

# WEEKLY

## OPTION & DERIVATIVE REPORT

Long Built Up Seen At Lower levels!!

01st March to 6th Mar 2010



## Derivative Wrap

|                    | Current Close | Weekly Change | %Change |
|--------------------|---------------|---------------|---------|
| Spot Nifty         | 4922.30       | 72.95         | 1.50%   |
| Nifty Futures      | 4930.35       | 25.05         | 0.51%   |
| Bank Nifty Futures | 8740.85       | 189.85        | 2.22%   |

## Key Highlight

- ▶ The benchmark Sensex salutes Union Budget 2010 unveiled by Finance Minister Pranab Mukherjee and rallied over 400 points during the day. Experts say it was a effect of short covering and positive reaction to budget. Realty and Auto indices shot up 5% each. Metal and Banking indices gained 3% each.
- ▶ Finance Minister has pegged the fiscal deficit for the year ended March 2011 (FY11) at 5.5% of the gross domestic product (GDP). This is lower than the fiscal deficit as percentage of GDP of 6.9% in the revised estimates for the current fiscal. The finance minister said the government also aims to reduce the deficit further to 4.8% of GDP in the year starting 1 April 2011, and to 4.1% in the year from 1 April 2012.
- ▶ BFSI stocks, especially, the non-banking ones shot up after the finance minister announced that non-banking financial institutions will also obtain a banking license, provided they meet the eligibility criteria of the RBI.
- ▶ Automobile stocks gained the most after the announcement of the budget. The 2% increase in the excise duty on large cars, SUVs and MUVs was along expected lines, leading to covering of short positions in auto stocks.
- ▶ Short positions can be assumed in the sector if the Nifty fails to breach 4950 levels on the upside. The outlook for the sector continues to be weak in the near-term. Software and telecom stocks can also be shorted from higher resistances of the Nifty. Overall, the Nifty is likely to trade in range of 4800-5000 levels for the week.

## Global Indices

|           | Current Close | Weekly Change | %Change |
|-----------|---------------|---------------|---------|
| Dow Jones | 10325.26      | -77.09        | -0.74%  |
| FTSE      | 5354.52       | -3.65         | -0.068% |
| CAC       | 3708.80       | -60.74        | -1.60%  |
| Nikkei    | 10126.03      | +2.45         | +0.024% |

## Global Market News

- Asian stocks gained this week, driving up the MSCI Asia Pacific Index by the most in seven weeks as concern eased that the Federal Reserve will raise borrowing costs to curb inflation.
- The rupee advanced 0.7 percent to 46.1075 per dollar, the biggest gain in seven weeks. The government plans to cut the deficit to 5.5 percent of gross domestic product from 6.9 percent in the previous year. Bonds fell the most in two weeks as the decision to restore fuel tariffs may stoke
- German government bonds posted a weekly advance as concern that Greece's debt may be downgraded while it struggles to cut the European Union's biggest budget deficit boosted demand for the safest securities.
- U.S. commercial paper outstanding rose for the third straight week, the longest stretch since October, stoking optimism that companies are seeking financing to expand.
- The U.S. economy expanded at a 5.9 percent annual rate in the fourth quarter, more than the government reported last month, reflecting stronger business investment and a greater contribution from inventories. The Institute for Supply Management-Chicago Inc. said its business barometer climbed to 62.6 from 61.5 last month, a bigger increase than economists forecast and the highest since 2005. The rise in gross domestic product,
- European stocks gained, paring a weekly decline for the Dow Jones Stoxx 600 Index, as mining companies rallied with metals prices and Cie. de Saint-Gobain SA reported better-than expected earnings
- The euro fell for a third straight month against the dollar, its longest losing streak since November 2008, as Greece's debt woes weighed on the region's economic outlook.
- Finance Minister Pranab Mukherjee yesterday unveiled plans to cut the deficit to 5.5 percent of gross domestic product in the year starting April 1 from 6.9 percent the previous year. Tax increases and 400 billion rupees (\$9 billion) of state asset sales will shrink a debt burden equivalent to about 82 percent of the economy.
- Asian currencies strengthened this week, led by Singapore's dollar and Malaysia's ringgit, after government reports showed economic recoveries in the region are gathering pace.

Source: Bloomberg

## Option Strategy Corner

**NIFTY** (Lot size/expiry date – 50/ 25 MARCH , 2010)

**Outlook :** RANGE BOUND

**Strategy :** SHORT STRANGLE PAYOFF

**NOTE :** The strategy is advisable to risk and volatile averse traders. Close the strategy with reduction in time value.

| INDEX PRICE | STRIKE PRICE  | PREMIUM                       | MAXIMUM PROFIT | STOPLOSS |
|-------------|---|-------------------------------|----------------|----------|
| 4922.30     | SHORT 4700<br>PUT OPTION<br>SHORT 5100<br>CALL OPTION | SHORT PUT 44<br>SHORT CALL 49 | 93             | 40       |

### PAY OFF TABLE

| INDEX PRICE | CASH FLOW<br>SHORT PUT | CASH FLOW<br>SHORT CALL | SHORT PUT<br>PAYOFF | SHORT CALL<br>PAYOFF | PROFIT<br>/LOSS |
|-------------|------------------------|-------------------------|---------------------|----------------------|-----------------|
| 4600        | -100                   | 0                       | -56                 | 49                   | -7              |
| 4700        | 0                      | 0                       | 44                  | 49                   | 93              |
| 4800        | 0                      | 0                       | 44                  | 49                   | 93              |
| 4900        | 0                      | 0                       | 44                  | 49                   | 93              |
| 5000        | 0                      | 0                       | 44                  | 49                   | 93              |
| 5100        | 0                      | 0                       | 44                  | 49                   | 93              |
| 5200        | 0                      | -100                    | 44                  | -51                  | -7              |

**TECHNICAL PICTURE**



**Technical View**

NIFTY MADE THE UPSIDE RALLY TODAY BACK BY THE POSITIVE VIBRATIONS OF THE UNION BUDGET 2010. IT HAS FACED THE RESISTANCE AROUND THE LEVEL OF 5005 AT THE 100 DAY MOVING AVERAGE. NIFTY MADE THE BREAKOUT OF THE SHORT TERM CONSOLIDATION IN CHARTS BUT DIDN'T SUSTAIN THE UPSIDE RALLY AND MADE CLOSING NEAR TO THE CRUCIAL LEVEL OF 4940. WE COULD EXPECT THAT IT IS LOOKING DIFFICULT FOR NIFTY TO CLOSE ABOVE THE LEVEL OF 5050 IN NEAR TERM. WE RECOMMEND THAT TRADERS SHOULD GO FOR SELL ON NIFTY CLOSE TO THE LEVEL OF 5000 AND SHOULD BOOK THE PROFIT CLOSE TO THE LEVEL OF 4930 TO 4940 FOR INTRA DAY.

**Weekly Levels**

| Properties   | Values |
|--------------|--------|
| Support 1    | 4805   |
| Support 2    | 4650   |
| Resistance 1 | 5005   |
| Resistance 2 | 5140   |

### Index Futures and Index Options:

Index futures saw a trading volume of Rs.25591.06 crores arising out of 1067005 contracts and Index options saw 2610531 contracts getting traded at a notional value of Rs.64388.39 crores. The total turnover of the Futures & Options segment of the Exchange was around Rs.116981.30 crores.

### Instrument wise summary :

#### Index Future

| Symbol     | No of Contracts Traded | Traded Quantity | Total Traded Value (RS. in CR.) | Open Interest (Qty) as at End of Trading Hrs |
|------------|------------------------|-----------------|---------------------------------|--|
| NIFTY      | 911892                 | 45594600        | 22503.5                         | 24569700                                     |
| MINI NIFTY | 109166                 | 2183320         | 1077.39                         | 833280                                       |
| BANK NIFTY | 45576                  | 2278800         | 1988.61                         | 1064600                                      |
| CN XIT     | 365                    | 36500           | 21.1                            | 20200  |
| NFTYMCAP50 | 6                      | 1800            | 0.46                            | 162600                                       |

#### Index Option

| Symbol     | No of Contracts Traded | Traded Quantity | Total Traded Value (RS. in CR.) | Open Interest (Qty) as at End of Trading Hrs |
|------------|------------------------|-----------------|---------------------------------|--|
| NIFTY      | 2608798                | 130439900       | 64347.06                        | 76884450                                     |
| MINI NIFTY | 1029                   | 20580           | 10.26                           | 15820  |
| BANK NIFTY | 704                    | 35200           | 31.07                           | 59050  |

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