Twitter Thread by Yogeeswar Pal



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A thread.

Earnings Trades Simplified.

Earnings announcements are public announcements that display a company's earnings, or lack thereof. As the earnings announcement gets closer, implied volatility tends to increase. After earnings are announced,...

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the uncertainty of what will happen diminishes, and usually we see a rapid decrease in implied volatility because of it. Because of this phenomena, we tend to stick to premium selling strategies when it comes to earnings plays. We can take advantage...

2/n

of the implied volatility crush by selling premium prior to the announcement, and buying it back after the announcement.

Earnings trades are not for everyone, as they involve high amounts of uncertainty and random movements.

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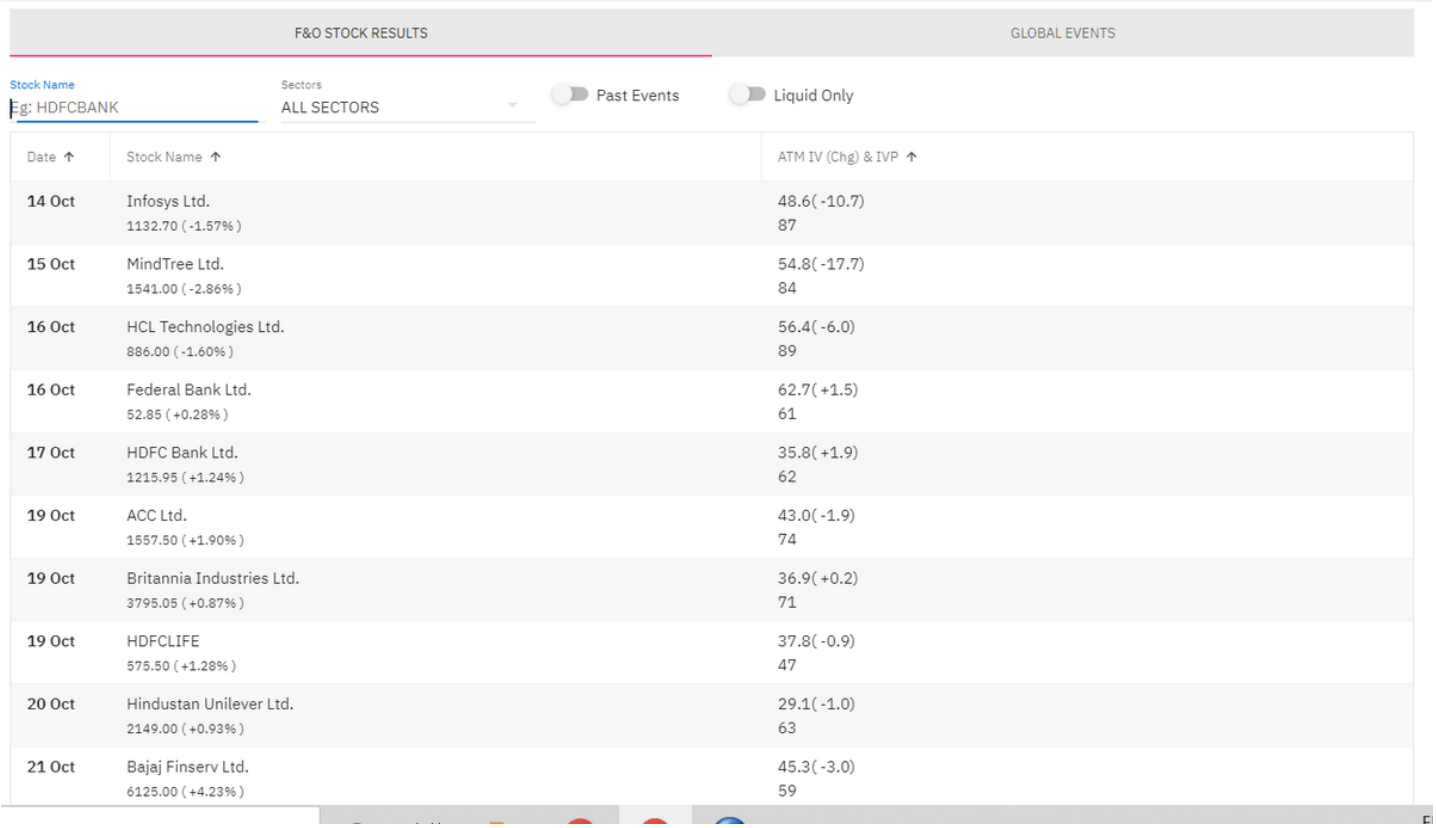

Why Trade Earnings -

-Increase number of occurrences, many trades available so increases of our probability of profit.

-High IV opportunities

-Short term Binary event leading to drastic volatility crush.

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Factors to consider when placing earnings trade -

1. Expected Move
2. When to place trade
3. Historical Moves
4. Strategies based on market conditions

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Expected move

Normally calculated by IV, stock price, expected move period(as no. of days) by formula

Price * IV * SQRT(days/365)

Market Makers expected move -

ATM Straddle * 0.85* =(both the sides from strike)

Both have some differences.

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Example INFOSYS -

ATM (1140) Straddle = Rs.100 approx.
Days to expiration = 15 (29 October)
Stock Price - 1140
IV = 50%

Expected move till expiry - Rs.115 Either way from spot
Market Maker move - Rs.85 Either way from spot.

7/n

CALLS												PUTS									
	OI	CHNG IN OI	VOLUME	IV	LTP	CHNG	BID QTY	BID PRICE	ASK PRICE	ASK QTY	STRIKE PRICE	BID QTY	BID PRICE	ASK PRICE	ASK QTY	CHNG	LTP	IV	VOLUME	CHNG IN OI	OI	
	1,107	-221	282	-	136.05	-23.20	1,200	135.80	138.65	1,200	1,000.00	1,200	5.10	5.35	1,200	-3.30	5.10	50.97	2,769	-	1,357	
	83	-3	15	-	128.65	-23.00	1,200	125.90	134.00	6,000	1,010.00	1,200	5.75	6.10	3,600	-3.75	6.10	50.58	357	48	162	
	96	-14	23	-	118.25	-24.85	7,200	95.20	143.15	6,000	1,020.00	1,200	7.25	9.40	1,200	-3.75	7.60	50.91	1,044	-32	271	
	168	-19	28	-	109.20	-24.05	7,200	88.20	113.35	1,200	1,030.00	1,200	8.00	11.50	1,200	-5.05	8.05	48.72	670	28	246	
	195	-27	58	-	102.00	-23.95	1,200	100.35	104.50	1,200	1,040.00	1,200	8.55	10.70	1,200	-4.60	10.50	50.05	1,302	69	463	
	380	-46	201	25.24	93.45	-24.55	6,000	91.20	95.65	1,200	1,050.00	1,200	11.55	12.70	3,600	-4.80	12.45	49.93	1,658	235	725	
	155	-24	87	34.74	88.00	-22.90	1,200	86.45	89.80	1,200	1,060.00	2,400	14.55	16.95	1,200	-5.05	14.75	49.94	1,086	53	356	
	202	-2	16	33.48	79.00	-27.60	1,200	77.15	81.00	1,200	1,070.00	1,200	15.05	19.45	1,200	-5.20	17.50	50.17	515	144	326	
	217	-35	201	35.09	72.00	-24.75	8,400	70.70	74.50	1,200	1,080.00	1,200	20.10	21.50	1,200	-3.75	21.95	52.18	1,146	129	654	
	125	-8	22	38.39	66.90	-23.20	2,400	60.35	73.75	1,200	1,090.00	1,200	23.45	31.20	1,200	-4.75	24.45	51.20	548	40	238	
	1,261	-83	1,442	40.71	61.85	-21.90	1,200	59.80	62.25	4,800	1,100.00	1,200	28.00	28.65	1,200	-4.25	28.50	51.75	3,218	216	1,333	
	141	-34	181	40.59	55.35	-22.70	1,200	53.40	57.40	1,200	1,110.00	1,200	28.05	35.45	1,200	-4.30	33.20	52.63	723	26	128	
	898	48	879	42.38	50.95	-21.65	1,200	49.70	52.00	6,000	1,120.00	1,200	36.95	38.60	1,200	-3.65	38.00	53.21	1,588	138	474	
	380	64	819	43.02	46.00	-21.35	1,200	45.05	50.05	2,400	1,130.00	1,200	41.50	45.00	1,200	-3.40	43.10	53.74	1,286	87	227	
	1,742	289	2,665	44.23	42.00	-20.40	25,200	42.00	42.50	2,400	1,140.00	1,200	48.25	51.00	1,200	-0.85	50.45	56.35	1,451	163	464	
	2,211	331	4,375	44.57	37.60	-20.05	1,200	38.00	38.55	1,200	1,150.00	2,400	54.00	54.95	1,200	-1.55	55.00	55.57	1,094	45	358	
	1,157	224	3,256	44.88	33.55	-19.85	1,200	33.25	34.50	2,400	1,160.00	2,400	59.40	66.05	7,200	3.25	60.85	55.86	317	86	87	
	1,134	273	3,615	45.71	26.70	-18.35	1,200	26.25	26.90	1,200	1,180.00	6,000	69.90	86.65	9,600	-162.15	74.90	58.10	2	1	1	
	4,319	1,046	9,306	46.09	20.75	-17.00	3,600	20.50	20.80	1,200	1,200.00	10,800	87.00	95.75	1,200	3.65	89.60	59.97	114	27	131	
	937	389	2,885	46.60	16.05	-15.25	1,200	15.25	16.95	1,200	1,220.00	3,600	87.75	105.95	2,400	-	-	-	-	-	-	
	2,336	914	3,975	46.03	11.60	-14.30	1,200	11.80	12.00	26,400	1,240.00	4,800	116.55	120.95	2,400	-145.90	115.55	56.09	2	1	1	
	999	49	3,114	46.87	8.95	-12.05	1,200	8.90	9.25	1,200	1,260.00	3,600	128.55	144.40	3,600	-	-	-	-	-	-	
	477	52	1,645	48.33	7.20	-9.85	1,200	6.70	8.45	1,200	1,280.00	3,600	127.05	170.05	3,600	-	-	-	-	-	-	
	2,451	-77	5,360	49.46	5.70	-8.05	1,200	5.65	5.70	7,200	1,300.00	3,600	147.05	188.60	3,600	-	-	-	-	-	-	

When to place trade -

If Earnings is overnight, say tomorrow, place the order at end of the day today for better delta position.

If Earnings is during market hours, at the start of the day as the timing of the earnings can be easily switched during the course of the day.

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Nifty FNO Stocks Historical Results Declaration Times

INFY

Stock	Result Year	Results Quarter	Results Date	Results Declaration Time
INFY	2020	Q2	14 Oct 2020	16:10
INFY	2020	Q1	15 Jul 2020	16:21
INFY	2020	Q4	20 Apr 2020	17:18
INFY	2020	Q3	10 Jan 2020	16:09
INFY	2019	Q2	11 Oct 2019	21:06
INFY	2019	Q1	12 Jul 2019	16:06
INFY	2019	Q4	12 Apr 2019	16:03
INFY	2019	Q3	11 Jan 2019	16:05
INFY	2018	Q2	16 Oct 2018	15:53
INFY	2018	Q1	13 Jul 2018	16:17
INFY	2018	Q4	13 Apr 2018	16:38
INFY	2018	Q3	12 Jan 2018	15:47
INFY	2017	Q2	24 Oct 2017	15:43
INFY	2017	Q1	14 Jul 2017	08:51

Historical Moves

Did the underlying in which the trade is taken historically overstated IVs are understated, in case of INFY case shown below it has understated 5/7 times in last 7 quarters after earnings.

Yellow Dotted lines are earnings days.

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Strategies to Use -

Only basic ones. Will explain three of them here.

1) Iron Condor - Beginner Strategy, can be used for any underlying. Basic Setup, example on INFY. Explained Iron Condor

in y previous threads.

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2) Chicken Iron Condor.

Can be used for large underlying or IV percentile > 90. Better Risk Reward than Iron Condor. Basic Setup as shown below. Sell closer strikes than Iron condor.

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3) Jade Lizard. - For taking a direction. For long Side, the idea should be such that when a blow through move happens on your side happens you should collect some credit. Opposite of the same can be setup for bearish side also. This is unlimited risk strategy. Setup -

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As this is a earnings season, hope most of you find this thread helpful. Just tryout basic risk defined strategies and learn. The purpose of the thread is to understand why we do what we do and just a bit of 'How'.

Retweet If you find it useful.

THE END.