Twitter Thread by Nitish Narang

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Have you tried using Hedges for Margin Benefits?

Let's see how margin behaves with Hedges ■

RT if it helps.

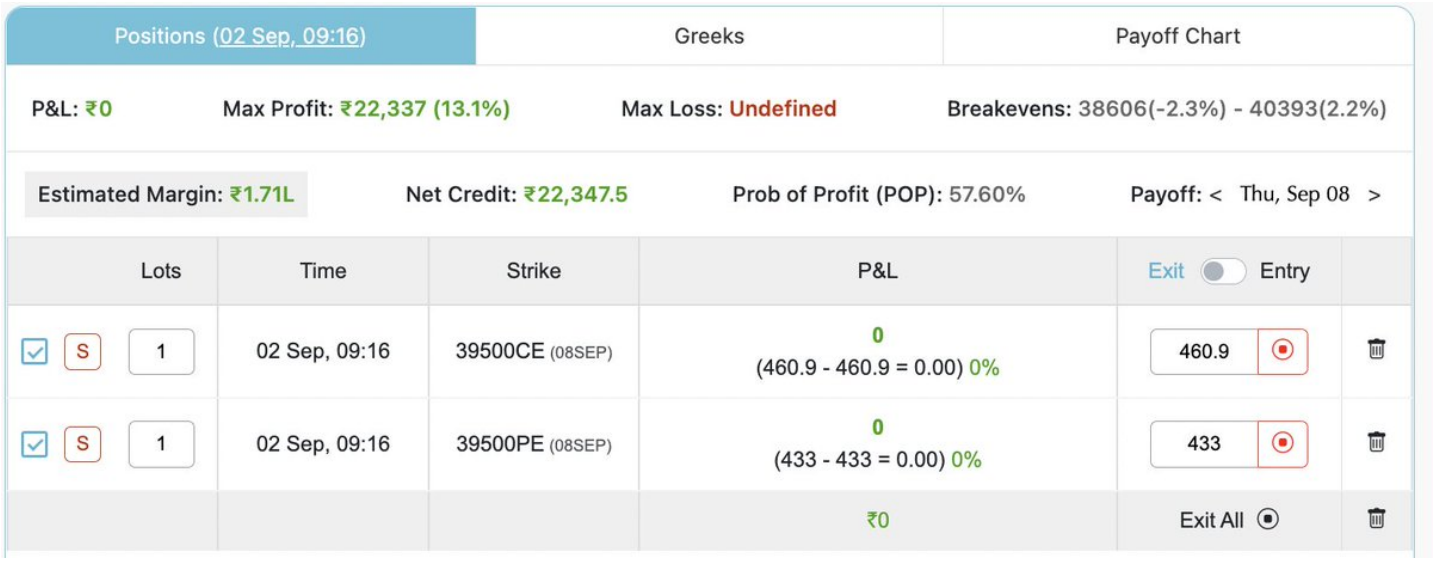
Simple Short Straddle Without Hedge:

Strategy: Short ATM CE, Short ATM PE

Margin: 1.71L

POP: 57%

Backtest this strategy: https://t.co/kC0hucRQEv

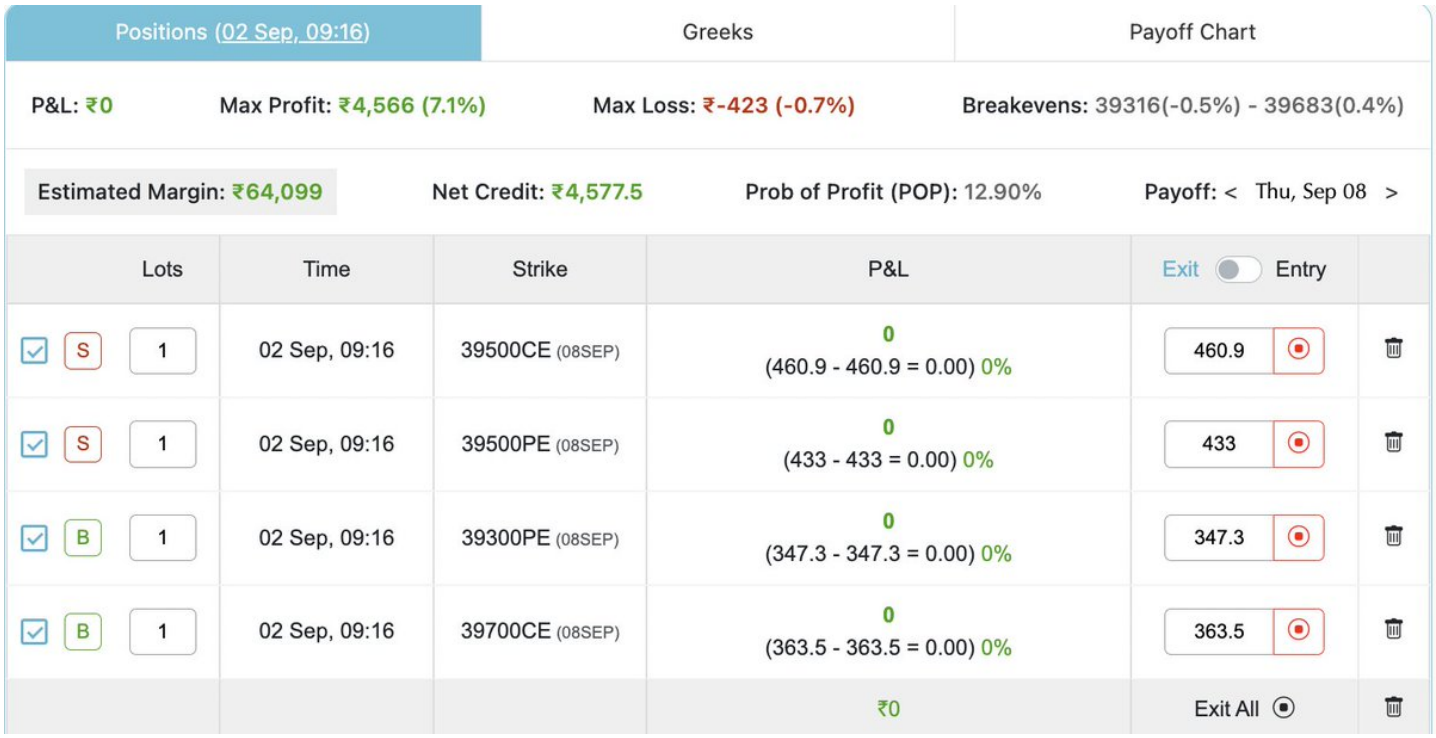


Let's start with Tight Hedge 200 points away

Strategy: Short ATM CE, Short ATM PE and Long ATM + 200 CE, Long ATM - 200 PE

Margin: 65K

Backtest this strategy: https://t.co/mbs0hivyI8

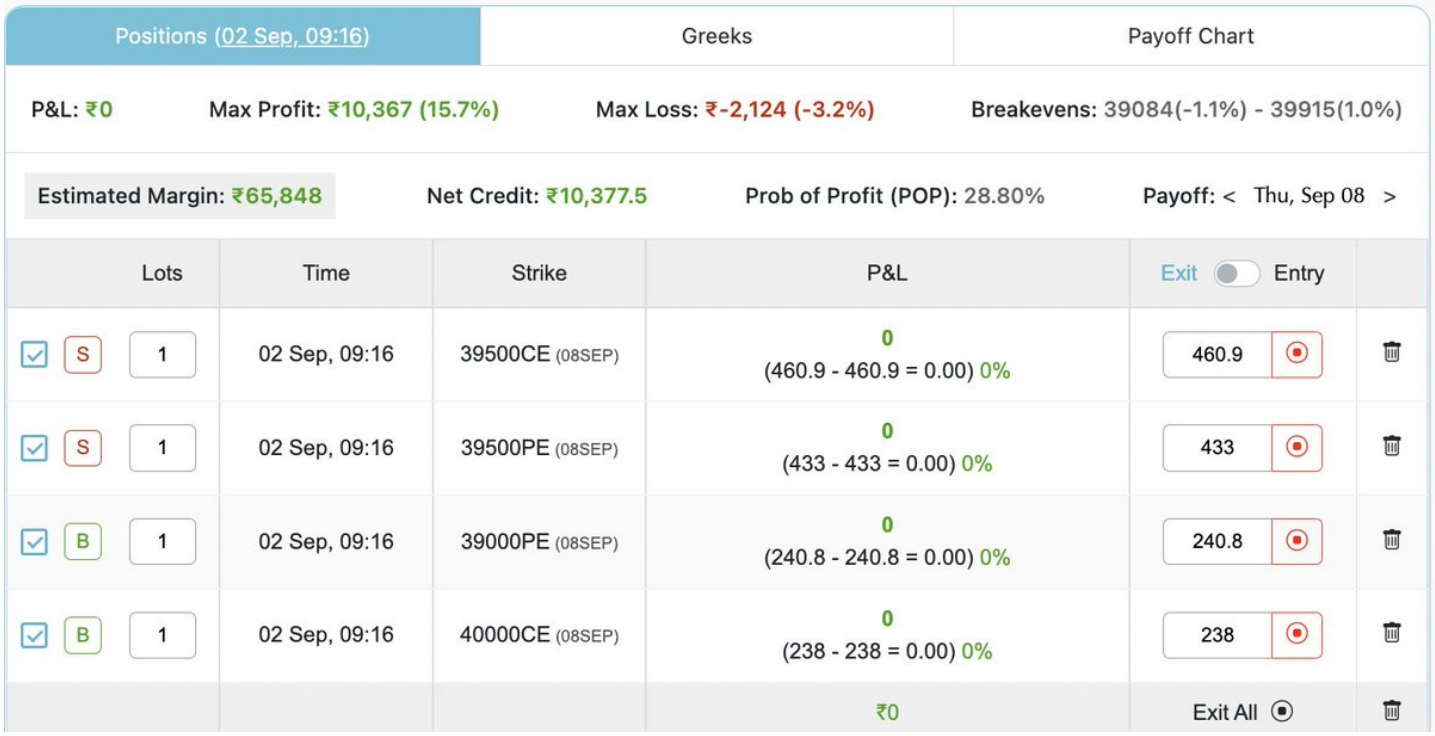


Let's go little far away 500 points away

Strategy: Short ATM CE, Short ATM PE and Long ATM + 500 CE, Long ATM - 500 PE

Margin: 66K

Backtest this strategy: https://t.co/HwqYLMI6wN

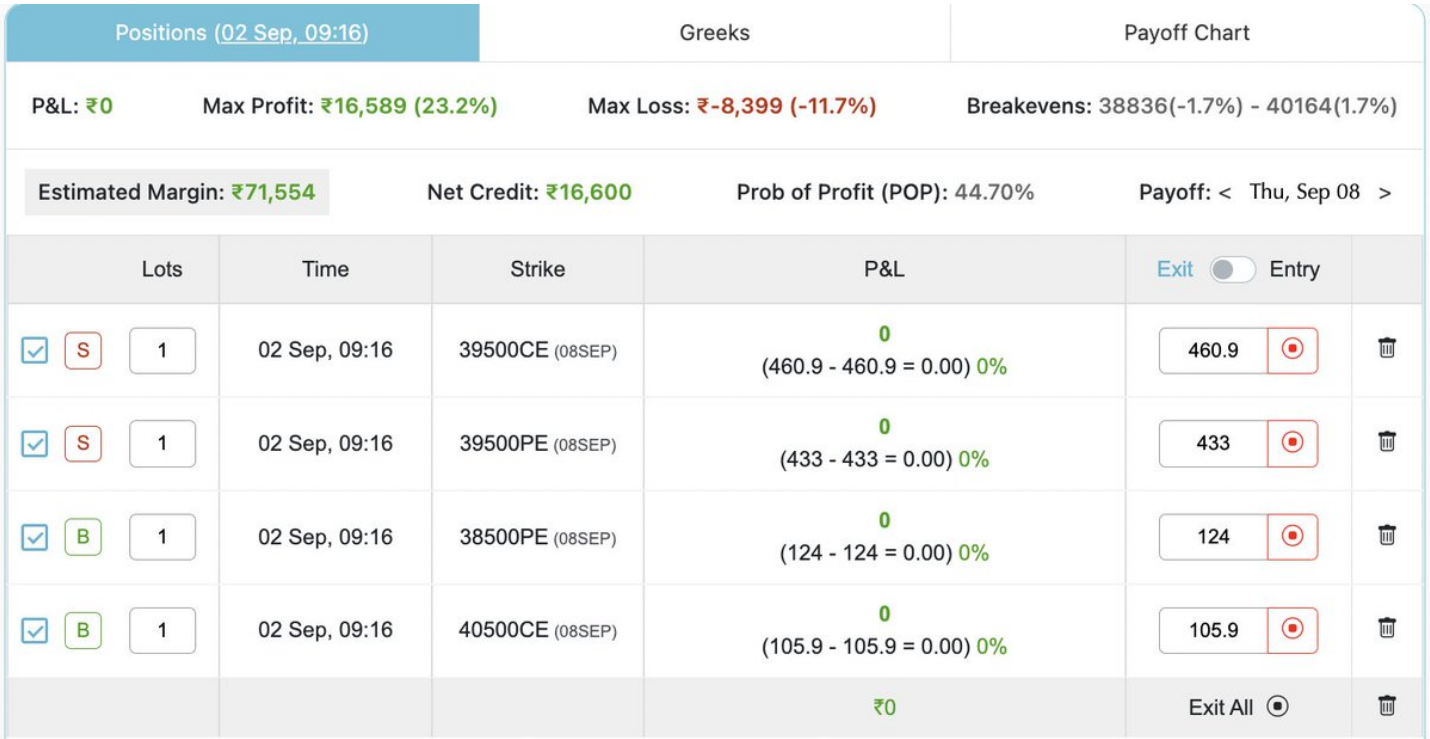


Margins at 1000 points away Hedge

Strategy: Short ATM CE, Short ATM PE and Long ATM + 1000 CE, Long ATM - 1000 PE

Margin: 72K

Backtest this strategy:
https://t.co/ItDAeNgj2i



Now you can clearly see above that on Fridays hedges at even 1000 points away are keeping us under 75K margins but Hedge Premiums are above 100 Rs.

Let's try some smaller premium hedges and see how margin behaves. ■■

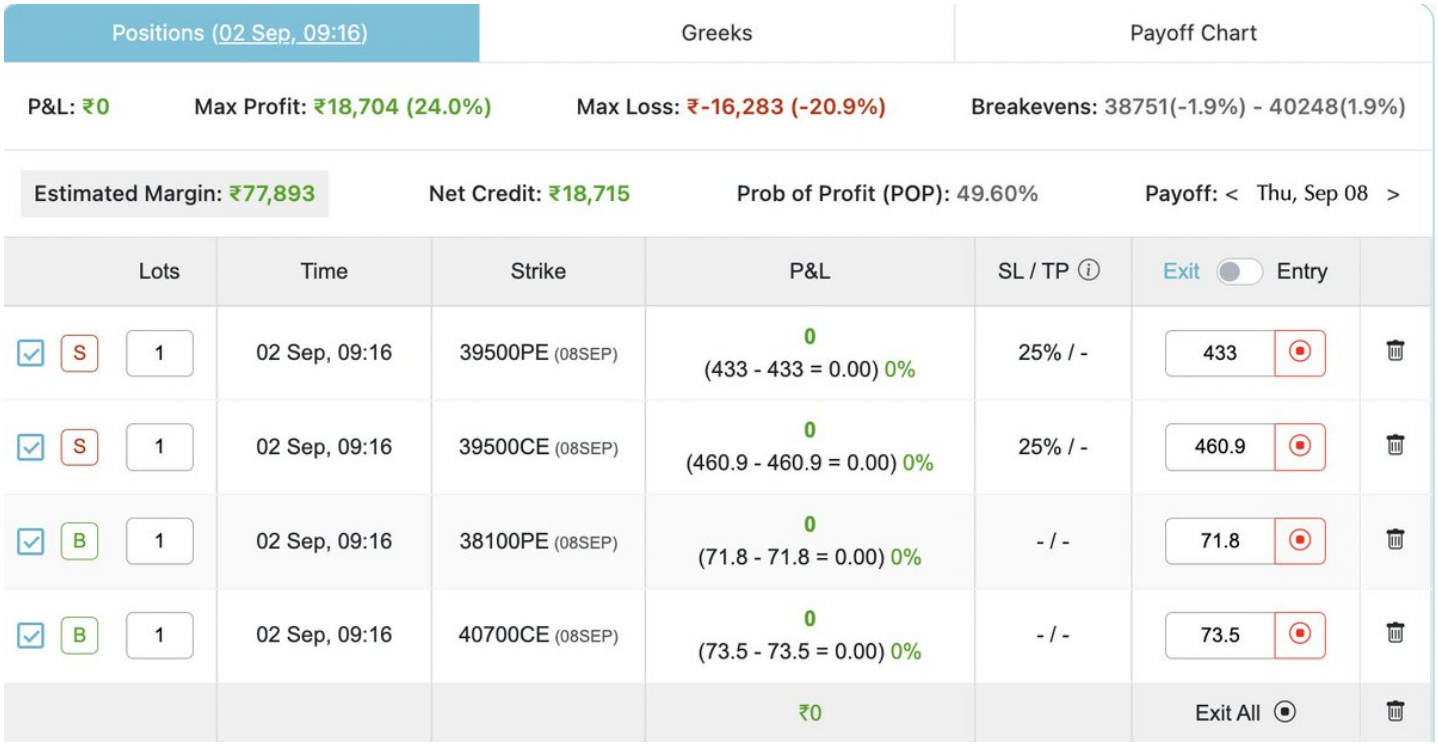
Hedge of Closest to 75Rs Premium

Strategy: Short ATM CE, Short ATM PE and Long ■ ~75 CE, Long ATM ■ ~75 PE

Margin: 78K

POP is now closed to 50%

Backtest this strategy:
https://t.co/i4Awsu7QjV



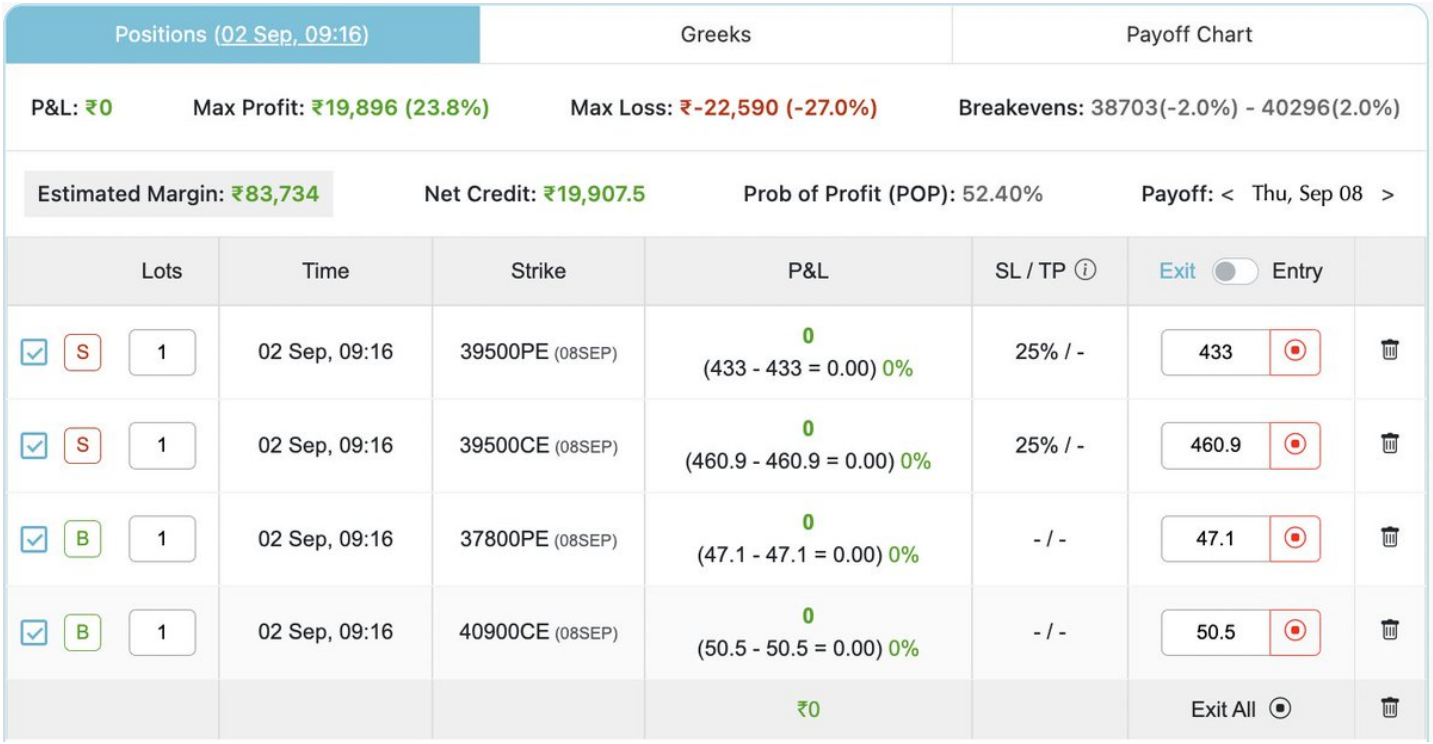
Hedge of Closest to 50Rs Premium

Strategy: Short ATM CE, Short ATM PE and Long ■ ~50 CE, Long ATM ■ ~50 PE

Margin: 85K

POP is now closed to 50%

Backtest this strategy:
https://t.co/Ia0JaB7MRa



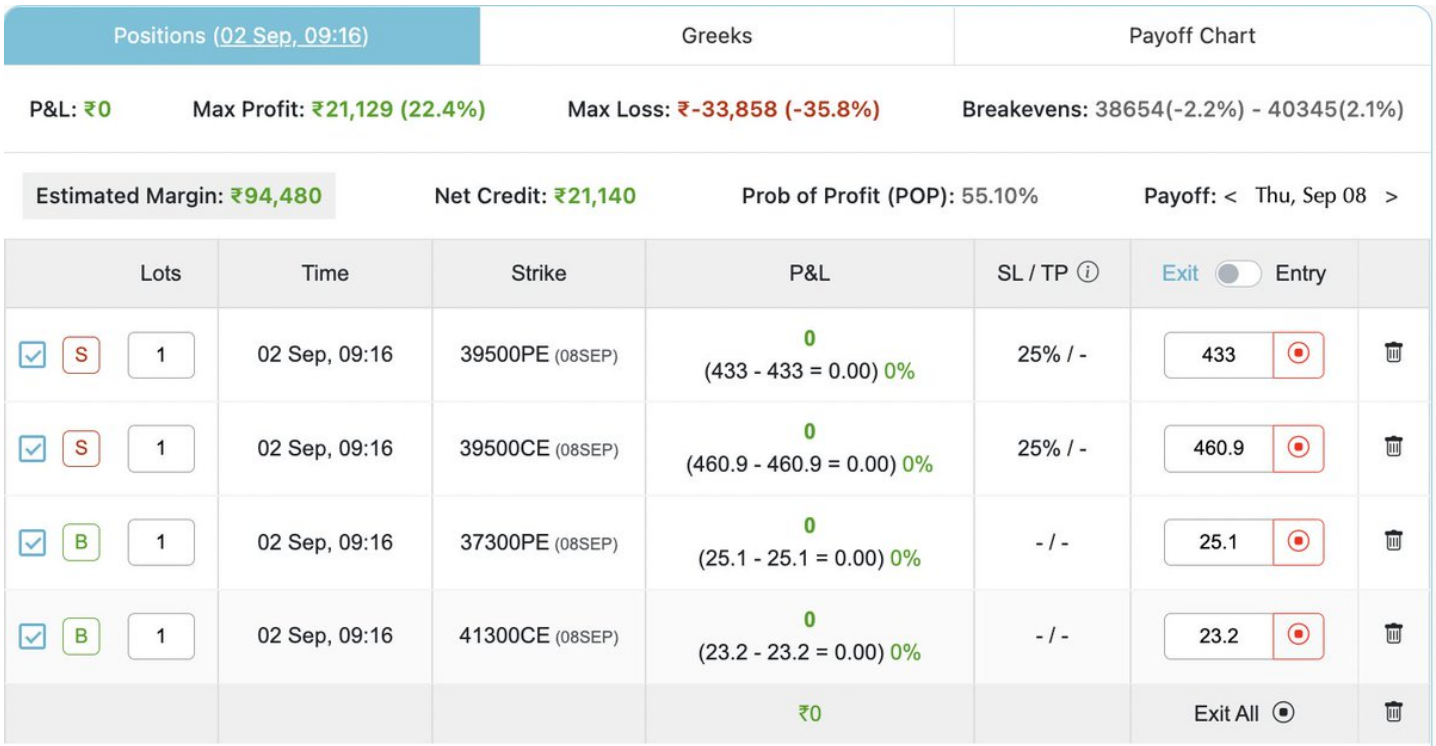
Hedge of Closest to 25Rs Premium

Strategy: Short ATM CE, Short ATM PE and Long ■ ~25 CE, Long ATM ■ ~25 PE

Margin: 95K

Backtest this strategy:

https://t.co/C9Sy2EWcTd

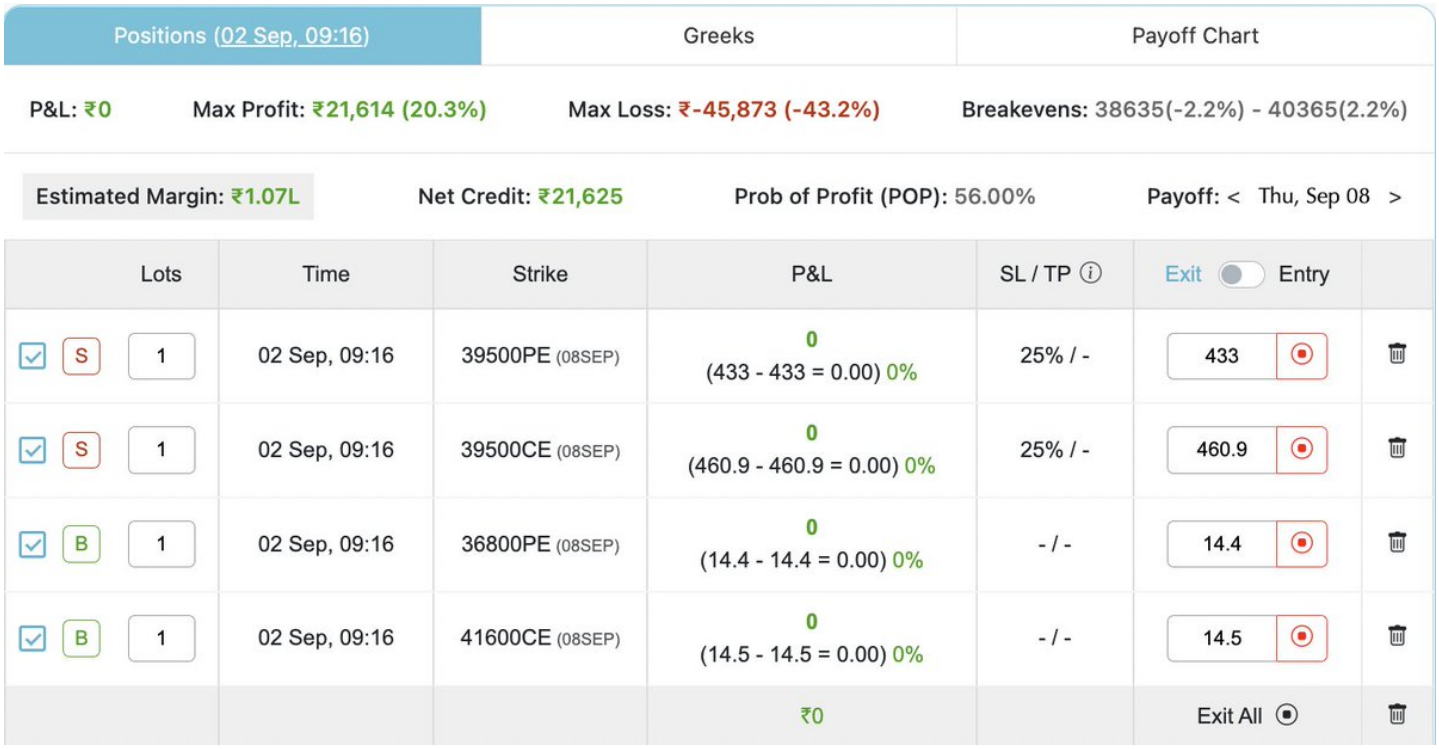


Hedge of Closest to 15Rs Premium

Strategy: Short ATM CE, Short ATM PE and Long ■ ~15 CE, Long ATM ■ ~15 PE

Margin: 1.07L (finally crossed 1L Margin)

Backtest this strategy:
https://t.co/opKlPKYq5p



Disclaimer: Above mentioned strategies in not a recommendation but a framework for you to see if Hedges can benefit you in some way or not.

Btw, If you wish to try Lot more combinations to see "Estimated Margin" you can easily get that in our Simulator:

https://t.co/0OOaYrm7KA