Twitter Thread by Sourabh Sisodiya, CFA



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Options Thread

How options allows to change and adjust view dynamically.
Let’s understand with a live example.

Example : Nifty is at 11921 and you are bullish on Nifty.

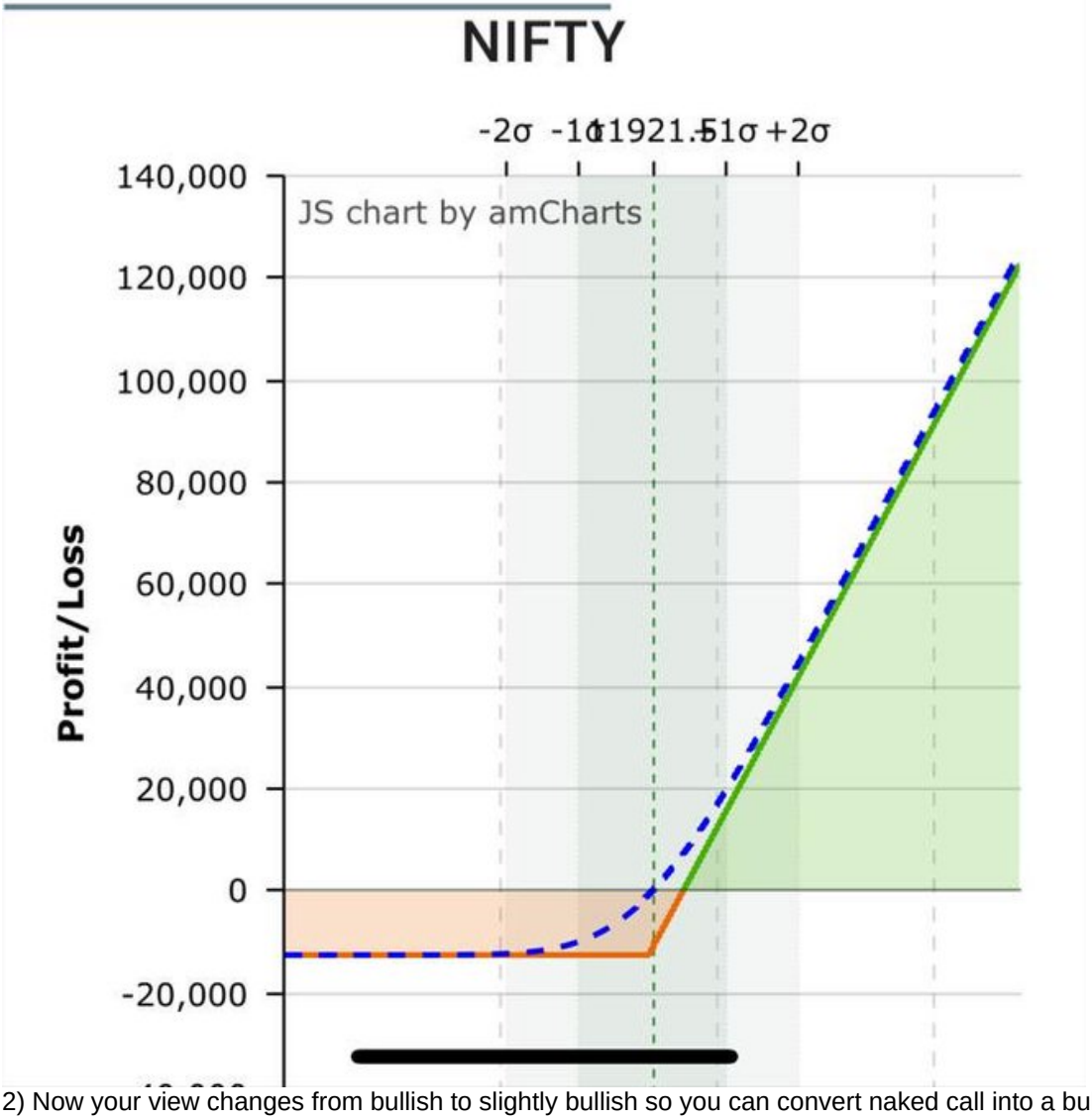
1) Buy Naked 11900 CE(call) at 167

Breakeven : 12068
Max Loss : Rs 12555
Max Profit : Unlimited

Max. Profit	₹ Undefined
Max. Loss	₹ -12,555
Breakevens	12068.0
Total PNL	₹ 0
Net Credit	₹ 0
Estimated Margin/Premium	₹ +12,555

Option 1

PAYOFF CHART GREEKS



2) Now your view changes from bullish to slightly bullish so you can convert naked call into a bull call spread by selling 12100 CE at 72

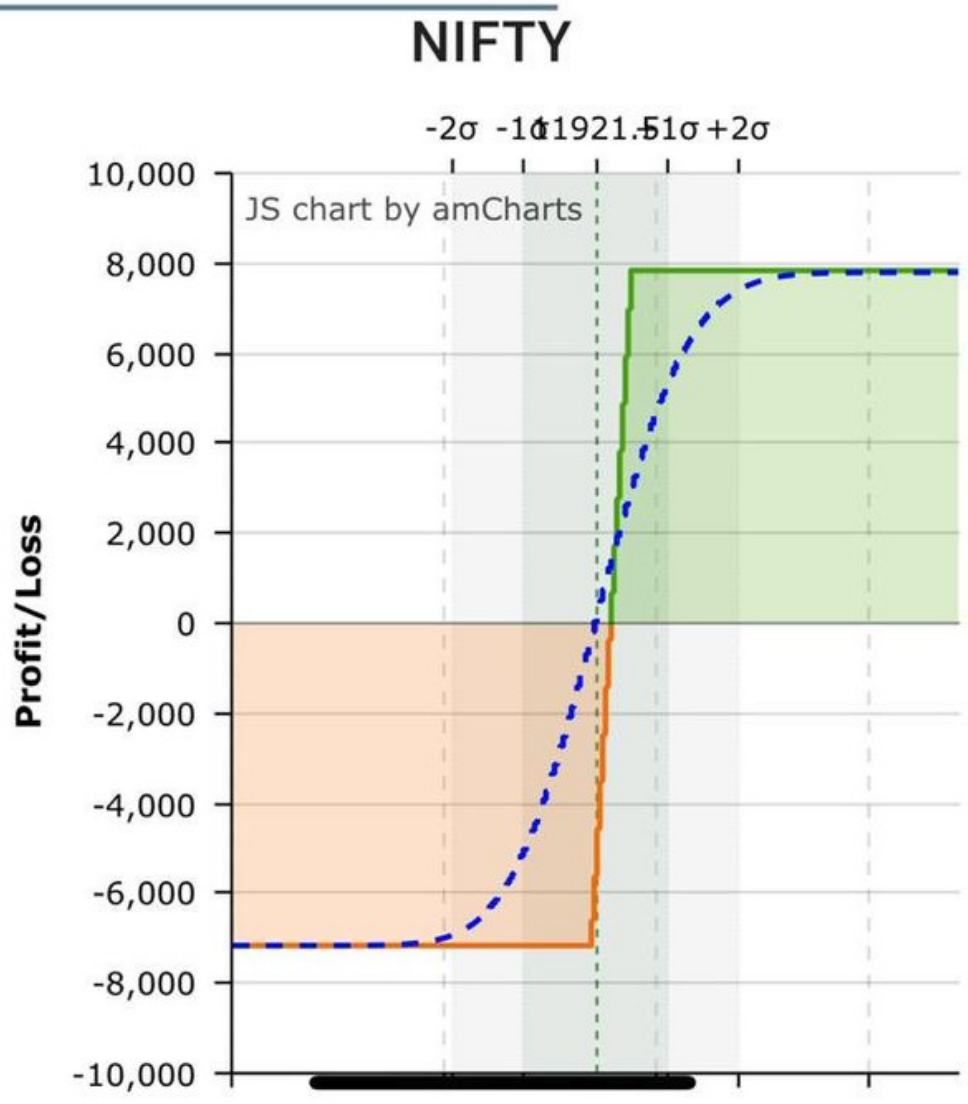
Breakeven : 11996
Max Loss : Rs 7100
Max Profit : Rs 7800

#OptionsTrading #trading

Max. Profit	₹ +7,837.5
Max. Loss	₹ -7,162.5
Breakevens	11996.0
Total PNL	₹ 0
Net Credit	₹ 0
Estimated Margin/Premium	₹ +73,603

Option 2

PAYOFF CHART GREEKS



3) Now your changes from slightly bullish to slightly bearish. You can convert the bull call spread into a ratio spread by selling more 2 calls of 12100 CE

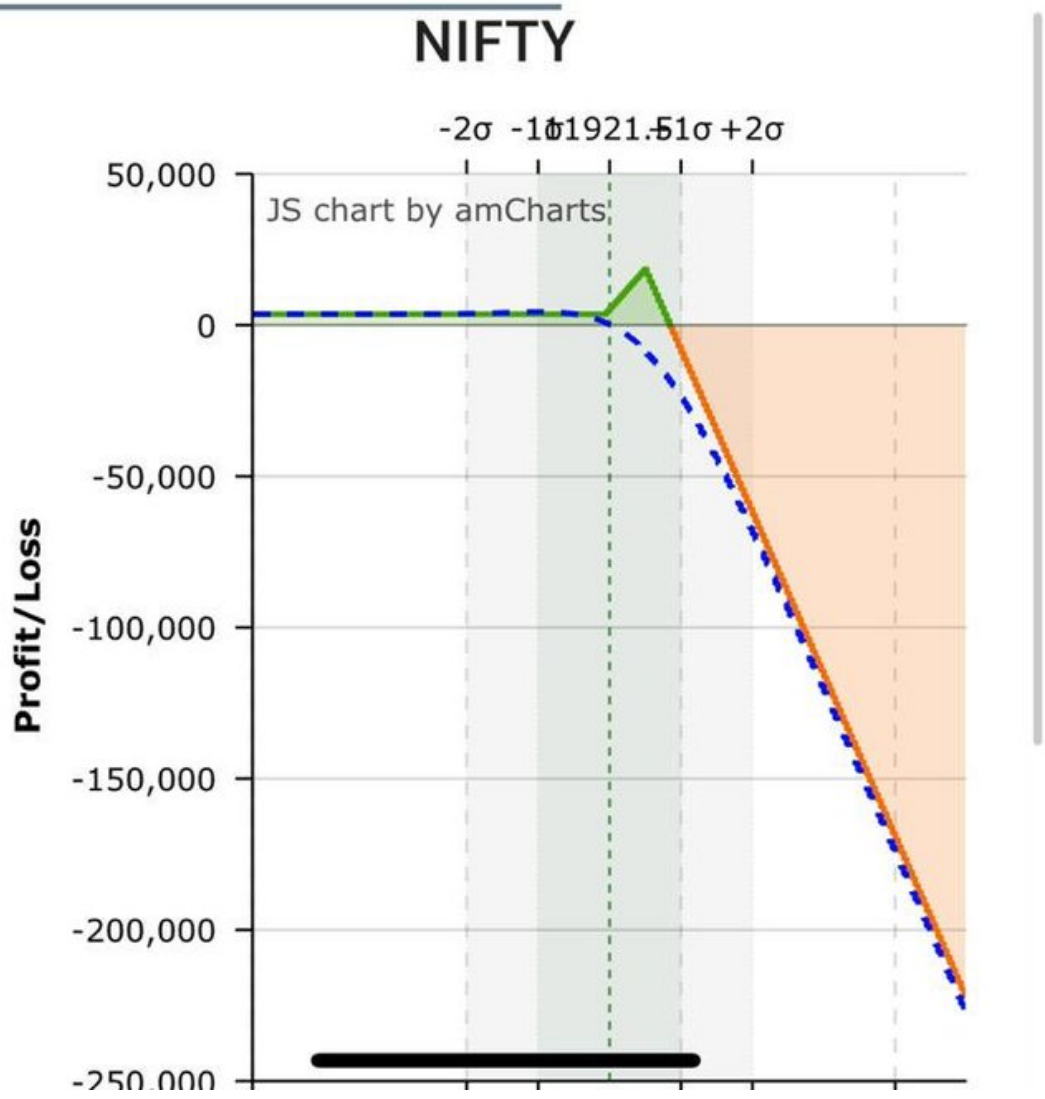
Breakeven : 12224
Max Loss : Unlimited above 12224
Max Profit : Rs 18550

#OptionsTrading

Max. Profit	₹ +18,547.5
Max. Loss	₹ Undefined
Breakevens	0-12224.0
Total PNL	₹ 0
Net Credit	₹ +3,622.5
Estimated Margin/Premium	₹ +264,106

Option 3

PAYOFF CHART GREEKS



4) Now if your view changes to sideways then you can buy 2 lots of 12200 CE to convert the ratio spread in a butterfly spread.

Breakeven : 11936 to 12182
Max Loss : Rs 2600
Max Profit : Rs 12300

#OptionsTrading

Max. Profit	₹ +12,292.5
Max. Loss	₹ -2,632.5
Breakevens	11936.0-12182.0
Total PNL	₹ 0
Net Credit	₹ 0
Estimated Margin/Premium	₹ +247,494

Option 4

PAYOFF CHART GREEKS

NIFTY

