

Trading Strategy

BANKNIFTY- BULL CALL SPREAD

Strategy statistics

Scrip Name	BANKNIFTY
Future Price (Rs.)	25120
View	BULLISH
Strategy Name	BULL CALL SPREAD
Buy Strike Price	25200 CE @ Rs.110
Sell Strike Price	25400 CE @ Rs.54
Potential Profit (Rs)	+5760
Potential Loss (Rs)	-2240
Expiry	03-Aug-17
Risk: Reward	1:2.57
Margin Requirement (Approx.) (Rs.)	58,270
Return On Investment	9.89%
Loss On Margin	3.84%

At the beginning of the August series, the BankNifty future witnessed a high rollover of 76% versus 69% which is the 3 month average rollover in this index. The open interest in the August series began on the higher side at 26 lakh shares indicating most of the longs formed in the last series, has been carried forward to this series. Several PSU banking stocks have also witnessed positive activity, along with selective private sector banks which

could help the benchmark index inch higher ahead of the monetary policy review by RBI scheduled on 02nd August 2017.

On the options front, in 03-Aug-2017 expiry, the index is showing decent unwinding in the highest call base of 25000 call option and the position is shifting to the higher strike of 25500. Simultaneously put option has been showing significant amount of addition in the Open Interest in At-the-money options. We feel majority of this position is on the shorter side which could provide strong support to the index.

Hence, to capture this move with the limited risk ahead of the RBI policy review on 02-Aug-17, we recommend Bull Call Spread in BankNifty.

Bull Call Spread:

A bull call spread is created when the Index/stock is expected to move in an upward direction. The bull call spread is created by buying slightly out-the-money CE & selling higher out-of-money CE of the same script and expiry. It is a limited profit, limited loss strategy with favorable risk: reward ratio.

Formation:

Date	Scrip	Action	Rate	Quantity	Outflow
31-JULY-17	BANKNIFTY 03-AUG-2017 25200 CE	Buy	110	40	-56
31-JULY-17	BANKNIFTY 03-AUG-2017 25200 CE	Sell	54	40	

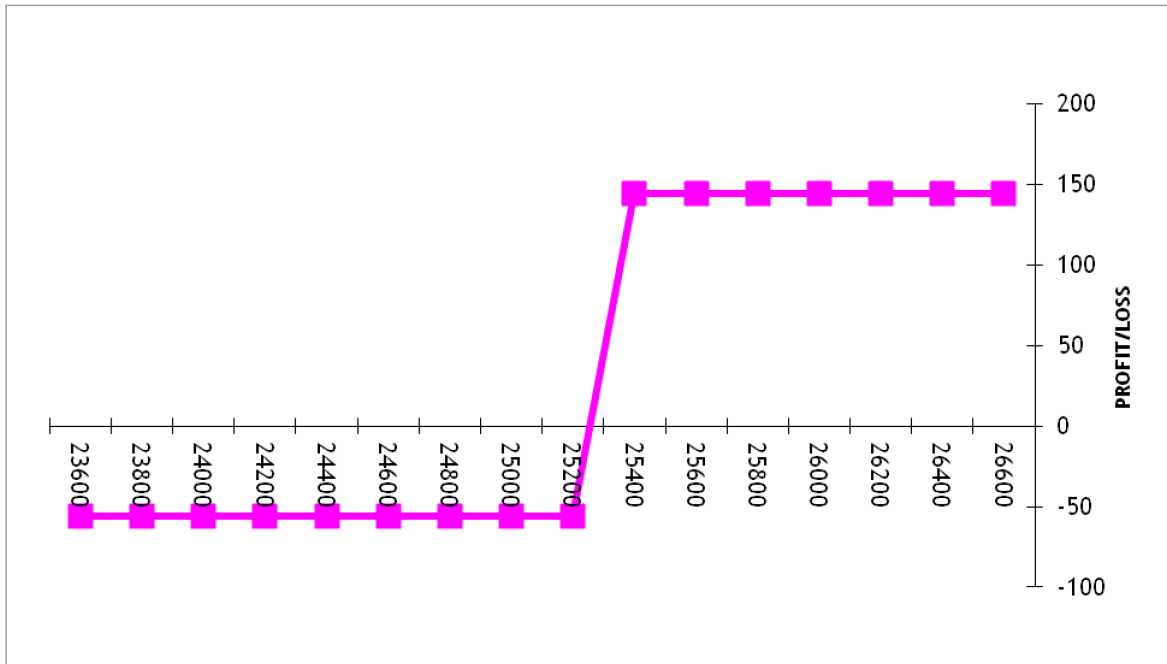
Strategy Note:

Maximum Profit (Rs)	+5,760	Maximum Loss (Rs)	-2,240	Expiry	03-Aug-17
Risk: Reward	1:2.57	Margin (Rs.)	58,270	BEP	25256

Kindly find the payoff chart for the strategy.

For Private Circulation only

Payoff chart



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