

# TRADING TITANS



## Trading in a Volatile World

Volume 1 | April 2026

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#### India VIX Decoded

The fear gauge every F&O trader must understand

#### Bollinger Bands & Volatility

How to read squeeze, bulge, and the moves between

#### Open Interest & Strike Analysis

Who is positioned where & what it means for you

#### Trader Interview: Anu Suman

One trader's honest journey

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**Important Notice for F&O Traders:** As per SEBI data, **9 out of 10 individual traders in the equity Futures & Options segment incurred net losses** (Source: SEBI study dated January 25, 2023 on 'Analysis of Profit and Loss of Individual Traders dealing in equity Futures and Options segment'). Readers are advised to exercise caution and fully understand the risks involved before participating in the F&O segment.



**SHREY JAIN**

CEO - INCRED MONEY  
BROKING

# A Note from the CEO - Broking

## Trading is a lonely pursuit.

Most days, it's just you and your screen. You do your analysis, take your position, and wait. Nobody is there to validate your thinking or share the weight of that decision. You celebrate your wins quietly and absorb your losses the same way. And then you show up again the next morning and do it all over again.

If you've been at it long enough, you've also had to deal with people around you who don't quite take it seriously. The assumption that it's all luck. That anyone sitting at home drawing lines on charts all day isn't doing something very serious.

But we know that's far from the truth.

Trading demands a great deal from you. Discipline, continuous learning, the ability to adapt to constantly changing market dynamics. The strategy that worked beautifully in last year's trending market may have burned you badly when volatility came knocking. Tools keep evolving. SEBI regulations change.

Whether you're a manual trader who lives by price action or someone who has spent months building and back-testing an algo, the market has no sympathy. It only rewards those who keep getting better. And yet, despite all this effort, fewer than 10% of traders in India are consistently profitable.

Every profession I can think of has its own publication - doctors, lawyers, engineers, finance professionals. Magazines and journals that keep them updated and help them learn from peers.

I looked for something like that for traders in India and didn't come across much. For a community this large and this active, that felt like a real gap worth filling.

That thought is really what led to this magazine and to Trading Titans - a community where traders learn from each other and grow together.

Our first issue is on 'Trading in Volatile Markets'. Given what's been happening globally, there couldn't be a more relevant place to start.

**This magazine is 'For the Traders and By the Traders'. So, if you have a strategy, a hard-learned lesson, or a perspective worth sharing, do write to us.**

Hope you enjoy reading this magazine!



**HITESH CHOTALIA**  
EDITOR - TRADING TITANS

## From the Editor's Desk

### When the Market Stops Making Sense, Process Is Everything

Volatility has a strange way of separating traders. In a calm, trending market, almost every strategy looks smart. Risk management feels optional. Size looks small. But the moment things get choppy, like when Nifty gaps down 400 points, when India VIX doubles in a fortnight, when your options positions are bleeding theta and your longs are underwater, that's when the real differences emerge.

We built this first issue of Trading Titans around one central idea: Volatility.

This issue covers the India VIX from first principles - what it measures, how to read it across market regimes, and how to use it practically when pricing options or sizing positions.

We go deep on Bollinger Bands as a framework for understanding when the market is coiling before a move and when it's already in full momentum.

Our Open Interest and Strike Analysis feature covers everything from the basic four-scenario OI table to Max Pain theory.

We are also proud to feature an in-depth interview with Anu Suman who shares her journey of becoming a proficient trader.

Our book review covers Mark Douglas's *Trading in the Zone* where we've tried to distill what actually makes it worth reading.

And finally, the Volatility Quiz at the back to test how much you know about Volatility.

This magazine is made for the Indian retail trader, someone who wakes up before 9:15, carries risk through market hours, and goes to bed thinking about what the next session might bring. We know how hard it is. And we think you deserve a publication that takes it as seriously as you do.

*Happy Trading.*

# The World In Charts



– Hitesh Chotalia

Technical Strategist, InCred Money

The first week of April 2026 marked an inflection point. Global equity markets recorded deeply oversold readings, a breadth signal not seen in months.

Global equity markets are navigating a complex macroeconomic landscape shaped by persistent geopolitical uncertainty and disruption in the crude supply chain. Major indices across the U.S., Europe, and Asia-Pacific regions have demonstrated heightened volatility, reflecting investor sensitivity to inflationary data prints.

From a technical standpoint, key resistance and support levels are being closely monitored, with moving averages, RSI, and other mechanical indicators

signaling a downtrend, oversold conditions, and consolidation across country-specific indices, gold, and crude. Breadth & diffusion indicators suggest markets recorded highly oversold readings in the first week of April'26.

Overall, the current market condition demands disciplined risk management, sector rotation strategies, and close monitoring of macro triggers including crude oil dynamics, and currency fluctuations.

## Nifty 50: Index witnessed support around 22,000 levels. Was highly oversold.



Source: Trading View | Date: 10 April '26

- On the weekly charts, the index is witnessing an upswing from oversold readings.
- On the monthly time frame, the index was oversold and tested the lower Bollinger Band.
- Weekly RSI is showing a reading of 43.70; it reached the oversold zone (27) and markets are seeing an upward price move post the oversold reading.
- The medium-term mechanical indicator suggests the index reached oversold levels in the first week of April'26.
- Support level is around 22,725 - 22,183 (recent low)
- Resistance levels are around the falling gap in the zone of 24,989 - 25,141.
- Post a sharp move up traders should be prepared for a retracement and intra month consolidation.

## Bank Nifty: Cluster of resistance around 57,000



Source: Trading View | Date: 10 April '26

- The index exhibited positive divergence on daily RSI & recorded an oversold reading of 29 on weekly RSI (RSI reading of 30 & below can be considered oversold)
- Post the positive divergence and oversold reading in the first week of April'26, the index saw a strong move up.
- The index has a cluster of resistance around 57,000: Gap 57,097–57,696 and the middle Bollinger Band on the weekly chart @ 57,998.
- Support is in the range of 51,500 - 49,900.
- Post a sharp move up traders should be prepared for a retracement and intra month consolidation.

## S&P 500: Closes above 20-week moving average



Source: Trading View | Date: 10 April '26

- The index has corrected ~9.5% from an all time high around 7,002.
- On the weekly Bollinger Band, the index recorded an oversold reading and saw a reversal from oversold levels in the first week of April'26.
- Index gapped up above the 200 day moving average @ 6,659.
- Support on intra month pullback can be expected around the 200 DMA level
- Resistance is around the all time high @ 7,002.

## Light Crude Oil Futures (NYMEX): Volatility to continue



Source: Trading View | Date: 10 April '26

- Crude posted a high of \$118 and saw a sharp selloff.
- The medium-term trend for crude is up.
- The recent swing high in the zone of \$109–\$118 is a resistance zone.
- Support is in the \$77–\$86 zone.

# Gold Futures (COMEX): Trading in a broad medium term range



Source: Trading View | Date: 10 April '26

- Post the Jan'26 high around \$5,627 gold prices have corrected ~27% towards the low of \$4,100.
- Gold prices witnessed support around the 200 day moving average @ \$4,097.
- Gold prices are trading in a medium term channel with channel depth of 22%.
- Expect gold to trade in a 22% channel range till a breakout in either direction is observed.
- Short term traders will see intra week volatility.
- Support is in the range of \$4,450 - \$4,319.
- Resistance is in the range of \$5,009 - \$5,121.

# India VIX: The "Fear Gauge" of the Indian Stock Market

Decoding the number that tells you exactly how nervous Dalal Street is right now

– Team InCred Money



When uncertainty grips the market whether from geopolitical tensions, surprise policy changes, or global macro shocks one word dominates every trading desk and financial news channel: Volatility. And for Indian traders, there is one number that captures this sentiment better than any headline: the India VIX.

If you spend any time on NSE's website, Zerodha's Kite, or watching CNBC TV18, you have likely come across this term. Often called the market's "fear gauge," the India VIX is one of the most closely tracked metrics by retail traders, portfolio managers, and institutional desks alike. This article breaks it down clearly, practically, and without unnecessary jargon.

## What is the India VIX?

The India Volatility Index, commonly known as India VIX, is a real-time market index that measures the market's expectation of volatility over the next 30 calendar days. Introduced by the National Stock Exchange (NSE) in March 2008, it does not measure the direction of the market. Instead, it captures the expected magnitude of price swings in the Nifty 50 index.

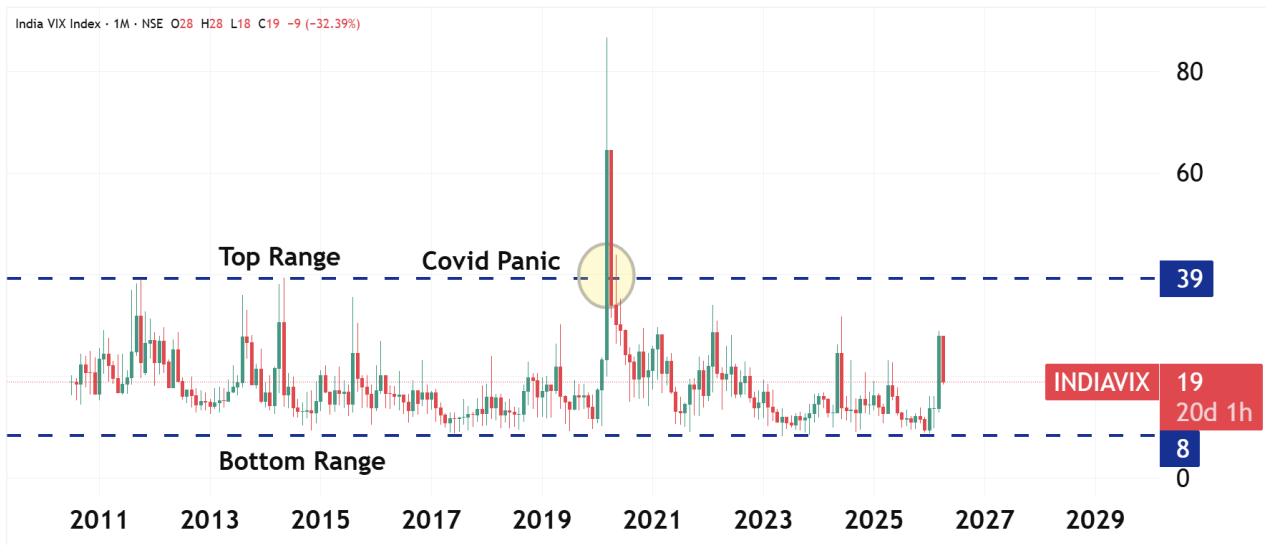
Think of it this way:

**High VIX (above 20–25):** Traders expect large price swings in either direction. This signals high uncertainty, elevated fear, or a risk-off environment.

**Low VIX (below 15):** Traders expect the market to remain relatively stable. This implies confidence, complacency, and low perceived risk.

Historically, the India VIX and Nifty 50 share a strong inverse correlation. When markets fall sharply, panic sends the VIX higher. During prolonged, steady bull runs, the VIX typically drifts downward.

## VIX India Range:



Source: Trading View



*VIX is the market's thermometer. It does not tell you where the market is going — it tells you how nervous the market is right now.*

## Key Historical India VIX Peaks

- March 2020 (COVID-19 crash): India VIX hit ~83 — the highest recorded level. Nifty fell ~38% in weeks.
- 2019 General Elections: VIX crossed 28 before results. Post-BJP victory, it collapsed below 17 within days.  
Source: Trading View
- 2024 General Elections: VIX touched 26+ ahead of results day options traders saw inflated premiums across the board.
- Union Budget Day / RBI Policy announcements: VIX typically spikes 2–5 points ahead of these events and collapses sharply afterwards - a pattern traders specifically watch.

## How is the India VIX Calculated?

Unlike the Nifty 50, which is built from actual stock prices, the India VIX is derived from the **order book of Nifty 50 Options** - specifically, **both the near-month and next-month contracts** that straddle the 30-day horizon. NSE then interpolates between the two to produce a single, 30-day forward-looking number.

The calculation uses four key inputs:

- **Time to Expiry:** Measured in minutes (not just days) for precision. Both near-month and next-month expiry times are used.
- **Interest Rate:** The risk-free rate (typically the 30–90 day MIBOR or T-bill rate) for the respective expiry months.

- **Forward Index Level:** Used to determine which out-of-the-money (OTM) Call and Put options to include in the calculation.
- **Best Bid & Ask Prices:** The mid-point of the best bid and best ask for each OTM option is used. NSE uses the mid-quote (not just the spread) in the actual calculation formula.

By aggregating the implied volatility embedded in these options, NSE produces a single, annualized percentage - the India VIX. An India VIX of 15 means the market expects Nifty to move roughly  $\pm 15\%$  over the next year (or equivalently, about  $\pm 0.95\%$  per day).

## How to Read the India VIX: The Four Zones

While there is no single "correct" number, historical data from Indian markets allows us to define broad VIX zones:

VIX Level	Zone	Market Mood	Trader Implication
Below 15	Calm Zone	Confidence, stability. Watch for excessive complacency.	Option premiums cheap; favours buyers
15 – 25	Normal Zone	Standard market conditions. Healthy two-way trade.	Normal premium levels; balanced strategies work well
25 – 35	Fear Zone	Uncertainty. FII selling, geopolitical events, policy shocks.	Inflated premiums; favours option sellers cautiously
Above 35	Extreme Panic	Rare. Seen during COVID crash (March 2020: VIX hit ~83) and GFC 2008.	High-risk environment; reduce position size significantly

# The Inverse Relationship: VIX and Nifty

One of the most fundamental concepts for any Nifty trader:



Nifty Falls → VIX Rises



Nifty Rises → VIX Falls



Source: Trading View

**Important Caveat:** This inverse relationship is strong but not absolute. There are instances where both Nifty and VIX rise simultaneously - for example, during sharp short-covering rallies in uncertain macro environments where traders remain nervous even as prices move up. Never use VIX direction alone as a trading signal.

# Why the India VIX Matters for Your Trading

## 1. Market Sentiment Indicator

VIX gives you a real-time reading of market fear or complacency. A rising VIX signals the market is moving into a defensive, risk-off mode. A falling VIX shows traders are growing comfortable with current conditions.

## 2. Option Pricing (Most Critical for F&O Traders)

The India VIX is directly linked to Implied Volatility (IV) — the key driver of option premiums on NSE.

- **High VIX = Inflated / Expensive option premiums.** Selling Nifty options becomes more attractive (you collect a higher premium), but risk also rises.
- **Low VIX = Deflated / Cheap option premiums.** Buying options (calls or puts) costs less, and a sudden spike in VIX can make those positions profitable even without a large directional move.

## 3. Timing Indicator for Investors

Extreme VIX readings often coincide with market turning points:

- **Extreme High VIX (30+):** Often marks short-term market bottoms. Panic peaks, then fades. Long-term investors may find this a buying opportunity.
- **Extreme Low VIX (below 11–12):** Excessive complacency. These periods can precede sharp corrections. Consider reducing aggressive long positions or buying cheap protective puts.

## 4. Portfolio Hedging

A rising India VIX is an early warning system. If VIX is climbing steadily while you hold a long equity portfolio, it may be time to buy Nifty Put options as insurance — before premiums become even more expensive.

## The Daily & Weekly Expected Range Formula

One of the most practical uses of India VIX is estimating the expected daily and weekly range for Nifty. Here is the formula, step by step:

### Daily Expected Range

$$VIX \div \sqrt{252} = VIX \div 15.87$$

252 = trading days in a year

Example: VIX = 20

$20 \div 15.87 = 1.26\%$  daily move expected on Nifty

### Weekly Expected Range

$$VIX \div \sqrt{52} = VIX \div 7.21$$

52 = calendar weeks in a year

Example: VIX = 20

$20 \div 7.21 = 2.77\%$  weekly move expected on Nifty

### Practical Example for Nifty Traders:

Suppose Nifty is at 24,000 and India VIX is at 18. Using the daily formula:  $18 \div 15.87 = 1.13\%$ . That means the market is pricing in a daily move of approximately  $\pm 271$  points (1.13% of 24,000). If you are selling a straddle or iron condor, this tells you roughly where to place your strikes for a neutral position. If the actual move stays within this range, the trade profits.

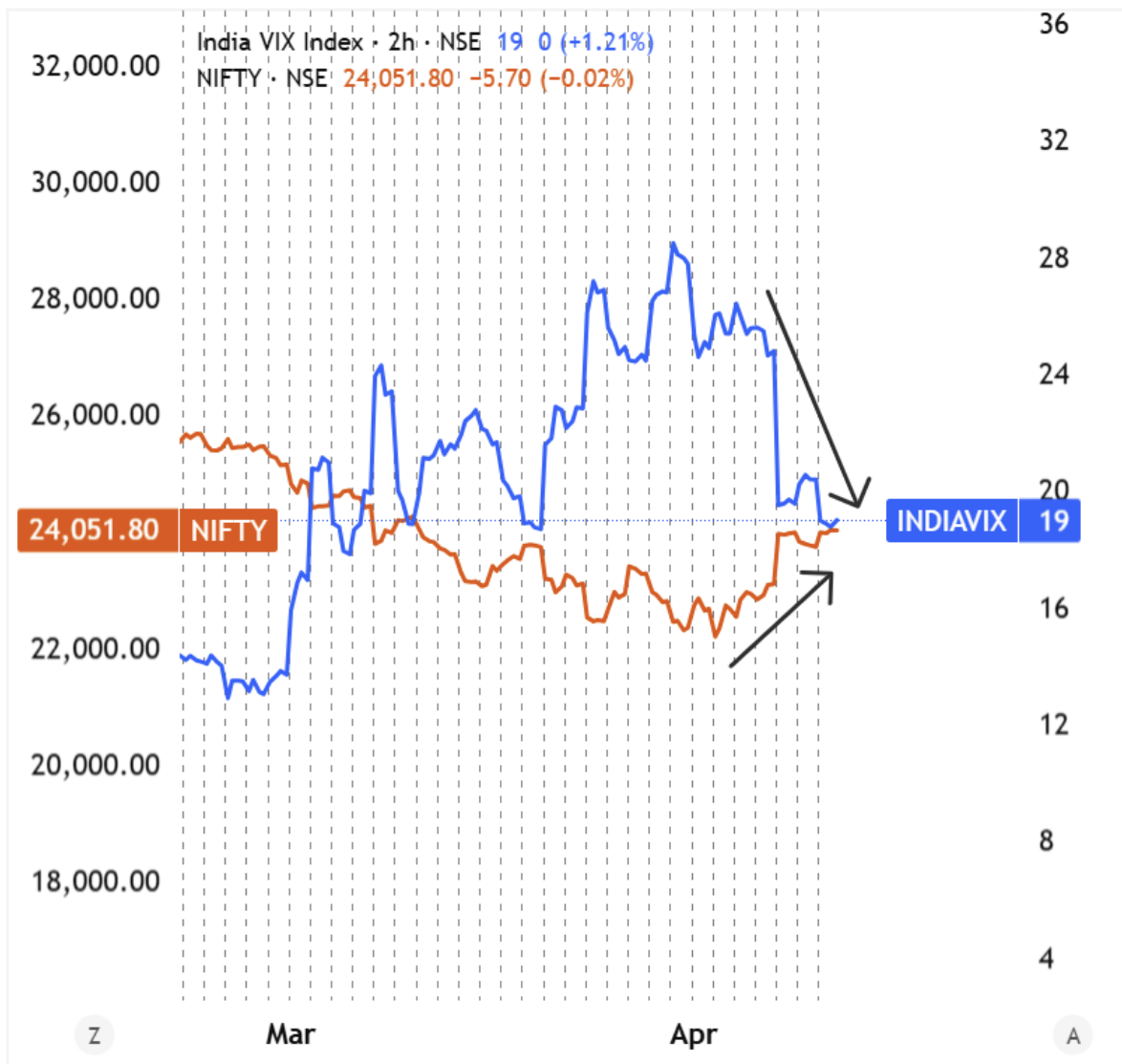
## The 2026 Context: A Live Example

The practical utility of India VIX played out clearly in early 2026. After starting the year at relatively calm levels around 9-10, India VIX surged past the 22 mark by March 2026 - an increase of over 100% in a matter of weeks.

The trigger was a confluence of factors: geopolitical escalations in West Asia, crude oil prices briefly crossing \$100/barrel, and sustained FII selling that put pressure on both the Indian Rupee and benchmark indices.

As fear spread, traders rushed to buy Nifty Put options to hedge their portfolios - pushing up implied volatility &, by extension, the India VIX. Intraday swings of 2%–3% became common.

For traders who were tracking India VIX consistently, this was not a surprise - the gradual build in VIX from 11 to 15 to 18 before the spike gave an early warning signal that conditions were tightening.



Source: Trading View

**Key Lesson:** VIX does not spike overnight in isolation. Watch for a sustained, multi-week rise in VIX from low levels - that trend itself is the signal to reduce risk, tighten stops, and avoid naked short option positions on Nifty.

## Quick VIX Reference Card for Indian Traders

Situation	VIX Signal	Action for Trader
Election / Budget / RBI Policy day approaching	VIX elevated (18–28)	Expect large moves. Avoid naked shorts. Consider straddles/strangles with adequate width.
Market making new highs with VIX below 12	Extreme calm	Consider buying cheap puts as portfolio insurance — premiums are low.
Sudden VIX spike above 25 with Nifty down 3%+	Panic spike	Do not panic-sell. Historical data shows reversals often follow extreme VIX readings within 5–10 sessions.
VIX declining steadily over weeks	Normalisation	Risk appetite returning. Bullish biased spreads or covered calls become attractive.
VIX rising while Nifty is flat	Creeping fear	Caution — the market is buying protection quietly. Reduce position size.

### The Bottom Line

The India VIX is not a crystal ball - it cannot tell you whether Nifty will close green or red tomorrow. What it does tell you, with remarkable consistency, is how much the market is pricing in for potential price swings.

By keeping one eye on India VIX as you plan your trades, you gain a powerful edge: you know when option premiums are expensive or cheap, when to size down your risk, and when historical extremes are signalling a potential reversal. That awareness separates reactive traders from informed ones.



*The market rewards those who respect fear - and punishes those who ignore it.*

# Q & A With Anu Suman

## Section 1: How you started your trading journey

01

You've had a stellar corporate career at firms like Moody's and Freshworks. What was the moment you thought - "I want to trade the markets"? Was there a specific trigger?

My curiosity about markets actually started back at Moody's, where working on credit risk and loan origination products gave me a front-row seat to how capital really moves.

That exposure pushed me into paper trading F&O on the side for a while, long before I put real money to work.

The real inflection point came during the 2020 Covid lockdown, when a friend introduced me to options and I began taking direct equity positions instead of just observing.

Freshworks ESOPs then reinforced the need to understand how public markets value businesses, and since then I've evolved from positional index trades into stock futures and options, and more recently, commodities.



ANU SUMAN

TRADER

Bangalore-based trader in Indian F&O, commodities markets. Ex-Moody's & Freshworks; blends technical analysis, fundamentals & macro. Engineering BTech & MBA from University of Illinois Urbana-Champaign. Passionate on trading psychology, women in finance.

02

A lot of people "dabble" in the markets and stop there. What made you go from dabbling to taking it seriously?

I started like most people, just dabbling in markets, but the shift happened when I started thinking about multiple income streams and long-term independence. I love learning and experimenting, and trading gave me an endless learning curve at exactly the time I was navigating some big life transitions.

What began as curiosity became a daily practice that helped me stay focused, and **over time I started to see it less as a pastime and more as the foundation for a business I want to build for myself.**

03

Did anyone in your family or circle trade? Or were you figuring it all out on your own?

**I'm largely self-taught.** Apart from one friend who introduced me to options during Covid, most of my trading journey has been me figuring things out through reading, paper trading and experimenting.

More recently I've taken a few structured courses as well, which has helped me build a much-stronger foundation instead of just relying on trial and error.



## Section 2: The Early Stumbles

04

**What did your first big loss feel like? And what did you tell yourself after?**

My first big loss felt like someone had pulled the ground a few inches from under my feet — not catastrophic, but enough to shake my confidence and force me to admit I wasn't as "sorted" as I thought. I remember staring at the P&L and realising the problem wasn't the market, it was my position sizing, my lack of clear exit rules, and a little bit of ego.

Instead of telling myself "I'll make it back tomorrow," I told myself, "Either you treat this like a real business with risk limits, or you treat it like tuition and step away." That loss hurt in the moment, but it became the line in the sand where I moved from casual trading to building structure, journaling, and respecting risk.

05

**What's the most expensive mistake you've made as a trader - and what did it teach you that no book could?**

I paid the most for a phase where I sized positions based on conviction instead of risk. On paper I "knew" about leverage & risk-per-trade, but in practice I let a few good trades justify oversized bets in F&O.

That cluster of trades cost me more than any single stop-out, and it taught me something no book could: your real risk appetite is not what you say in a journal, it's what your nervous system does when the market moves against you.

What no book could teach was the feel of it - the way a large drawdown drains your mental capital, distorts your thinking,

and quietly pushes you toward revenge trades or freezing at the screen.

Books talk about risk management, but they rarely capture how quickly a few oversized positions can turn a rational person into someone negotiating with themselves tick by tick. **That experience forced me to flip the hierarchy in my head: survival & position sizing first, returns second, opinions and conviction last.**

## Section 3: The Strategy & the Edge

06

**You blend charts, fundamentals, and macro — in plain terms, how does that actually look on a typical trading day for you?**

On a typical day, I use macro and fundamentals to decide what to trade, and charts to decide when and how to trade it.

I start with global cues and macro data, narrow to a fundamental watchlist, then map key levels and scenarios on charts before the open.

During market hours I focus on price action around those levels with predefined risk, and only let new macro events change my plan. After the close, I review trades to see which macro–fundamental–technical combinations actually work for me and refine the playbook

07

**How do you decide when a trade idea is good enough to actually put money on - versus when to just watch from the sidelines?**

I only put money on a trade when four things align: clear setup, good risk–reward, clean execution, and my own head-space. I want obvious structure and confluence on the chart, a defined stop and at least roughly

2R (Reward to Risk Ratio) before major trouble levels, and enough liquidity and news clarity to get in and out cleanly. If I'm tired, distracted, or already at risk limits, even a great setup becomes a pass

08

**How do you manage risk? Do you have hard rules, or is it more of a feel at this point?**

I use strict rules to define my risk, and “feel” only inside those rules. I cap risk per trade as a fixed amount, size positions from the stop distance, and stop trading for a few hours or days if I hit a predefined loss limit.

Every trade has a clear invalidation level and rough target; discretion is only used to cut early, skip trades, or adjust size based on live tape and my own state- never to override the core limits.

## Section 4: The Psychology Game

9

How do you handle a bad streak? What's your personal reset routine?

When I hit a bad streak, I first stop or sharply cut size so I don't compound mistakes in the same emotional state. Then I review the losing trades to separate bad luck from bad behaviour, tagging things like revenge trades, FOMO entries, or rule breaks.

I come back on “easy mode”: smaller risk, only A+ setups for a fixed number of trades, with the goal of rebuilding confidence and discipline rather than P&L. Once my headspace and execution stabilise, I slowly scale risk back up according to plan, not emotion.

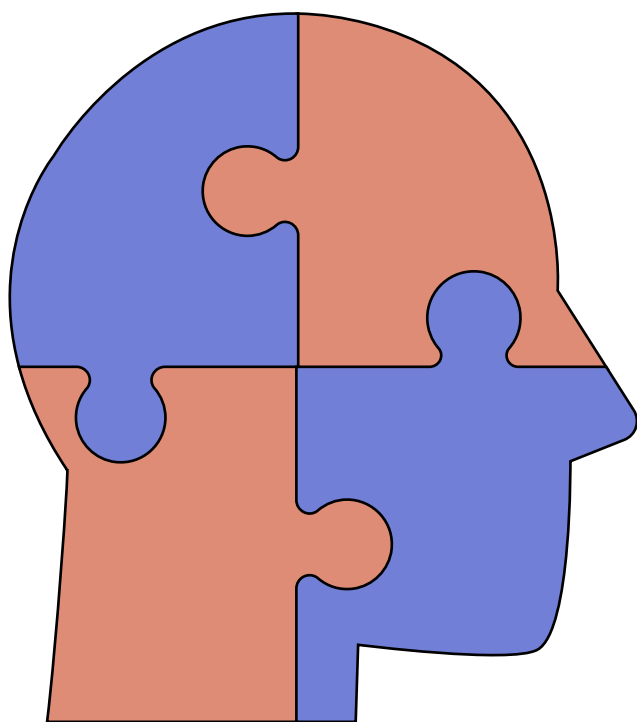
10

Do you journal your trades? What do you do differently from what most traders are told to do?

Yes. I journal every trade, but I focus less on just logging entries/ exits and more on debugging my own behaviour.

I still record instrument, setup, price, and screenshots,

but I also capture my mental state (fatigue, FOMO, revenge mindset), tag trades by behaviour (A+ setup vs. FOMO / revenge / rule-break), and review weekly to see which “version” of me is driving the results — so the journal helps me improve the operator, not just the strategy.



“

*The myth I'd love to kill is: “Trading is too aggressive and complex for women; men are just naturally better at it.”*

## Section 5: Women in Trading

11

**When you first entered trading circles - online or offline - what did that experience feel like as a woman?**

It initially felt like walking into a male-only room where people quietly assume you don't really belong. My questions and views were more likely to be doubted or overlooked, which is why many women hide behind initials or neutral profiles in trading spaces.

Over time, though, that flipped into an advantage: **I didn't feel forced to act like the stereotypical aggressive trader, so I leaned into patience, research, and risk-awareness and stopped waiting for permission to belong there.**

12

**What's the one myth about trading you'd love to bust — especially for women sitting on the fence?**

The myth I'd love to kill is: "Trading is too aggressive and complex for women; men are just naturally better at it."

Evidence doesn't support that at all. Women aren't bad at risk; they're often more risk-aware - they research more, trade less frequently, and avoid the kind of reckless overconfidence that blows up many accounts.

Studies and industry data show that, when women do participate, they can be as competent or even more consistent than men, precisely because they're patient, long-term, and less impulsive. So for women on the fence, the "I'm not wired for this" story is the real myth; your wiring is often exactly what trading needs, once you pair it with skills and structure.

13

**What would you say to a woman in her 30s with a stable job who's curious about markets but doesn't know where to begin?**

**I'd tell her to start by protecting her existing life, not by chasing fast trading profits.**

Ring-fence a small "learning" amount separate from EMIs, goals, and emergency fund, and begin as an investor - using basics like index funds & large caps—before touching F&O.

Learn in small, consistent chunks, use tiny positions or paper trading at first, and avoid hypey "sure-shot" communities; seek a sane learning circle, ideally with other women. Most importantly, treat her natural caution as an edge and formalise it into a simple written plan for how much she invests, what she buys, and how she reviews it.

## Section 6: The Bigger Picture

14

If you could go back and give your younger self one piece of advice before placing that very first trade, what would it be?

“Treat the first few years as tuition, not as your salary.”

If I could tell my younger self one thing, it would be: you're not here to get rich off your first trades, you're here to learn how not to blow up so you can stay in the game long enough to get good.

I'd tell her to risk tiny, obsess over exits and risk-reward before worrying about fancy entries,

and to pick one simple approach and study it deeply instead of hopping systems every time Twitter or YouTube shows a new shiny thing. And I'd remind her that the market will still be here 10, 20 years from now - so the real edge is patience, process, and survival, not speed.

15

What's the one book, podcast, or resource that genuinely changed how you think about markets?

The resource that really changed how I think about markets wasn't a strategy book, it was a podcast: *Chat With Traders* (especially the early episodes with prop traders and fund managers).

Listening to long-form conversations with traders who've survived decades in the game rewired my priorities - from “find the perfect setup” to “build a robust process and respect risk.”

You hear the same themes on psychology, risk management, and longevity repeated across completely different styles, which makes it impossible to cling to the fantasy that there's some secret indicator you're missing. Instead, you start to see trading as a craft: probabilities, discipline, and self-awareness first; entries and fancy tools second.

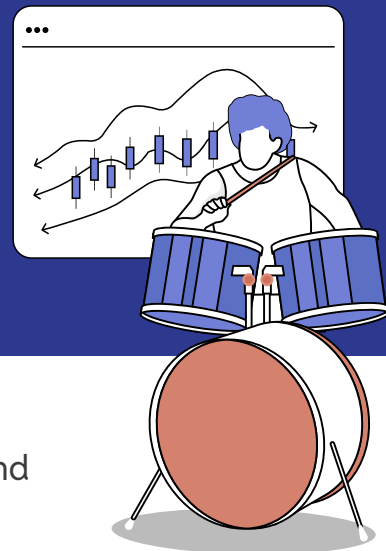


*Treat the first few years as tuition, not as your salary.*

# Bollinger Bands & Volatility

A practical guide to one of the most misused indicators in technical analysis

– Kamlesh Sharma, Trader



Bollinger Bands are one of the most widely used volatility indicators in technical analysis. They help traders understand market volatility, identify potential breakout opportunities, and assess overbought or oversold conditions - offering a powerful framework for analysing price behaviour.

Let's get to know a little more about Bollinger Bands.

## What Are Bollinger Bands?

Bollinger Bands consist of three lines plotted on a price chart:

- **Middle Band:** A simple moving average (usually 20-period)
- **Upper Band:** Middle band + 2 standard deviations
- **Lower Band:** Middle band – 2 standard deviations



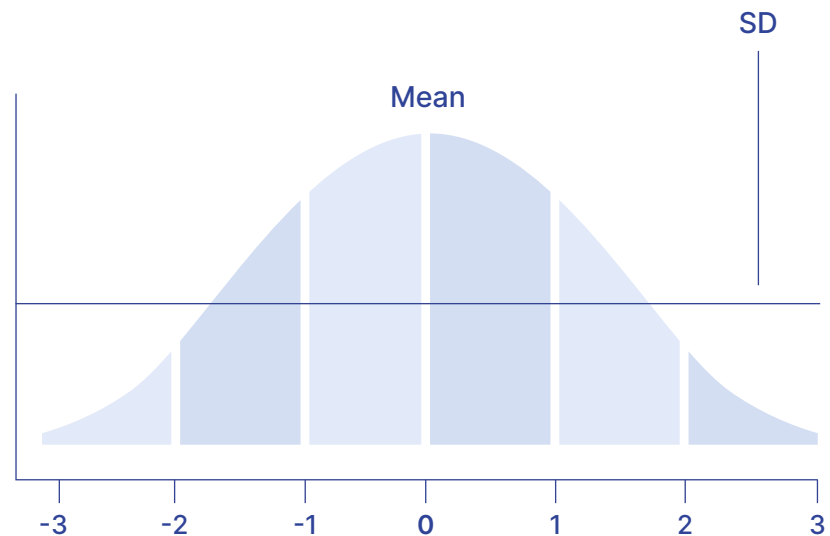
Source: Trading View

The bands expand and contract based on market volatility, making them dynamic compared to static indicators.

## What is Standard Deviation (SD)?

Standard deviation measures how much price is deviating from its average. High deviation = prices swinging wildly, so bands widen.

Low deviation = prices calm, so bands contract. At the default setting of 2 standard deviations, roughly 95% of all price action falls within the bands under normal conditions - only significant moves break outside them.



## Customising the Default Settings (20 SMA, 2 SD)

John Bollinger's recommended defaults are a 20-period SMA and 2 standard deviations.

These work well for most instruments, but traders can adjust them to suit their style:

- Shorter period (e.g. 10): More sensitive, more signals — useful for scalping but creates more noise.
- Longer period (e.g. 50): Smoother, fewer signals — better for positional or long-term traders.
- Higher SD (e.g. 2.5): Wider bands, fewer touches — better for volatile assets like crypto or commodities.
- Lower SD (e.g. 1.5): Tighter bands, more touches — useful for low-volatility instruments.

## Key Interpretation (with 2 SD):

- When price touches or goes above the upper band → Relatively overbought
- When price touches or goes below the lower band → Relatively oversold
- Squeeze: Low volatility (often precedes big moves)
- Bulge: High volatility (bands widen)

## Volatility Indicator

- When markets are volatile, bands widen.
- When markets are calm, bands contract.

## The Middle Band: Dynamic Support and Resistance

Most traders focus only on the upper and lower bands and overlook the middle band entirely — this is a mistake. **The 20-period SMA (middle band) acts as a key dynamic level:**

- **In an uptrend:** Price tends to bounce off the middle band (acting as support). Pullbacks to the middle band are often good entry opportunities for long trades.
- **In a downtrend:** Price tends to reject from below the middle band (acting as resistance). Rallies to the middle band can be used to enter short trades.
- **In a ranging market:** Price oscillates between all three bands - the middle band loses its directional significance.

### Practical Tip:

If price consistently bounces off the middle band, the trend is strong. If price starts slicing through the middle band, the trend may be weakening or reversing.

## Time Frame for overlaying Bollinger Bands

Trading Style	Day Trading	Swing Trading	Positional Trading	Long Term
Time Frame	5/ 15 minutes	Daily	Weekly	Monthly

Traders should select the time frame in which bollinger bands are plotted as per their style of trading.



Source: Trading View

## Bulge & Squeeze



*The Squeeze is the calm before the storm. The Bulge is the storm itself.*

*- John Bollinger, creator of Bollinger Band.*

# Squeeze - The Calm Before the Storm

Bollinger Band Squeeze occurs when the bands contract significantly due to low volatility. This indicates that the market is in a consolidation phase and a strong move is likely to follow.

## Key Characteristics:

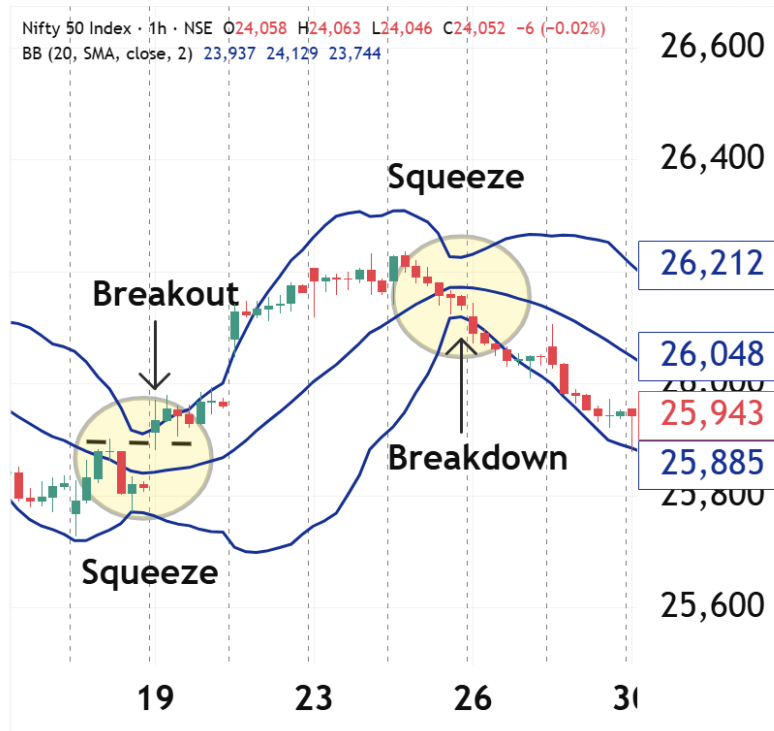
- Narrow distance between upper and lower bands
- Low volatility environment
- Often seen before major breakouts

## Trading Strategy for Squeeze:

- Identify the squeeze phase
- Wait for price to break above or below the band
- Confirm with volume or other indicators (like RSI or VWAP)
- Enter in the direction of breakout

## Example:

If price breaks above the upper band after a squeeze, it signals potential bullish momentum. Conversely, a breakdown below the lower band indicates bearish strength.



**Avoid predicting direction during squeeze — focus on breakout confirmation.**

## Watch Out for False Breakouts

Not every move beyond the bands after a squeeze is a genuine breakout. False breakouts are common — price briefly pierces a band and then reverses sharply. To filter out false signals:

- Wait for a candle close outside the band, not just an intraday wick or pierce.
- Confirm with above-average volume - genuine breakouts are typically accompanied by a volume surge.
- Use RSI as a momentum filter: RSI above 60 supports a bullish breakout; RSI below 40 supports a bearish one.

## Bulge (Band Expansion) - The Storm Itself

A Bollinger Band Bulge occurs when the bands expand rapidly due to increased volatility. This typically happens during strong trending moves.

### Key Characteristics:

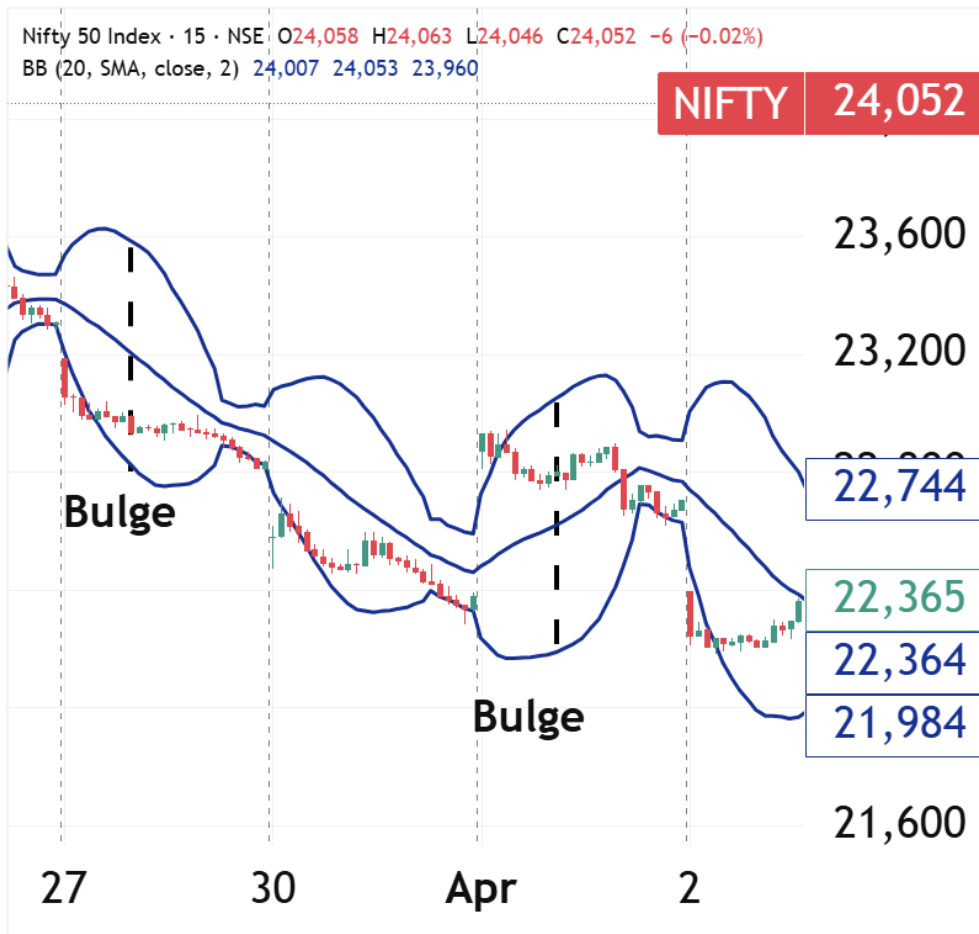
- Wide gap between upper and lower bands
- High volatility
- Strong price momentum

### Trading Strategy for Bulge:

- Follow the trend instead of fading it
- Use pullbacks toward the middle band for entries
- Avoid counter-trend trades

## Example:

During a strong uptrend, price may ride the upper band for extended periods. This is not overbought - it indicates strength. During a strong downtrend price may ride the lower band for extended periods. This is not oversold - it indicates weakness (current market).



Source: Trading View



## Common Mistakes Beginners Make with Bollinger Bands

- **Treating every band touch as a signal:** In a strong trend, price can ride the upper or lower band for extended periods. Selling every touch of the upper band in a bull trend results in repeated stop-outs.
- **Using Bollinger Bands in isolation:** They work best combined with momentum tools like RSI, volume, or VWAP. No single indicator is sufficient.
- **Entering too early during a squeeze:** Many traders jump in before directional breakout is confirmed and get whipsawed.
- **Applying the same settings to all instruments:** A 20,2 setup that works on Nifty 50 may need adjustment for highly volatile stocks or commodities like gold and crude oil.
- **Confusing Expansion for a reversal signal:** A widening band signals increased volatility — not that the move is over. Trend continuation is often more likely than reversal.

## Conclusion

Bollinger Bands are far more than a simple overbought/ oversold indicator. When used correctly, they provide deep insights into market volatility and price behaviour. The concepts of Squeeze and Bulge are especially powerful, helping traders anticipate breakouts and ride trends effectively. Understanding these two phases can significantly improve timing, risk management, and overall trading performance - making Bollinger Bands an essential tool in every trader's arsenal.

# Oversold & Diffusion Indicators



– Bharat Nanavaty, Trader

Indian equity markets have undergone a sharp correction since early February, bringing the Nifty to levels that are considered highly oversold. To cut through the noise, this note applies a disciplined, indicator-driven framework - cycle analysis, RSI on the weekly timeframe, Bollinger Bands on the monthly chart, and diffusion breadth indicators - to answer one question that matters most to investors today: are we approaching a durable low, or is there more pain ahead? The evidence, across multiple technical lenses, points toward conditions that have previously preceded significant recoveries.

**A confluence of technical indicators across multiple timeframes is currently pointing toward deeply oversold conditions in the market, raising the probability of a significant near-term recovery or pullback rally.**

On the weekly chart, the Relative Strength Index (RSI) has moved into oversold territory, registering readings below the critical 30-level threshold.. When the weekly RSI reaches these extreme levels, it often signals that the prevailing downtrend may be losing momentum and that a mean-reversion bounce could be imminent.

Complementing this signal, Nifty had tested the lower Bollinger Band on the monthly chart suggesting highly over-sold readings.

Further reinforcing this outlook, **diffusion indicators - which measure the breadth of participation across individual stocks or sectors - are registering highly oversold readings as well.** When diffusion indicators reach such depressed levels, it suggests that selling has become broad-based and indiscriminate, leaving very few stocks or sectors unaffected. This kind of capitulation-like breadth deterioration has, in past market cycles, often preceded

Since the COVID-19 low, the index has experienced three medium-degree cycle corrections:

- Decline Cycle 1 (October 2021 to June 2022): Correction of approximately 18% approx.
- Decline Cycle 2 (September 2024 to April 2025): Correction of approximately 17% approx.
- Decline Cycle 3 (February 2026 - Present)

powerful relief rallies, as the selling pressure becomes exhausted and buyers step in opportunistically.

Taken together, the alignment of over-sold signals across the weekly RSI, monthly Bollinger Bands, and diffusion indicators presents a compelling technical case for a strong market pullback or recovery bounce in the near term. While these indicators do not rule out the possibility of further downside in the longer-term trend, the weight of the technical evidence suggests that the market is ripe for at least a meaningful short-term recovery.

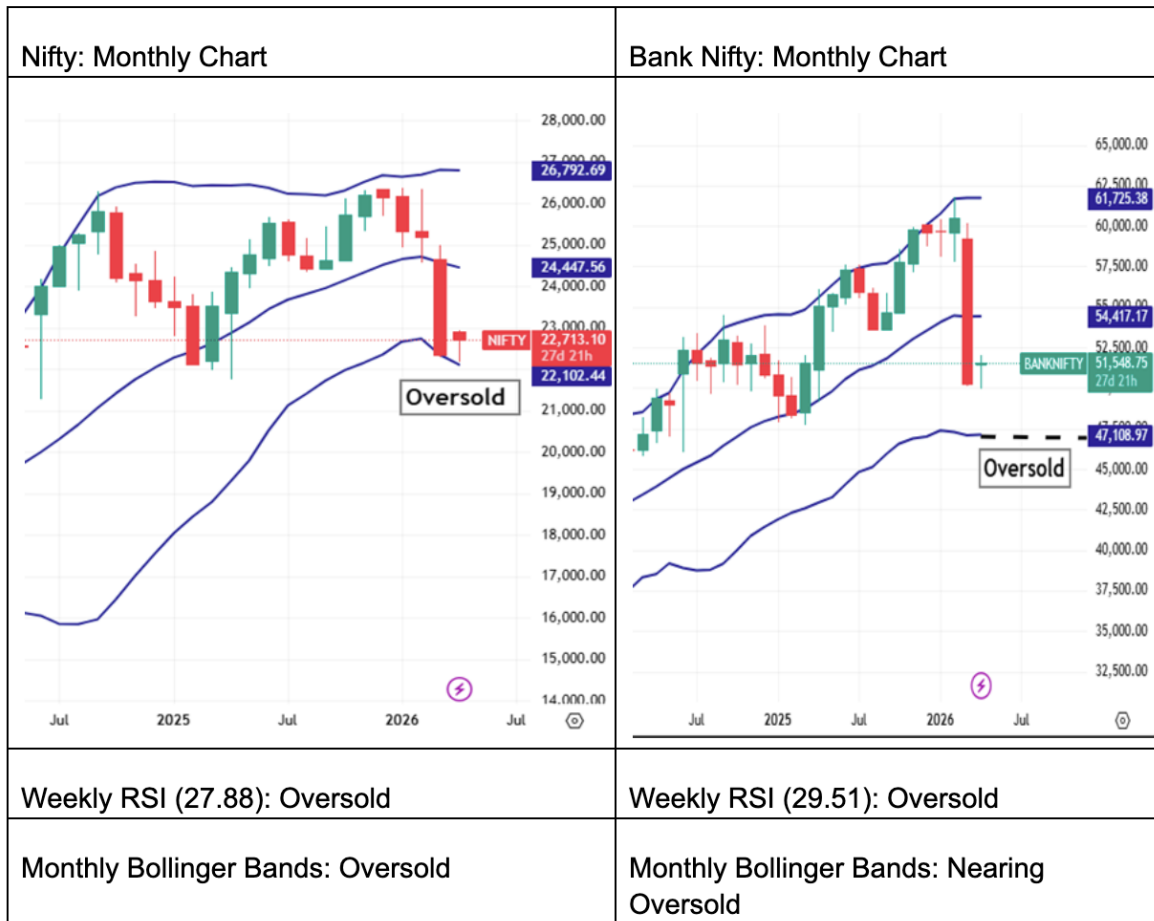


# Oversold Indicators

Let's apply two parameters for judging how oversold Nifty and sector indices are

(i) Relative Strength Index- Weekly Time Frame)

(ii) Bollinger Bands - Monthly Time Frame



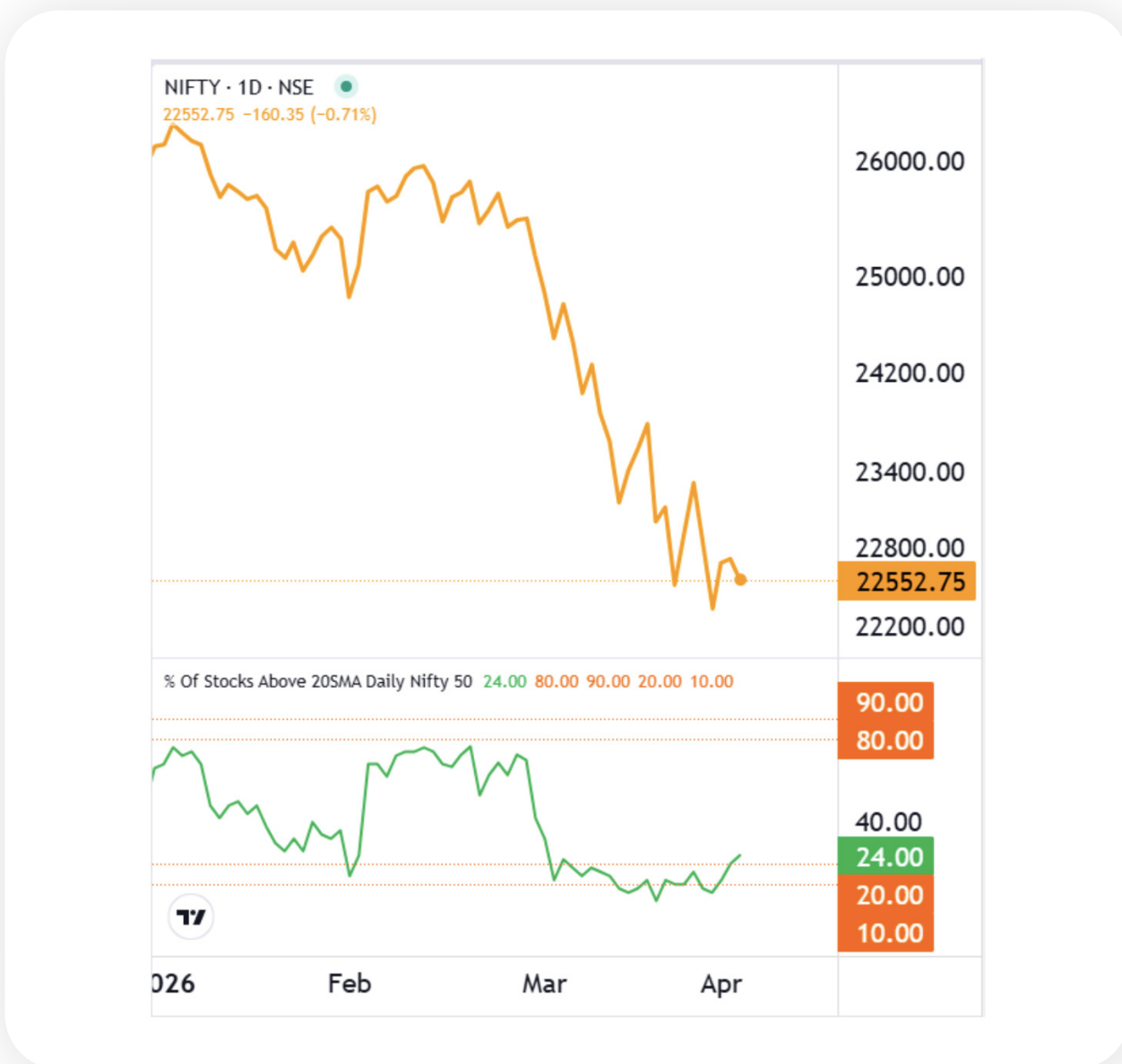
## Diffusion Indicators

Diffusion Indicators measure the percentage of stocks moving in the same direction (up or down) within an index or market. They help gauge overall market breadth and confirm the strength or weakness of a trend.

Tracking the Percentage of stocks above SMA (like 50 or 200-day SMA) helps assess overall market health. A high percentage suggests a strong uptrend, while a lower percentage may indicate weakness or a potential reversal.

Let's look at Nifty with four diffusion indicators:

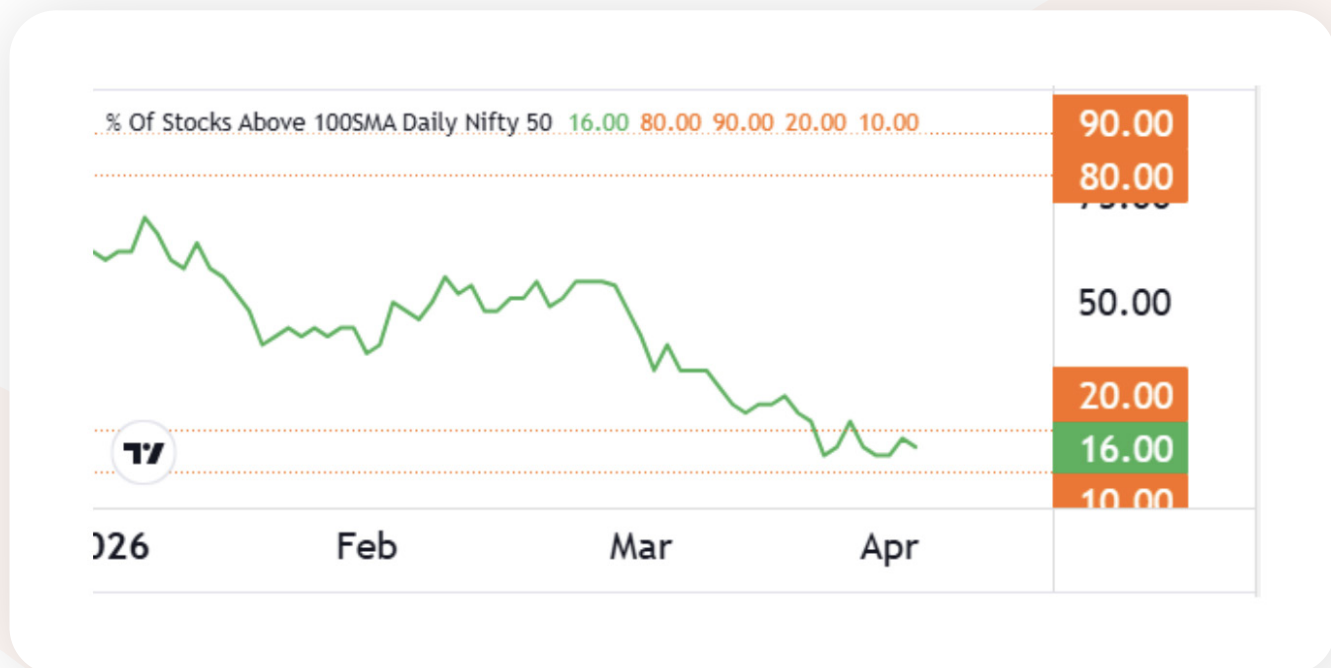
i) Percentage of Nifty 50 stocks above 20 day SMA



ii) Percentage of Nifty 50 stocks above 50 day SMA



iii) Percentage of Nifty 50 stocks above 100 day SMA



iv) Percentage of Nifty 50 stocks above 200 day SMA



Chart Date: 2nd April'26  
Chart Source: Strike.money

# Open Interest & Strike Analysis

Understanding the metric that reveals who is positioned where and why it matters for every F&O trader

– Team Strike.Money



PUTS

CALLS

## What is Open Interest?

Open Interest (OI) is one of the most critical indicators for options and futures traders. It represents the total number of outstanding derivative contracts - specifically, contracts that have been opened but not yet closed, expired, or exercised. Every active position in the market is counted once in Open Interest.

Traders often combine open interest with price and volume to get a three-dimensional view of the market: **Price shows direction, Volume shows intensity, and Open Interest shows conviction.** Together, these three elements help traders distinguish between false moves and real, committed trends.

## The Four OI-Price Combinations

The table below is the foundation of OI-based analysis. Memorise it — every OI reading can be mapped to one of these four scenarios.

Price	Open Interest	Market Action	Interpretation
Rising ↑	Rising ↑	Long Buildup	Bullish. Fresh buyers entering the market. Trend is strong and well-supported.
Falling ↓	Rising ↑	Short Buildup	Bearish. Fresh sellers entering the market. Downtrend has conviction behind it.
Rising ↑	Falling ↓	Short Covering	Bullish but weak. Shorts exiting, not fresh longs entering. Rally may not sustain.
Falling ↓	Falling ↓	Long Unwinding	Bearish but weak. Longs exiting, not fresh shorts entering. Decline may slow soon.

## How is Open Interest Calculated?

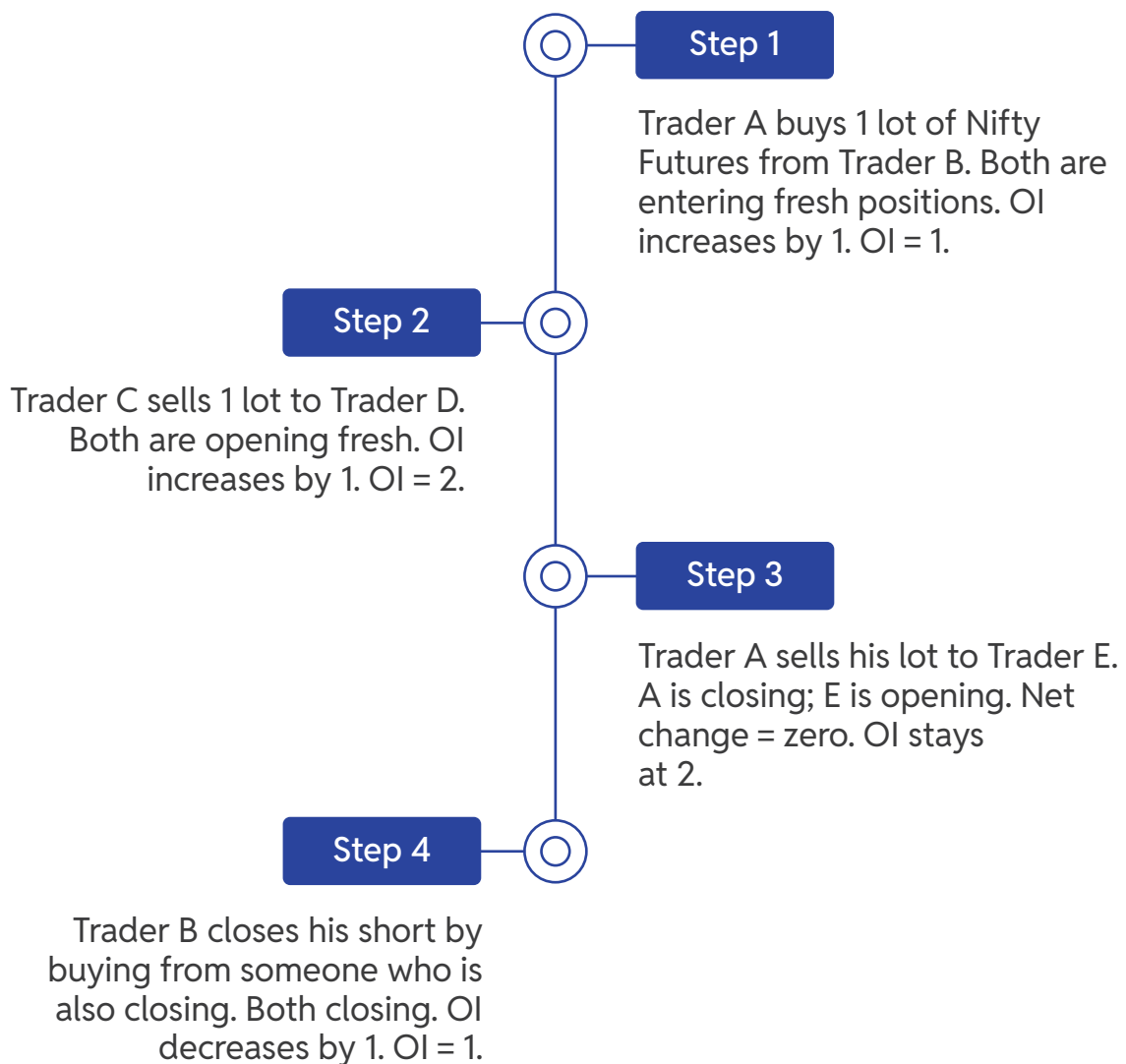
The underlying logic is straightforward: OI increases by 1 when a new contract is created (both buyer and seller are opening fresh positions).

OI decreases by 1 when a contract is extinguished (both buyer and seller are closing existing positions).



**OI increases when both parties OPEN | OI decreases when both parties CLOSE | OI is unchanged when one opens, one closes**

## Step-by-Step Example



## OI in Options — Important Nuance for F&O Traders

Options OI is tracked **separately for each strike and each expiry**. So "Nifty 25,500 CE April expiry" has its own OI number, completely independent of "Nifty 25,500 CE May expiry".

When you look at the NSE Option Chain, every row shows the OI for that specific strike-expiry combination.

Example: If 500 contracts of Nifty 25,500 CE are traded in one session:

- **300 contracts** are new (both buyer and seller are fresh) → OI increases by 300
- **200 contracts** are closures (both sides exiting) → OI decreases by 200
- Net OI change = +100 contracts for that strike.

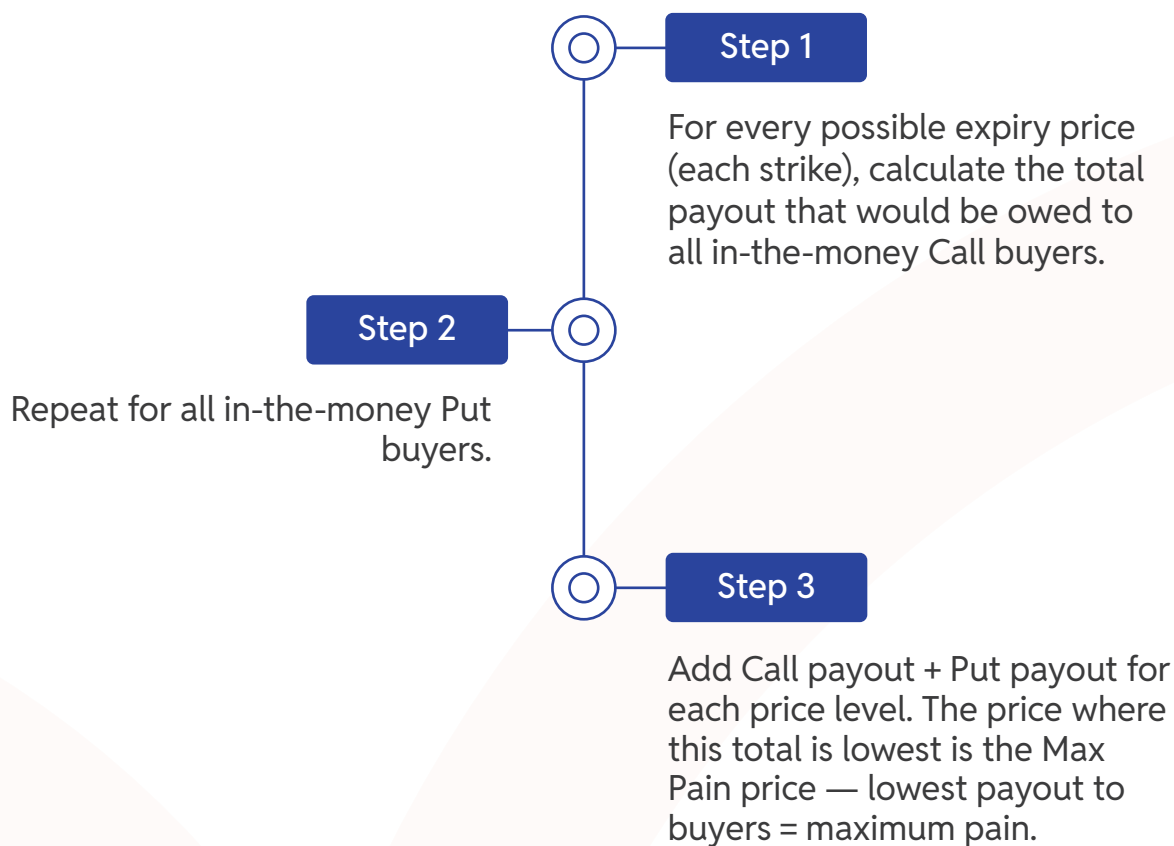
**Change in OI (COI)** - the difference between today's OI and yesterday's OI — is often more useful than absolute OI.

For eg. A large positive COI on a Call strike while price is rising signals strong fresh resistance being built.

## Max Pain Theory

Max Pain is a concept specific to options expiry. It refers to the price level at which the total loss to all option buyers (across all strikes) is maximised - or equivalently, the price at which option sellers (writers) collect the most premium.

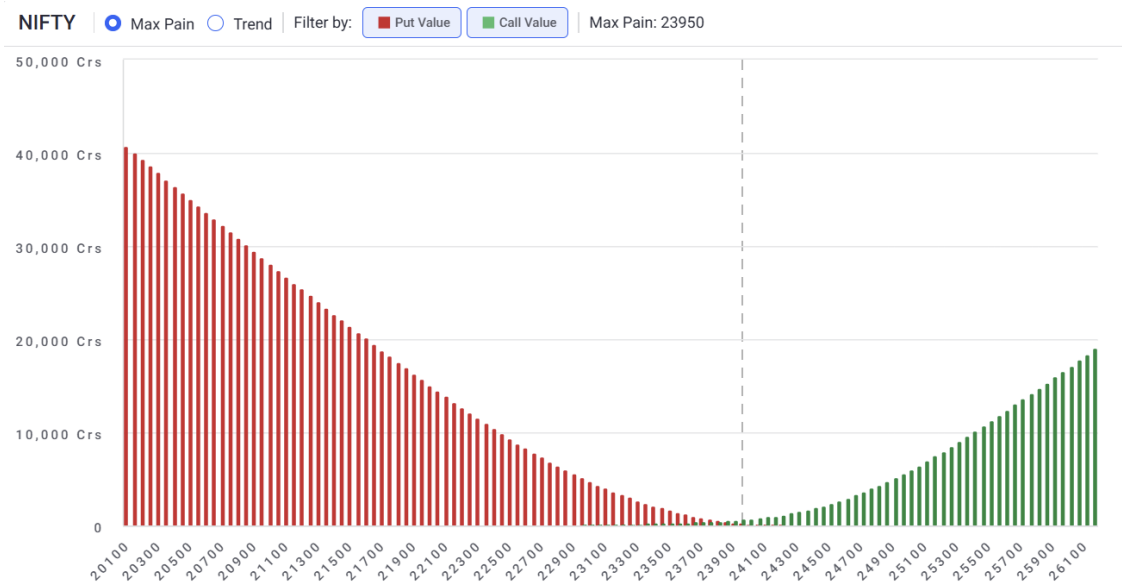
The Max Pain price is calculated by:



## "Pinning" - The Expiry Gravity Effect

As expiry approaches (especially on the last 1–2 days before weekly Tuesday expiry for Nifty), the market tends to gravitate toward the Max Pain price. This is sometimes called "pinning." The mechanism:

- Option writers with large positions actively hedge — buying or selling the underlying futures — to keep the market near their maximum-profit zone.
- Delta-hedging activity by large desks creates a gravitational pull toward the Max Pain level.
- **Practical use:** If Nifty is at 25,300 and Max Pain is 25,000, the market may drift lower before Thursday expiry. Traders use this to position short-duration spreads.



Source: Strike.Money

**Caution:** Pinning is a tendency, not a guarantee. Strong macro events (US jobs data, RBI policy surprises) override Max Pain gravity completely. Do not trade Max Pain alone without directional confirmation.

## Reading OI for Support and Resistance

Large OI clusters at specific strikes act like invisible walls in the market. Writers of those options will defend these levels because their profit depends on the market staying on the right side.

Example: If Nifty has maximum Put OI at 24,800 and maximum Call OI at 25,300, the market is expected to trade within this range before expiry. Put writers defend 24,800 (they need Nifty to stay above it). Call writers defend 25,300 (they need Nifty to stay below it).

### How to Analyse OI for S&R - Step by Step

#### 01 Open the NSE Option Chain:

Go to [nseindia.com](http://nseindia.com) → Derivatives → Option Chain. Select Nifty or BankNifty and the relevant expiry.

#### 02 Identify the top OI strikes:

Look for the strike with the highest OI on the Call side (resistance) and the highest OI on the Put side (support).

#### 03 Track Change in OI (COI) intraday:

Rising Put OI at a strike = support strengthening. Falling Put OI = support weakening (Put writers exiting — bearish signal).

#### 04 Watch for OI migration:

If Call OI keeps shifting higher in sync with price, it is a bullish signal — the resistance wall is moving up as the market climbs.

#### 05 Combine with PCR:

The Put-Call Ratio (total Put OI ÷ total Call OI) gives a broader sentiment view. PCR above 1.2 is typically bullish; below 0.8 is typically bearish.



Source: Strike.Money

More precisely: Rising Call OI at higher strikes while price climbs = new resistance being built at higher levels (not straightforwardly bullish). The bullish signal comes from rising Put OI at rising strikes (support building under price) or falling Call OI (resistance being absorbed). Call OI migration upward alongside price is neutral-to-cautiously bullish at best.

## Put-Call Ratio (PCR) - Quick Reference

PCR Level	Sentiment	What It Means
Above 1.2	Bullish	More Put buying/writing than Calls. Indicates hedging or bullish bets. The market often rises from here.
1.0 – 1.2	Neutral	Balanced OI between Calls and Puts. No strong directional bias.
0.8 – 1.0	Cautious	More Call activity. Watch for capping of upside. Traders hedging longs with Calls.
Below 0.8	Bearish	Excessive Call buying - often a contrarian bearish signal. Market participants overconfident on the upside.

# Open Interest and Price Action - Practical Strategies

OI trading is about confirmation, not prediction. It helps traders filter weak moves and focus on setups where money flow aligns with price action.

## The Five Core Applications

**1 Breakout Confirmation:** Price breaks resistance with rising OI → confirms fresh long buildup. High probability continuation. Price breaks with falling OI → likely false breakout; shorts are merely covering, not new longs entering.

**2 Trend Continuation:** Rising price + rising OI = bulls adding positions. Swing traders can hold longs with confidence. This is the strongest bullish configuration.

**3 Short Covering Rallies:** Rising price + falling OI = temporary. Shorts are exiting, not fresh longs entering. Take profits quickly; do not chase this move.

**4 Iron Condor / Range Strategy Placement:** Highest Call OI = upper boundary. Highest Put OI = lower boundary. Structure your range strategies within this corridor, adjusting as OI shifts during the week.

**5 Liquidity and Slippage Management:** High OI strikes have tighter bid-ask spreads. Always trade near high-OI strikes to minimise slippage, especially when trading Nifty or BankNifty options.

## Is OI a Leading or Lagging Indicator?

Open Interest is primarily a **confirming indicator** - it validates what price and volume are already showing.

- **When OI acts as a confirming indicator:** Rising price + rising OI confirms the uptrend has fresh participation. This is the classic use case.
- **When OI acts as a leading/early-warning signal:** If price rises but OI keeps falling, it means shorts are covering - not new buyers entering.

Since OI reflects positions already created, it mostly confirms existing trends rather than predicting new ones

- The rally lacks fresh conviction and may reverse. If price breaks support but Put OI does not reduce, large Put writers still believe in that level - price may bounce back.

## The Bottom Line

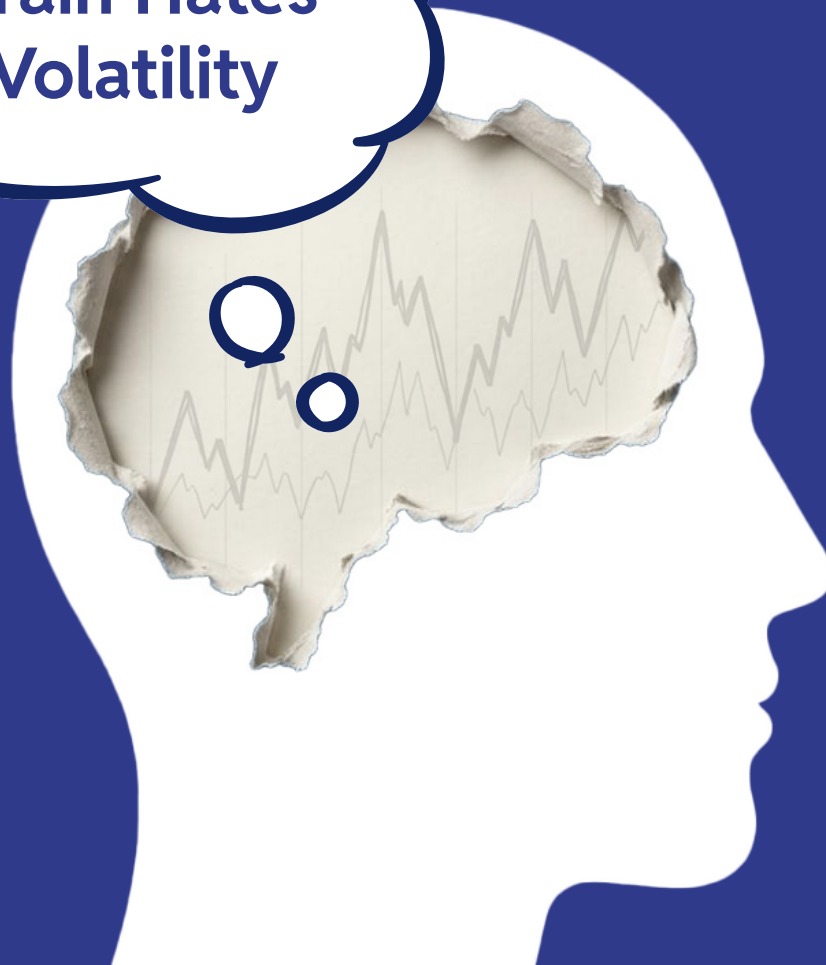
Open Interest is not a standalone crystal ball. Used in isolation, it can mislead. Used alongside price, volume, PCR, and India VIX, it becomes one of the most powerful tools available to an F&O trader.

At its core, OI answers one question: "Is real, committed money behind this market move?" Rising OI with price says yes. Falling OI with price says no. That single answer - consistently applied - can separate impulsive trades from high-quality setups.

## OI Trading Checklist - Before Every F&O Trade

- ✓ Is overall OI rising or falling? (Rising = conviction; Falling = caution)
- ✓ What does the Change in OI (COI) show today? (COI is more actionable than absolute OI)
- ✓ Where are the highest Call and Put OI strikes? (These are your dynamic S&R levels)
- ✓ What is the current PCR? (Above 1.2 = bullish bias; below 0.8 = bearish bias)
- ✓ Does OI confirm the price move, or is there a divergence? (Divergence = high-alert scenario)
- ✓ How far are we from expiry? (Theta decay accelerates — adjust option buying strategy accordingly)

# Why Your Brain Hates Volatility



The science behind panic trading - and how to stay in control when markets turn chaotic

– Team Incred Money

April 2026. Escalating tensions in West Asia. Crude oil crosses \$100 a barrel. Nifty sheds nearly 10% in three weeks. India VIX doubles from 10 to over 22. FIIs pull out. The rupee slides. Every headline is worse than the last.

You have a plan. Stop-losses set. Position sizes mapped. A strategy you believe in.

Then Nifty gaps down 500 points and VIX spikes past 20 — and the plan evaporates. Positions exit too early. Impulse trades go in. Rules disappear.

This is not a discipline problem. It is a biology problem.

## Two Systems, One Screen

Your brain runs two decision-making systems simultaneously.

**The prefrontal cortex.** Just behind your forehead. This is rational thinking - it weighs options, calculates risk, builds plans. It is what you use on a calm Sunday evening mapping out the week's trades.

**The amygdala.** Deeper in the brain. Small, almond-shaped, ancient. Its job is not thinking - it is survival. It scans constantly for threats, and when it finds one, it overrides everything else.

When financial loss registers as a threat - and it does - the amygdala can shut down the prefrontal cortex almost completely.

Psychologist Daniel Goleman called this an **amygdala hijack**. Heart rate spikes. Breathing shallows. Your attention collapses onto the one thing causing the most discomfort: the MTM bleeding red on your screen.

In this state, your brain is not searching for the best trade decision. It is searching for the fastest exit from pain. In a physical emergency, that instinct saves lives. In a volatile market, it is usually the most expensive thing you do all day.



*The rational brain goes quiet.  
The survival brain takes  
the wheel.*

## It's Not the Loss. It's the Uncertainty.

The amygdala reacts more to not knowing than to actual loss. A ₹30,000 drawdown you understand is less activating than a ₹15,000 move you cannot explain. Erratic price action, conflicting news, no clear direction - the amygdala reads all of this as danger, regardless of what is actually in your portfolio.

Layer on top of this a cognitive bias called loss aversion — identified by Kahneman and Tversky in their Nobel Prize-winning Prospect Theory — and the problem compounds.

Losses feel 2 to 2.5 times more painful than equivalent gains feel good. The brain inflates the danger. The response gets outsized.

For options traders, this shows up in a specific way. A slow theta bleed rarely triggers panic. But a sudden IV spike — even one that does not actually threaten the position — can feel like a crisis, prompting exits that destroy setups which were working exactly as they should.

## Three Ways to Interrupt the Hijack

The amygdala hijack cannot be argued with mid-trade. But it can be interrupted — just long enough for rational thought to return.

### 01 Controlled Breathing

Slow breathing directly activates the parasympathetic nervous system - the body's counterbalance to stress. Inhale for four counts. Hold briefly.

Exhale for six to eight. Two or three cycles measurably reduces the acute stress response and lowers heart rate.

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### 02 Pre-Committed Rules

The best time to manage a volatile market is before it opens. A specific written rule - "I will not exit any position in the first 20 minutes of a 2% gap move" - removes the decision from the moment when decision-making is most compromised. The rule does the work. Your brain does not have to.

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### 03 Name What You're Feeling

Saying, even internally, "I want to exit because I am anxious right now" engages the analytical brain and creates a brief gap between the emotion and the response. That gap is where better decisions live. Psychologists call this affect labelling.

Neuroscientist Matthew Lieberman's 2007 UCLA research showed it produces a measurable drop in amygdala activity. The more precisely you name it, the stronger the effect.

# The Bigger Picture

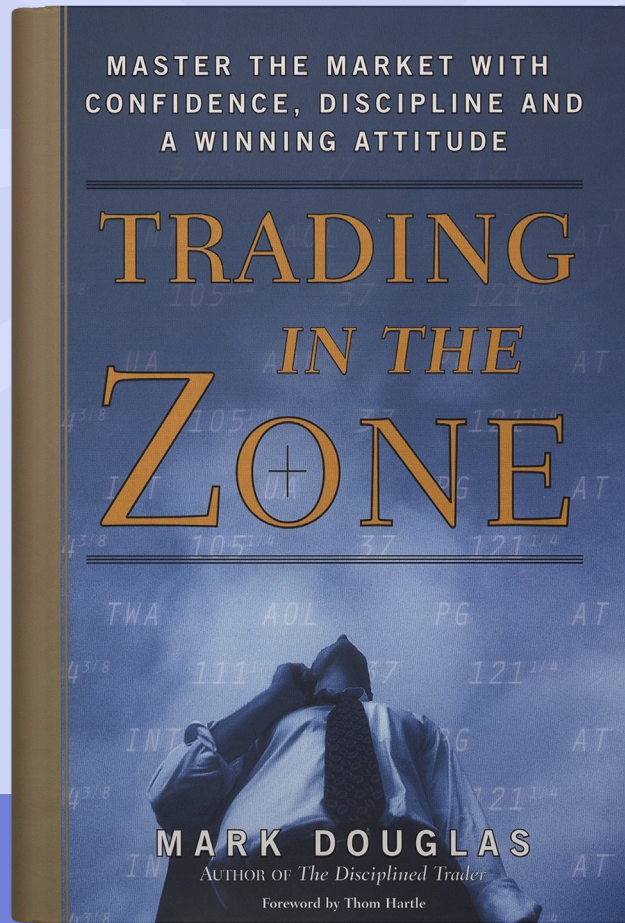
Budget days, RBI announcements, global shocks, election swings — volatile price action is a permanent feature of Indian markets. The question is not whether your brain will react. It will. The question is whether your system is strong enough that the reaction does not decide the trade.

Understanding neuroscience does not make you immune. But it changes what the panic means to you. Instead of a signal to act, it becomes a familiar physiological event - one you recognise, breathe through, and step past.



*That fraction of a second to choose differently, compounded across a career - that is the edge.*





## Book Review

Must-Read for Every Serious Trader

# Trading in the Zone

Mark Douglas | Published: 2000 | Pages: 240

Mark Douglas's *Trading in the Zone* is one of the most psychologically penetrating books ever written about financial markets. Unlike most trading books that focus on strategies, indicators, or chart patterns, Douglas zeroes in on what he argues is the true determinant of trading success: the mind.

The central thesis is deceptively simple — consistently profitable trading is not a function of better analysis or smarter systems, but of developing the right mental framework.

Douglas contends that most traders fail not because their methods are flawed, but because they cannot execute those methods with discipline.

Fear, greed, overconfidence, and the desperate need to be "right" all conspire to sabotage even the most well-designed trading plans.

A trader must adopt the same mindset - accepting uncertainty on any individual trade while trusting that a sound edge, applied consistently, will produce positive outcomes over time. This shift from outcome-focused to process-focused thinking is, Douglas argues, the cornerstone of elite trading psychology.

The book's most valuable contribution is its breakdown of **the five fundamental truths** of trading. Once genuinely internalised rather than merely understood intellectually, these free the trader from emotional reactivity and enable consistent execution:

- Anything can happen.
- You do not need to know what will happen next to make money.
- Randomness at the individual trade level does not undermine a sound system over time.
- An edge is simply a higher probability of one thing happening over another.
- Every moment in the market is unique.

Douglas is also candid about the **stages of trader development** - from mechanical rule-following to fully intuitive trading - and honest about how long and uncomfortable that journey can be. His discussion of how childhood experiences and social conditioning create deep-seated mental patterns that conflict with market realities is particularly insightful.

Ultimately, *Trading in the Zone* is essential reading for any serious trader. It does not promise shortcuts. Instead, it offers a clear map of the psychological transformation required to trade with genuine consistency and confidence.

**Best suited for:** All traders - equity, F&O, futures, algo. Especially valuable for those with a working strategy who still struggle with consistent execution.



*The market is never wrong — opinions often are.*

— Mark Douglas

# The Volatility Quiz



**Q1. Implied Volatility (IV) is best described as:**

- A. The volatility of an asset calculated from its past price data
- B. The volatility the market prices into options, reflecting future expectations
- C. The annualised standard deviation of daily closing prices over 90 days
- D. The difference between the highest and lowest price of an option contract

**Q2. A 'volatility smile' in options markets occurs because:**

- A. ATM options always have the lowest IV, while OTM and ITM options carry higher IV
- B. Markets are always cheerful and upbeat during low-volatility phases
- C. Deep OTM puts and calls are always priced identically regardless of direction
- D. IV is perfectly flat across all strikes as per the Black-Scholes model

**Q3. Which Greek measures the rate of change of an option's delta with respect to the underlying's price, and why does it matter especially during high volatility?**

- A. Theta — because time decay accelerates in volatile markets
- B. Vega — because IV changes affect all option holders equally
- C. Gamma — because large price swings can rapidly shift your delta exposure
- D. Rho — because interest rates spike during market crises

**Q4. You buy an ATM straddle on Bank Nifty at a total premium of Rs. 400 (call Rs. 210 + put Rs. 190). Expiry is 5 days away. For this position to be profitable at expiry, Bank Nifty must move:**

**A. At least Rs. 400 in either direction from the current spot price**

**C. In the upward direction only, by more than Rs. 210**

**B. At least Rs. 200 in either direction from the current spot price**

**D. No movement needed - straddles are always profitable near expiry**

**Q5. You observe that the IV of weekly Nifty options is at the 85th percentile of its 1-year range. Which strategy is most appropriate in this environment?**

**A. Buy straddles - high IV means the market will move a lot**

**C. Buy OTM calls only - direction is clear when IV is high**

**B. Sell premium via credit spreads - elevated IV means options are expensive and likely to revert**

**D. Avoid the market entirely; high IV means no opportunities exist**

**Q6. Realized Volatility over 20 days on Nifty is 12%, but Implied Volatility is currently at 20%. This Volatility Risk Premium (VRP) suggests:**

**A. Options are cheap - buy them before a big move**

**C. Nifty is guaranteed to become more volatile to close the gap**

**B. Options are expensive relative to actual moves; premium selling strategies may have edge**

**D. The data is contradictory and should be ignored entirely**

**Q7. Scenario:**

It is March 2020. Nifty has fallen 38% in 40 trading days. India VIX has spiked to 86 — its all-time high. You are a retail trader with Rs. 5 lakh in your account. Circuit breakers have been hitting daily. Options bid-ask spreads are extremely wide. You have an open long futures position from before the fall.

Which of the following actions would be the most dangerous mistake in this scenario?

- A. Closing the long futures position immediately at market to limit further losses
- B. Averaging down on the long position by adding more futures contracts with remaining capital
- C. Hedging with deep OTM put options to cap downside risk
- D. Staying in cash and waiting for volatility to stabilise before re-entering

**Q8. A Put-Call Ratio (PCR) on Nifty options drops below 0.70. In most market conditions, this is interpreted as:**

- A. Extremely bullish - traders are loading up on puts, signalling confidence
- B. A potential contrarian bearish signal - extreme call buying often precedes a reversal or correction
- C. Neutral - PCR below 0.70 has no historical significance in Indian markets
- D. An indicator that FIIs are reducing their equity exposure rapidly

**Q9. During an expiry week with India VIX at 22, you notice Nifty pinning around a major Open Interest concentration level. This phenomenon is commonly known as:**

**A. Max Pain / Gamma-driven pinning - spot price attracted to the strike with highest OI as expiry approaches**

**C. Vega collapse - IV dropping pulls prices toward ATM strikes**

**B. Theta acceleration - time decay pulling prices toward ATM**

**D. Rho hedging - interest rate traders converging on a single strike**

**Q10. An Iron Condor on Nifty was placed when India VIX was at 13. Three days before expiry, VIX jumps to 21 even as Nifty barely moves. What risk does the trader face despite the market being range-bound?**

**A. No risk - Iron Condors are fully hedged regardless of VIX moves**

**C. Theta risk - time decay stops working when VIX goes above 20**

**B. Vega risk - the sharp IV expansion has inflated the short legs, causing MTM losses even without directional movement**

**D. Delta risk - Iron Condors become directional when VIX rises above 18**

# Answer Key

## Q1. Answer: B

IV is market-consensus forward-looking volatility, derived by reverse-solving the options pricing model from actual market premiums.

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## Q2. Answer: A

The smile exists because real markets show fat tails — OTM options (especially puts) carry crash/gap risk not captured by Black-Scholes.

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## Q3. Answer: C

Gamma is the acceleration of delta. In volatile markets, large moves rapidly shift delta, making net position unpredictable — particularly dangerous near expiry.

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## Q4. Answer: A

Total straddle cost is Rs. 400. Breakeven points = strike +/- Rs. 400. Any move less than Rs. 400 in either direction results in a net loss at expiry.

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## Q5. Answer: B

85th percentile IV historically reverts toward the mean. Premium selling (credit spreads, iron condors) exploits overpriced options.

# Answer Key

## Q6. Answer: B

A positive VRP ( $IV > HV$ ) means the market is paying more for insurance than realised moves justify — sellers of that premium have a statistical edge over time.

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## Q7. Answer: B

Averaging down into a falling market with VIX at 86 is capital suicide. Circuits, illiquidity, and margin calls can wipe accounts within hours. Exit first, strategise later.

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## Q8. Answer: B

PCR below 0.70 signals excess call buying - often a contrarian indicator, as euphoric retail positioning frequently precedes a near-term pullback.

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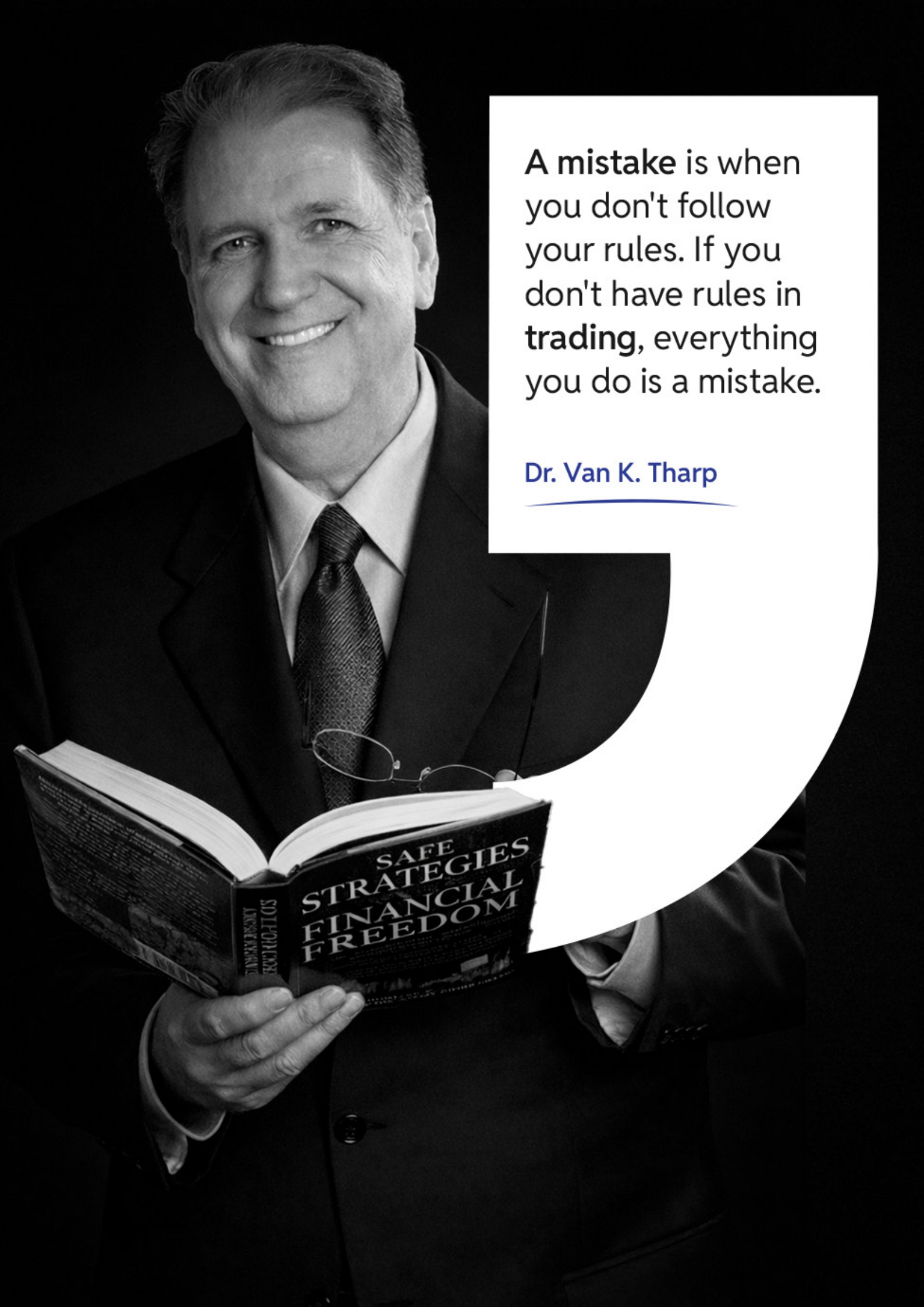
## Q9. Answer: A

Max Pain theory suggests market makers benefit when spot expires near the strike with maximum open interest - acting as a gravitational pull on price near expiry.

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## Q10. Answer: B

Iron Condors are short-vega by nature. A sudden IV expansion inflates the short legs, causing MTM losses even if the underlying hasn't moved directionally.



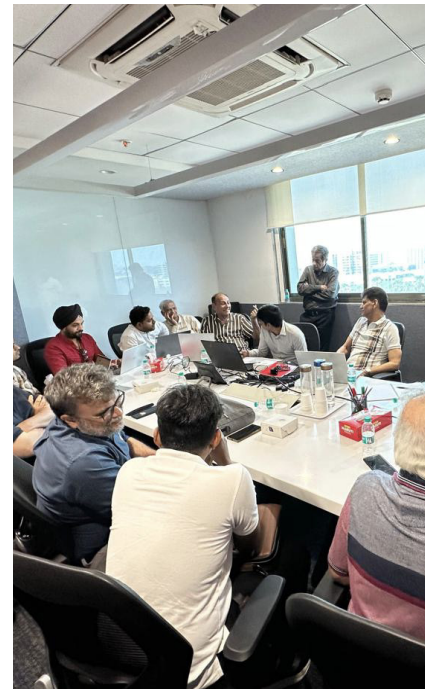
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you don't follow  
your rules. If you  
don't have rules in  
**trading**, everything  
you do is a mistake.

Dr. Van K. Tharp



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