



SAMPLE TRADING PLAN

Initial capital size – \$500K +/- \$50K

Target returns – \$100K

Implementation of strategies –

Strategy 1 – Buying options when VIX trades between 14 – 18.

- Current market (VIX at 15.76) is good for implementation of strategy 1.
- As buying options is cheaper, we can get a decent return at a lower capital.
- \$300K will be invested in strategies where we are buying options with a box size of 40%. (Net premium payer)
- \$200K will be invested in strategies where we are selling options with a box size of 25-30%. (Net premium receiver)
- Returns expected on 300K on buying options – close to 40-50% = approx. 120K
- Returns expected on 200K on selling options – close to 20-25% = approx. 30K

Total returns on Strategy 1 = Approx. \$150K on a capital of \$500K

Total risk on Capital = \$150K

Strategy 2 – Selling options when VIX trades between 18 – 24.

- Assuming in future, when market volatility is between 18-24 then we will be implementing strategy 2.
- \$400K will be invested in strategies where we are selling options with a box size of 40-50%. (Net premium receiver)
- \$100K (maximum) will be invested in strategies where we are buying options with a box size of 20-30%. (Net premium payer)
- Returns expected on 400K on selling options – close to 20-25% = approx. 100K
- Returns expected on 100K on buying options – close to 20-30% = approx. 20K

Total returns on Strategy 2 = Approx. \$120K on a capital of \$ 500K

Total risk on Capital = \$180K

Strategy 3 – VIX trading below 14 or above 24

This is the extremely dangerous period to trade an option. It is hard for me to predict when exactly the reversal may happen.

[Historical data in the charts show reversals that happened on VIX in June 2020, September 2020, November 2020 and January 2021 were smooth, but the reversals happening in March 2021 and May 2021 had confusing signals.]

Hence, I might avoid options trading. **OR** I could trade on a very small capital (with risk appetite of 100%) in the form of day trading or momentum trades.



My trading plan during this phase would be –

- Using \$100K (approx. 10%) of my capital size for day trades and momentum trades with a risk appetite of 100%.
- Returns expected– Uncertain (but let's say close to 10-15%) = \$15K