

Twitter Thread by Aditya Todmal

Aditya Todmal

[@AdityaTodmal](#)



The highest THETA strategy you aren't using:

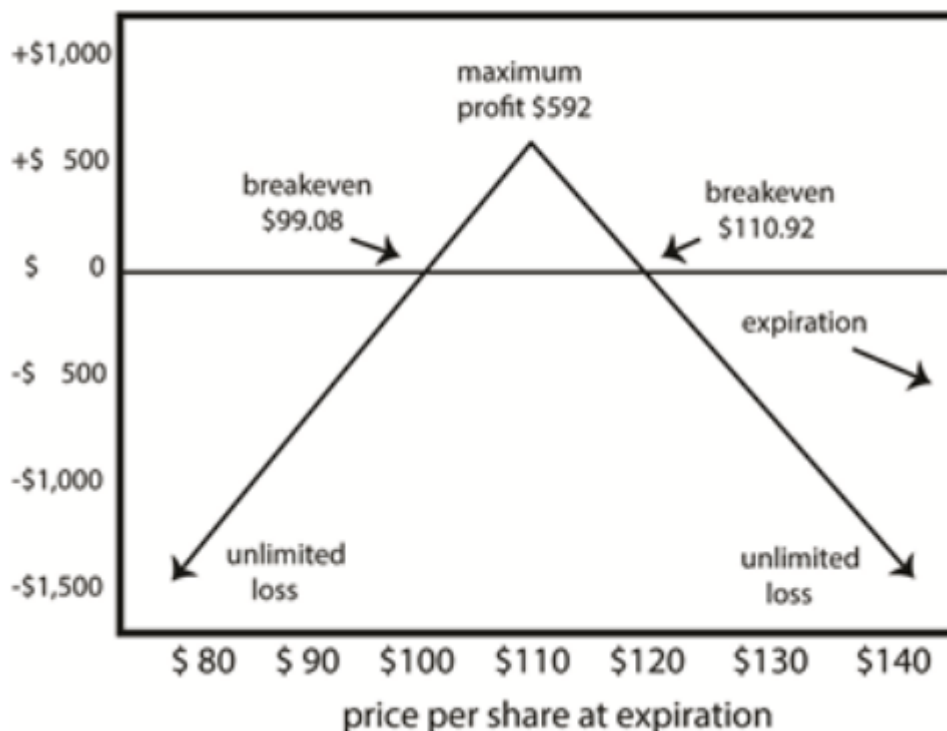
The SHORT STRADDLE STRATEGY.

Knowing how to use it can potentially give you the highest profits if the market stays in a range.

Here's the step-by-step guide: ■

Collaborated with [@niki_poojary](#)

Payoff, short straddle



[@niki_poojary](#) Here's what you'll learn in this thread:

1. What is a Straddle
2. Perks and Drawbacks
3. What to do when in profit?
4. How to adjust when in loss?
5. Videos on Positional Straddles
6. Ratio Straddles

Let's dive in ↓

[@niki_poojary](#) 1/ What is a Straddle?

Selling ATM CE & PE of the same strike price (usually ATM options) is called a short straddle.

Look at the picture below for an example of a short straddle in current weekly options.



[@niki_poojary](#) 2/ Why do traders like short straddles?

The highest theta or highest premium is collected in a straddle.

If the view is right, it can turn into a jackpot trade.

Sometimes the view is neither bullish nor bearish just sideways.

In this scenario, the straddle will work best.

[@niki_poojary](#) 3/ Perks of Straddles

Higher probability - More than 60% winning chance

Can turn directional too - Some strategies hit one leg SL so it turns into a directional trade

Big range - Can trade in Biweekly or Monthly or Far Months to get a wider range as well.

[@niki_poojary](#) Low SL - Can get out with a small stop loss if you trade based on premiums

Adjustments - Can increase your breakevens by deploying another straddle or by using futures

Jackpot - If it expires anywhere near the center you are in for a big big profit

@niki_poojary 4/ Drawbacks of Straddles -

Gaps - If a big gap happens you are in for a big loss

Spikes - If you sell and if IV spikes, you'll be in loss

Don't know max loss - Unlike hedged strategies, you don't know your maximum losses upfront

Margins - Higher than flies or condors

@niki_poojary 5/ When to do a Straddle based on Price action?

If you mark a high and a low on a chart and if the straddle premium is equivalent to the range you think the market will trade-in.

This is the perfect time to do a Short Straddle.

Also when you think the IV is very high.

@niki_poojary 6/ What do Straddlers do when in loss?

- Sell another straddle to increase breakeven
- Can go future long/short to mitigate directional risk
- Shift the straddle to where the market is to again get maximum theta
- Average by selling another straddle at a different strike

@niki_poojary 7/ What to do when in profit?

- Don't have to react until your combined SL hits for intraday, can keep lowering the SL to lower your risk.
- Positional traders don't need to react till their level breaks.
- Until the market is stuck in a range it is simple.

@niki_poojary There are very different methods to adjust straddles.

I can make a very good thread on just its adjustments for different scenarios.

Adjustments are not the same every time.

[@niki_poojary 8/](#) Straddle with different ratios

Traders usually add to the winning leg and sometimes play with ratios when it comes to their view.

For eg, if you have sold a straddle with a neutral view and your view is turning bullish.

They sell more ATM puts and vice versa for bearish.

[@niki_poojary 9/](#) Tastytrade is perhaps the best channel to learn Strategies and their adjustments from.

Here is a video of them explaining Short Straddles.

<https://t.co/fJteODQjgp>

[@niki_poojary 10/](#) [@saketh1998](#) from [@optionables](#) is also an amazing trader who has been trading Straddles for a long time, both positional and intraday.

Check out his approach towards Positional Straddles.

<https://t.co/SakmiOu5PG>

[@niki_poojary](#) [@saketh1998](#) [@optionables](#) 11/ Caution: Extremely Risky

Straddles are not all rosy, they can lead to significant losses if some overnight news comes or if it's not managed properly.

Just wanted to add this article from Motilal so that traders are wary of the risk in doing them.

<https://t.co/H1iqxod67j>

[@niki_poojary](#) [@saketh1998](#) [@optionables](#) If you really liked this thread

Here's another we think you'd love:

<https://t.co/l7vakmDdLB>

There are so many tools related to trading.

But very few provide any real value.

Here are 7 of the most valuable FREE Tools you're not using (but should be): \U0001f9f5

Collaborated with [@niki_poojary](#)

— Aditya Todmal (@AdityaTodmal) [July 9, 2022](#)

That's a wrap!

If you enjoyed this thread:

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2. RT to share this thread with your audience

<https://t.co/0ITqF0jtrs>

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Collaborated with [@niki_poojary](#) <pic.twitter.com/kiha1d7asm>

— Aditya Todmal (@AdityaTodmal) [July 10, 2022](#)