

KEDIA ADVISORY

NIFTY

Hedging Strategy



Why Nifty ?

- Constituents of Top 50 Stocks
- Low Volatility v/s Stocks
- Low Risk v/s Stocks
- Highly Liquid
- Easy to Track
- Weekly Options Available
- Contract Size 50 ($50 \times 18000 = 9,00,000$)



Nifty 9 Years Monthly Returns

NIFTY PRICE MOVEMENT SINCE 2014													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2014	6112.00	6289.25	6739.65	6726.45	7233.65	7634.35	7723.75	7952.75	7999.15	8352.70	8638.35	8337.85	1983.15
	-3.82	2.90	7.16	-0.20	7.54	5.54	1.17	2.96	0.58	4.42	3.42	-3.48	31.21
2015	8872.65	8964.65	8534.75	8177.35	8458.65	8377.80	8569.65	8000.05	7980.35	8094.70	7980.10	7941.50	-396.35
	6.41	1.04	-4.80	-4.19	3.44	-0.96	2.29	-6.65	-0.25	1.43	-1.42	-0.48	-4.75
2016	7568.05	7008.95	7740.20	7894.80	8190.90	8284.75	8686.60	8836.15	8640.65	8629.20	8260.35	8187.40	245.90
	-4.70	-7.39	10.43	2.00	3.75	1.15	4.85	1.72	-2.21	-0.13	-4.27	-0.88	3.10
2017	8584.30	8909.35	9297.75	9333.70	9626.05	9517.40	10103.00	9927.00	9800.55	10368.50	10231.65	10556.90	2369.50
	4.85	3.79	4.36	0.39	3.13	-1.13	6.15	-1.74	-1.27	5.80	-1.32	3.18	28.94
2018	11055.40	10519.40	10120.25	10780.30	10727.00	10694.80	11371.60	11735.30	10954.30	10398.40	10900.65	10926.85	369.95
	4.72	-4.85	-3.79	6.52	-0.49	-0.30	6.33	3.20	-6.66	-5.07	4.83	0.24	3.50
2019	10833.85	10794.70	11679.90	11792.55	11926.50	11841.50	11132.20	11058.90	11534.60	11878.95	12099.85	12246.25	1319.40
	-0.85	-0.36	8.20	0.96	1.14	-0.71	-5.99	-0.66	4.30	2.99	1.86	1.21	12.07
2020	11962.10	11201.75	8597.75	9859.90	9580.30	10302.10	11073.45	11387.50	11247.55	11642.40	12968.95	13981.75	1735.50
	-2.32	-6.36	-23.25	14.68	-2.84	7.53	7.49	2.84	-1.23	3.51	11.39	7.81	14.17
2021	13634.60	14529.15	14690.70	14631.10	15582.80	15721.50	15763.05	17132.20	17618.15	17671.65	16983.20	17354.05	3372.30
	-2.48	6.56	1.11	-0.41	6.50	0.89	0.26	8.69	2.84	0.30	-3.90	2.18	24.12
2022	17339.85	16793.90	17464.75	17102.55	16584.55	15780.25	17158.25	17759.30	17094.35	18012.20	18758.35	18105.30	751.25
	-0.08	-3.15	3.99	-2.07	-3.03	-4.85	8.73	3.50	-3.74	5.37	4.14	-3.48	4.33
2023	17662.15												-443.15
	-2.45												-2.45
Average	0.19	-0.87	0.38	1.97	2.13	0.80	3.48	1.54	-0.85	2.07	1.64	0.70	Average



Nifty Outcomes (Monthly)

Conditions	Downside	No of times	Upside	No of times
1	Less than 5 %	39	Less than 5 %	42
2	5-10%	7	5-10%	17
3	10% and above	1	10% and above	3

Total Observations: 109

Probability for Nifty remaining in the range of 0-5% below or above - **74.31%**

Probability for Nifty remaining in the range of 5-10% below or above- **22.01%**

Probability for Nifty remaining around 10% below or above- **3.68%**

Note:

Out of the 74% range we saw the upside was 51.85%

Out of the 22% range we saw the upside was 70.83%

Out of the 4% range we saw the upside was 75.00%



Investor's Appetite

NIFTY CMP: 18000

Returns Estimated	What to do?
2-4%	Sell 5% below the PUT strike price that is 17100
4-6%	Sell 4% below the PUT strike price that is 17300
6-7%	Sell 3% below the PUT strike price that is 17450
7-8%	Sell 2% below the PUT strike price that is 17650

NOTE: Returns and Risk are directly correlated.



Nifty Option Chain (Weekly)

Expiry: 25JAN2023 Strike Price: 17000.00 → 18000.00 Submit

Call								Put								
BUY								SELL								
Implied Volatility	OI	LTQ	LTP	Sell Prc	Sell Qty	Buy Prc	Buy Qty	Strike Price	Buy Qty	Buy Prc	Sell Qty	Sell Prc	LTP	LTQ	OI	Implied Volatility
30.9792	275500	50	976.30	975.25	50	971.65	200	17000.00	2500	6.15	50	6.20	6.20	50	2721700	19.3138
22.2664	400	100	893.45	940.05	150	915.35	100	17050.00	1200	6.50	500	6.60	6.70	50	59650	18.7035
22.8691	11400	50	849.35	877.30	50	872.35	50	17100.00	2900	7.45	4100	7.60	7.45	50	454750	18.1465
22.7242	850	50	803.25	834.90	150	796.65	2200	17150.00	1650	8.20	1000	8.30	8.25	50	86600	17.5667
25.9972	49900	150	776.00	778.40	200	774.50	250	17200.00	2650	9.65	1900	9.75	9.70	400	1235450	17.1242
21.1067	4350	100	706.20	735.85	2500	720.55	150	17250.00	100	11.20	50	11.25	11.10	50	150300	16.6817
22.9988	29250	50	673.10	682.85	250	677.45	50	17300.00	1800	13.40	2900	13.50	13.40	50	1983850	16.3155
18.9629	6650	250	607.15	640.80	450	629.90	300	17350.00	1150	16.00	200	16.15	15.80	150	145100	15.9645
20.4735	36500	50	573.25	588.15	50	585.45	200	17400.00	750	19.30	650	19.40	19.40	350	1433500	15.6670
12.1727	7050	50	486.80	546.05	150	534.20	50	17450.00	1350	23.50	1950	23.70	23.30	100	149800	15.3847
21.0762	341600	50	497.00	496.95	50	495.50	150	17500.00	3050	28.95	2350	29.10	29.00	450	2901950	15.1176
19.0392	11850	50	442.45	454.85	200	450.85	100	17550.00	1150	34.55	550	34.75	34.60	150	295950	14.7820
19.6648	134350	50	410.00	410.80	50	409.25	150	17600.00	250	42.15	950	42.30	42.25	550	1420400	14.5302
18.3067	14550	50	362.00	370.55	100	368.45	200	17650.00	450	51.00	400	51.20	51.10	50	226550	14.2555
18.6119	241100	50	329.55	329.85	50	329.05	250	17700.00	100	61.15	350	61.30	61.05	50	1754600	13.9580
18.0397	33800	50	292.00	293.40	200	292.35	300	17750.00	1150	73.35	350	73.65	73.45	100	281850	13.6528
17.7040	621950	50	256.00	256.40	350	256.00	50	17800.00	550	87.50	850	87.75	87.40	100	2004200	13.3629
17.1852	126750	50	222.75	223.10	200	222.25	800	17850.00	350	103.80	750	104.25	103.95	100	203200	13.0806
16.7580	3121250	200	190.65	190.85	650	190.40	850	17900.00	50	122.50	50	122.70	122.65	50	3142500	12.7220
16.4146	305200	50	162.45	162.40	200	161.95	50	17950.00	250	143.20	150	143.75	143.70	150	200200	12.3711
16.1018	3446400	50	136.15	136.40	50	136.05	150	18000.00	50	166.10	200	166.50	166.05	50	3179350	11.8980

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View: Bearish to Neutral (Buy on Drop)

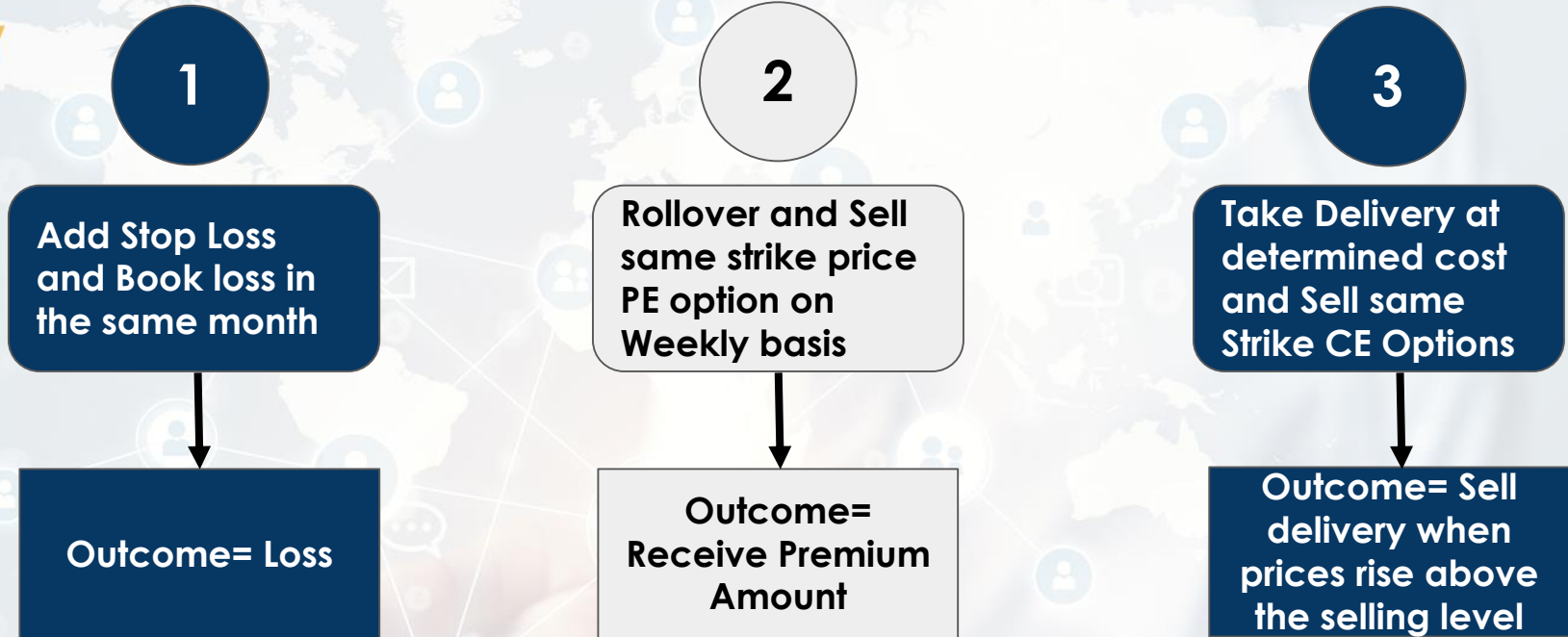
As we saw above, chances of Nifty staying above and below 5% is almost 75%.
Assuming Nifty is at 18000, and its 5% is 17100 level

Nifty CMP	18000
Nifty Lot Size	50
What to do?	Sell 17100 Put @7.50
Margin Required	Approx 1,00,000
Returns in Amount	(7.50*50)= Rs. 375 (7.50 is the premium received weekly and 50 is the lot size) and (375*4= 1,500) (7.50 is the weekly premium received and 4 is the number of weeks)
Returns in %	1,500/1,00,000= 1.50% (Monthly)
Added Benefit	If we use 50-50 for cash and collateral, we can make double returns.

CASE 1



Case 1 Exit Strategy



Considering view: Bullish

Nifty CMP	18000
Nifty Lot Size	50
What to do?	Buy Futures @18000 and Sell Call (CE)option @18000
Margin Required	Approx 1,00,000
Returns in Amount	$(136 * 50) = \text{Rs. } 6,800$ (136 is the premium received monthly and 50 is the lot size)
Returns in %	6.8% $(6,800 / 1,00,000)$ - (1,00,000 is the margin required)
Max Profit	6,800 (the premium received)
Risk	Delivery (Top 50 stocks of NSE India)
Added Benefit	If we use 50-50 for cash and collateral, we can make double returns.

CASE 2



Case 1 Exit Strategy



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A hand holding a glowing globe with a network of icons and symbols overlaid on it. The icons include people, messages, and social media symbols. The background is a light blue and white gradient with orange circular accents.

Thank You

