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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 :

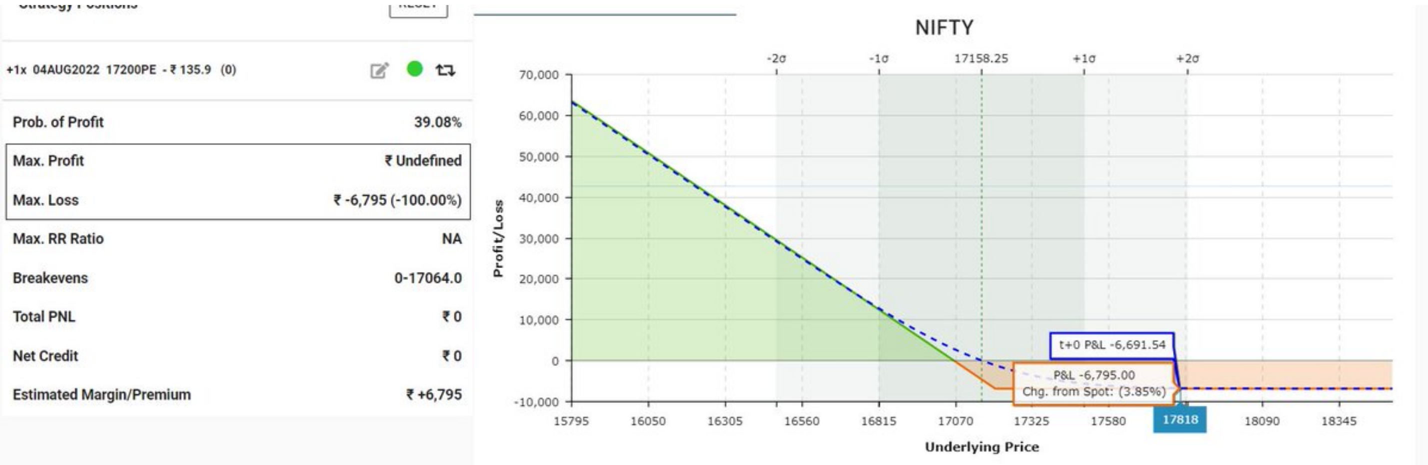
You bought 17200 put option at 135.9

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■



■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

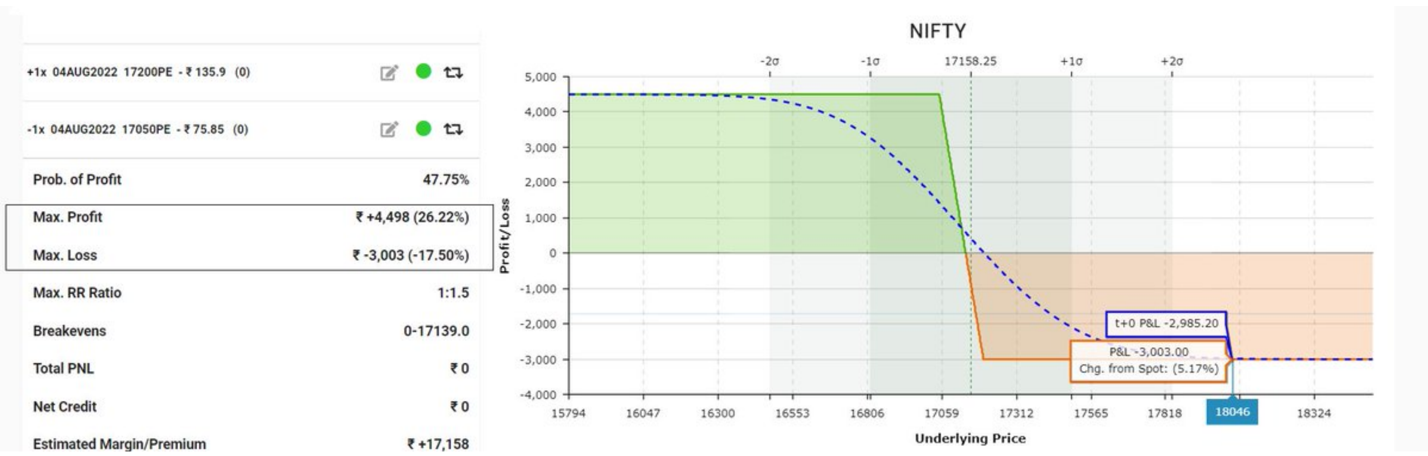
■Reward would be limited when it goes below the sold strike.

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 ■



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.

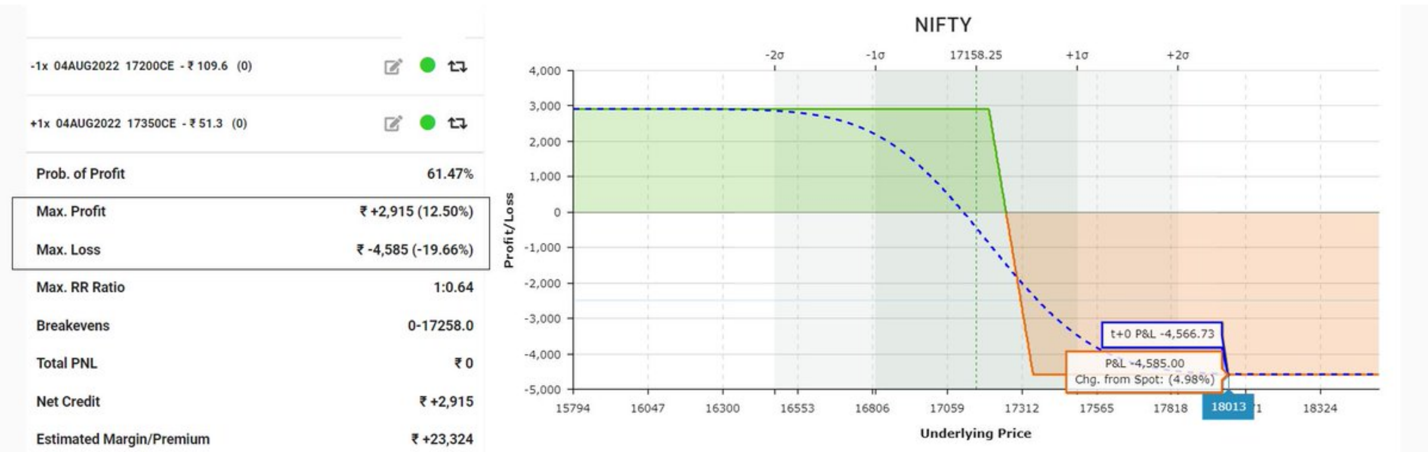
■Reward is also limited as long as it trades below sold strike price.

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■



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

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