

Twitter Thread by Swapnil Kommawar



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Bearish Strategies

A Thread, read till the end to compare three

strategies, tried explaining in simple language■■■■

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If we want to trade in F&O, we have to create a view

If our view is bearish, then following strategies can be deployed.



1 ■ Buy Put

■ If our view is to bearish, we can simply buy ATM put and ride the downward momentum.

■ Risk would be limited to the premium we have paid

Reward would be unlimited, as long as it goes below (strike price- premium paid).

Example :

You bought 17200 put option at 135.9

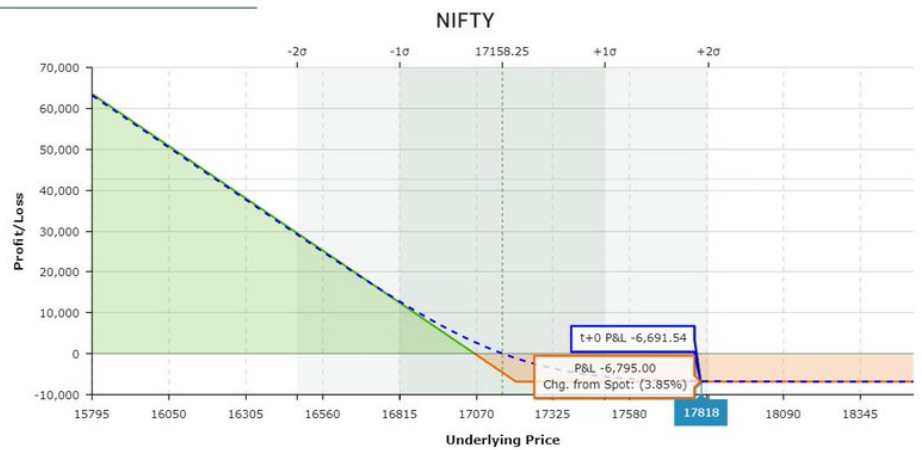
Max loss is nifty lot size = 50 * premium paid

$$50 * 135.9 = 6795$$

In order to be in profit on expiry it should close below $17200 - 135.9 = 17064$

Called as breakeven shown in chart ■

Strategy : Bear Put	
+1x 04AUG2022 17200PE - ₹ 135.9 (0)	
Prob. of Profit	39.08%
Max. Profit	₹ Undefined
Max. Loss	₹ -6,795 (-100.00%)
Max. RR Ratio	NA
Breakevens	0-17064.0
Total PNL	₹ 0
Net Credit	₹ 0
Estimated Margin/Premium	₹ +6,795



■ Bear Spreads

■ Spread strategies are used when our view is neutral to bearish

■ These strategy's are limited risk and limited reward strategies.

2 ■ Bear Put Spread (Debit Spread)

■ We use only put to trade our bearish view

■ In this spread we buy a put option at ATM strike and sell a put option below that strike

■ Risk is limited to the premium which got debited

■ Reward would be limited when it goes below the sold strike.

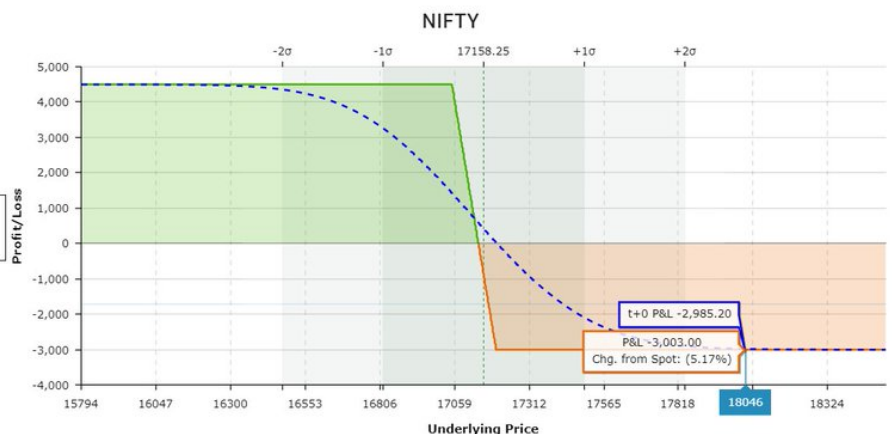
Example : We bought 17200 put at 135.9

Now, we sell below strike 17050 at 75.85

In order to be in profit Nifty at expiry should be below $135.9 - 75.85 = 60.05$

So, $17200 - 60.05 =$ Rounding off to 61 so 17139 ■

+1x 04AUG2022 17200PE - ₹ 135.9 (0)	
-1x 04AUG2022 17050PE - ₹ 75.85 (0)	
Prob. of Profit	47.75%
Max. Profit	₹ +4,498 (26.22%)
Max. Loss	₹ -3,003 (-17.50%)
Max. RR Ratio	1:1.5
Breakevens	0-17139.0
Total PNL	₹ 0
Net Credit	₹ 0
Estimated Margin/Premium	₹ +17,158



3■Bear Call Spread (Credit Spread)

■We use only call option to trade our bearish view

■In this spread we sell a call option at ATM strike of and buy a call option above that strike

■Risk is limited and when it goes above sold call option strike price.

■Reward is also limited as long as it trades below sold strike price.

Example : Sold 17200 at 109.6

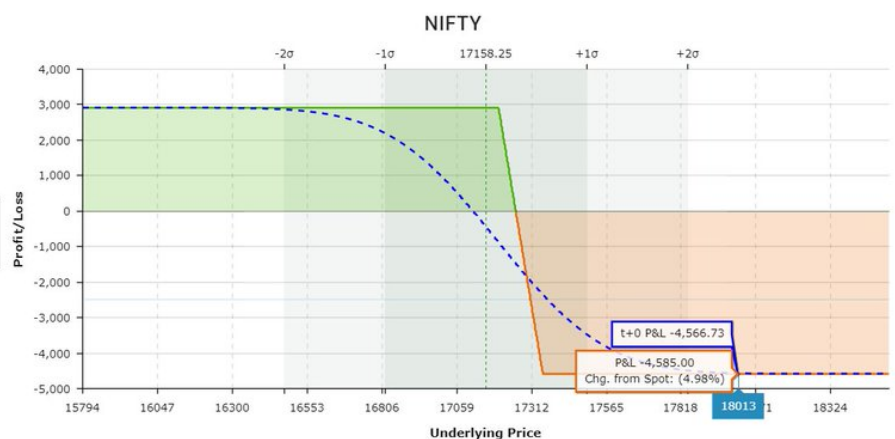
And bought 17350 at 51.3

So, in order to be in profit it has to trade above

$$109.6 - 51.3 = 58.3$$

Now, breakeven is at $17200 + 58.3 = 17258$ as shown in below chart■

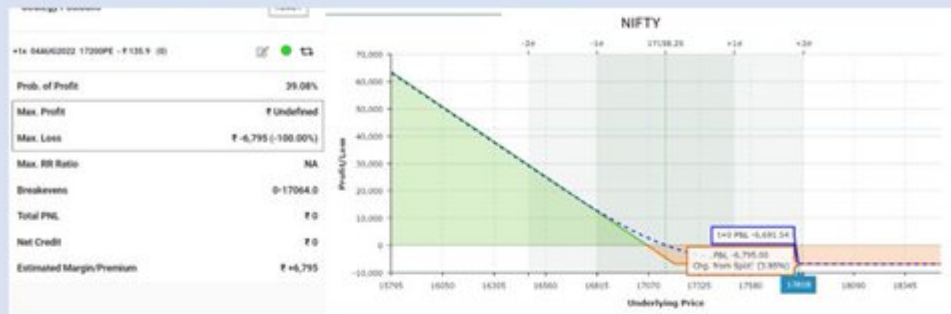
-1x 04AUG2022 17200CE - ₹ 109.6 (0)	
+1x 04AUG2022 17350CE - ₹ 51.3 (0)	
Prob. of Profit	61.47%
Max. Profit	₹ +2,915 (12.50%)
Max. Loss	₹ -4,585 (-19.66%)
Max. RR Ratio	1:0.64
Breakevens	0-17258.0
Total PNL	₹ 0
Net Credit	₹ +2,915
Estimated Margin/Premium	₹ +23,324



Here, you can compare the chart of 3 views which we shared above ■

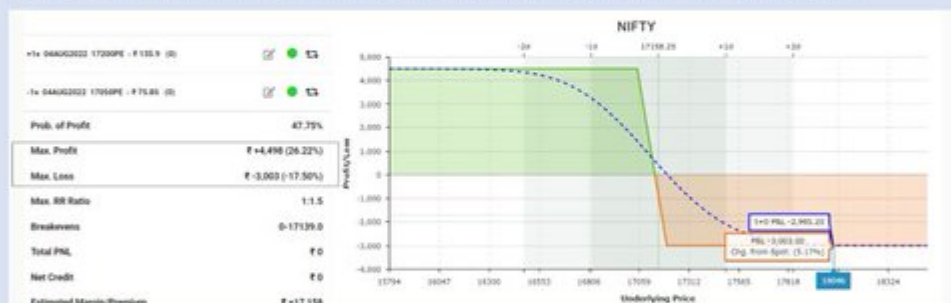
PUT BUY

Simply BUY a PE option of ATM STRIKE. Pay off chart looks this



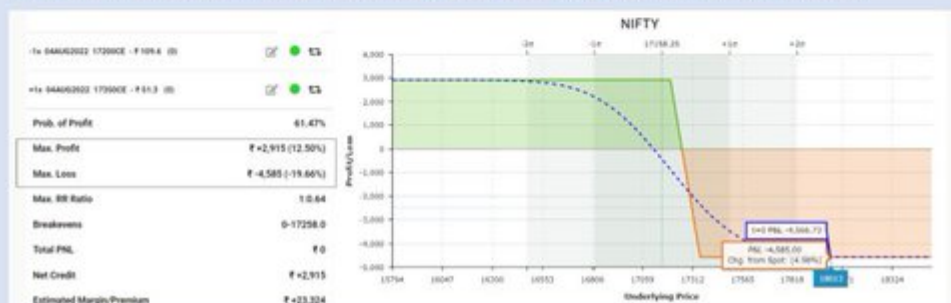
BEAR PUT SPREAD

BUY a PE of ATM STRIKE PRICE and SELL a PE of below STRIKE PRICE. Pay off chart looks like this



BEAR CALL SPREAD

SELL a CE of ATM STRIKE PRICE and BUY a PE of above STRIKE PRICE. Pay off chart looks like this



Goal is to educate and help small traders to trade with hedge, which will help to minimize their risk■

Tried explained about bear spreads in simple language, please let me know if you have any doubts.

You can join my telegram channel through below link ■

If not you can search with options trading with swapnil in telegram

<https://t.co/yY38y9Eepi>