

DERIVATIVE MID-MONTH REPORT

Derivative view, analysis and recommendations on the market



Put to Call Ratio

Market Expectations

SBIN Strategy

Nifty Option Strategy

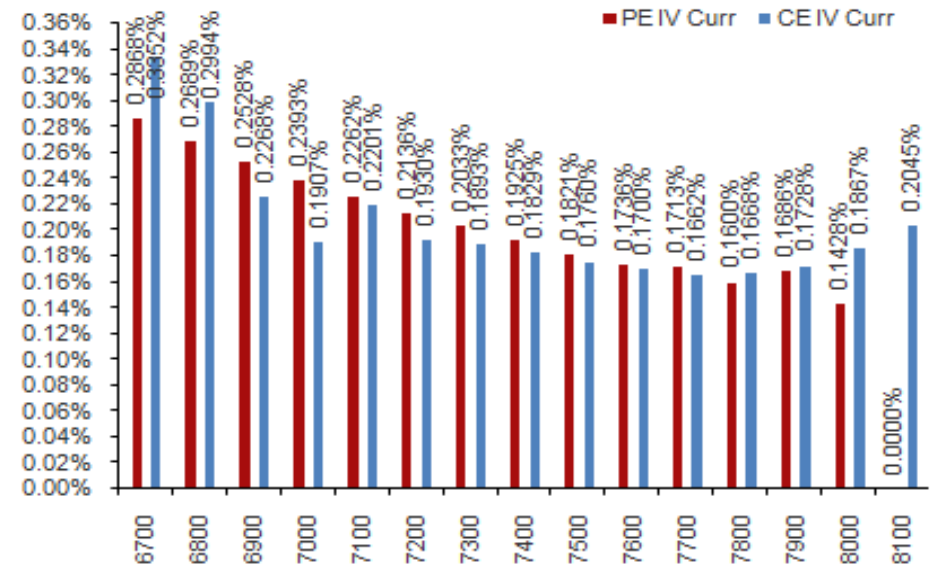
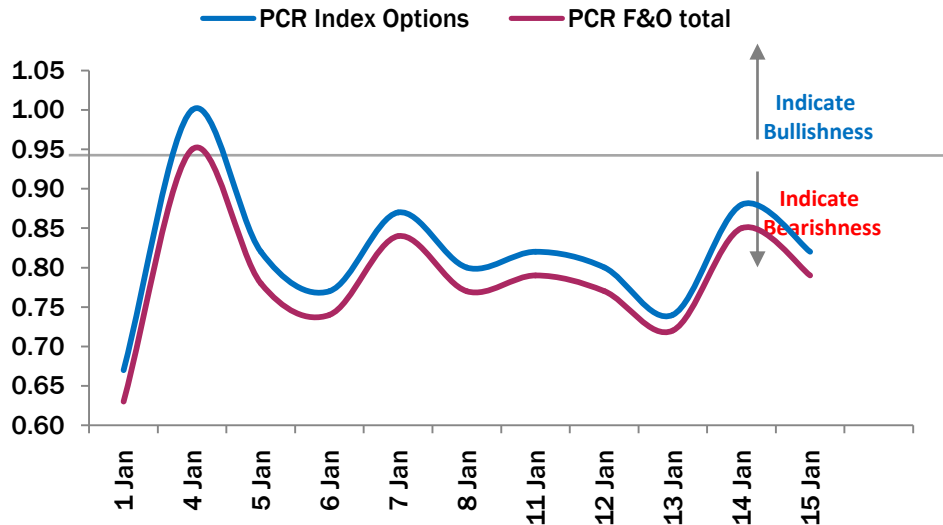
■ After witnessing bounce in second half of December, Nifty faced stiff resistance around 8000 and selling pressure in first half of January series lead nifty to loose almost 8%. We expect Nifty to find support around 7300 level(highest Put OI Jan series).Important supports for the series are placed at 7300 -7250 levels and resistances are placed at 7550, 7700 levels.

■ Volatility Index (IndiaVIX), a key measure of Market expectation for near-term volatility is quoting around 21 level - highest level of month. The mean reversion nature of VIX suggest reversal and we may expect it to settle around levels of 15-16, however high volatility with consolidation suggest bearish undertone and hence we may expect market to find resistance at higher level.



- PCR (Put to Call ratio) is quoting around 0.75 level and historically it has been observed the lower PCR suggest the trend reversal. It has been observed since start of January series PCR of index options is continuously moving down with added writing of OTM(Out the money) options.

- Volatility Skew shows options implied volatility (IV) plotted against respective strike price which is affected by market sentiment and the supply/demand relationship. The below left skewed volatility chart suggest more bias towards puts and expect market to take support at lower levels.



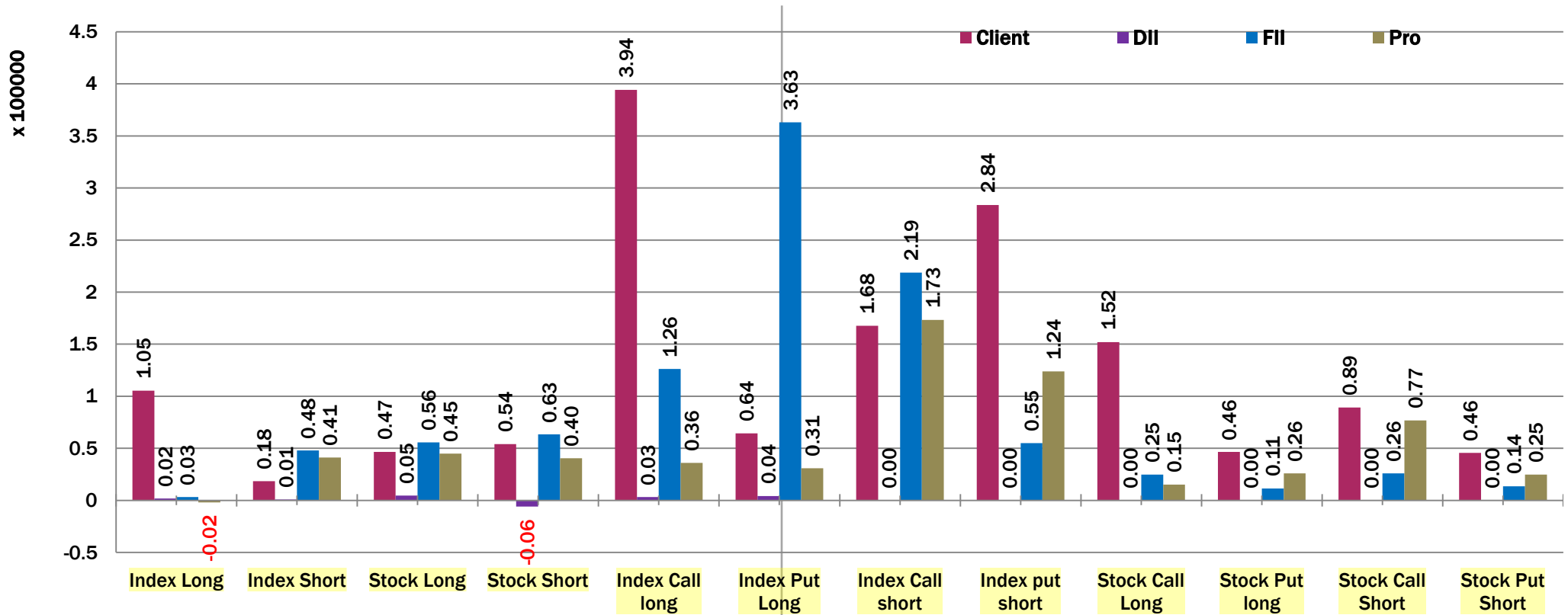
Market participants open interest for January series (Figures in no. of contracts)

AS ON 27 Nov	Index Futures	Option Index Call	Option Index Put
Client	-47285	-87508	-176823
DII	25261	162531	0
FII	2857	-57352	176250
Pro	19167	-17670	573

AS ON 14 Dec	Index Futures	Option Index Call	Option Index Put
Client	39691	139127	-396135
DII	26291	165744	4234
FII	-41935	-149824	484344
Pro	-24047	-155048	-92442

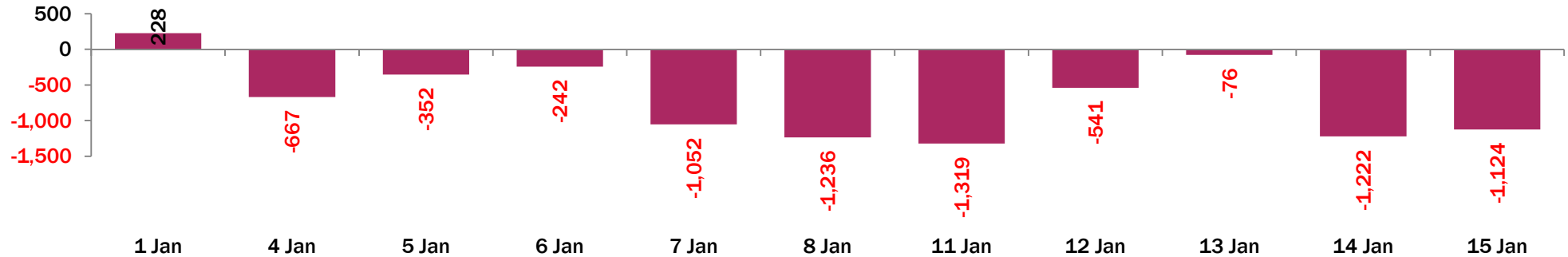
- Market participants Data indicates that FII have created significant bearish position in Index .
- From the period 1st Jan to 15 Jan, FII have made short position in Index futures ,writing in OTM call option contracts and buying in put option contracts. All these positions indicates their short term bearish view on market.
- Overall FII's have added 44,792 short position in Index futures, 92,475 short position in Index call options and 3,08,094 long position in Index put options as on 15 Jan 2015.

Market participants open interest for January series (Figures in no. of contracts)



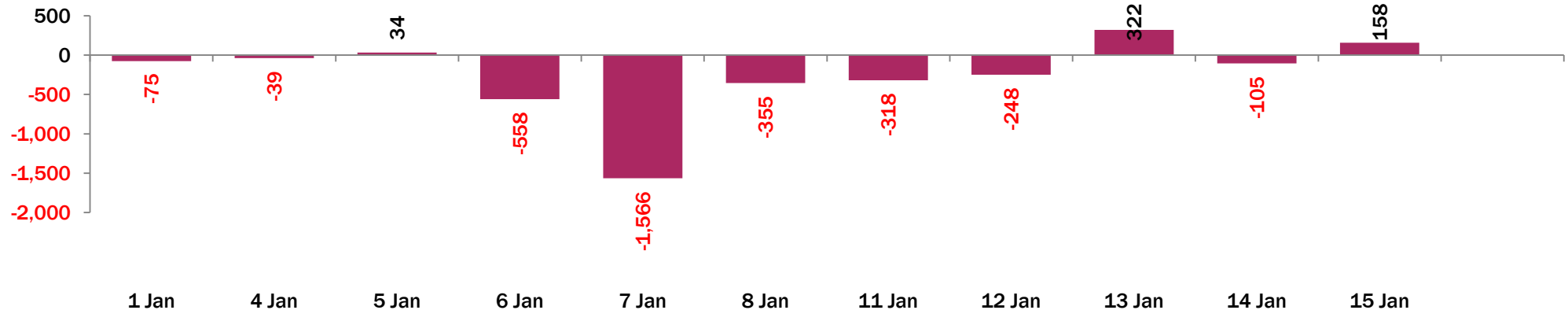
In January expiry, FII were net sellers of 41,935 contracts of Index future, shorted 92,472 contracts of Index Call Option and bought 3,08,094 contracts of Index put Option as on 15 Jan 2015.

FII Cash Segment Activity (Figures in Rs. Crores)



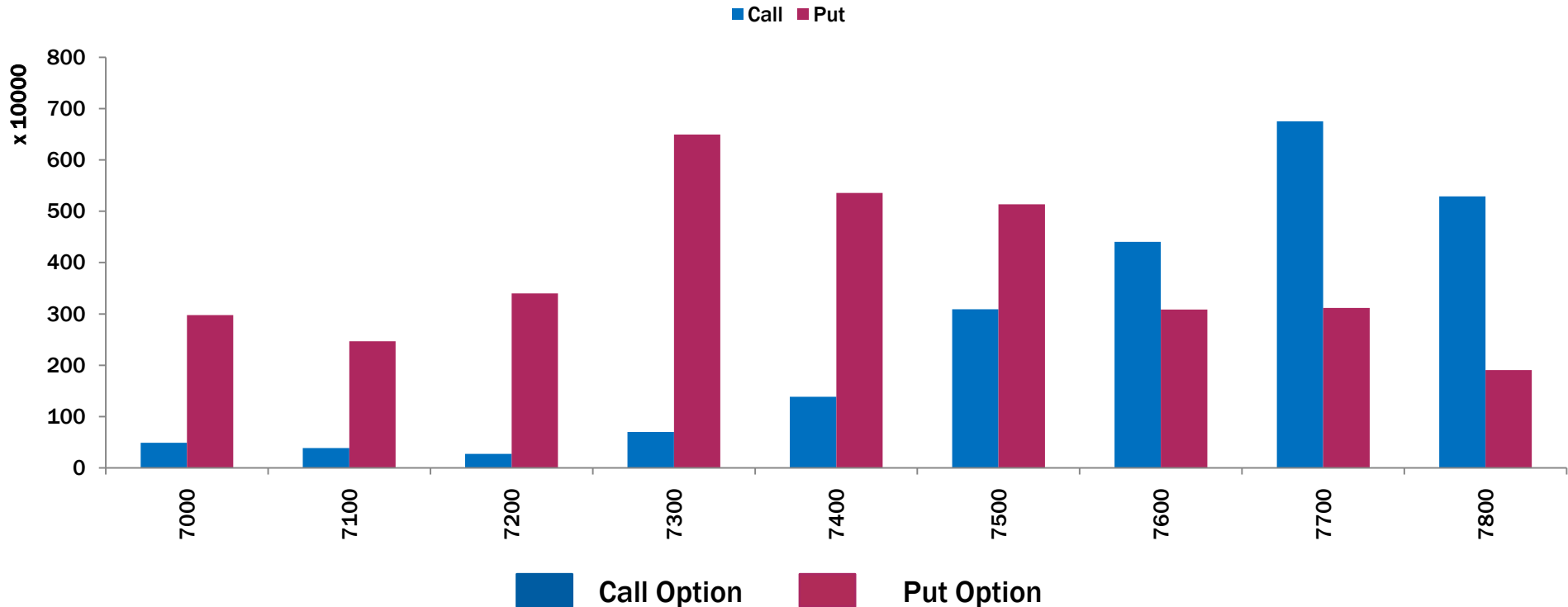
In January expiry, FII have sold in cash market to the extent of Rs.7603.00 Cr.

FII Index Futures Segment Activity (Figures in Rs. Crores)



In January expiry, FII have net position to the extent of Rs. -2750.00 Cr. in index futures segment.

Nifty Options Open Interest Distribution – January Expiry



- Nifty options OI distribution shows that 7300 put strike has highest OI concentration and may act as good support for current expiry followed by next support at 7200. Nifty call strike 7700 witnessed highest OI concentration and may act as resistance for current expiry followed by 7800.



■ Major indices, Nifty and BankNifty are in oversold territory and may witness pull back. Derivative data indicates support as lower levels and we may expect some buying to emerge.

■ Nifty

- Short Term Trend – Pull back (7550 – 7650)
- Support - 7300,7200
- Resistance – 7650, 7700

■ BankNifty

- Short Term Trend – Pull back (15600 – 15800)
- Support - 14800, 14550
- Resistance – 16000, 16200

SBIN Option Strategy for January Series

Buy Bull Call Spread

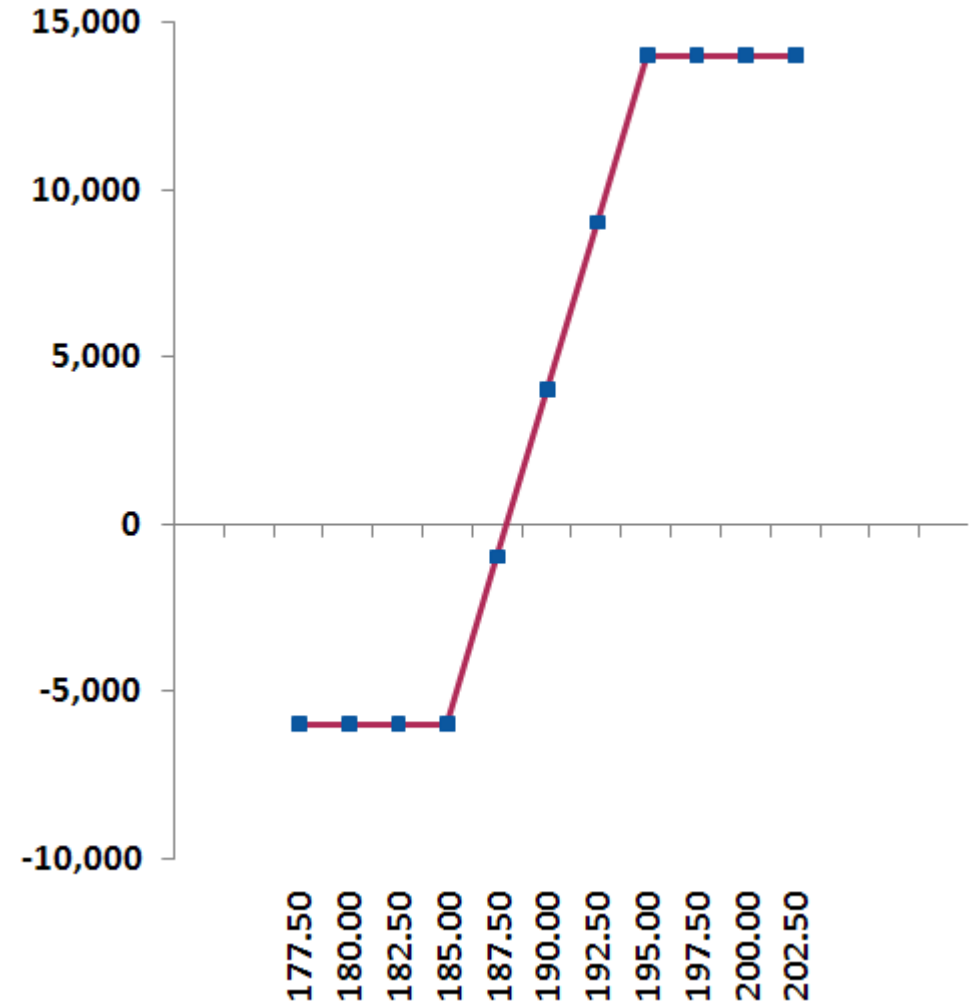
Buy SBIN 185 Call Jan at CMP 5.45 and

Sell SBIN 195 Call Jan at CMP 2.45

Net Premium Paid = Rs. 3.00

Maximum loss = Rs. 6000.00

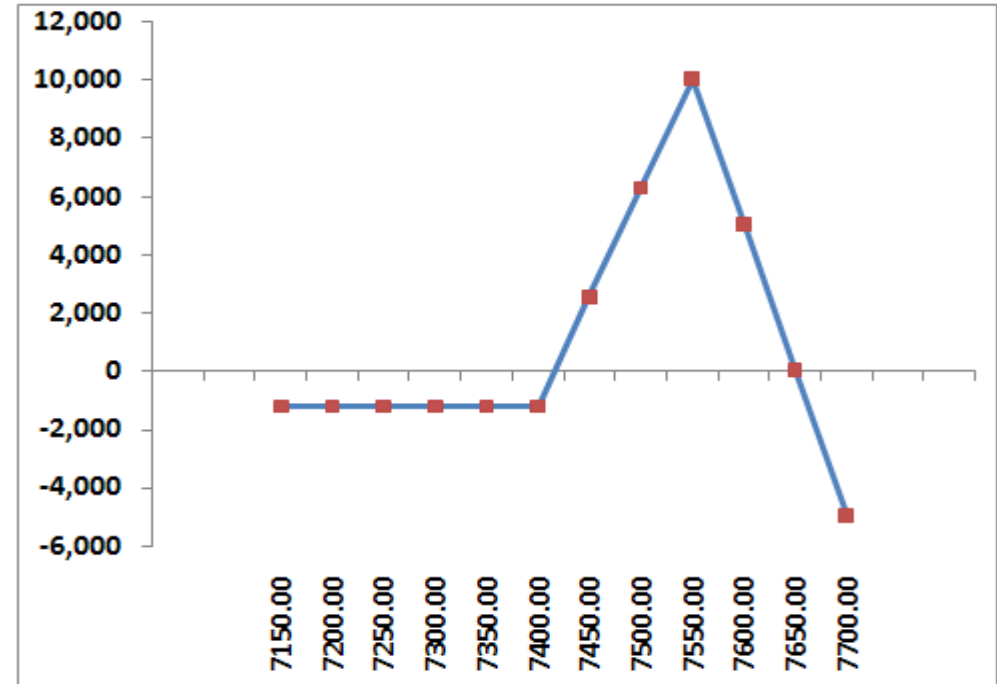
Target for the premium = Rs. 14,000.00



NIFTY Option Strategy for January Series

NIFTY Bull Call Ratio Spread

- Buy NIFTY 7400 CE JAN 1 lot @ 86 (1 lot)
Sell NIFTY 7550 CE JAN 2 lot @ 30 (2 Lots)
- **Maximum Profit Potential** = Rs. 9,000 around 7550 levels
- **Breakeven Point** - In this strategy breakeven point is 7425.00. Above this strategy will generate profit while below 7400 it will incur loss as shown in the payoff Chart.
- **Lot Size:** 75



- **Risk:** Below 7400 levels risk is limited to Rs. 1950 as shown in the payoff Chart, where as **above 7675 this strategy will start generating loss and need to buy 1 lot nifty future to hedge entire strategy.**

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NSDL
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Clearing Member (NSE – Future & Options)
Clearing Member (BSE - Future & Options)
Trading Clearing Member (NSE – Currency Futures)
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		NSE - Stock Broking (Future & Options)
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