

Budget Strategy

January 2025

Budget 2025 : Volatile move may continue

Nifty index has been making lower top - lower bottom on the monthly and weekly scale and has recently corrected by around 3500 points from 26277 to 22786 zones in the last four months. India VIX has seen a surge from 13 to 19 levels in the last five weeks and rising volatility has created swings with negative bias in the market. Nifty had seen a meaningful rally of 9450 points from 16828 (Mar'23) to 26277 (Sept'24) and 38.20% retracement of the entire move comes near 22666 zones which is a key support for the index to hold the recent market volatility.

FII's Long Short Ratio is currently around 20% which is near the lower zone of the range but selling from the FIIs in the Cash market is the real cause of concern disturbing the market stability. Overall lower FIIs Index Long Short ratio indicates light position by the Foreign market players.

Nifty index has recorded its fourth consecutive monthly decline; something that has not happened in the last 23 years. The last time Nifty fell for four straight months was in 2001. Since 2001, Nifty fell for three months in a row 13 times. In about 70% of these cases, it bounced back in the next 2-3 months with an average gain of 3-5%.

Nifty has taken an immediate support near 22800 zones but medium term trend of the index is negative as every meaningful bounce is being sold and resistances are intact at higher zones.

Overall if Nifty manages to hold 22660-22800 zones then short term recovery is possible towards 23333 and 23750 zones but absence of follow up activity is still a concern in the market. If it fails to surpass 23333 zones and breaks an immediate support zones then it may open the downside of 500-1000 points in the index. Given the market's uncertainty and upcoming key events, it is advisable to hedge positions using a Bear Put Spread strategy which could help manage risks in case of increased volatility.

Budget 2025 : Hedging is required in higher VIX scenario

Nifty

Monthly Hedging Strategy : 27th Feb 2025

- Nifty index has been making lower top - lower bottom on weekly scale and the index is slowly and steady drifting lower from the last four consecutive months
- India VIX has seen a spurt of 30% in this month and rising volatility suggests ongoing volatile swings could continue for next few more sessions
- Sustained Call writing with lower Put Call Ratio suggests mixed bias with capped upside in the benchmark index
- Thus suggesting Bear Put Spread strategy to hedge the downside till 22000 zones by paying the cost of 1.10%

This strategy can be used to hedge the downside move till 22000 zones by paying the cost of 260 points which is 1.10% of the index.

Buy 1 lot of 23000 Put @ 380
Sell 1 lot of 22000 Put @ 120

Margin Required : Approx. Rs 60,000/-

BEP : 22740

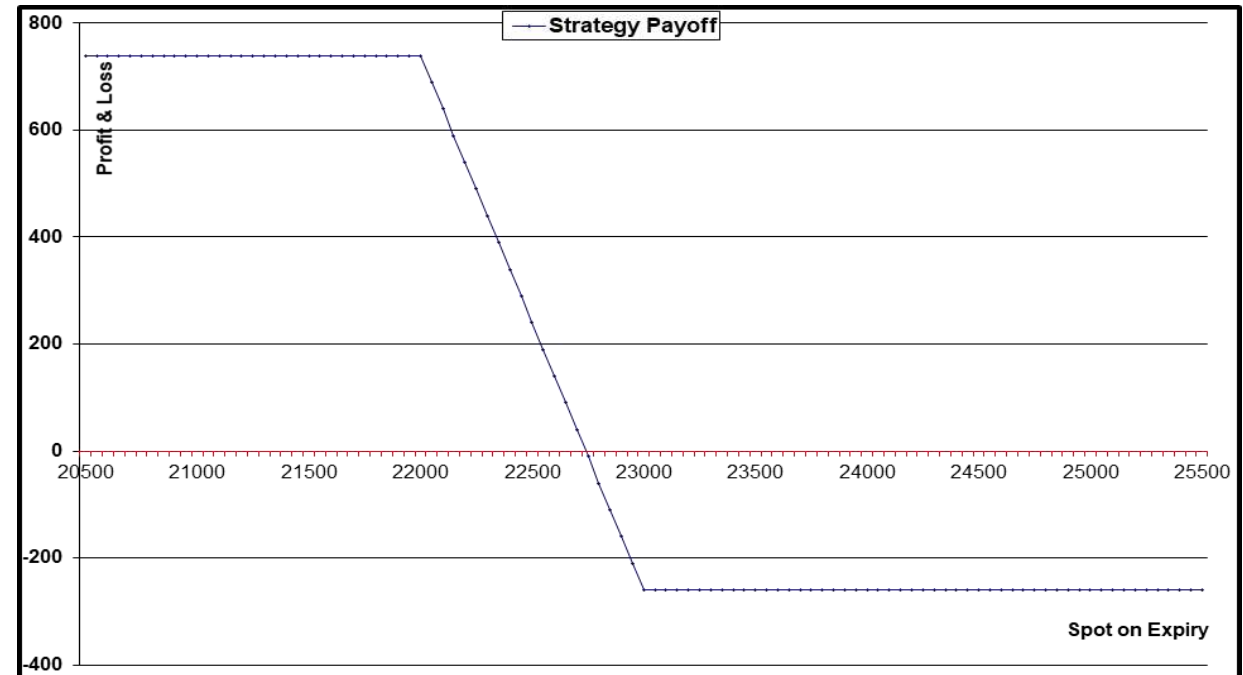
Lot Size : 75

Net Premium Paid : 260 Points (Rs. 19,500/-)

Max Risk : 260 Points (Rs. 19,500/-) if Nifty goes higher

Max Reward : 740 Points ((Rs. 55,500/-) if Nifty goes below 22000

Risk : Reward : 1 : 2.85



Budget 2025 : Bank Nifty may see stability & premium decay

Bank Nifty **Bull Call Butterfly Spread : 27th Feb 2025**

- Bank Nifty index has formed a double bottom pattern on daily scale and a bullish candle with good buying visible in heavyweights
- Relative outperformance is seen in this index and expected to move northwards in the coming weeks
- Maximum Put OI is intact at 48000 levels while Maximum Call OI is at 51000 strike
- Thus suggesting Bull Call Butterfly Spread to play the positive to range bound move of the index

This strategy can be used to play a range bound bias with capped upside with the view that index has already seen a corrective move and now might find swings in a broader trading range.

Buy 1 lot of 49000 Call
Sell 1 lot of 50000 Call
Sell 1 lot of 51000 Call
Buy 1 lot of 52000 Call

Margin Required : Rs.65,000

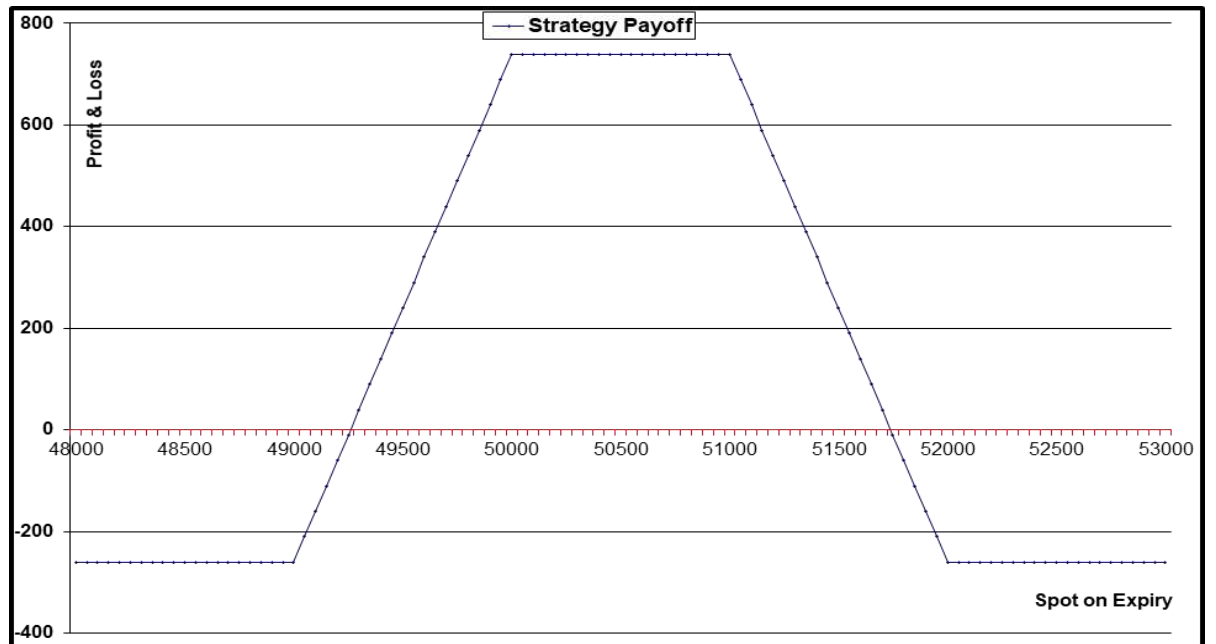
Net Premium Paid : 260 Points (Rs.7800)

Max Risk : 260 Points (Rs.7800)

Max Profit: 740 Points (Rs.22200)

Lot size : 30

Profit if it remains in between 49260 to 51740 zones



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