Twitter Thread by Swapnil Kommawar

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How I trade monthly short strangles for regular income

A thread ■■

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■Short strangle means,
Selling OTM call option and Selling OTM put option

Here is a detailed thread on short strangle strategy
https://t.co/mQkdbPR8o0

> NEUTRAL STRATEGIES
>
> If market is sideways, These strategies can be deployed
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> A Thread \U0001f9f5\U0001f9f5\U0001f9f5
>
> — Swapnil Kommawar (@KommawarSwapnil) August 5, 2022

■Generally, this strategy gives good returns when market is sideways but most trader get wrong entries and wrong exist

■Ahead of major event option price will increase because of uncertainty. We have to take advantage of that

■As the VIX is the derivative of option price, we have to check this parameter first

When VIX is >20, it is the right opportunity to deploy short strangle

■If we look at the weekly and monthly candles of nifty, it is easier to identify which strikes to choose

Entry conditions:

■VIX >20
■Choose the strikes which are 6% above and below of nifty in next month contracts
■Combined premium should be in the range of 160-170
■Next month contracts should be taken at the mid of current month

■This is the weekly chart of nifty, which says it is moving sideways and forming Inside bar

Mark those strikes which are 6% away or choose the strikes whose combined premium is 160-170 in next month (Blue horizontal line)

■The combined premium was in the range of 160-165 and VIX was at 20. It is because on Wednesday we had FED Minutes announcement and CPI data

Everyone knows there will be big moves in the market.

■We had big gap up Friday but call options in the November month didn't rise much but Put options collapsed. Now combined premium became 110

We should not hold the short strangle till the November month end

■The logic here is, when you get 25% potential profit in 10% of the time, we should exit it

160 points is the potential profit
Nearly we have to hold position for 45 days complete profit

■When you get 50 points in 3 days only,

do you think it is good to hold position for 110 points for 42 more days?

This is where most trader get wrong, the main edge in short strangle is to deploy when premiums are high and exit when the event is over

■We should not deploy this short strangle in monthly contracts 10 DTE (Days To Expiry) as the premiums would not be sufficient to adjust the positions

■We should target next month contracts for sole reason. Adjustments becomes easy and withstand big moves like yesterday