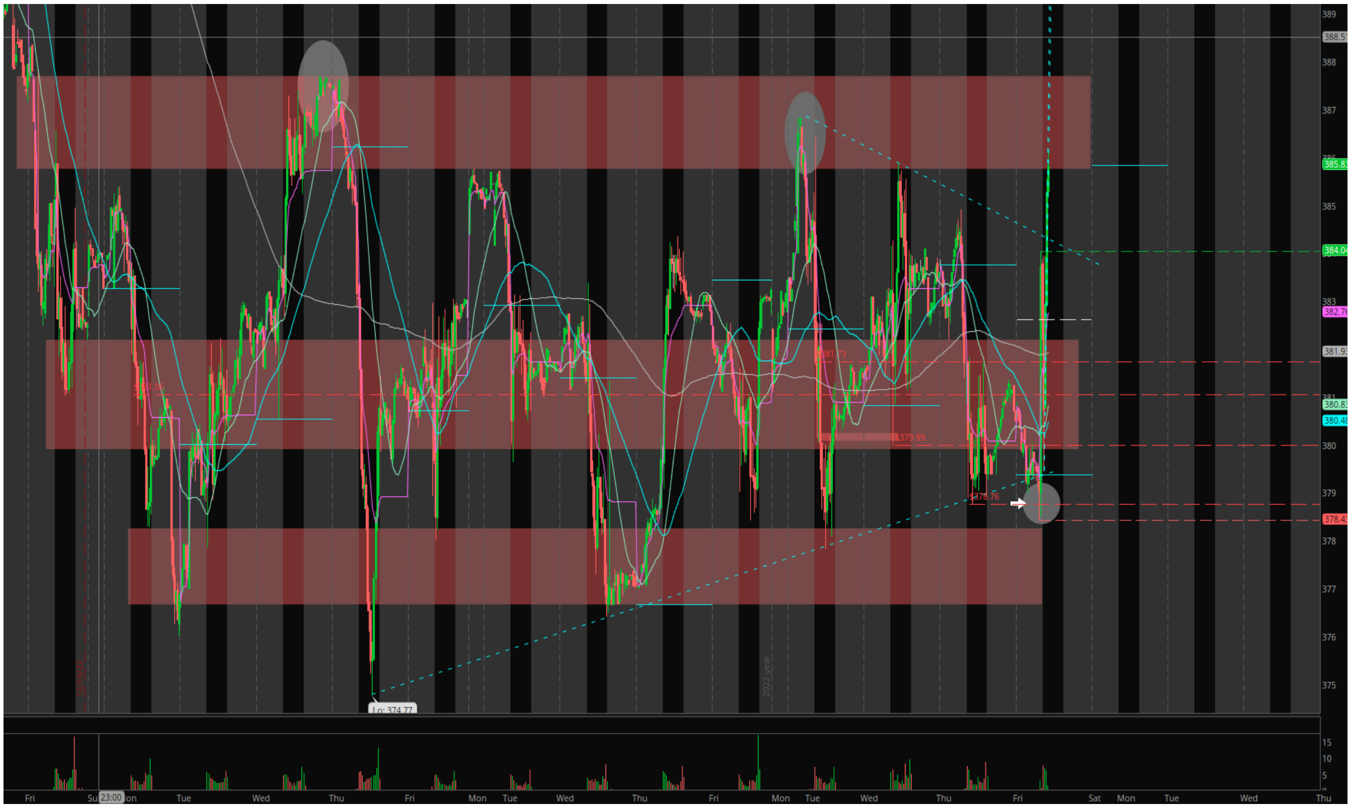
January 6th, 2023 (-$85) DRC

By disciplined_daytrader · January 6, 2023

TL;DR

In this blog post, the author reflects on a straddle option play that resulted in an $85 loss. Although the market conditions suggested a significant move, the execution did not align with expectations due to market manipulation around key economic data releases. The author expresses a desire to refine their strategy for future trades.

Today I took a straddle option play. This means I go long a call and a put (at the money) where the delta is zero so the direction of the ticker does not matter but the amount of the direction is all that matters. I do think that taking a straddle in this scenario sounded amazing but in reality it was just not enough of a move to really justify the trade. Lets go into it.



- Here we have the 30m chart where you can clearly see a very tight range. Since we were on the bottom of the range and I had assumed and bet that the PMI, Unemployment, and Payroll numbers would be coming out the next morning I thought that we would wake up to at least a 5 point move higher or lower. Since we were right at the lower bounds of the range and testing the trend on the bottom side, I assumed that we are either breaking down very heavily or we are breaking out very heavily. Granted my entire thesis was fucking spot on correct but the execution of the straddle was not. I bought a straddle expiring next wednesday and my original intent was to sell at the open. I think that on any other circumstance, what I did today wouldve actuallly worked well but since PMI came out at 10 today there was incentive for market makers to chop the price of the SPY around a little bit before giving that clean frontside continuation. Since PMI is unknown the MMs could really manipulate price and push it lower to suck in more shorts before ripping them out and going much higher. I really am happy with how I identified this early on and I assumed that we would make a very big move. I just discounted the whole fact that if PMI is going to come out at 10 then the 830 numbers will probably not be able to hold and push the whole way up until 10am. Next time I take a straddle I need to keep this in mind. I do think also that straddles should be done on even more volatile days than this one. Yes, if we didnt have PMI coming out we probably wouldve grinded higher all day with no strong pullback at 10 and I probably wouldve walked away with 85$ profits instead of 85$ in losses but there is nothing I can do about it now. I am happy I tried out a new strategy just a little bummed that it wiped out another 85 from my account on a day where I actually had a nice profit while daytrading. Luckily all of these account are spread out so its not visually there but mentally I feel somewhat dispondent that I made my best profit in a single trade so far this year +65 but I ended up losing 85 on this trade that was a 1 off attempt at a new strategy. I will try it again in the future but next time ill be just a little bit smarter.

FAQ

What is a straddle option play?

A straddle option play involves buying both a call and a put option at the same strike price, allowing traders to profit from significant price movements in either direction.

Why did the straddle option trade result in a loss?

The trade resulted in a loss because the anticipated significant market movement did not occur, and market makers manipulated prices ahead of key economic data releases.

What factors influenced the author's decision to take the straddle?

The author believed that upcoming PMI, Unemployment, and Payroll numbers would lead to a substantial price movement, prompting the straddle trade.

What lesson did the author learn from this experience?

The author learned that straddles should be executed on more volatile days and that they need to consider the timing of economic data releases when making such trades.

Will the author try the straddle strategy again?

Yes, the author plans to attempt the straddle strategy again in the future, with a more informed approach based on their recent experience.