

Twitter Thread by [Learn to Trade](#)



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Option Buying Simplified

Very important thread for all option buyers ■

Just 5 minutes to read but it can change your trading a lot.

Support us by RETWEET this tweet to help most option buyers to gain knowledge & to avoid getting trapped from big players

OPTION
BUYING
SIMPLIFIED

The graphic features the text 'OPTION BUYING SIMPLIFIED' in large, white, sans-serif capital letters. The background is dark blue with a pattern of light blue hexagons on the right side and wavy lines on the bottom left.

Also from tomorrow (1st September) starting free Daily LIVE MARKET Session via Youtube Live - Follow us on Twitter

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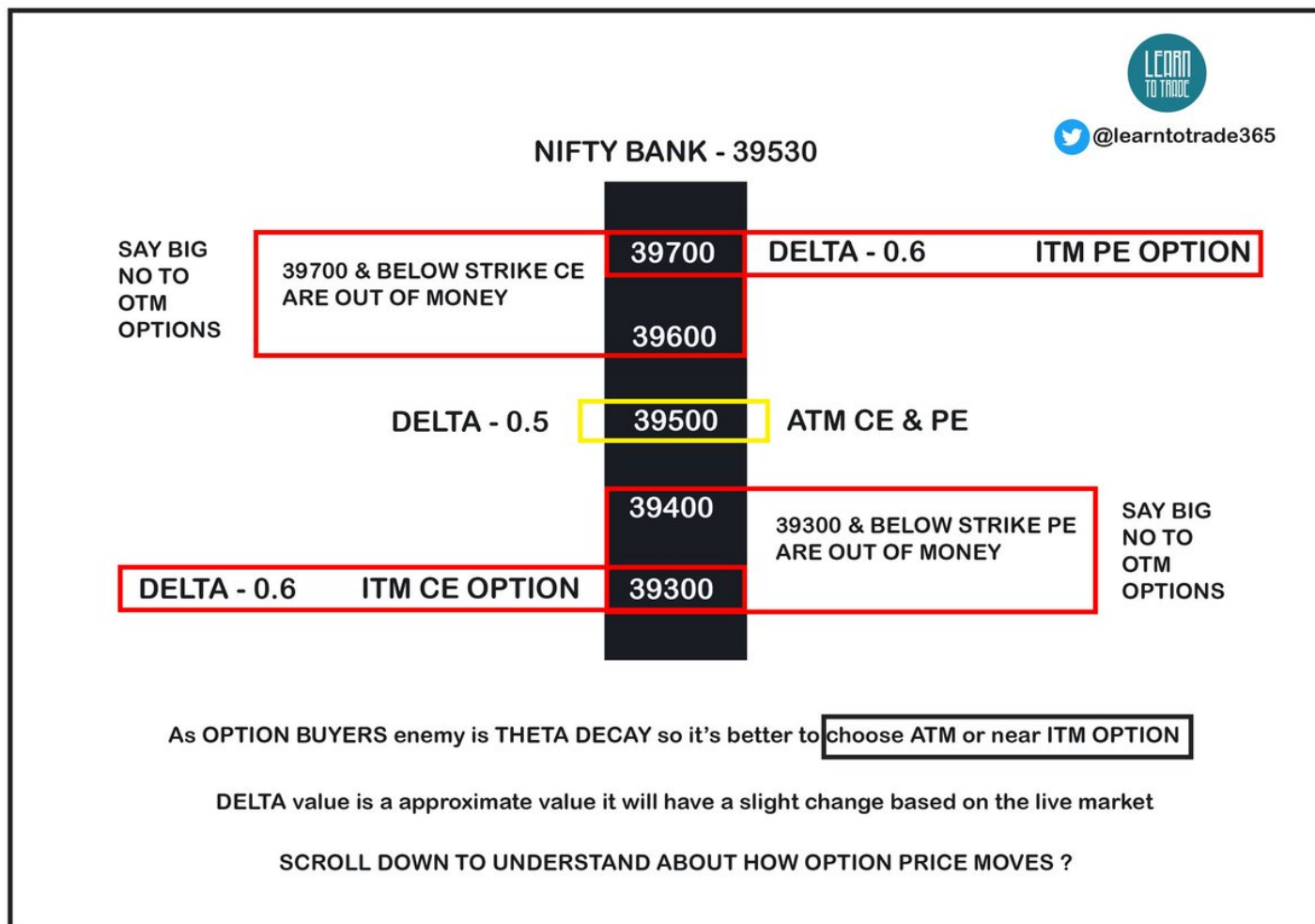
Join the Telegram channel for Live Market updates.

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<https://t.co/VU0bCGAX9s>

Let's first understand the DELTA of an option to get an idea about understanding the option strike price & always as an option buyer don't choose OTM option to trade

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Let's understand how much the option price has a probability to move for every 100 points move in banknifty

Delta effect to the option price movement

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NIFTY BANK - 39530



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SAY BIG
NO TO
OTM
OPTIONS

39700 & BELOW STRIKE CE
ARE OUT OF MONEY

39700

DELTA - 0.6

ITM PE OPTION

39600

DELTA - 0.5

39500

ATM CE & PE

39400

39300 & BELOW STRIKE PE
ARE OUT OF MONEY

DELTA - 0.6

ITM CE OPTION

39300

SAY BIG
NO TO
OTM
OPTIONS

DELTA EFFECT ON OPTION PRICE :

BANKNIFTY MOVING 100 POINTS UP MEANS

DELTA at 0.6 means for first 100 points move without much decay the CE option will give 60 points profit

Same strike price after 100 points move the DELTA will increase from 0.6 to 0.65 so next 100 points the option will give around 65 to 70 points profit and goes on

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Most retail traders big mistake in choosing option strike with a wrong perspective. Don't think it as a cheap option premium - Better choose the QUALITY

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COMPARING	OTM OPTION	CE PRICE - 76	39900	ITM OPTION	PE PRICE - 425
		CE PRICE - 143	39700		PE PRICE - 290
		CE PRICE - 244	39500		PE PRICE - 198
	ITM OPTION	CE PRICE - 374	39300	OTM OPTION	PE PRICE - 133
		CE PRICE - 532	39100		PE PRICE - 93


SCROLL DOWN FOR MORE TECHNIQUE FOR OPTION BUYING

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One of the main reason for retail traders losing money in option buying

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 COMPARING	OTM OPTION		ITM OPTION
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	ITM OPTION		OTM OPTION
	CE PRICE - 532	39100	PE PRICE - 93

Main reason & mindset of choosing more OTM strike as a option buyer :

**Most
Retail
traders**

OTM CE is around 76 so i have capital of 1 Lakh means i can buy upto 52 lots

But ITM CE is around 532 so i have capital of 1 Lakh means i can buy upto only 7 lots



The above thought process is ONE OF THE WORST approach towards option buying - I want to use FULL CAPITAL

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Theta Decay effect on various Option strikes:

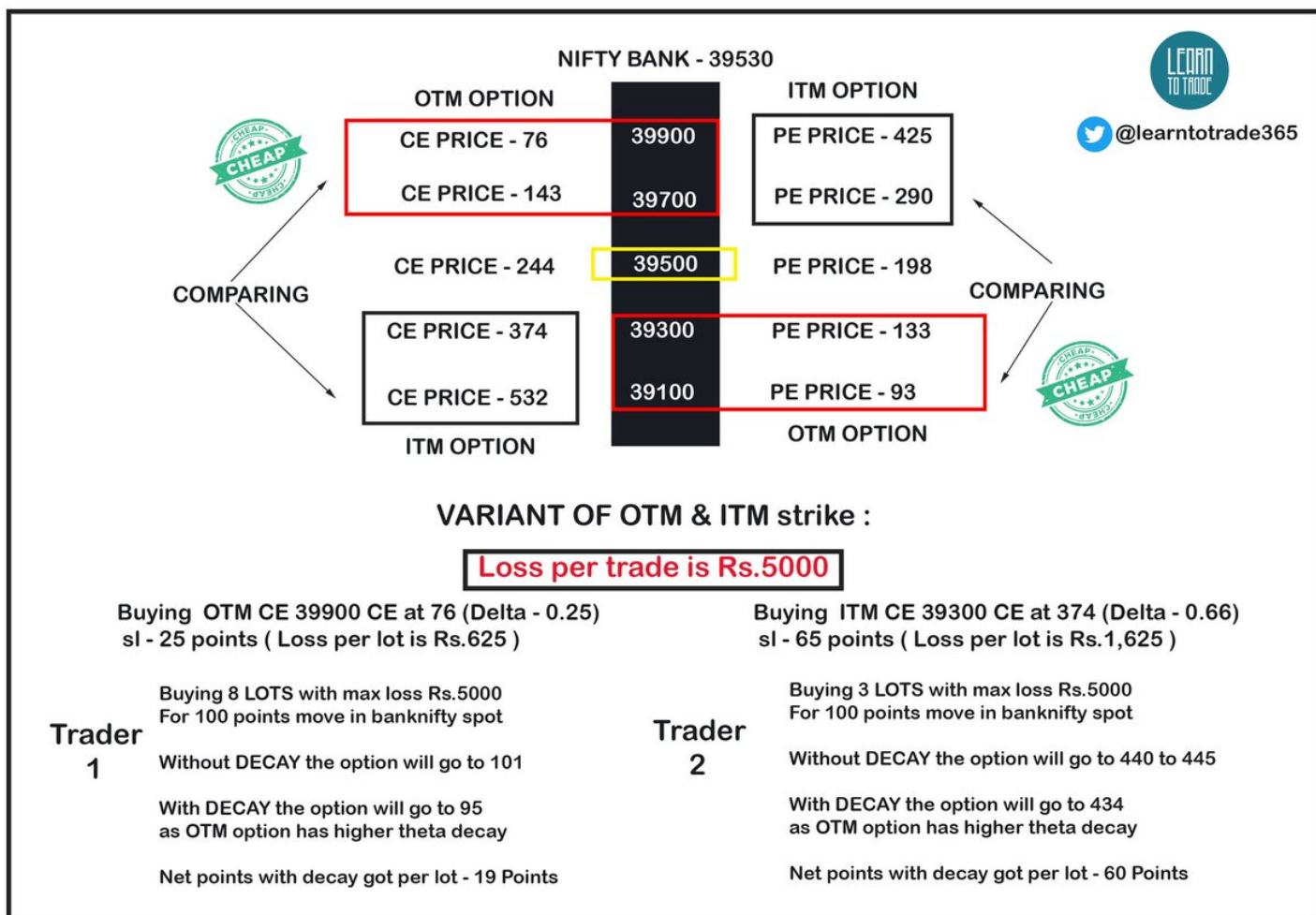
Starts mostly in this below order

OTM strike then --- ATM ---then ITM

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Trading with big quantity doesn't mean a traders will make money quickly - In Trading there is nothing called quick money.

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End of the thread

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Also do check this below MEGA learning thread

<https://t.co/1VnfNSjnhw>

MEGA LEARNING THREAD

The thread contain all the FREE CONTENT which I have shared so far.

Everyone support us by RETWEET & LIKE so it can reach wider and benefit many traders.

YouTube channel - <https://t.co/pUUwDN7IO5>

Telegram channel - <https://t.co/VU0bCGjU7s> pic.twitter.com/f0Uf7ech31

— Learn to Trade (@learntotrade365) August 27, 2022