

Seminar on

Exploring Income Opportunities through Derivatives

Session at

RAJKOT BRANCH OF WIRC OF ICAI

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Disclaimer

I am not SEBI Registered Research Analyst or Investment Advisor.

Views shared here in this seminar is purely for the EDUCATIONAL PURPOSE.

Neither me nor Organizer will be responsible for any financial losses/damage, if any, in any circumstances.

Please consult your financial advisor before investing/trading.

Disclaimer

Risk disclosures on derivatives

- 9 out of 10 individual traders in equity Futures and Options Segment, incurred net losses.
- On an average, loss makers registered net trading loss close to ₹50,000.
- Over and above the net trading losses incurred, loss makers expended an additional 28% of net trading losses as transaction costs.
- Those making net trading profits, incurred between 15% to 50% of such profits as transaction cost.

Source: [SEBI study](#) dated January 25, 2023 on “Analysis of Profit and Loss of Individual Traders dealing in equity Futures and Options (F&O) Segment”, wherein Aggregate Level findings are based on annual Profit/Loss incurred by individual traders in equity F&O during FY 2021-22.

Exploring Income Opportunities through Derivatives

Knowledge of Market

- Uptrend
- Downtrend
- Sideways

Knowledge of Market

- Uptrend
- Downtrend



DIRECTIONAL

- Sideways

NON-DIRECTIONAL

Important Concepts

- Option Chain – Build-up Data
- Technical – Chart Patterns, Indicators, etc.
- Support / Resistance
- Implied Volatility i.e. IV

Knowledge of Implied volatility

Implied volatility is calculated by taking the market price of the option, entering it into the Black-Scholes formula, and back-solving for the value of the volatility

IV

v/s

PRICE

IV

- LOW IV
- HIGH IV

PRICE

- LOW PRICE
- HIGH PRICE

IV

v/s

PRICE

IV

- VERY LOW
- LOW
- MEDIUM
- HIGH
- VERY HIGH

PRICE

- VERY CHEAP
- CHEAP
- MODERATE
- INFLATED
- VERY INFLATED

DIRECTIONAL

BEST ENTRY TIME

IS

TURNAROUND POINTS

DIRECTIONAL

CREDIT SPREADS

IDEAL IMPLIED VOLATILITY SITUATION

VERY INFLATED, INFLATED, MODERATE

Higher Probability – Limited Returns

Favorable: IV Fall, Theta Decay

Unfavourable: Delta

DIRECTIONAL

DEBIT SPREADS

IDEAL IMPLIED VOLATILITY SITUATION

VERY CHEAP, CHEAP, MODERATE

- Lower Probability – High Returns

Favorable: IV Spike, Delta

Unfavorable: Theta

NON-
DIRECTIONAL

IRON CONDOR, SHORT STRANGLE

IDEAL IMPLIED VOLATILITY SITUATION

VERY INFLATED, INFLATED, MODERATE

Higher Probability – Limited Returns

Favorable: IV Fall, Theta Decay

Unfavorable: Delta

BUY

v/s

SELL

BUY

- Right on Direction
- Right on Timing
- Right on Strike Price
- Right on Momentum

SELL

- Very Risky
- Violent Move
- High Margins
- Limited Returns





Thank
you 

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