

Twitter Thread by Aditya Todmal

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I listened to @Ronak_Unadkat Sir's recent interview with @iarjuntandon on Groww so you don't have to.

He went from 4Lakh to 4,00,00,000 Rs. (4 Crore)

Let's learn how he 100x his capital

Takeaways from the interview: ■

Collaborated with @niki_poojary

1/ How did he begin his journey?

Started stock market journey in 2012. Went into full-time in 2021.

Colleagues used to invest in mutual funds and that's how he started in the stock markets.

Started to make 8-10% return per year initially.

2/ Initial Profits

After that he attended a seminar due to his friend where he understood that there's a term called Futures and Options as well.

He had 4 lakh rupees, so he started with that amount.

3/ Lost 60% of his capital

In the next 5 days, his capital grew to 5 lakh rupees followed by another increase of 1 lakh profit in the next 5 days.

In the coming 10 days post his profits, his capital reduced to 2 lakh from 6 lakh.

4/ Instrument traded?

Which instrument was he trading during that initial period?

He was trading full quantities in futures and options buying during that time, without any hedging.

5/ No addition of capital

He has not added any profit since his initial 4 lakh.

Taxes he has managed via his job income.

6/ Do computer background people or Engineers have a special advantage in trading?

Yes. If you have a mathematical mind then it is easy to understand numbers.

7/ Systematic Trading vs Discretionary Trading

He says Systematic Trading is like a blue chip stock that will give you a 25% return yearly.

The success ratio is high in system trading.

9 out of 10 people will make money, but not very high.

8/ Discretionary trading is totally opposite for him.

9 out of 10 people lose money, but the 1 who does make money ends up creating wealth out of it.

9/ Building Capital

To build capital you need to try discretionary trading to make higher returns.

All his trades are discretionary and risk-defined.

10/ How to have a good frame of mind and control emotions?

His frame of mind is always good in discretionary as:

1. He knows his max loss and
2. his stop loss level
3. he already calculates how much he is willing to lose when it hits his stop loss.

11/ Trades on the basis of levels

If going long he will have a support level

If the market comes below the level he will book a loss or else enjoy the profit.

12/ Which trades does he take in his accounts?

90% of the time he has these 4 trades.

1. Debit spreads
2. Credit Spreads
3. Ratio Spread
4. Strangle

13/ What is the benefit of hedging?

1. There is no fear of a capital wipeout.

Naked Strangles are only intraday.

Overnight, everything is capped due to hedging.

2. Second, adjustments are easier to make due to the hedges.

14/ Hedging

Mindful hedging is not the one you do to take more margin.

The one you do for capital protection is what he means.

15/ Why in Intraday he rarely does credit spreads?

What are the disadvantages?

1. Otm's decay faster

100 will fall 10% and become 90 rs.

2. 30 rs will decay 20%. so 6 rs will decay from there.

Intraday this makes no sense as we will get only 4 points.

16/ How he trades Intraday?

Intraday he will buy 200 rs options and sell 100 rs 3 options.

But the catch is that you cannot take these trades overnight.

If a big gap up or a gap down happens these positions will give you a big loss.

So credit spreads should be for overnight trades and ratio spreads for intraday.

17/ How far do you buy your hedges?

No specialized answers It depends on your position.

On Wednesdays, the hedges are closer, on Fridays they are further away.

He checks maximum loss should be 15% of his capital in case of a circuit.

18/ What happens in a mini gap up or gap down?

In a 2-4% gap down he will lose 3-4% of his capital.

Black swans don't happen often, but once in 10 years, they will occur at least once.

When that happens he will lose only 15% of our capital.

19/ Naked sellers will lose huge in circuits

He says that in the case of a big gap in naked selling, one can lose even 80% of his capital.

To recover from this one might take 4 years, which will add to a lot of stress.

20/ Respect risk on the Upside as well

Assume Nirmala Sitharaman's press conference in 2019 happened on a Saturday instead of during market hours.

Surely the market would open with a very big gap on Monday.

He doesn't predict what will happen and is ready for all scenarios.

21/ Indicators and Open Interest

Beginners should try everything and see if it works for them or not.

He likes to play with data so he used to make profits from OI after analyzing them.

22/ Post Leverage Reduction Open Interest

For margins, people started buying otm hedges post leverage reduction.

Now we don't know if people are buying hedges or selling for profits.

That's why harder to do OI analysis from the last year.

23/ Now he does 70% of his trading based on price action.

For breakout trades, he does it via OI unwinding.

24/ Risk Management

Until his level breaks, he will keep sitting in loss also. He won't get out.

Risk management is done automatically by hedging and buying inside hedges.

25/ Don't be afraid of losses

After seeing a loss on the screen you shouldn't get afraid.

If his level is not broken it is common for him to even sit in a 2-3% loss, he won't exit.

He says psychology should not change due to a red MTM.

26/ Return Expectation

10% per month is not possible

The Stock Market is the riskiest market compared to other classes.

Losses chances are high. So returns ideally should be high.

You should make atleast 3-4% monthly returns.

27/ Be prepared for loss Months

If every month everyone is making 4% returns then no one would od a job.

But every month market doesn't award you.

In fact, if you remove the top 10-12 days of his profits every year, he just breaks even on the other days.

Consistent 4% is correct, but it will not happen month on month.

28/ Tips to newcomers:

Lots of free materials as well are there are good trainers.

Get trained from where your psychology will be set for eg in option buying/futures/option selling.

For eg, his psychology is for option selling.

Get to know whether you are a mechanical trader or a system trader?

Or are you a discretionary trader?

29/ Do hedged trading in the first year

Take limited risk and limited profit. You won't have any stressful period in your first year.

He used to make 20-30% returns per year initially when he was learning.

Here's the link to the interview in case you wanted to watch it.

I hope this breakdown was helpful to you.

<https://t.co/8ExCUmVK1g>

That's a wrap! I hope you have a wonderful Wednesday.

If you enjoyed this thread:

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