

## Twitter Thread by Yash Mehta



**Yash Mehta**  
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**Over 99% of the option traders lose money in option trading because of not following proper Risk Management and Position Sizing.**

**In this thread ■, shared three steps that can help you in Option Trading even with small capital.**

**A complete course worth ■ 50K for free.**

1/ Creating a view based on some analysis:

It can be Technical/Chart, Option Chain or some Data analysis.

We have written a thread last week on what all the basic strategies you can use based on your view.

Checkout the thread here■■■

<https://t.co/rVd2SkBiYR>

Option trading is tough as there are many strategies based on different market view.

Sharing 6 basic Option Strategies for free that you can use based on different market view (sold as a ₹ 25,000 course!).

A thread \U0001f9f5:

— Yash Mehta (@YMehta\_) [September 30, 2022](#)

Now, after forming a view on a stock or index, don't directly jump to take the position.

Analyze the position first.

Some free tools that you can use are:

- Opstra
- @BeSensibull : Integrated with your Broker

We will talk on how to analyze Nifty Option trades from option selling perspective and what all things to look at.

Same thing you can replicate for Stock or Banknifty Options as well.

2/ Analyzing the position:

Let's say I am having bullish view on Nifty, then I can simply short Put Options and Hedge it as well so that margin requirement will reduce.

Let's assume Nifty is at 17000.

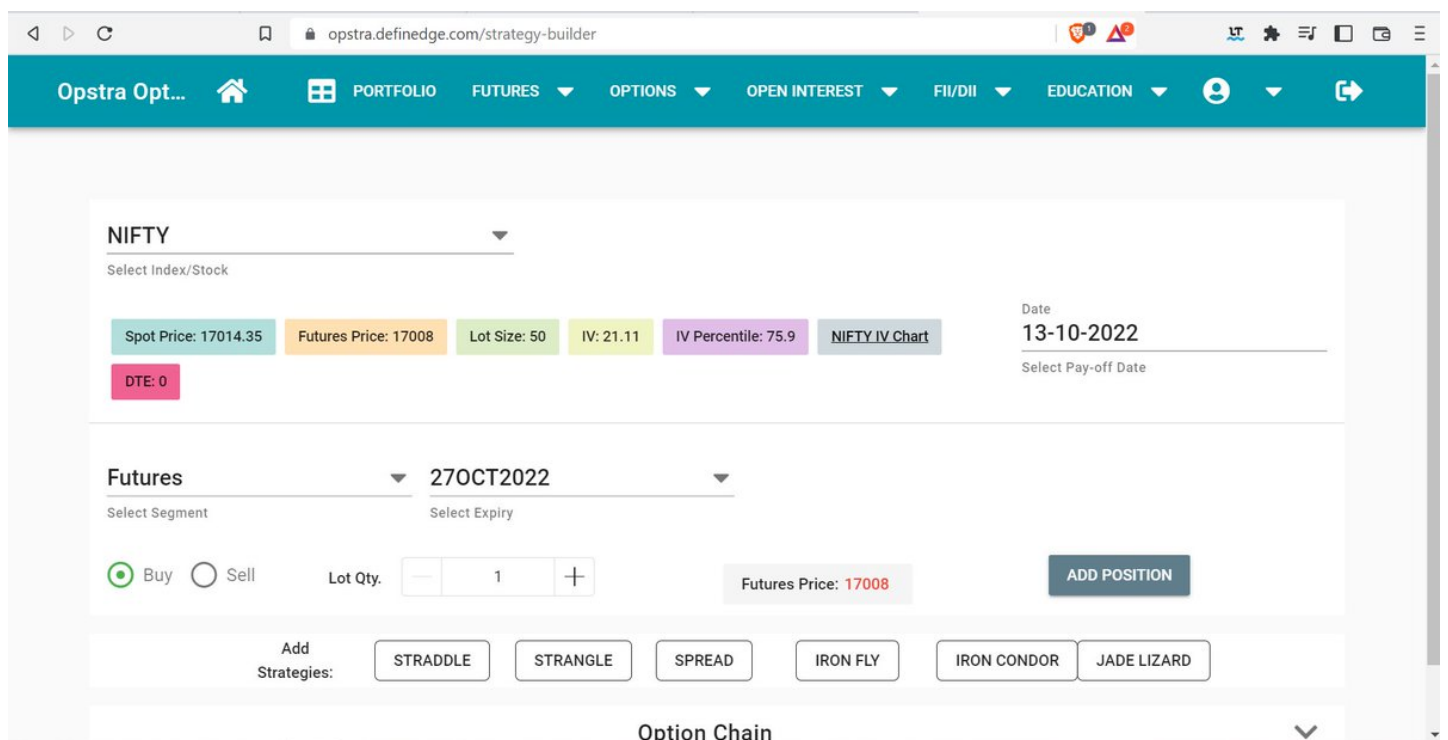
So I am looking to short 17000 PE and Buying 17800 PE.

Now, use Opstra Strategy Builder to analyse the position.

Link: <https://t.co/BhduWZO3F>

Something like this will open on your browser.

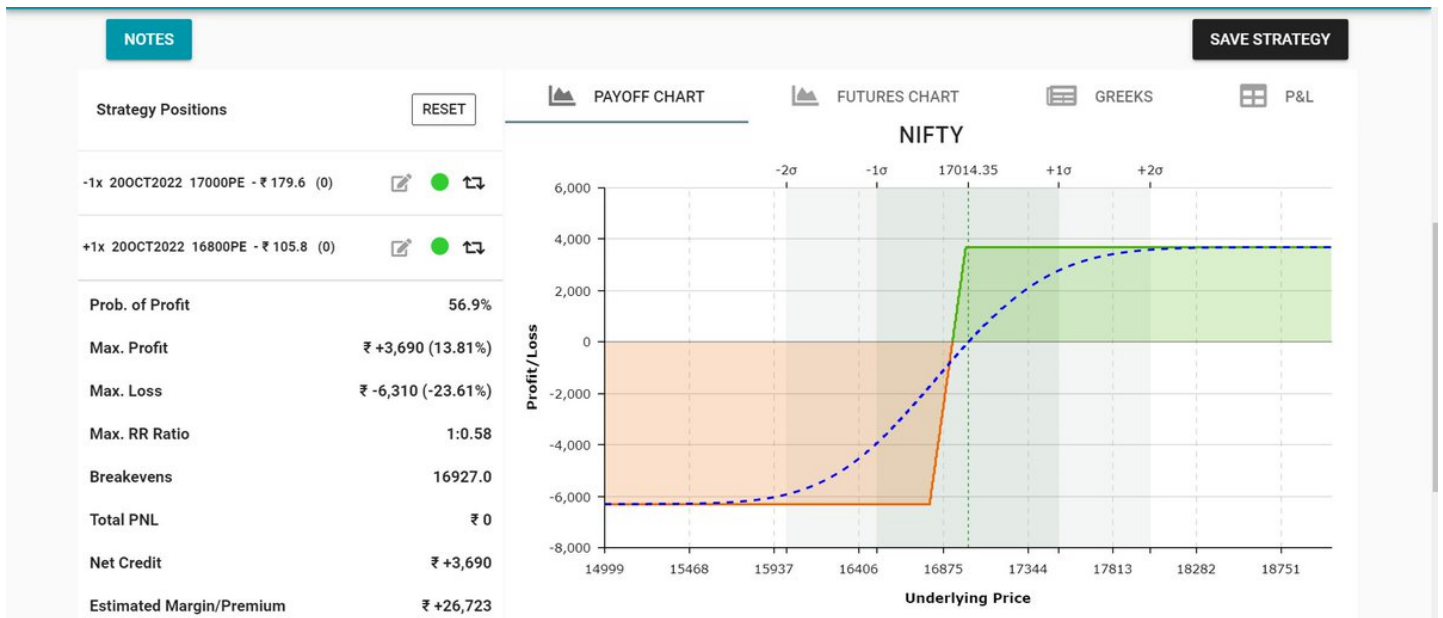
So here you can select various expiry, Stock or Nifty/BankNifty Futures/Options.



So, I will simply add my position here in the Opstra which was 17000 PE sell and 17800 Buy as hedge.

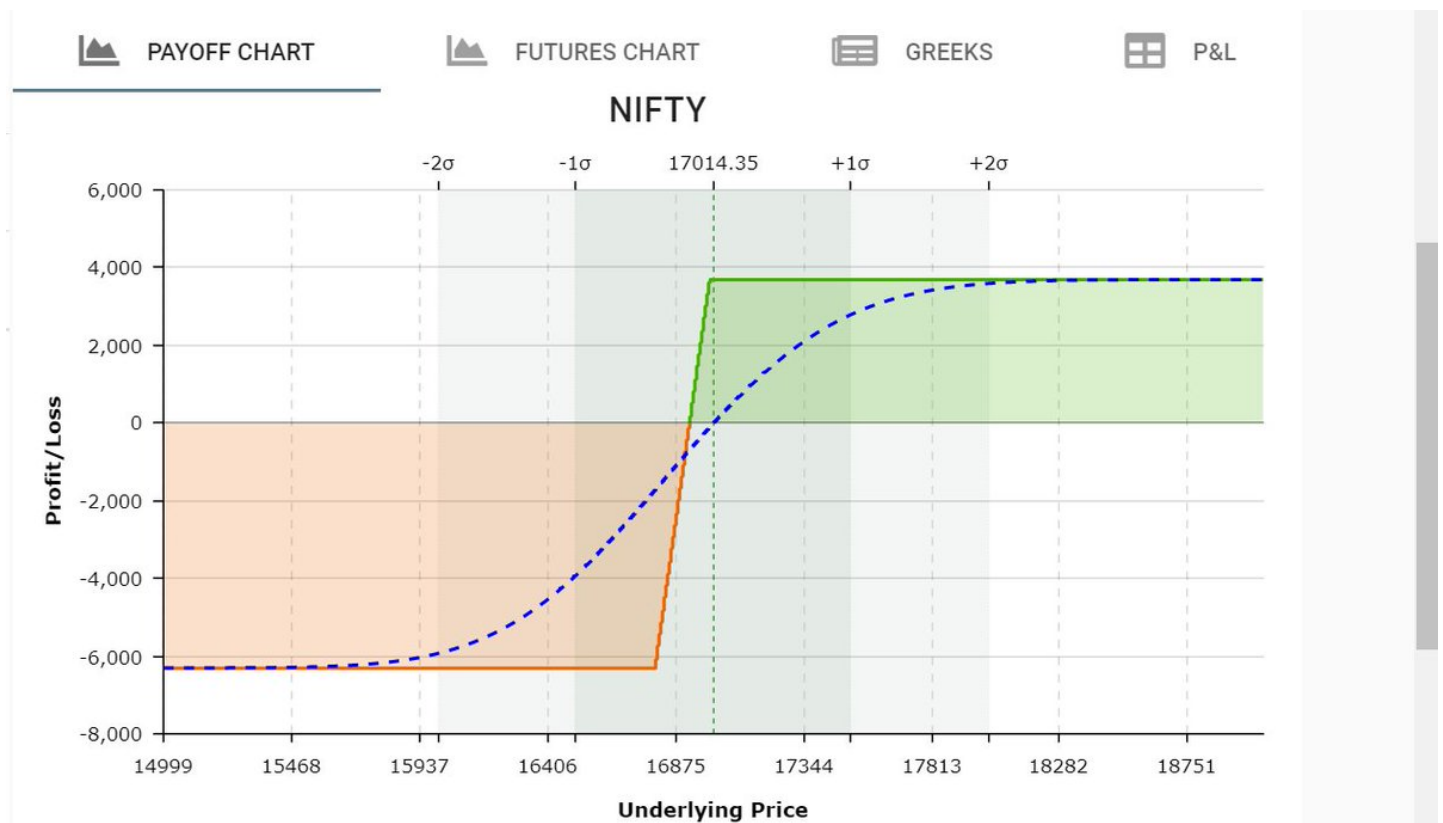
After adding position, it gives some additional information about the position.

In this, most important is Max Loss. For current position, max loss is Rs 6,300 with one lot.



Other things are Probability of Profit, Max Profit, R:R ratio (this will not be favorable for option seller), Breakeven points and Margin Requirement.

Other than these, there is a graph which shows how payoff will look like on expiry(shaded part) and today (blue dotted line.)

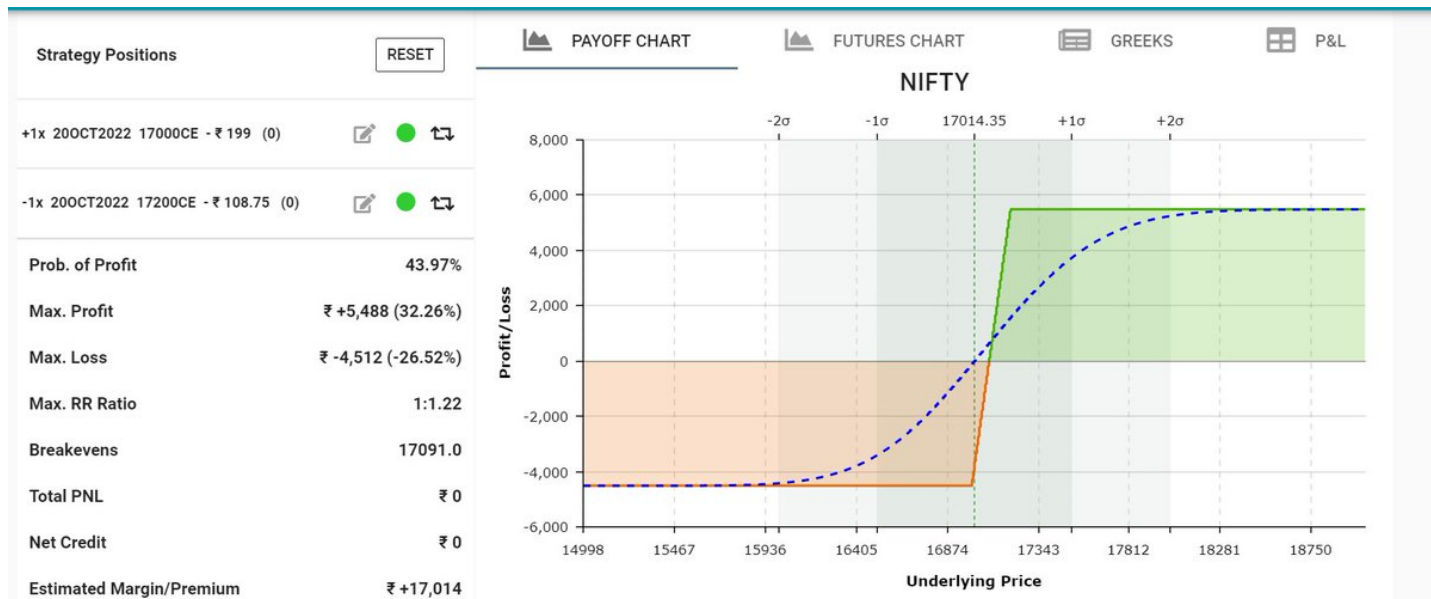


If you are an option seller, then it's advisable to keep Stoploss at Breakeven levels or if the main option position becomes ATM.

Option buyers will get similar data if we check.

Let's assume the same view, Nifty is bullish.

So I will buy 17000 CE and Sell 17200 CE, or even I buy naked 17000 CE then let's see the data.



### 3/ Risk and Money Management:

This is the most important thing which option traders miss on.

You know how much is your max loss in any position based on the analysis.

So for any position, don't take more than 5% risk on your capital in any position.

There is a huge difference in Capital and Margin.

If you see 17000PE sell and 16800 PE buy position then max loss is Rs 6,300 and Margin Requirement is Rs 27,000.

So my risk on margin would be 23% and this is incorrect.

So what is the correct way?

If your max loss is Rs 6,300 and considering this to be 5% risk on the capital, then your minimum capital should be around Rs 1.3 Lakh for this single position.

If you don't have high capital, then adjust your hedge leg so that risk minimize.

If you have Rs 1 Lakh capital to start with option trading then take Rs 3,000 risk on a single position, that's it.

With this, you will manage your risk, and you won't blow up your account.

One more hack here is if you have a certain capital, then you can take multiple option trades provided all the trades are based on different view.

So, if I think Nifty will go up hence took 17600 PE short.

But if I think the market will be sideways (17300-17900) range, then I can take an Iron Condor as well using same capital.

But this will work only if the view is different.

Now this same three steps can be replicated for BankNifty, Nifty, FinNifty, or any stocks Futures and Options.

Also, the same thing can be replicated on Sensibull. Zerodha user can follow these steps.

Create Basket Order and then click on analyze. Same data you will get.

Instrument (2 / 20)	Order type	Qty.	Price	Margin req.
<b>SELL</b> NIFTY 20 <sup>th</sup> * OCT 17000 PE NFO LTP: ₹179.60	<b>MARKET</b> MIS	50	-	1,01,850.79
<b>BUY</b> NIFTY 20 <sup>th</sup> * OCT 16800 PE NFO LTP: ₹105.80	<b>MARKET</b> NRML	50	-	5,290.00

1,07,140.79  
Required margin

98,160.79 ↻  
Final margin [Learn more](#)

Include existing positions

**Execute** **Close**

Just to summarize this thread:

- Create a view (bullish/bearish/sideways).
- Plan your positions.
- Analyze it on the Opstra by adding all the trades.
- Check Max Loss.
- Limit it to max 5% of the total capital.

That's all about how you can plan your Option Trades before and protect yourself from big loss.

If you found this useful, please RT the first tweet.

Also, for live trading and stock market related updates, you can join our Telegram Channel ■■

<https://t.co/RbJJ0xdNEv>