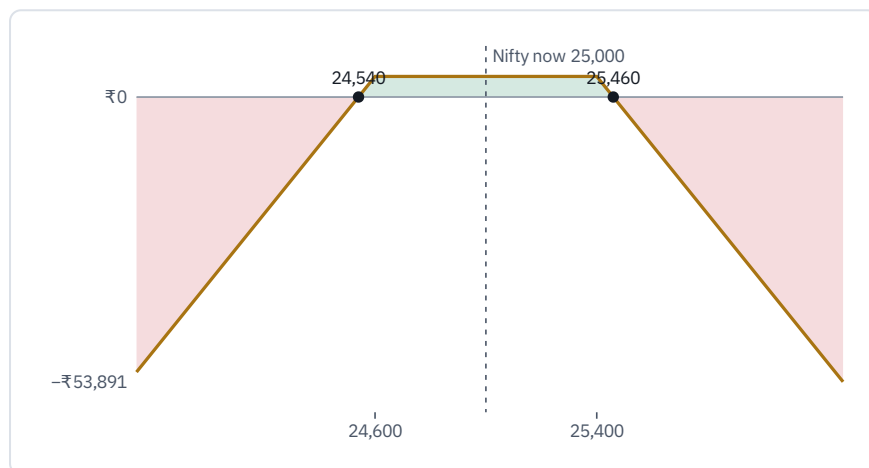


Nifty Short Strangle strategy

Selling an OTM call and put: strikes, stops, exits, a worked example with breakevens, margin and STT. By M. A. Horaira, updated 10 October 2026.

THE RULES

- **Setup:** sell an out-of-the-money call and an out-of-the-money put on the same expiry, about the same distance from the Nifty (400 points, about 1.6%, in the example)
- **When:** after the previous weekly expiry, for the next Tuesday's expiry, in a week with no big scheduled event
- **Stop:** buy back both legs if their combined premium doubles
- **Take profit:** buy back once about 75% of the combined premium has decayed, or hold to expiry if both stay far out of the money
- **Risk:** the loss is unlimited in both directions; size for a 4% move, not a normal week



Payoff at expiry for one lot, with model premiums (Nifty 25,000, 12% volatility, 6 days). Live premiums differ.

WORKED EXAMPLE

Sell 25,400 CE at 34.35 and 24,600 PE at 25.55: 59.90 points, ₹3,894 for 1 lot. Breakevens 24,540.10 and 25,459.90. Nifty $\pm 4\%$ at expiry: – ₹35,107. Stop at 119.80, take profit near 15.00.

LOT SIZE

Units = lots $\times$ 65. Premiums here are model estimates; use live prices. STT: 0.15% of premium sold (from 1 April 2026), plus brokerage, exchange charges and GST.

BEFORE EVERY TRADE

- ☐ Quiet week, no big event?
- ☐ Strikes roughly equal distance (delta $\sim 0.1-0.2$)?
- ☐ Stop at $2 \times$ combined premium?
- ☐ Size checked for a 4% move?
- ☐ Plan for expiry day?

CHECK IT BEFORE YOU TRADE IT

1. Put live premiums into the payoff calculator.
2. Check the margin in your broker's calculator.
3. Set the stop and the take-profit before entry.
4. Paper trade a few weekly expiries, including a fast one.
5. Count costs: STT 0.15% of premium sold, plus brokerage and charges.
6. Calculator: pipledgerfx.com/nifty-option-payoff-calculator

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pipledgerfx.com/nifty-short-strangle-strategy