Twitter Thread by Sarang Sood



Sarang Sood
@SarangSood

Hello! Welcome to my profile.

This is Master thread of all the useful tweets (imo) that i have shared in the past. Going through them may provide some knowledge on options, volatility, greeks & trading psychology. Will keep updating in the future.

Thanks for following ■

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https://t.co/PKoiCFSrXJ

> FINDING EDGE IN OPTIONS
>
> 24/08/15: Nifty gap down 250 points & another 250 after that. Previous few months return gone, but since I'm quick to take my losses, was saved from ruin. Before that my only edge in option selling was adjustments & my forever edge of following PA. (1/n)
>
> — Sarang Sood (@SarangSood) January 9, 2021

https://t.co/Qd3VpXcBlN

> AN ESSENTIAL THREAD ON OPTION ADJUSTMENTS
>
> Adjustments can be done in variety of ways & depends totally at the discretion of the trader. To get a clear mind we need to know the following:
>
> 1) What to follow,
> 2) How to make the adjustment,
> 3) When to make the adjustment. (1/5)
>
> — Sarang Sood (@SarangSood) June 8, 2020

https://t.co/5AtqFPYFgA

THREAD ON DELTA (The most important GREEK)

Many traders don't indulge in understanding GREEKS because they think they are very complicated.

There are 4 primary greeks:

Delta
Gamma
Theta
Vega

In my experience, understanding DELTA is enough to take benefit of greeks.(1/n)

— Sarang Sood (@SarangSood) January 2, 2021

https://t.co/imMobLg7fv

My trading journey started at the age of 17. Coming from a family of professional traders it was easy to get a headstart & i quickly got accustomed to it. But at that time i didn't have a clue of what I'm getting into. I very well knew how money is made & lost in the markets(1/5)

— Sarang Sood (@SarangSood) August 1, 2020

https://t.co/hs6SX3YUnW

THREAD ON RATIO SPREADS

Whenever vol is on the rise, my go to strategy is always RS. Apart from Jan, Feb & Jul this year when i traded in straddle, 2020 has all been about RS. It's the flexibility of the strategy to trade in both direction & non-direction which i like.(1/n)

— Sarang Sood (@SarangSood) November 29, 2020

https://t.co/YBHPRbTVUL

THREAD ON IRONFLY

These days the most preferred strategy for option sellers due to improved margins is IRONFLY. It's essentially a short straddle with long strangle. Long strangle acting as 'WINGS', which help in capping the unlimited risk associated with a short straddle.(1/n)

— Sarang Sood (@SarangSood) December 12, 2020

https://t.co/CpabHLAhER

Friday's specially after the introduction of weeklies have become very unpredictable for option sellers IMO. Usually I'm able to forsee a volatile move & if not then through hindsight analysis I'm able to understand how a spike manifested, which ultimately adds to my system.(1/n)

— Sarang Sood (@SarangSood) January 16, 2021

https://t.co/gcYxJoGW1t

Many traders feel that trading is a lonely profession, always sitting in isolation facing the computer. Anyone who is serious about trading needs to be prepared to spend lots of time on his own managing trades, improving strategies, developing mindset, controlling stress.(1/5)

— Sarang Sood (@SarangSood) September 12, 2020

https://t.co/x75vDXgeFk

Options volatility can rise in different ways. Below are few which i remain mindful of during market hours:

1) Small delta move, rise in IV.
This is not dangerous because you have received the same premium in your position though momentarily MTM is negative. (1/3)

— Sarang Sood (@SarangSood) August 3, 2020

https://t.co/Lh0N9zHPuL

Traders are majority of times trapped in the 'hindsight bias', which is the tendency to believe after learning the outcome, that he could have foreseen it. This is one of the biggest decision traps & it matters because it gets in the way of learning from our experiences.(1/6)

— Sarang Sood (@SarangSood) October 10, 2020

https://t.co/shc8x9SZBN

I have been exclusively (obsessively) tracking, objectifying, trading volatility since last 12 yrs. My father during his prime time in the 90s was a directional player because there were no options back then.

Volatility is hidden in the depths of vega & delta moves combined(1/3)

— Sarang Sood (@SarangSood) July 8, 2020

https://t.co/iGEYqiE0k8

Nifty moves 100pts down and a strangle increases 10pts. Ways how options would react:

1) Cal only falls 2pts, put increases 12pts.

2) Cal falls 6pts, put increases 16pts.

3) Cal increases 1pt, put increases 9pts.

Same result, but all scenarios have different meaning. (1/3)

— Sarang Sood (@SarangSood) April 28, 2020

https://t.co/0pdboKKtxF

My father made tremendous returns trading in the mid 90s in the markets. A time came when his broker (a well reputed at that time) started replicating his trades & to such extent that he started punching his trades before my father's orders. (1/4)

— Sarang Sood (@SarangSood) June 6, 2020

https://t.co/0QTLEhTFzJ

It is an ironic habit of humans to run faster when we have lost our way. When we know the way we are going steady on the path. But the moment we get lost, we run. We run thinking that if we cover as much ground as possible we can find the right path to walk on. (1/3)

— Sarang Sood (@SarangSood) July 25, 2020

https://t.co/oifB5hFz2j

Majority of times new traders are attracted in this profession by the ROI of pro traders. That's the last thing they should be looking for. Things like risk taken, capital employed, number of profitable years, trading psychology should be taken more into consideration. (1/4)

— Sarang Sood (@SarangSood) September 19, 2020

https://t.co/vDo84dNRXl

On option selling vs buying: In 2009 when i was just one year into option trading, i carried a long strangle in big quantity when Manmohan Singh was re-elected & Nifty opened gap up. I booked a huge profit on my position, only to give half of it away in the next 4 months. (1/5)

— Sarang Sood (@SarangSood) May 25, 2020

https://t.co/yP1q8CIVCj

There's volatility in the delta moves & then there's is volatility in the IV moves. Both are different but equally significant for option traders. While the former is to exhaust the directional traders by hitting their SL, the latter is the same for neutral option sellers.(1/n)

— Sarang Sood (@SarangSood) October 2, 2020

https://t.co/VFodWU89aA

In trading you'll continually find urself coming back to some of the things you previously thought you understood very well. It's a natural process, but something which every trader should be mindful of. Going back to the same things over&over again can hamper the progress.(1/3)

— Sarang Sood (@SarangSood) September 26, 2020

https://t.co/VLo9MkyMhE

If the OTM strangle is not falling (%age wise) as compared to ATM straddle, then it's a sign of volatility coming ahead. OTMs generally tell the truth in advance.

Writers usually track a straddle or a strangle, but we need to track both to improve our decision making. https://t.co/c5hvEO4Nkq

— Sarang Sood (@SarangSood) December 2, 2020

https://t.co/uVEbrZgMbH

All the anxiety that is caused due to over-leveraged, highly speculative positions is stored somewhere in our body. You might not remember consciously the fear that SGX nifty created for a wrong overnight position taken, but your nervous system remembers it very well. (1/2)

— Sarang Sood (@SarangSood) November 21, 2020

https://t.co/s1pBuJRHha

OTM cals are believed to be harmless, but are used smartly to increase IVs.

Many a times when index falls, OTM cals don't fall reflecting in increase in Vix. When index goes up then they don't increase resulting in fall in Vix.

Such phenomena is common leading upto an event.

— Sarang Sood (@SarangSood) October 27, 2020

https://t.co/fL4qaoIdUQ

CATEGORY OF DAYS FOR OPTION SELLERS

This thread is about how premiums behave in different setups. Though identifying them early takes years of practice, being mindful of what's happening in the present can give us an edge. So we can be better prepared with our strategies.(1/n)

— Sarang Sood (@SarangSood) February 13, 2021

Some good suggestions in the comments for expiry day trading
https://t.co/EtQn0epgSM

What are your learnings from yesterday's expiry? Try to be specific.

— Sarang Sood (@SarangSood) March 26, 2021

Everything is complex & everything is simple.
https://t.co/UB7hQm42xH

A lot is said about achieving simplicity in trading. How we need to keep our strategies simple, with objectively defined entry & exits, position sizing, risk management etc

But if simple things work so well, why does one naturally complicate them in the first place?

1/

— Sarang Sood (@SarangSood) April 3, 2021

https://t.co/jvH2PCfQhg

CHRONOLOGY OF SUCCESSFUL TRADING

\u2022 Learn basics of trading but no breakthrough for many months
\u2022 Find a good strategy or trading idea
\u2022 Implement that idea with some capital
\u2022 Start adding more capital because of good returns
\u2022 Start making decent returns for few months

1/

— Sarang Sood (@SarangSood) May 29, 2021

https://t.co/9Tfw6LAAAK

Understanding HIGH & LOW VIX

VIX at 16: If you check today's IV behaviour, they were not spiking much even with decent delta move in BNF. The

movement was subtle, giving some time to adjust. So someone having good adjustment mechanism can stay in the game longer.

1/

— Sarang Sood (@SarangSood) June 4, 2021

https://t.co/aBFsb6TkkZ

A THREAD ON @SarangSood

Decoded his way of analysis/logics for everyone to easily understand.

Have covered:
1. Analysis of volatility, how to foresee/signs.
2. Workbook
3. When to sell options
4. Diff category of days
5. How movement of option prices tell us what will happen

— Aditya Todmal (@AdityaTodmal) March 6, 2021