



STAIRS
Trade your way up

Options4STAIRS

Reading time: 10 Min

STAIRS is a spot index-based Trend signaling system where a non-discretionary algorithm determines the current trend of the market indices (Nifty and Bank Nifty Spot Index) and accordingly you can take positions suitable for longs or shorts.

This document should be read in conjunction with the Systems and Procedures document that lays the STAIRS signal foundation and basis procedures.

The spot signal can be used for trading in multiple ways. You can use the futures market, the options segment or an advanced level of a mix of the two.

STAIRS has been running two basic models that can be used on Futures markets **Model1** (Futures at 3x leverage) and **Model2** (Same as Model 1 but with part profit/loss booking step and use any leverage you like) which are referenced in the Systems document provided with the on-boarding mail.

This current document details the approach that may be made by the use of options using two strategies.

OPTIONS4STAIRS-BUY (OB) - Options Buy trades in the direction of the STAIRS.

OPTIONS4STAIRS-SELL (OS) - Options Selling using spreads against the direction of STAIRS.

Details of basic options knowledge is well documented here at Module 5 at the [ZERODHA varsity](#). It is suggested you make yourself aware of the basics.

Options are instruments which derive value from the underlying (indices in this case) and that have a finite life. They have an intrinsic value and time value. Intrinsic value depends on the position of the option strike versus the underlying and the time value depends on the time to expiry. There are weekly options that expire every Thursday and monthly options that expire on the last Thursday of the month. In the last week of the monthly options, the same options serve the purpose for both.

In the Options4STAIRS trading we will keep to the basics and use only weekly Options strategies. The challenges in Options Buying is to master the balance between the gain or loss of intrinsic value (as the underlying spot price moves up and down) and the reducing time value as we move towards the expiry. The advantage of using options on the buy side (or a combination of buy and sell like a spread) is that your maximum risk gets defined vs a naked sell position which has similar risk to a naked futures position.

The Options selling strategies on the other hand look for harnessing the time value from the options premium while the price trends away. Spreads are used here to manage risks of sudden market reversals.

STAIRS is a directional Trend signaling strategy. There are times of strong trends and there are times of market choppiness. We lose money in choppiness and hope to make much more in trending times. The strategy will have almost equal number of hits and misses in a year and will average 60-80 trades per year in an always in trade mode. Each winner however on average is likely to be much larger than each average loser thus making profits for the user.

STAIRS signal is disseminated at end of each hour of the trading day through the telegram channel and the trades are recorded and shared on Google sheets.

You can set up your own options sheets using the format in the Format Google-sheet supplied with the onboarding mail.

OPTIONS4STAIRS-BUY (OB)

Operational Guidelines

Allocate a base capital (Ideally >3L)

Decide a percent risk allocation to each trade. (2 to 5% per trade is ideal)

You can use any capital amount as long as the risk taken can get you at-least one lot. My advice is to try with a capital of at least 3 lacs

Since the core STAIRS signal averages only 5 trades a month a higher risk per trade can be taken if you like

Buy current week nearest ATM calls when STAIRS signal goes LONG for the per trade risk amount.

Buy current nearest ATM puts when STAIRS signal goes SHORT for the per trade risk amount.

Carry the trade TILL either the STAIRS turn direction or you hit expiry.

Carry trade till end of weekly expiry and rollover to new series in the last 15 mins of trade.

On expiry, roll over your option to the next series at the current nearest ATM strike with the same risk per trade as your calculation will tell you.

Close calls when you buy puts and close puts when you buy calls (Always in trade).

This can be done on both Nifty and Bank Nifty or individually as per choice.

No change of STRIKE is proposed in base model to keep it simple. Users can add their rules to this base to improve results. May other variations of spreads etc. or trailing stops or pyramiding position size etc. can be used to add value by yourself.

Since the rules are pre-defined and trades are to be done based on STAIRS signal there will be no announcements on the telegram channel for this but the options sheets will be updated within 5-10 mins of the trade.

OPTIONS4STAIRS-SELL(OS)

Operational Guidelines

Allocate a base capital (Ideally >3L)

Decide position size based on percent of capital deployed (10% to 20% per trade is ideal)

You can use any capital amount as long as the risk taken can get you at-least one lot set. My advice is to try with a capital of at least 3 lacs

The trade will be done AGAINST the trend of STAIRS. So, if STAIRS go LONG, we will sell ATM puts and buy OTM puts. If STAIRS go SHORT, sell ATM calls and buy OTM calls

Carry the trade TILL either the STAIRS turn direction or you hit expiry.

Carry trade till end of weekly expiry and rollover to new series in the last 15 mins of trade.

On expiry, roll over your option to the next series at the current nearest ATM strike with the same risk per trade as your calculation will tell you.

Close call spread when you open a put spread and close put spread when you open a call spread (Always in trade).

This can be done on both Nifty and Bank Nifty or individually as per choice.

No shift of STRIKE is proposed in base model to keep it simple. Users can add their rules to this base to improve results. May other variations of spreads etc. or trailing stops or early exits etc. can be used to add value by yourself.

Since the rules are pre-defined and trades are to be done based on STAIRS signal there will be no announcements on the telegram channel for this but the options sheets will be updated within 5-10 mins of the trade.

The Subscription plans for STAIRS are available at STAIRS2profits.com

The Annual plan is INR 30000+GST

And a 3 month trial plan is at INR 12000+GST

All payments have to be made via bank transfer only or UPI

The OPTIONS4STAIRS module is a part of the STAIRS full service and there is no separate options product available.

IMPORTANT POINTS TO CONSIDER BEFORE SUBSCRIBING

Please note that this is a HIGH RISK strategy which has potential of FULL loss of capital

While this can be run on capital of 2 lacs also, a drawdown may require you to bring in more capital. So, my suggestion is not try this if your capital adequacy is under 3 Lacs and preferably 5 lacs.

The weekly options having been a recent phenomenon do not have a very long runway of back-tests.

The performance is calculated on gross basis and some operational costs and slippages may be expected

These basic strategies can be further improvised by you with more exotic position sizing, pyramiding, spreads and combination with futures etc.

Support is not available to teach about options or the F&O markets. Please make sure you understand the operations before signing on. Support is available online through e-mail only.

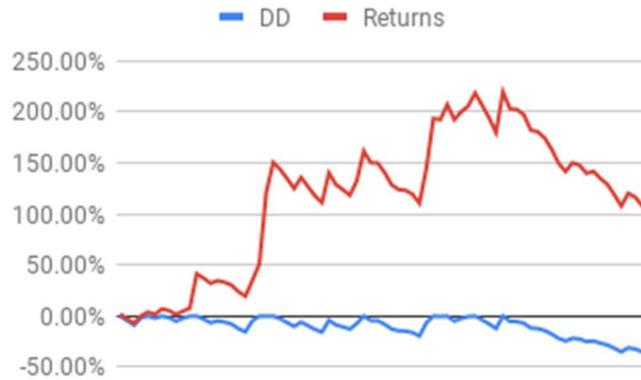
There may be periods of long drawdowns like last many months.

The low probability of success of trades and high returns on the few successful trades is the trademark of the OB model. If you are happier with higher win trades then go with Model OS

The models can be made conservative or aggressive based on the risk per trade.

Once again, please assess your risk yourself and then come in. You are welcome. If there are any queries at any point of time, just shoot a mail to niftytrader@gmail.com

Results for Options4STAIRS- BUY (OB) Nifty 2020
*updated to Sep 22 2020 based on randomly chosen capital of 5 lacs
at 5% risk per trade*

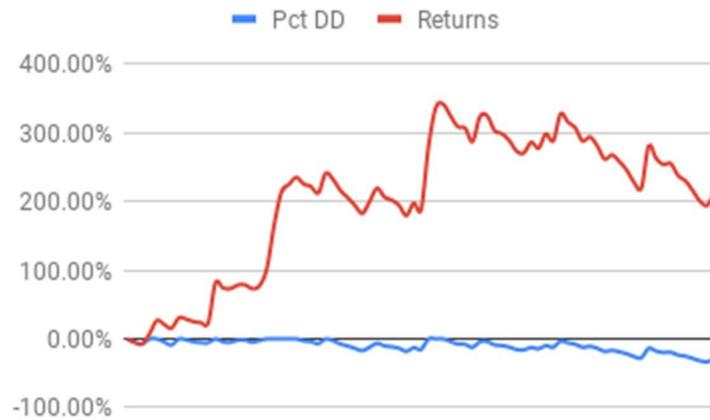


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|----------------|---------|
| Risk per Trade | 5% |
| Total Trades | 77 |
| Wins | 35.06% |
| Loss | 64.94% |
| Avg Win | 9.50% |
| Avg Loss | -3.12% |
| Largest Win | 46.73% |
| Largest Loss | -5.20% |
| Max DD | -34.97% |
| Gross | 113.22% |

| | |
|----------|---------|
| Jan 2020 | 4.64% |
| Feb 2020 | 28.94% |
| Mar 2020 | 67.94% |
| Apr 2020 | 15.42% |
| May 2020 | -6.42% |
| Jun 2020 | 24.84% |
| Jul 2020 | -1.08% |
| Aug 2020 | -18.09% |
| Sep 2020 | -15.95% |

| Risk per trade | Gross returns | Max DD |
|----------------|---------------|--------|
| 2% | 44.70% | 16.40% |
| 3% | 72.30% | 23.19% |
| 5% | 113.22% | 34.97% |

Results for Options4STAIRS- BUY (OB) Bank Nifty 2020
 updated to Sep 22 2020 based on randomly chosen capital of 5 lacs
 at 5% risk per trade

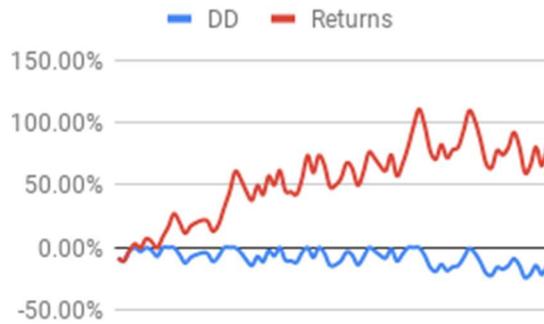


| | |
|----------------|---------|
| Risk per Trade | 5% |
| Total Trades | 81 |
| Wins | 35.80% |
| Loss | 62.96% |
| Avg Win | 11.35% |
| Avg Loss | -3.16% |
| Largest Win | 50.27% |
| Largest Loss | -5.11% |
| Max DD | -33.36% |
| Gross | 245.35% |

| | |
|----------|---------|
| Jan 2020 | 23.60% |
| Feb 2020 | 43.71% |
| Mar 2020 | 88.81% |
| Apr 2020 | -4.73% |
| May 2020 | 18.74% |
| Jun 2020 | 6.32% |
| Jul 2020 | -2.29% |
| Aug 2020 | -3.24% |
| Sep 2020 | -17.34% |

| Risk per trade | Gross returns | Max DD |
|----------------|---------------|--------|
| 2% | 89.50% | 14.50% |
| 3% | 136.27% | 21.95% |
| 5% | 245.30% | 33.30% |

Results for Options4STAIRS- SELL (OS) Nifty 2020
 updated to Sep 22 2020 based on randomly chosen capital of 5 lacs
 at 20% position size

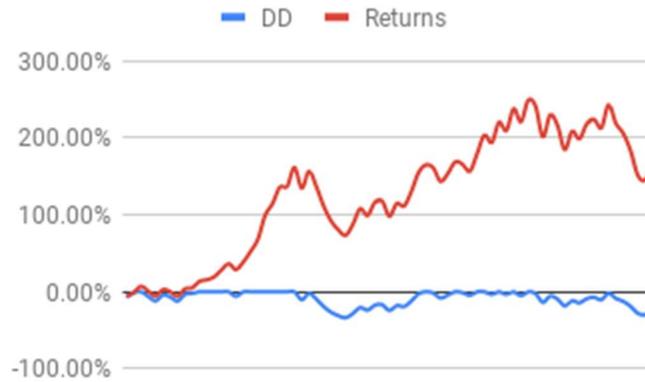


| | |
|---------------------|----------------|
| Total Trades | 78 |
| Wins | 51.28% |
| Loss | 48.72% |
| Avg Win | 7.19% |
| Avg Loss | -5.50% |
| Largest Win | 11.74% |
| Largest Loss | -11.56% |
| Max DD | -24.28% |
| Gross | 81.27% |

| | |
|----------|--------|
| Jan 2020 | 8.70% |
| Feb 2020 | 8.91% |
| Mar 2020 | 26.47% |
| Apr 2020 | 16.10% |
| May 2020 | -7.59% |
| Jun 2020 | 12.34% |
| Jul 2020 | -1.19% |
| Aug 2020 | -0.25% |
| Sep 2020 | -6.98% |

| Positoin size | Gross returns | Max DD |
|---------------|---------------|--------|
| 10% | 40.95% | 11.99% |
| 15% | 61.40% | 18.08% |
| 20% | 81.20% | 24.20% |

Results for Options4STAIRS- SELL (OS) Bank Nifty 2020
 updated to Sep 22 2020 based on randomly chosen capital of 5 lacs
 at 20% position size



| | |
|---------------------|----------------|
| Total Trades | 73 |
| Wins | 54.79% |
| Loss | 45.21% |
| Avg Win | 7.68% |
| Avg Loss | -5.70% |
| Largest Win | 18.44% |
| Largest Loss | -11.66% |
| Max DD | -33.75% |
| Gross | 168.40% |

| | |
|----------|---------|
| Jan 2020 | 3.79% |
| Feb 2020 | 33.63% |
| Mar 2020 | 70.30% |
| Apr 2020 | -11.81% |
| May 2020 | 10.64% |
| Jun 2020 | 15.33% |
| Jul 2020 | 31.35% |
| Aug 2020 | -8.85% |
| Sep 2020 | -15.65% |

| Positoin size | Gross returns | Max DD |
|---------------|---------------|--------|
| 10% | 70.35% | 17.93% |
| 15% | 117.32% | 26.18% |
| 20% | 168.40% | 33.75% |