

KEDIA ADVISORY

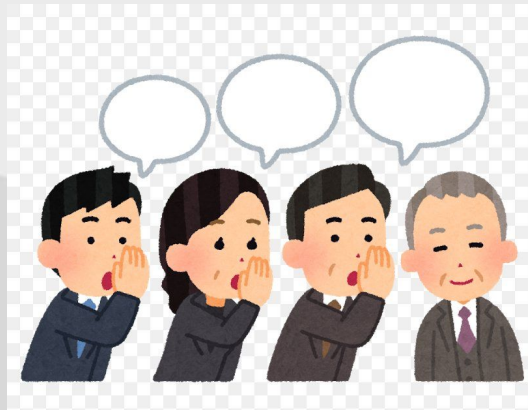
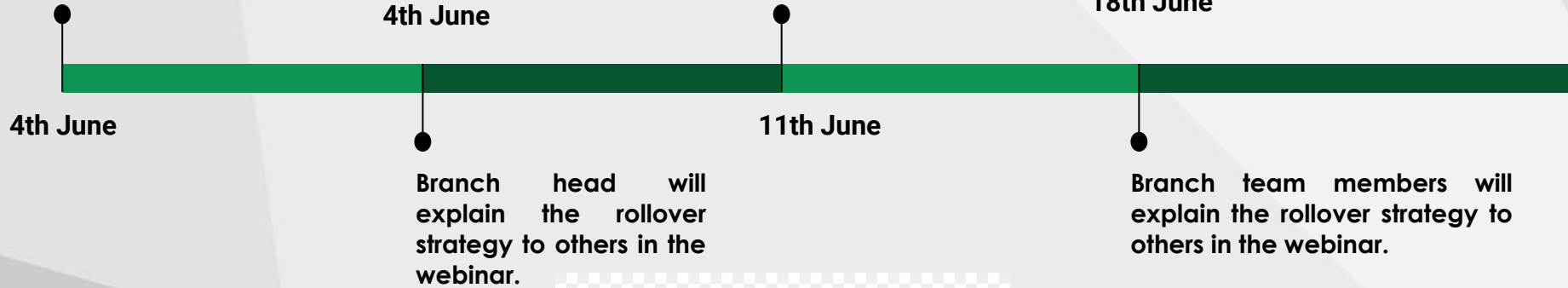
Rollover Strategy

4th June, 2022

CTP (Continuous Training Programme)

Research team will explain the rollover strategy in the webinar.

Branch head and 2 team members will explain the rollover strategy in the webinar from start.



What is a Rollover Strategy

Rollover involves carrying forward of Futures positions from one series, to the next one. A Roll Over consist of two actions simultaneously,

- **Close the existing position of the current month**
- **Open a new position in the next month's contract**

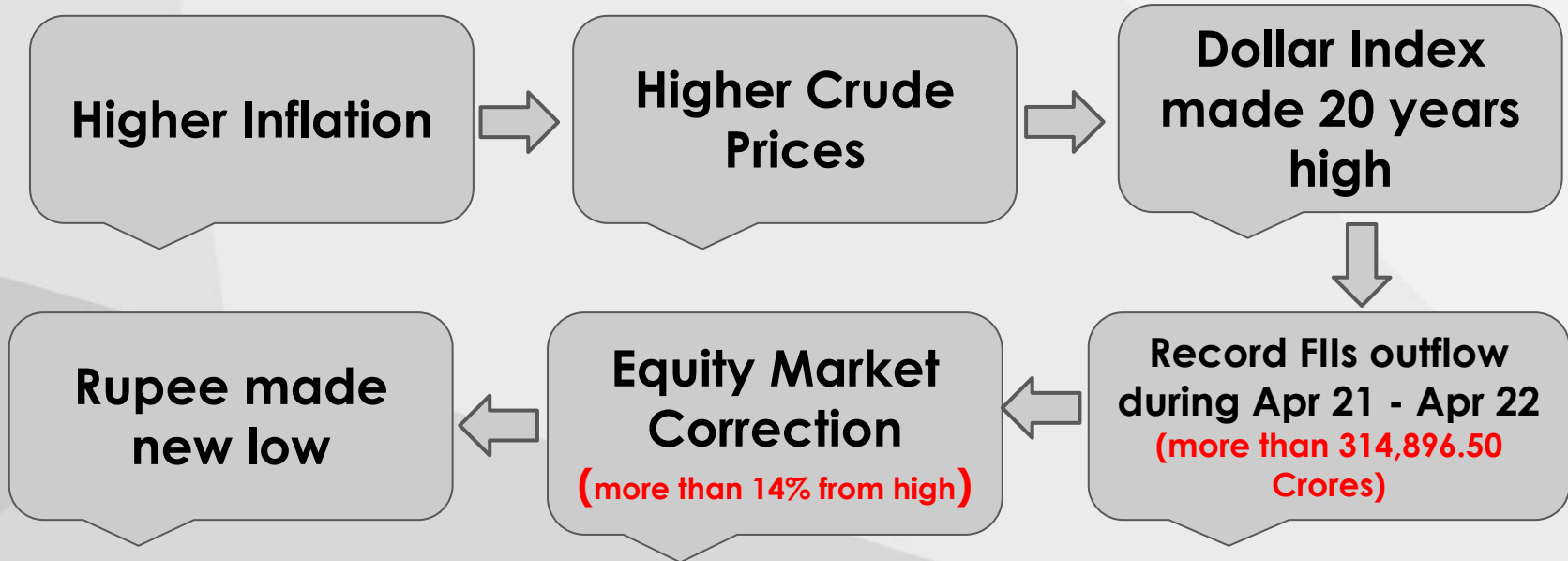
Why to do this?

1. As there is expiry so anyway you have to square off your existing position.
2. You will get the rollover premium.
3. When the currency is making new lows.
4. There is minimum effort required to monitor this strategy with a low risk and high yielding result.
5. This strategy can also be looked at as a risk-free investment.



Why this strategy?

The rupee has shown a lot of volatility since January, 2022. The Rupee stood 73.77 against the Dollar on 12th January, 2022 and since then it is in a downward trend. On 31st May, 2022, the Indian rupee fell to an all-time low of 77.92 and following are the reasons listed below which has led to this ongoing situation :



Actions and Steps Government

Good monsoon
in expected

Import Open
and Export Ban

India buying
crude oil from
Russia

Removing
surplus liquidity
from the system

Keeping the
sovereign's
borrowing costs
low

Increasing
Interest rates

USDINR Past Performance

USDINR
Monthly Chart



In the past time duration of more than 12 years, whenever the Rupee made a new higher low, we saw government intervention which on an average of 11.25% on a monthly timeframe have rebounded.

Spread between 2 contracts

June (Current month)	77.87	Spread (Difference)
July (Next month)	78.09	78.09 - 77.87 = 0.22

Spread is the difference between the next month's currency price minus (-) the current month's currency price

Why the spread happens?

- Interest Costs
- Government Intervention
- Geo political Situations
- Cost of carry
- Overall sentiments in the market



Add Scrip from Here NSE F FUTIDX NIFTY 30JUN2022 Click Enter Save Portfolio

Derivatives Watch For FUTCUR USDINR

Instru...	Excha...	Symbol	Ser./Exp.	B...	Buy P...	Sell P...	S...	Last ...	Last Traded Time	Volu...	Value (i...	% ...	Avg ...	High	Low	Open	Prev. ...
FUTCUR NSECDS	USDINR	28JUN2022		569	77.8750	77.8775	34	77.8775	11:43:07 AM 31/05/2022	664.732	517620.55	0.14	77.8691	77.8975	77.8050	77.8075	77.7700
FUTCUR NSECDS	USDINR	27JUL2022		311	78.0950	78.1000	187	78.0975	11:43:06 AM 31/05/2022	89.669	70020.23	0.13	78.0874	78.1175	78.0050	78.0050	77.9950
FUTCUR NSECDS	USDINR	26AUG2022		88	78.3275	78.3300	100	78.3300	11:42:24 AM 31/05/2022	18.502	14490.70	0.13	78.3197	78.3875	78.2875	78.3875	78.2275
FUTCUR NSECDS	USDINR	28SEP2022		296	78.5550	78.5575	105	78.5550	11:42:24 AM 31/05/2022	9.129	7170.44	0.14	78.5458	78.5600	78.5100	78.5300	78.4425
FUTCUR NSECDS	USDINR	27OCT2022		41	78.7925	78.8000	10	78.7950	11:42:24 AM 31/05/2022	12.863	10135.28	0.13	78.7941	78.8125	78.7525	78.7700	78.6900
FUTCUR NSECDS	USDINR	28NOV2022		21	79.0200	79.0350	2	79.0150	11:42:31 AM 31/05/2022	1.577	1246.05	0.10	79.0142	79.0425	78.9950	79.0200	78.9375
FUTCUR NSECDS	USDINR	28DEC2022		2	79.2175	79.2350	18	79.2450	11:30:26 AM 31/05/2022	0.657	520.48	0.12	79.2205	79.2450	79.1475	79.2000	79.1475
FUTCUR NSECDS	USDINR	27JAN2023		154	79.4300	79.4550	10	79.4650	11:34:07 AM 31/05/2022	0.409	324.92	0.09	79.4435	79.4725	79.4100	79.4100	79.3900
FUTCUR NSECDS	USDINR	24FEB2023		2	79.6425	79.6625	49	79.6775	11:32:03 AM 31/05/2022	1.132	901.54	0.14	79.6413	79.6775	79.6100	79.6100	79.5700
FUTCUR NSECDS	USDINR	29MAR2023		200	79.8450	79.8625	2	79.8625	11:37:28 AM 31/05/2022	0.547	436.78	0.10	79.8503	79.8700	79.8325	79.8500	79.7850
FUTCUR NSECDS	USDINR	26APR2023		50	80.1525	80.1725	52	80.1600	11:40:06 AM 31/05/2022	0.929	744.56	0.09	80.1465	80.1675	80.0975	80.0975	80.0875
FUTCUR NSECDS	USDINR	29MAY2023		50	80.4000	80.4050	4	80.4000	11:42:24 AM 31/05/2022	3.560	2861.30	0.11	80.3737	80.4025	80.3400	80.3650	80.3125

June (Current month)	77.87	Spread (Difference)
July (Next month)	78.09	0.22
August (Far month)	78.33	0.24
Sept	78.55	0.22
Oct	78.79	0.24
Nov	79.01	0.22
Dec	79.24	0.23

Average

$$1.37 / 6 = 0.22$$

Monthly Prices on

Let's suppose that we sell USD/INR at the price of 78 and make assumption about its low/high during 6 months as shown below:

Low	High	Average
72	82	77

Margin Requirement

Period	USD/INR	Margin	MTM Loss (If USD/INR reaches high)
June - Month	10 lot	18,600	-40,000

Rollover Profit

Month	USD/INR Price*	Actual Rollover Price	Profit / Loss per lot
June	78.60	78.00	0.60x1 (600)
July	78.70	78.22	(480)
August	79.15	78.44	(710)
September	78.72	78.66	(60)
October	77.50	78.88	1,380
November	76.70	79.10	2,400
December	75.20	79.32	4,120

*- Assumptions

Average Spread= 0.22

From the month of **June till September**, we can see that we are in a loss as our Actual Rollover price is lower than the current prices but in the month of **Oct-December** the USD/INR Prices arrive at lower levels which make our Actual Rollover price

Due to this rollover strategy, our profit in the **December** month will become $(79.32 - 75.20) = 4.12$ which for 1 lot(1000 quantity) will be **4,120** and for 10 lots it will be **41,200**.

Amount Invested	Time - Period	Estimated Amount	ROI
$18,600 + 40,000 = 58,600$ Margin + Notional MTM	6 months	41,200	70.30%

Lot Size	Approx Margin	MTM	Amount Invested	Estimated Returns
1	2,000	4,000	6,000	4,120
5	10,000	20,000	30,000	20,600
10	20,000	40,000	60,000	41,200
15	30,000	60,000	90,000	61,800
20	40,000	80,000	1,20,000	82,400
25	50,000	1,00,000	1,50,000	1,03,000
30	60,000	1,20,000	1,80,000	1,23,600

Assumptions:

Difference = 4.12

Lot size= 1000

Per Lot= 4.12×1000
= 4,120

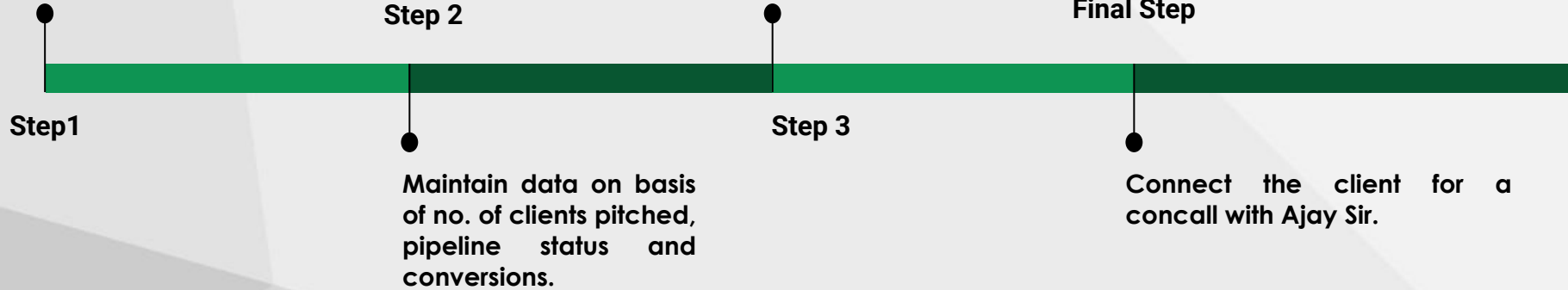
Estimated ROI= 68%

MTM Calculated based on if well USDINR at 78 and **if it reaches 82.**

Work for Branches

Team members will pitch the strategy to clients

Branch head will contact the clients who are not interested and mention the remarks if not able to convert them.





You can ask your Query to Team

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Thank You

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