

Twitter Thread by Kirubakaran Rajendran



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Here's the last 13 years of #BudgetSession Intraday chart, lets figure out what kind of Trading strategy one can use to make use of Budget movement. This is what happened with #Nifty on intraday time frame on the budget day from year 2008 to 2021.



Year 2008, 2009



2010



2011



2012



2013



2014



2015



2016



2017



2018



2019



2020



2021



As you can see from the above Nifty charts, the volatility is extremely high on the day of budget session making it very difficult for the intraday options players to make money. Its highly impossible to predict the direction on budget day.

If someone wanted to buy options much before the budget session, then the premiums becomes very high due to increase in IV, option buyers would not make much returns even if there is big move on budget day since the premium gets eroded once the event is over

But what I have observed with this last 13 years of data is, Market has moved in one side direction with huge trend once the budget session is over most of the time.

We need to make use of this huge trend post budget and also the IV drops after the budget event, hence when we enter the trade after the event option premium will be relatively lower. So I have back tested the Long Straddle strategy for last 13 years.

Rules: Buy ATM Call and Put options (Monthly expiry) near day end on budget day & hold it till expiry. The max risk is the premium that you pay, that's all. Here's the result.

<https://t.co/eddF2jCDx1>

Year	Underlying On budget close	Options	Entry	Exit	PL
2008	5200	5200 ce	211	0	-211
		5200 pe	226	375	149
					-62
2009	4162	4100 ce	194	466	272
		4100 pe	143	0	-143
					129
2010	4925	4900 ce	136	360	224
		4900pe	108	0	-108
					116
2011	5335	5300ce	166	526	360
		5300pe	134	0	-134
					226
2012	5311	5300ce	114	0	-114
		5300pe	73	121	48
					-66
2013	5700	5700ce	104	0	-104
		5700pe	75	23	-52
					-156
2014	7540	7500ce	90	228	138
		7500pe	110	0	-110
					28
2015	8961	8900ce	197	0	-197
		8900pe	94	599	505
					308
2016	7000	7000ce	155	737	582
		7000pe	148	0	-148
					434
2017	8716	8700ce	126	236	110
		8700pe	90	0	-90
					20

The total returns is more than 300%, however in 2013 the market did not move much which resulted in loss of -85%. So invest only the money you can afford to lose in this strategy, but the risk reward ratio is much higher. The key is enter the trade when budget session is over.

Here's result for 2018

As per the above mentioned strategy, after 3 PM on **Budget day Feb 1st 2018** IV was down and Nifty was around 11100.

Initiated ATM call and PUT, 11100 CE & 11100 PE.

11100 CE = 100

11100 PE = 166

In total, 266 i.e. $266 \times 75 = \text{Rs. } 19950$ – Total Investment.

As of feb expiry end, the value was

11100 ce = 0

11100 pe = 705.

In total, 705 i.e. $705 \times 75 = \text{Rs. } 52875$ – Returns = 165%

Here's the result for 2019

Year 2019 – July 5th Budget day. Nifty was around 11800.

Initiated ATM call and PUT, 11800 CE & 11800 PE.

11800 CE = 143

11800 PE = 126

In total, 269 i.e. $269 \times 75 = \text{Rs.} 20175$ – Total Investment.

As of July expiry end, the value was

11800 CE = 0

11800 PE = 542

In total, 542 i.e. $542 \times 75 = \text{Rs.} 40650$ – Returns = 100%

Year 2020 result

Year 2020 – Feb 1st Budget day. Nifty was around 11660.

Initiated ATM call and PUT, 11700 CE & 11700 PE.

11800 CE = 171

11800 PE = 239

*In total, 410 i.e. $410 * 50 = \text{Rs. } 20500$ – Total Investment.*

As of Feb 2020 expiry end, the value was

11700 CE = 0

11700 PE = 66

*In total, 66 i.e. $66 * 50 = \text{Rs. } 3300$ – Returns = -83% loss*

10 out of 13 times this strategy has given positive returns in last 13 years. Here's the link to blog post

<https://t.co/jLymp48GTG>

Year 2021–Feb 1st Budget day. Nifty was around 14281.

Initiated ATM call and PUT, 14300 CE & 14300 PE.

14300 CE = 381

14300 PE =284

*In total, 665 i.e. $665*50=Rs.33250$ – Total Investment.*

As of Feb expiry end, the value was

14300 CE = 797

14300 PE =0

*In total, 797 i.e. $797*50=Rs.39850$ –Returns = 20%*

10 out of 13 times this strategy has given positive returns in last 13 years.