Twitter Thread by Aditya Todmal



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Want to master Option Selling for free?

Here are the best resources.

A thread ■■

Collaborated with @niki_poojary

1. Best book of knowledge for a beginner?

Zerodha Varsity from @Nithin0dha's team is the best book for a newcomer to read and increase his basic knowledge about options, especially for the Indian markets.

Link: https://t.co/Lq6NpgggLP

2. Best Youtube channel on Options Trading?

The @tastytrade financial network. It's a foreign channel that focuses mostly on selling options.

They teach all strategies for free with their backtests.

Big on Straddle/Strangles selling.

Links: https://t.co/f5G5vU62aa

3. Top Indian YouTube Channel for Options?

Power of Stocks - Subhasish Pani

What you'll learn:
1. How to form a trading plan.
2. How to scale an account with risk-reward in option selling.
3. Technical analysis logics you can use daily.

15 Learnings:
https://t.co/bv2mbhSaLn

> 15 Learnings from Power of Stocks: \U0001f9f5
>
> Collaborated with @niki_poojary
>
> — Aditya Todmal (@AdityaTodmal) January 23, 2022

4. What are the preconditions to start option Selling:

You should know technical Analysis basics like:
- Support/Resistance
- Chart Patterns
- Candle Patterns
- Dow Theory (HH, LL)

This will help you start taking high-probability trades.

5. Risk Management is a must for option selling

If you don't learn to manage your risk, making money in trading is going to be an extremely difficult endeavor

Have some rules:
1. Risk no more than 0.25% per trade as a beginner
2. Risk no more than 2% in a day for the first year

6. Risk per day

You have to decide how much you're willing to lose in a day.

Whatever the amount, divide it by 3. Just risk that amount in 3 trades in a day. Stop trading if you lose 3 times.

This prevents us from overtrading and losing more.

7. Minimum Capital requirement for option selling.

Beginners can learn and practice option selling with 5L capital.

You'll be able to trade 5 lots with this. If you're doing well can take leverage by buying options and selling more quantities.

(Only if you're doing well)

8. Safest pathway for beginners to start:

Target options that have over 90% probability of going to zero.

As a beginner target only 0.5% per week.

If you've been profitable for 6 months, try for targets like 0.75% to 1% a week.

9. When to follow Directional strategies and when to follow non-directional strategies?

If the market is in a range, can sell options on both sides outside the range and make a profit. (strangle)

If the market has given a breakout or breakdown then avoid non-directional trading

10. Build a profit cushion.

I started selecting strikes initially which were very low premiums. But had a higher probability of going to zero.

In order to become a really good trader, you need to have "profit cushion".

11. Which strikes to sell?

Once you get the profit can sell strikes based on:

- Support/Resistance
- Premium Based Strike Price

Get a sense of when and how to do adjustments.

12. Stock Options or Index options which one is good for a beginner-level person?

I personally found trading in stocks is totally useless. Not worth the effort you put in.

Unlike an index, stocks can move > 10% and beyond in the F&O segment

Not worth the stress they cause

13. Beginners should concentrate on index option selling.

Find your comfort whether it's Nifty or Bank Nifty.

Personally, I have seen the switch from Nifty to Bank Nifty being quite difficult for some traders.

Might as well start practicing Bank Nifty from the get-go.

14. Top 3 mistakes we made trading.

- Not building a portfolio when the market corrects 30%
- Venturing in stock options due to their luring premiums

- Intend to recover all losses from the same stock thereby ending up marrying a stock

15. What % of return one should expect on a weekly or monthly basis?

Beginners would be doing great if they just manage to even break even after their first year.

Most people are wiped out in the initial years.

Later on, one can gradually move from 2-4% per month returns.

16. How to maintain Good Risk Reward in option Selling

This is an area which we want to learn the most and focus upon in the next 2 years.

However, a simple rule to follow, if you're making 4% a month, don't lose more than 2% in any single week.

17. Is knowledge of Option Greeks is really Important?

Big no! We are aware of greeks and have spent time learning them, but they have not helped us in a single trade.

If you know your support & resistance and when to exit, then no need to know Greeks.

18. Website to analyze Option Chain Data

Although we don't give much importance to option data as it doesn't work nowadays.

Opstra & NSE websites are enough, additionally, our friends really like Icharts and trading tick.

We've started to use Icharts properly now.

That's a wrap!

If you enjoyed this thread:

1. Follow us @Adityatodmal & @niki_poojary for more threads on Price action, Option Selling & Trading growth.

We've got you covered.

2. RT the first Tweet to share it with your audience.

I appreciate it!