Twitter Thread by Abhishek Kar



Abhishek Kar
@Abhishekkar_

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The entire thread will have some quick pointers on options trading. These bullet points are based on experience and learning and even if you are completely new,will help you to build some perspective. So,lets go :

-When new,prefer trading monthly options over weekly options to reduce risk
-Set up your trades with greater than 50% Probability Of Profit
- Use implied volatility in your decision making process
-Book some trades at 50% of max profit i.e. locking of profit incase u are buyer

-Don’t adjust losing defined risk strategies. A lot of people get into the bad habit of averaging and run the risk of losing a lot
-Diversify your portfolio across product, direction, and time,this has to be considered while you are planning to put in multiple strikes in folio

-Short Strangles are one of our go-to strategies because of their high probability of profit and increased profit potential.A little effort with understanding of volatility would help
-Allocate no more than 5% of your account to any one trade

-Trade small, trade often to increase your number of occurrences. Some might deny but this works
-In options you might have heard of spreads.Multiple options legs create an options spread. For example, a short strangle consists of selling a call and selling a put simultaneously.

-Any in-the-money short call is at risk of exercise prior to the ex-dividend date.This is because the long call holder will want to buy the stock just prior to the ex-dividend date so that they can receive the dividend payment.This is a fact which a lot of option traders overlook

-Buying out-of-the-money options statistically has the lowest probability of profit. The stock price has to move in your favor fast enough to overcome time decay
-Traders can always fall into the trap of trying to double down on position to recover losses on a previous trade

-As expiration approaches, swings in the option price will become exaggerated as gamma increases
-Selling options too cheap gives you an unfavorable risk/reward profile. You end up with more risk than

reward.Additionally,they are more susceptible to vega risk.

There is a lot more to add which in days to come will come in form of thread. In case you liked it,a RT will be appreciated for better reach.
In case u missed the last thread,here it is https://t.co/KBY4VEcV4J
Keep learning
Keep sharing
Keep growing
#AKAL

> \U0001d411\U0001d42e\U0001d425\U0001d41e\U0001d42c \U0001d428\U0001d41f \U0001d408\U0001d427\U0001d42f\U0001d41e\U0001d42c\U0001d42d\U0001d422\U0001d427\U0001d420 \U0001d413\U0001d421\U0001d42b\U0001d41e\U0001d41a\U0001d41d
> The entire thread summarizes some important rules with respect to investing. Inspired by legendary traders,these will not only help you to grow wealth,but also make a smart investor. Hope you would like the thread & shower some love
>
> — Abhishek Kar (@Abhishekkar_) December 28, 2020