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A THREAD

Topic: Why triple straddle has no real benefit.

A triple straddle is essentially an ATM Straddle & one or two step away straddle on either side. The position is almost neutral strategy just like any other neutral straddle or strangle.

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We can also view the position as an ATM straddle, a strangle & inverted strangle.

For example

Nifty: 14700

Triple straddle: 14600,14700,14800

Another view:

14700 straddle

14800-14600: strangle

14600-14800: Inverted strangle

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So the real question is what is the advantage of an inverted strangle over its otm counterpart?

The answer is none.

They both have same premiums/theta. Only that slippages will be high in inverted strangle when we do the required adjustments plus liquidity issue.

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So isn't it better that instead of a triple straddle, we can just do ATM Straddle & 2* OTM strangle.

So in the above eg. the position will be

14700 ATM straddle
2* 14800-14600 otm strangle.

Same premium received, similar range just that there's no nuisance of ITM options.

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The question arises:

Why trade in an ATM straddle & 2* OTM Strangles? Why over-complicate?

Options are in itself a complicated instrument. Wouldn't it be better to stick to one straddle or a strangle & adjust accordingly?

Lesser the strikes, more there will be clarity.

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Why does one look at the position as a triple Straddle?

Because it looks easy which is also an ILLUSION.

One can easily shift a straddle & create a new one by looking at the delta moves. But further a straddle more are the slippages. Plus no advantage in premiums.

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So at the end what becomes of the position is just a cocktail of many strikes.

If the starting was just with one straddle or a strangle, then it can be easily adjusted by rolling any of the legs.

Aim should be to stay focused on the premiums received with few strikes.

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