

Being #StreetSmart! Life is all about OPTIONS. A Simple Trading Story of a Digital Marketer.



Mumbai, Aug 8, 2020 ([IssueWire.com](https://www.issuewire.com)) - Fundamental Analysis tells us what to buy. Technical Data indicates when to buy. Unusual options activity tells us how to buy, says **Ganesh Gupta** – an options trader in Indian Equity Markets!

Selling options is one of the few strategies where you can be wrong about the direction of the market and can still win BIG. This time-tested strategy is widely adopted by big institutional investors, hedge funds, traders and avid-investors like Warren Buffet. The typical myth about option selling entails unlimited risk but that's totally true. Today, we decode few myths around option selling & rookie mistakes to avoid one of the consistent, aggressive yet conservative option sellers, Ganesh Gupta!

How did it all begin?

It all began in 2008 when the stock market was rallying like there was no tomorrow. Everyday markets were conquering new heights and the future looked very promising. The exchange rate was at 40, interest rates were above 10% and the concept of value investing was aggressively advertised by all finance companies. I really got hooked-up with the exciting game of stock markets but being only 18, I had no money to trade.

Fast forward a few years, exactly in May 2016, one of my friends again introduced me to the stock market. This time, I chose to act. I opened my account, deposited 5 Lakh rupees and began to trade. It was all my hard-earned money and I had overextended myself with absolutely no backup plan. I was so focused on making money & impatient to open trades that I forgot the cardinal rules of trading.

My exact thoughts were, "With day trading, *I'm going to be rich!*" I dreamed only of mountain tops but didn't actor any valleys into my plan.

With no idea about how it works, on the first day of my trade, I earned 26,000 rupees and paid 7,000 in brokerages. 7000 is a lot of brokerages, honestly with the quantum of capital I had. Day 01 was full of over-trading and a very big position sizing. I was lucky to not lose on Day 01. That definitely built my confidence but the reality hit hard soon. From Day 02 till mid-July 2016, I began to lose consistently and my account started its journey southwards. It took less than three months for me to blow up my account, partially. Most of the trades were based on guts and some on tips given on the telegram channel.

This is when I realized how flawed my plan was!

How did you enter into the Options Market?

After blowing up my account partially, one stream of thought kept nudging me that

"If 80% of stock markets participants are loosing than the rest 20% must be doing something different? What was it? After a lot of research, I finally arrived at my destination called Options Writing"

Meanwhile, I picked up the job with an eCommerce startup and parallel continued to build my capital again. Being in one of the most sought for professions, my salary was well enough and that allowed me to stay active in the markets, adding trading capital from my salary at the end of every month. I made **30-60-90 day trading plan** to educate myself about the nitty gritty of the options market experiment

with few setups & strategies by deploying only 40% capital and be consistent over 100 trades.

“If I have never made 30-60-90 day trading plan, I would have never made money again,” says, Ganesh Gupta!

Why do you only trade in Options Market, unlike Cash or Futures?

Like any other market participant, my entry into the stock market was through the cash market. Though equity is highly celebrated in India, the problem with equity is that it offers less trading returns and you have to be really very patient. You don't enjoy the effect of compounding in the short-term. In futures, the future is bleak if you are sitting on the wrong side. Options are the right combination of less risk & high returns product. Additionally – options are the only instrument that works in bull, bear, or sideways market so you would make money irrespective of the market condition.

I trade only in Nifty Index because the intraday movement is very easy to predict.

Why do you never Buy Options? Will you always end up in losses if you are an Option Buyer?

Honestly, there is no set rule in the market that only options sellers make money all the time. It all depends on the movement of the underlying instrument but yes the probability of the option buyer winning is very less. For an option buyer to make money, the combination of direction, time & speed comes into the play. There are very few instances when all these components work in tandem, perfectly.

I remember a Black Swan event happened in Dec 2018 when Urjit Patel, the then RBI Governor resigned and the rupee depreciated 70 paise overnight. Being an option seller, I was in a net loss of 80K on an investment of approximately 6,00,000. I had 4 sets then so I was in a net loss of 320K on 24,00,000 capital. Should I have been an option buyer, I would have made at-least 10x return on mere investment of 3,00,000.

However, I was hedged well with lower puts and managed my position well by selling futures contracts at the top after the initial market reaction. I also averaged my options position and after two days when money market normalized, the option contract that I traded, expired worthless giving me double profit. The combined force of Money Management, Hedging with Puts, Futures Trading & No emotional trading (exiting in a panic) helped me make money.

What kind of strategies do you deploy to your trading? How much return do you expect?

I mainly trade in weekly & monthly Index options. My overall capital is divided into two components: Trading Capital & Pouring Capital. Around 60% of my trading capital is in weekly options, 40% in various expiry contracts at multiple strike prices. This is my set rule. I have never broken this rule in the last 1 year. Pouring capital is an excess fund that I have for fire-fighting.

My favorite strategies short strangle, short straddle, butterfly, iron condor combined with delta hedging. But the key to success is how to manage the trades and what your risk management strategies are.

Monthly Options do not need much attention as the premium collected is so high that it offsets all the risk. It's the weekly option that needs much attention and has to be managed aggressively.

According to you, what are your take-aways from the Trading & being Trader?

There are so many takeaways from the trading career. It is really one of the tough places to earn easy money.

Trading isn't something that you will be profitable overnight. It takes hard work, dedication and perseverance. It is for someone who has grit & determination, someone who focuses on the long term and isn't constantly searching for short term wins. If you don't enjoy long lonely hours, working on your own without any tangible gain, it isn't the place for you.

Let me tell you that Trading is no different. It is just more accessible. If you work harder than 90% of traders, you can lead yourself to the most fulfilling experience of your working life. You are a part of an important group of professionals that keep the world turning.

Sounds extreme? So why trading should be easy? You need to work hard for it. If you have a losing day, pick yourself up and remind yourself why you are in this. If you have a losing day, go back to the drawing board and re-strategize. If you have a good spell, stay humble & focus on consistently.

Finally - do remember ***“Trading is a marathon & not a sprint!”***

Make mistakes, a hell lot of mistakes. Go Broke! Embrace Failures! If trading is in your DNA, you will rise again stronger than before ☺

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