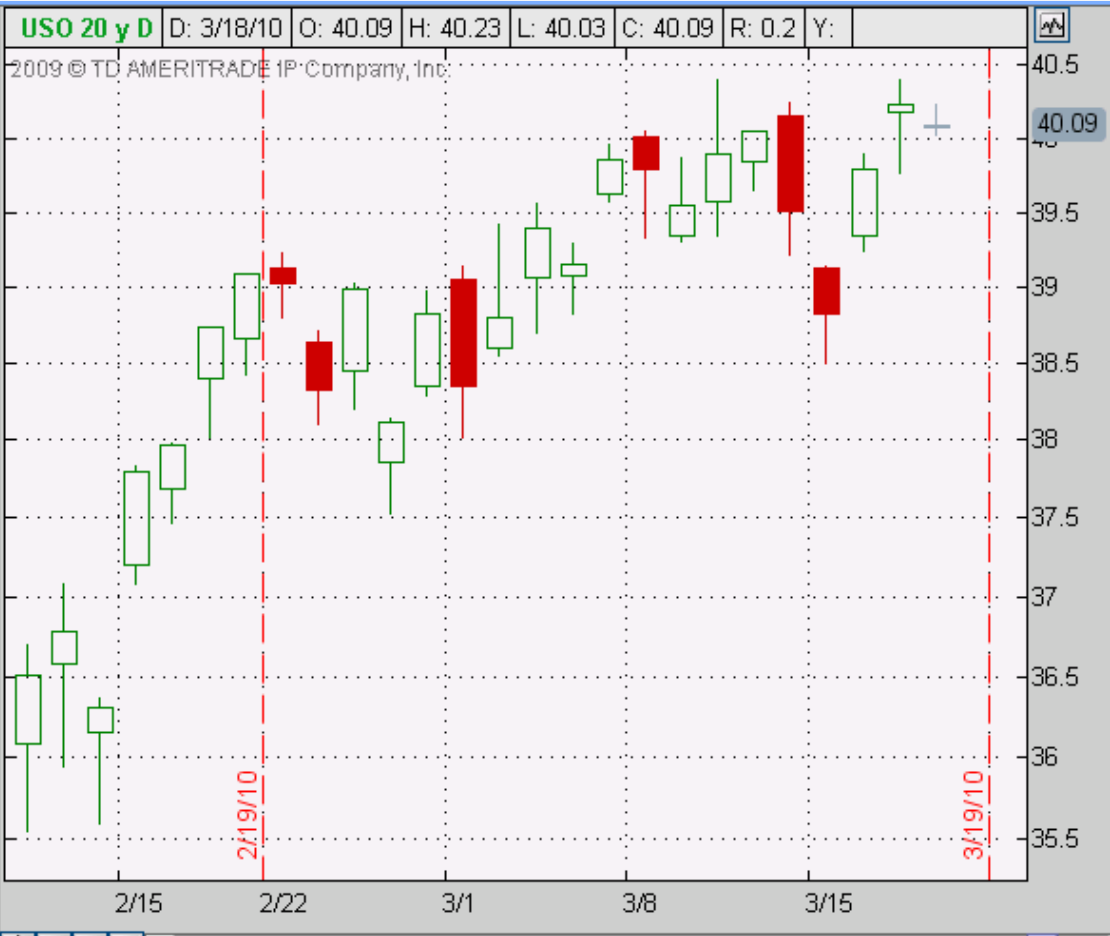
Re: Scanning, selection - does it take forever?

« Reply #15 on: March 18, 2010, 06:39:48 AM »

Quote

An example would be USO on March 1st. The big red candle told me that this might be a change in trend. I sold 39/40 Call spread, close to the money. Obviously it is almost full loss at the moment, since oil has run up from that level and tomorrow is expiration...:

So somehow I don't get the right idea about direction. What tools could help me? How to find the right candidates?()



What was missing in this trade and perhaps all your trades is the simple but vital concept of;

I 'M WRONG!

You were proven wrong the very next day and were also given a second chance on March 15th to get out or adjust. You had a reason to do something. Fine, but you also need to have an exit strategy in the event that you are right or wrong or you don't have a reason any longer (seems your reason went away on March 2nd or, for sure, on March 3rd).

On the other hand maybe you are a victim of doing the obvious. In that case, say to yourself, like on March 1st, "USO looks like it is going lower because of candle this or bla bla bla that. Normally I would get short but, since I always get it wrong, I will go long." Use yourself as a market indicator and fade yourself. I know plenty of successful traders who are very successful in swallowing their pride, quelling their ego, and going the opposite way that the market *tells* them.

Gery

Re: Scanning, selection - does it take forever?

« Reply #16 on: March 18, 2010, 01:02:54 PM »

Yes you are right, I should have adjusted or done something, but I didn't. I have to do the exact opposite of what I am thinking...
But my never ending quest is how to find good entries, what are the strategies for that? This is something I don't find anywhere, no books, lectures, classes, etc speak about this very basic fact!
Could you please provide some guidance on how to choose a "handful of candidates" and the "right setups"?
thx,
Gery

Ri\$k Doctor

Re: Scanning, selection - does it take forever?

« Reply #17 on: March 24, 2010, 06:47:30 PM »

You should have a look at the SF Blend Forum.

Gery

Re: Scanning, selection - does it take forever?

« Reply #18 on: March 24, 2010, 10:36:55 PM »

Thanks.
Gery