INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

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THE EDITOR
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Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF.**

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DEAR SIR/MADAM

Please find my submission of manuscript entitled '_____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

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- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
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PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

RISK MINIMIZATION TRADING STRATEGIES IN BULLISH MARKET

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ABSTRACT

Awareness of derivatives as an important tool of risk management is indispensable now a days. Derivative securities have penetrated into the Indian stock market and Investors are using these securities for different purposes such as speculation, hedging & arbitrage. Important aspect is the awareness and its usage in downturn and undecided market. Markets are very volatile and hence it becomes crucial for investors to frame strategy according to their risk appetite. In the long run, fundamental analysis works but in the short perspective, investors have to frame volatile market strategies. This paper explores various strategies which can be used by the investors in bullish market. It gives you an idea about the various combinations of equity derivative products which can be used to create effective strategies. The study focuses on different types of strategies which can be used in bullish market using different variants of equity derivatives with their possible future outcomes. The paper shows how a strategy can be created with futures and various types of options along with their payoffs and payoff diagram. The best strategy is the one which minimizes loss and gives maximum profit.

KEYWORDS
Derivaties, futures, options, trading strategies.

DEFINATIONS

Derivatives-They are financial instruments whose price depends on the price of the underlying asset. They derive their value from the price of the underlying asset. Example Reliance Futures derive their price from the price of the RELIANCE shares in cash market. They are an important risk management tool. They act as a form of Insurance. They are used to hedge other instruments and thereby reduce risks & rewards.

Futures – A contract with an agreement between two parties to buy or sell an asset at a certain time in the future for a certain price. Unlike forward contracts, futures contract are normally traded on an exchange. To make trading possible, the exchange specifies certain standardized features of the contract. The contract is referred to by its delivery month, and the exchange specifies the period during the month when delivery must be made.

Options: A contract that conveys the right, but not the obligation, to buy or sell a particular item at a certain price for a limited time. Only the seller of the option is obligated to perform. There are two types of options-Call & Put Option.

Payoff-It is the value of the option contract in terms of loss or profit arising from the contract to the two parties-buyer and seller of the contract.

Trading Strategies- A strategy is a plan of action designed to achieve a vision.In order to achieve the objective, trader creates a plain vanilla strategy or complex strategy using various combinations of derivative products.

INTRODUCTION TO DERIVATIVES

One of the interesting developments in financial markets over the last 15 to 20 years has been the growing popularity of derivatives or contingent claims. The term **"Derivative"** connotes that it derives its value from the value of the underlying asset. It has no independent value. The underlying asset can be securities, commodities, bullion, currency, live stock or anything else .The existence of Derivatives is associated with the existence of risks in business. Hence derivatives are an important risk management tool. The parties managing risks in the market are known as ***HEDGERS.*** Some people/organisations are in the business of taking risks to earn profits. Such entities represent the ***SPECULATORS***. The third player known as the ***ARBITRAGERS,*** take advantage of the market mistakes or imperfections.

FACTORS DRIVING THE GROWTH OF FINANCIAL DERIVATIVES

1. Increased volatility in asset prices in financial markets.
2. Increased integration of national financial markets with the international markets.
3. Marked improvement in communication facilities and sharp decline in their costs.
4. Development of more sophisticated risk management tools, providing economic agents a wider choice of risk management strategies, and
5. Innovations in the derivatives markets, which optimally combine the risks and returns over a large number of financial assets leading to higher returns, reduced risk as well as transactions costs as compared to individual financial assets.

GROWTH OF DERIVATIVE MARKET OVER LAST 2 DECADES IN INDIA

1991	*Liberalization process initiated*
14-Dec-95	*NSE asked SEBI for permission to trade index futures.*
18-Nov-96	*SEBI setup L.C.Gupta Committee to draft a policy framework for index futures*
11-May-98	*L.C.Gupta Committee submitted report.*
07-Jul-99	*RBI gave permission for OTC forward rate agreements (FRAs) and interest rate swaps*
25-May-00	*SEBI gave permission to NSE and BSE to do index futures trading.*
June 2000	*Trading of BSE & NSE Futures*
02-Jun-01	*Individual Stock Options & Derivatives*
04-Jun-o1	*Index options on Nifty*
09-Nov-o1	*Futures on Individual Securities at NSE*
Aug-03	*Futures& Options on CNX IT Index at NSE*
Jun-05	*Futures& Options on BANK NIFTY Index*
Jun-07	*Derivatives on NIFTY JUNIOR & CNX 100*
Oct-07	*Derivatives on NIFTY MIDCAP 50*
Jan-08	*Mini Nifty Derivatives Contract*
Mar-08	*long Term Options Contracts on NIFTY Index*
Aug-08	*Currency Derivatives*
Aug-09	*Interest Rate Futures*
2010 & 2011	*Derivatives on Global Indices* *EMERGE-NSE SME Platform-Investment Opportunities for Emerging Companies*

Source-www.nseindia.com

REVIEW OF LITERATURE

There are various strategies available in the market. Strategy depends on the view point of the market or Individual stock. Viewpoint can be bullish, bearish or uncertain. Strategy is framed by an individual depending on many factors. It depends on objective of trading i.e. hedging, arbitrage or speculation, volatility of individual stock, viewpoint, technical indicators like open Interest, volume, turnover, put call ratio, implied volatility, option premiums etc. It also depends on the risk taking capability of investor.

Strategy can be plain vanilla or combinations of put+call+spread. As surveyed by Anjali Choksi (2010) majority of investors are not aware of strategies like butterfly, straddle and strangle strips & straps. They use their own strategies. Such Investors follow their own strategies like using call & put simultaneously on same underlying asset, 2 calls and 1 put or 2 puts and 1 call to take advantage of premium income. There are also some of them who know about such strategy but have no knowledge about its usage .She found that there was awareness of derivatives among mass investors and those Investors having no knowledge of it depend mostly on broker or take friends advice in order to make investment.

Sandeep Srivastava et al. (2008) studied derivative trading from brokers perception & found that derivative securities have definitely penetrated into the Indian stock market & investors are using these securities for different purposes, namely risk management, profit enhancement, speculation & arbitrage. Active Investors continuously search for investment strategies that provide returns greater than market return. Hence they resort to different strategies that are either based on fundamental analysis, technical analysis, market anomalies & security attributes. The Study explores the different combination of derivative products which can be used in bullish market giving an insight of the various possibilities of the loss and profit scenarios. It helps us to understand the complex nature of options.

NEED/IMPORTANCE OF THE STUDY

There has been a substantial change in investment strategies used by active investors in Indian stock market over the past five years. In a nutshell investors have shifted from purely technical analysis to both fundamental and technical. But there have been a few studies on using these strategies together & finding the best one which has a combination of all of them.

One of the most challenging areas in derivative is increased volatility. In few minutes one can earn fantastically or erode his capital. Due to which investors have reduced their investment horizon .Investors have shifted from blue chip stocks to emerging stocks. P/E ratios are no longer the most important base for investment.

Here comes the acute need of finding more reliable factors or indicators or well framed strategies which can give us good returns in both the markets-bullish & bearish as well as now even in volatile markets.

Future research must address these deficiencies to provide investors with more reliable tools & effective trading strategies.

But Indian future market is still unexplored for effective & proven derivative trading strategies. Fundamental factors behind this can be awareness, abnormality of Indian markets, knowledge & usage of products etc. In fact in international markets like US, investors use more options than future and cash product. India has to go long a way to increase the usage of these products and changed the whole picture of Indian derivative market.

This study therefore undertakes the academic research of Trading Strategies in Derivative Market with higher degree of worthiness and effectiveness with respect to bullish market.

STATEMENT OF THE PROBLEM

How do investors in India improve their trading strategies in bullish market in Indian Derivative Market?

OBJECTIVES

To determine the derivatives trading strategy on the basis of bullish outlook which will minimize the risk and maximize the profit..

RESEARCH METHODOLOGY

Scope of study- The strategies are limited to bullish market scenario using equity derivatives.

Data collection sources

Primary –Nil

Secondary

- Stock market web sites
- Journals
- ACEEQUITY Software.
- ODIN Diet Software

Beneficiaries of study

- Investors & Derivative Traders
- Students
- Share brokers

Limitations

- There can be other complex strategies which one can explore. The list is not exhaustive.
- Strategies may fail if the market moves in unfavourable direction.

RESULTS & DISCUSSION

THE RISK MINIMISATION TRADING STRATEGIES USING FUTURES AND OPTIONS ON THE BASIS OF:

- Bullish Outlook
- **Any Strategy Creation requires following Key Steps**
  - Market View-When to use
  - Products to be used in strategy-Calls or puts or combination or futures
  - Upside Potential
  - Downside Risk

I .TRADING STRATEGIES USED FOR BULLISH OUTLOOK

1 .LONG CONDOR LADDER

Strategy: - Buy a Call at a low Strike price K1,
Sell a call at a high Strike price K2
Sell a call at a higher Strike price K3

When to Use: **-** When u have a Bullish Outlook but not very Bullish

Payoff:

- **At St < K1, fixed profit of Net Premium Received**
- **At K2 > St > K1, Profit increases linearly with the St**
- **At K3 > St > K2 , Fixed Profit ; i.e Net Premium Received + Difference between K2 & K3**
- **At St > K3, Profit falls linearly with StMarket expectation:** Direction bullish/volatility bearish. In this case the holder expects the market to settle between K2 and K3 but feels that volatility will not rise.

Profit & loss characteristics at expiry:

Profit: Limited to the difference between strikes K1 and K2 plus (minus) net credit (debit).

Loss: Unlimited if underlying rallies. At A or below, loss limited to net cost.

Break-even: Lower break-even reached when the underlying exceeds the lower strike option K1, by the same amount as the net cost of the position. Higher break-even point reached when the intrinsic value of option K1, plus (minus) the net credit (debit) from establishing the position, is equal to the intrinsic value of the two higher strike options at K2 and K3.

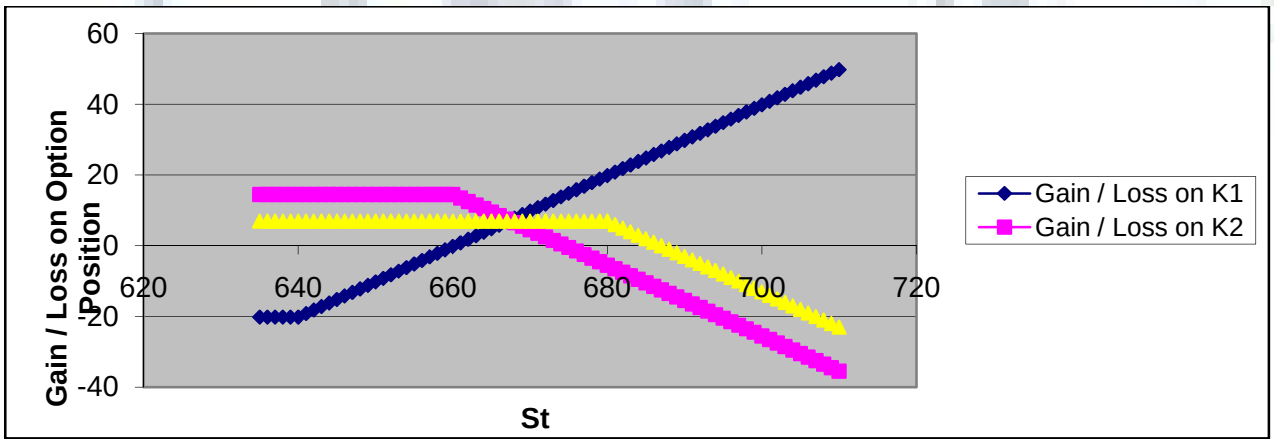
Example:

Current Price of the Stock =So=	648	Strike Price of Call Option=K2=	660
Strike Price of Call Option=K1=	640	Premium of Call Option =K2= Rs.	14.45
Premium of Call Option =K1= Rs.	20.2	Strike Price of Call Option=K3=	680
		Premium of Call Optionk3	6.95

PAY-OFF TABLE

St	Premium for K1	Gain / Loss on K1	Premium for K2	Gain / Loss on K2	Premium for K3	Gain / Loss on K3	Total Gain/Loss
635	20.2	-20.2	14.45	14.45	6.95	6.95	1.2
636	20.2	-20.2	14.45	14.45	6.95	6.95	1.2
637	20.2	-20.2	14.45	14.45	6.95	6.95	1.2
638	20.2	-20.2	14.45	14.45	6.95	6.95	1.2
639	20.2	-20.2	14.45	14.45	6.95	6.95	1.2
640	20.2	-20.2	14.45	14.45	6.95	6.95	1.2
641	20.2	-19.2	14.45	14.45	6.95	6.95	2.2
642	20.2	-18.2	14.45	14.45	6.95	6.95	3.2
643	20.2	-17.2	14.45	14.45	6.95	6.95	4.2
644	20.2	-16.2	14.45	14.45	6.95	6.95	5.2
645	20.2	-15.2	14.45	14.45	6.95	6.95	6.2
646	20.2	-14.2	14.45	14.45	6.95	6.95	7.2
647	20.2	-13.2	14.45	14.45	6.95	6.95	8.2
648	20.2	-12.2	14.45	14.45	6.95	6.95	9.2
649	20.2	-11.2	14.45	14.45	6.95	6.95	10.2
650	20.2	-10.2	14.45	14.45	6.95	6.95	11.2
651	20.2	-9.2	14.45	14.45	6.95	6.95	12.2
652	20.2	-8.2	14.45	14.45	6.95	6.95	13.2
653	20.2	-7.2	14.45	14.45	6.95	6.95	14.2
654	20.2	-6.2	14.45	14.45	6.95	6.95	15.2
655	20.2	-5.2	14.45	14.45	6.95	6.95	16.2
656	20.2	-4.2	14.45	14.45	6.95	6.95	17.2
657	20.2	-3.2	14.45	14.45	6.95	6.95	18.2
658	20.2	-2.2	14.45	14.45	6.95	6.95	19.2
659	20.2	-1.2	14.45	14.45	6.95	6.95	20.2
660	20.2	-0.2	14.45	14.45	6.95	6.95	21.2
661	20.2	0.8	14.45	13.45	6.95	6.95	21.2
662	20.2	1.8	14.45	12.45	6.95	6.95	21.2
663	20.2	2.8	14.45	11.45	6.95	6.95	21.2
664	20.2	3.8	14.45	10.45	6.95	6.95	21.2
665	20.2	4.8	14.45	9.45	6.95	6.95	21.2
666	20.2	5.8	14.45	8.45	6.95	6.95	21.2
667	20.2	6.8	14.45	7.45	6.95	6.95	21.2
668	20.2	7.8	14.45	6.45	6.95	6.95	21.2
669	20.2	8.8	14.45	5.45	6.95	6.95	21.2
670	20.2	9.8	14.45	4.45	6.95	6.95	21.2
671	20.2	10.8	14.45	3.45	6.95	6.95	21.2
672	20.2	11.8	14.45	2.45	6.95	6.95	21.2
673	20.2	12.8	14.45	1.45	6.95	6.95	21.2
674	20.2	13.8	14.45	0.45	6.95	6.95	21.2
675	20.2	14.8	14.45	-0.55	6.95	6.95	21.2
676	20.2	15.8	14.45	-1.55	6.95	6.95	21.2
677	20.2	16.8	14.45	-2.55	6.95	6.95	21.2
678	20.2	17.8	14.45	-3.55	6.95	6.95	21.2
679	20.2	18.8	14.45	-4.55	6.95	6.95	21.2
680	20.2	19.8	14.45	-5.55	6.95	6.95	21.2
681	20.2	20.8	14.45	-6.55	6.95	5.95	20.2
682	20.2	21.8	14.45	-7.55	6.95	4.95	19.2

PAY OFF DIAGRAM- LONG CONDOR LADDER



2. BULL SPREAD

Strategy: - Long on 1 Call at low Strike price K1
Short on 1 Call at higher strike price K2

When to Use: - Mildly Bullish Perspective

Payoff: At St ≤ K1, Loss is Fixed; i.e Net Premium Paid
At K2 ≥ St ≥K1, Loss Reduces linearly with increase in Price
At St > K2, Profit is Fixed; i.e K2 - K1 - Net Premium paid

Market Expectation: Market bullish/volatility neutral. The spread has the advantage of being cheaper to establish than the purchase of a single call, as the premium received from the sold call reduces the overall cost. The spread offers a limited profit potential if the underlying rises and a limited loss if the underlying falls.

Profit and loss characteristics at expiry:

Profit: Limited to the difference between the two strikes minus net premium cost. Maximum profit occurs where the underlying rises to the level of the higher strike K2 or above.

Loss: Limited to any initial premium paid in establishing the position. Maximum loss occurs where the underlying falls to the level of the lower strike K1 or below.

Break-even: Reached when the underlying is above strike K1 by the same amount as the net cost of establishing the position.

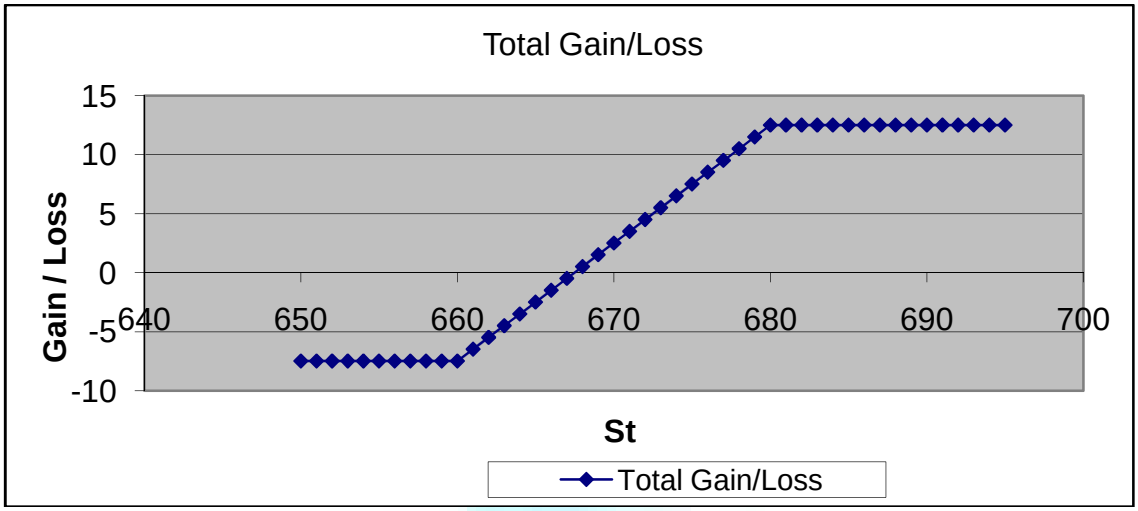
Example:

Current Price of the Stock =So=	648	Strike Price of Call Option=K2=	680
Strike Price of Call Option=K1=	660	Premium of Call Option =K2= Rs.	6.95
Premium of Call Option =K1= Rs.	14.45		

PAY-OFF TABLE

St	Premium for Kc1	Gain / Loss on Kc1	Premium for Kc2	Gain / Loss on Kc2	Total Gain/Loss
650	14.45	-14.45	6.95	6.95	-7.5
651	14.45	-14.45	6.95	6.95	-7.5
652	14.45	-14.45	6.95	6.95	-7.5
653	14.45	-14.45	6.95	6.95	-7.5
654	14.45	-14.45	6.95	6.95	-7.5
655	14.45	-14.45	6.95	6.95	-7.5
656	14.45	-14.45	6.95	6.95	-7.5
657	14.45	-14.45	6.95	6.95	-7.5
658	14.45	-14.45	6.95	6.95	-7.5
659	14.45	-14.45	6.95	6.95	-7.5
660	14.45	-14.45	6.95	6.95	-7.5
661	14.45	-13.45	6.95	6.95	-6.5
662	14.45	-12.45	6.95	6.95	-5.5
663	14.45	-11.45	6.95	6.95	-4.5
664	14.45	-10.45	6.95	6.95	-3.5
665	14.45	-9.45	6.95	6.95	-2.5
666	14.45	-8.45	6.95	6.95	-1.5
667	14.45	-7.45	6.95	6.95	-0.5
668	14.45	-6.45	6.95	6.95	0.5
669	14.45	-5.45	6.95	6.95	1.5
670	14.45	-4.45	6.95	6.95	2.5
671	14.45	-3.45	6.95	6.95	3.5
672	14.45	-2.45	6.95	6.95	4.5
673	14.45	-1.45	6.95	6.95	5.5
674	14.45	-0.45	6.95	6.95	6.5
675	14.45	0.55	6.95	6.95	7.5
676	14.45	1.55	6.95	6.95	8.5
677	14.45	2.55	6.95	6.95	9.5
678	14.45	3.55	6.95	6.95	10.5
679	14.45	4.55	6.95	6.95	11.5
680	14.45	5.55	6.95	6.95	12.5
681	14.45	6.55	6.95	5.95	12.5
682	14.45	7.55	6.95	4.95	12.5
683	14.45	8.55	6.95	3.95	12.5
684	14.45	9.55	6.95	2.95	12.5
685	14.45	10.55	6.95	1.95	12.5
686	14.45	11.55	6.95	0.95	12.5
687	14.45	12.55	6.95	-0.05	12.5

PAY OFF DIAGRAM- BULL SPREAD



3. Covered Call Writing

Strategy: - Long on Underlying Asset & Short on Call Option at a very high Strike Price.

When to Use: - When the trader feels that the Stock Price will Increase but not up to the level of Strike Price

Payoff:-

- At St = (So - Premium Received), Profit = zero
- When St < (So - Premium Received), Loss on Underlying is reduced by the Amount of Premium
- When K > St > (So - Premium Received), Gain on Underlying is increased by the Amount of Premium
- When St > K, profit is fixed, i.e St - So + Premium Received

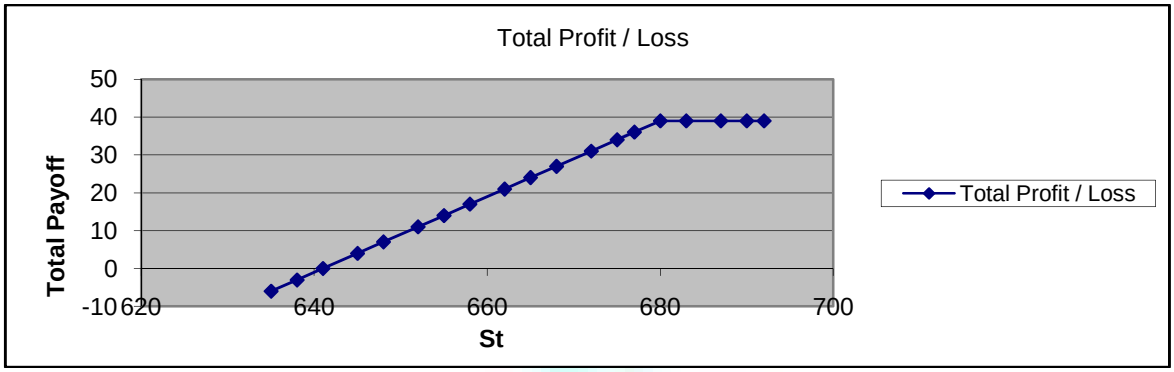
Example

Current price of the stock S0 = 648
Strike Price = K =680
Premium of Call Option C=6.95

PAY-OFF TABLE

Price of Stock on Expiry Day	Gain / Loss on Stock (St - So)	Premium Received (C)	Profit / Loss on Option Position	Total Profit / Loss
635	-13	6.95	6.95	-6.05
638	-10	6.95	6.95	-3.05
641	-7	6.95	6.95	-0.05
645	-3	6.95	6.95	3.95
648	0	6.95	6.95	6.95
652	4	6.95	6.95	10.95
655	7	6.95	6.95	13.95
658	10	6.95	6.95	16.95
662	14	6.95	6.95	20.95
665	17	6.95	6.95	23.95
668	20	6.95	6.95	26.95
672	24	6.95	6.95	30.95
675	27	6.95	6.95	33.95
677	29	6.95	6.95	35.95
680	32	6.95	6.95	38.95
683	35	6.95	3.95	38.95
687	39	6.95	-0.05	38.95
690	42	6.95	-3.05	38.95
692	44	6.95	-5.05	38.95

PAY OFF DIAGRAM-COVERED CALL



4. Protective Put Buying

Strategy: - Long on the Underlying & Long on the Put Option

When to Use: - When the trader wants to hold the Stock but is worried about the fall in Price of the Stock

Payoff:-

- At St = K or St < K , Maximum Loss is fixed; i.e Put Premium + (So - K)
- At St = So + Premium Paid, there is no profit no Loss
- At K < St < So + Premium Paid, Loss on underlying is Increased by the amount of Premium Paid
- At St > So + Premium Paid, Profit is reduced by the amount of Premium Paid

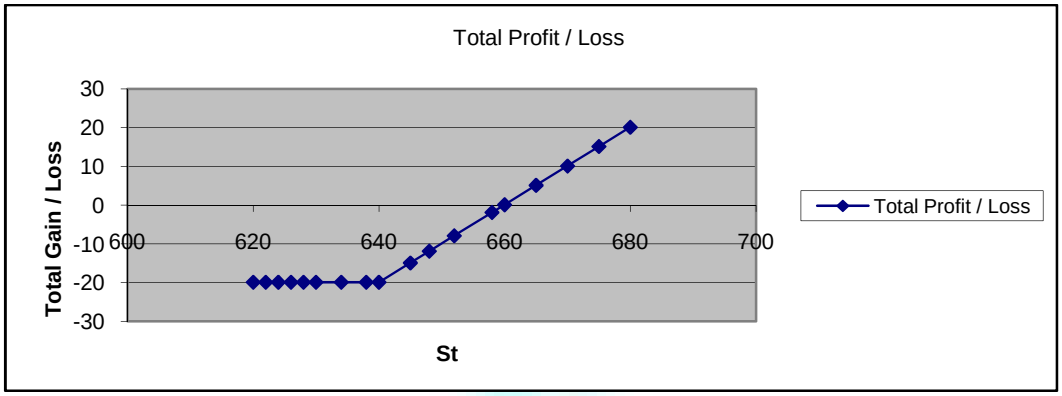
Example

Current Price of the Stock So = 648
Strike Price = K = 640
Premium of Put Option P = Rs.11.9

PAY-OFF TABLE

Price of Stock on Expiry Day	Gain / Loss on Stock (St - So)	Premium Paid	Profit / Loss on Option Position	Total Profit / Loss
620	-28	11.9	8.1	-19.9
622	-26	11.9	6.1	-19.9
624	-24	11.9	4.1	-19.9
626	-22	11.9	2.1	-19.9
628	-20	11.9	0.1	-19.9
630	-18	11.9	-1.9	-19.9
634	-14	11.9	-5.9	-19.9
638	-10	11.9	-9.9	-19.9
640	-8	11.9	-11.9	-19.9
645	-3	11.9	-11.9	-14.9
648	0	11.9	-11.9	-11.9
652	4	11.9	-11.9	-7.9
658	10	11.9	-11.9	-1.9
660	12	11.9	-11.9	0.1
665	17	11.9	-11.9	5.1
670	22	11.9	-11.9	10.1
675	27	11.9	-11.9	15.1
680	32	11.9	-11.9	20.1

PAYOFF DIAGRAM-PROTECTIVE PUT



5. COLLAR STRATEGY

Strategy: - Combination of Covered Call Writing & Protective Put Buying

Long on Underlying, Short on Call Option at a high Price & long on Put Option at a lower Strike Price than that of Call Option.

When to use: - A Trader holds an underlying & feels that the stock is very volatile & can go in any direction

Payoff:

- At St = So +Premium Paid - Premium Received, there is no profit no loss
- At St < or = Strike price of Put Kp, Loss is fixed
- At St > or = Strike Price of Call (Kc), Profit is fixed

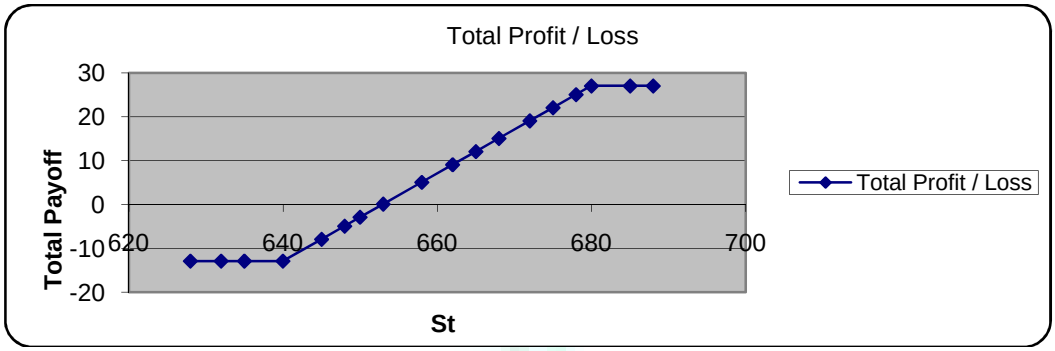
Example

Current Price of the Stock=648	Strike Price of Call Option= 680
Strike Price of Put Option= 640	Premium of Call Option =6.95
Premium of Put Option = 11.9	

PAYOFF TABLE

Price of Stock on Expiry Day (St)	Gain / Loss on Stock (St - So)	Premium Paid (P)	Profit / Loss on Put Position	Premium Received (C)	Profit / Loss on Call Position	Total Profit / Loss
628	-20	11.9	0.1	6.95	6.95	-12.95
632	-16	11.9	-3.9	6.95	6.95	-12.95
635	-13	11.9	-6.9	6.95	6.95	-12.95
640	-8	11.9	-11.9	6.95	6.95	-12.95
645	-3	11.9	-11.9	6.95	6.95	-7.95
648	0	11.9	-11.9	6.95	6.95	-4.95
650	2	11.9	-11.9	6.95	6.95	-2.95
653	5	11.9	-11.9	6.95	6.95	0.05
658	10	11.9	-11.9	6.95	6.95	5.05
662	14	11.9	-11.9	6.95	6.95	9.05
665	17	11.9	-11.9	6.95	6.95	12.05
668	20	11.9	-11.9	6.95	6.95	15.05
672	24	11.9	-11.9	6.95	6.95	19.05
675	27	11.9	-11.9	6.95	6.95	22.05
678	30	11.9	-11.9	6.95	6.95	25.05
680	32	11.9	-11.9	6.95	6.95	27.05
685	37	11.9	-11.9	6.95	1.95	27.05
688	40	11.9	-11.9	6.95	-1.05	27.05

PAY-OFF DIAGRAM-COLLAR STRATEGY



6. Short Combo

Strategy: - Long on Call Option at a high Strike Price & Short on Put at a Low Strike Price

When to use: - Moderately Bullish Outlook

Payoff:

- At St < Kp, Loss keeps on decreasing linearly with rise in Price
- At Kc > St > Kp, Loss is Fixed
- At St > Kc, Profit keeps on increasing linearly with rise in Price

Example:-

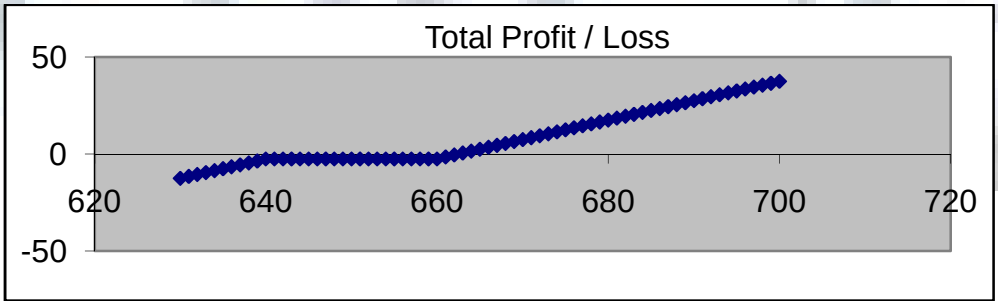
Current Price of the Stock =648	Strike Price of Put Option Kp=640
Strike Price of Call Option Kc=660	Premium of Put Option=P= 11.9
Premium of Call Option = 14.45	

PAY-OFF TABLE

Price of Stock on Expiry Day (St)	Premium Paid (C)	Profit / Loss on Call Position	Premium Put (P)	Profit / Loss on Put Position	Total Profit / Loss
630	14.45	-14.45	11.9	1.9	-12.55
631	14.45	-14.45	11.9	2.9	-11.55
632	14.45	-14.45	11.9	3.9	-10.55
633	14.45	-14.45	11.9	4.9	-9.55
634	14.45	-14.45	11.9	5.9	-8.55
635	14.45	-14.45	11.9	6.9	-7.55
636	14.45	-14.45	11.9	7.9	-6.55
637	14.45	-14.45	11.9	8.9	-5.55
638	14.45	-14.45	11.9	9.9	-4.55
639	14.45	-14.45	11.9	10.9	-3.55
640	14.45	-14.45	11.9	11.9	-2.55
641	14.45	-14.45	11.9	11.9	-2.55
642	14.45	-14.45	11.9	11.9	-2.55
643	14.45	-14.45	11.9	11.9	-2.55
644	14.45	-14.45	11.9	11.9	-2.55
645	14.45	-14.45	11.9	11.9	-2.55
646	14.45	-14.45	11.9	11.9	-2.55
647	14.45	-14.45	11.9	11.9	-2.55
648	14.45	-14.45	11.9	11.9	-2.55
649	14.45	-14.45	11.9	11.9	-2.55
650	14.45	-14.45	11.9	11.9	-2.55
651	14.45	-14.45	11.9	11.9	-2.55
652	14.45	-14.45	11.9	11.9	-2.55
653	14.45	-14.45	11.9	11.9	-2.55
654	14.45	-14.45	11.9	11.9	-2.55
655	14.45	-14.45	11.9	11.9	-2.55
656	14.45	-14.45	11.9	11.9	-2.55
657	14.45	-14.45	11.9	11.9	-2.55
658	14.45	-14.45	11.9	11.9	-2.55
659	14.45	-14.45	11.9	11.9	-2.55
660	14.45	-14.45	11.9	11.9	-2.55

661	14.45	-13.45	11.9	11.9	-1.55
662	14.45	-12.45	11.9	11.9	-0.55
663	14.45	-11.45	11.9	11.9	0.45
664	14.45	-10.45	11.9	11.9	1.45
665	14.45	-9.45	11.9	11.9	2.45
666	14.45	-8.45	11.9	11.9	3.45
667	14.45	-7.45	11.9	11.9	4.45
668	14.45	-6.45	11.9	11.9	5.45
669	14.45	-5.45	11.9	11.9	6.45
670	14.45	-4.45	11.9	11.9	7.45
671	14.45	-3.45	11.9	11.9	8.45
672	14.45	-2.45	11.9	11.9	9.45
673	14.45	-1.45	11.9	11.9	10.45
674	14.45	-0.45	11.9	11.9	11.45
675	14.45	0.55	11.9	11.9	12.45
676	14.45	1.55	11.9	11.9	13.45
677	14.45	2.55	11.9	11.9	14.45
678	14.45	3.55	11.9	11.9	15.45
679	14.45	4.55	11.9	11.9	16.45
680	14.45	5.55	11.9	11.9	17.45
681	14.45	6.55	11.9	11.9	18.45
682	14.45	7.55	11.9	11.9	19.45
683	14.45	8.55	11.9	11.9	20.45
684	14.45	9.55	11.9	11.9	21.45
685	14.45	10.55	11.9	11.9	22.45
686	14.45	11.55	11.9	11.9	23.45
687	14.45	12.55	11.9	11.9	24.45
688	14.45	13.55	11.9	11.9	25.45
689	14.45	14.55	11.9	11.9	26.45
690	14.45	15.55	11.9	11.9	27.45
691	14.45	16.55	11.9	11.9	28.45
692	14.45	17.55	11.9	11.9	29.45
693	14.45	18.55	11.9	11.9	30.45
694	14.45	19.55	11.9	11.9	31.45
695	14.45	20.55	11.9	11.9	32.45
696	14.45	21.55	11.9	11.9	33.45
697	14.45	22.55	11.9	11.9	34.45
698	14.45	23.55	11.9	11.9	35.45
699	14.45	24.55	11.9	11.9	36.45
700	14.45	25.55	11.9	11.9	37.45

Payoff Diagram-Short Combo



7. LONG STRAP

Strategy: - Long on 2 Call & 1 Put at the same Strike Price

When to use: - The chances of Market going up are more than the chances of going down

Payoff:

- As St approaches from low Price towards K, Loss Increases linearly with St

- At St > K, Loss keeps on reducing & will start making Profit

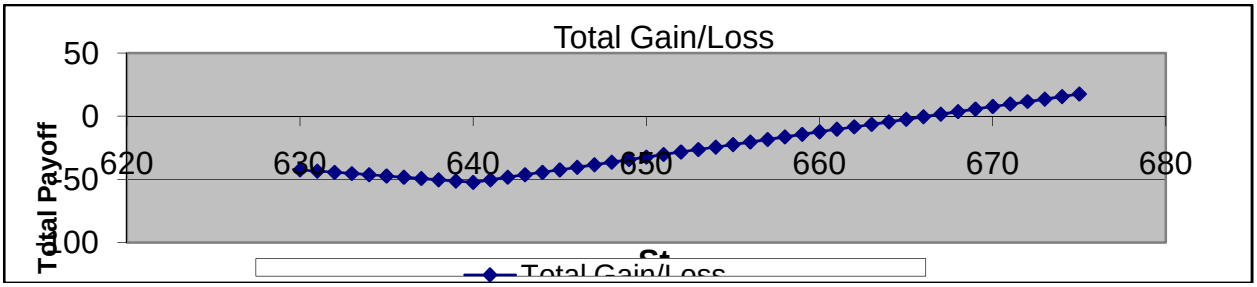
Example:

Current Price of the St=648	Strike Price of Put Option=640
Strike Price of Call Option=640	Premium of Put Option= 11.9.
Premium of Call Option= 20.2	

PAY-OFF TABLE

St	Premium for Kc	Gain / Loss on Kc	Premium for Kp	Gain / Loss on Kp	Total Gain/Loss
630	40.4	-40.4	11.9	-1.9	-42.3
631	40.4	-40.4	11.9	-2.9	-43.3
632	40.4	-40.4	11.9	-3.9	-44.3
633	40.4	-40.4	11.9	-4.9	-45.3
634	40.4	-40.4	11.9	-5.9	-46.3
635	40.4	-40.4	11.9	-6.9	-47.3
636	40.4	-40.4	11.9	-7.9	-48.3
637	40.4	-40.4	11.9	-8.9	-49.3
638	40.4	-40.4	11.9	-9.9	-50.3
639	40.4	-40.4	11.9	-10.9	-51.3
640	40.4	-40.4	11.9	-11.9	-52.3
641	40.4	-38.4	11.9	-11.9	-50.3
642	40.4	-36.4	11.9	-11.9	-48.3
643	40.4	-34.4	11.9	-11.9	-46.3
644	40.4	-32.4	11.9	-11.9	-44.3
645	40.4	-30.4	11.9	-11.9	-42.3
646	40.4	-28.4	11.9	-11.9	-40.3
647	40.4	-26.4	11.9	-11.9	-38.3
648	40.4	-24.4	11.9	-11.9	-36.3
649	40.4	-22.4	11.9	-11.9	-34.3
650	40.4	-20.4	11.9	-11.9	-32.3
651	40.4	-18.4	11.9	-11.9	-30.3
652	40.4	-16.4	11.9	-11.9	-28.3
653	40.4	-14.4	11.9	-11.9	-26.3
654	40.4	-12.4	11.9	-11.9	-24.3
655	40.4	-10.4	11.9	-11.9	-22.3
656	40.4	-8.4	11.9	-11.9	-20.3
657	40.4	-6.4	11.9	-11.9	-18.3
658	40.4	-4.4	11.9	-11.9	-16.3
659	40.4	-2.4	11.9	-11.9	-14.3
660	40.4	-0.4	11.9	-11.9	-12.3
661	40.4	1.6	11.9	-11.9	-10.3
662	40.4	3.6	11.9	-11.9	-8.3
663	40.4	5.6	11.9	-11.9	-6.3
664	40.4	7.6	11.9	-11.9	-4.3
665	40.4	9.6	11.9	-11.9	-2.3
666	40.4	11.6	11.9	-11.9	-0.3
667	40.4	13.6	11.9	-11.9	1.7
668	40.4	15.6	11.9	-11.9	3.7
669	40.4	17.6	11.9	-11.9	5.7
670	40.4	19.6	11.9	-11.9	7.7
671	40.4	21.6	11.9	-11.9	9.7

Payoff Diagram-Long Strap



RECOMMENDATIONS/SUGGESTIONS

It's true that the more we explore strategies the better our picture will be. But in practice some strategies are more suited for view based markets while other strategies are oriented towards consolidated markets. So only those feasible strategies which are applicable in bullish market are selected. Investors have to understand very clearly and precisely the objectives of the strategy, the risk appetite in terms of loss potential and importantly the market movement. It is easy to execute the strategy but the challenge is to close the position in terms of both-profit booking as well as loss booking in unfavorable market movement.

FINDINGS

There are many outlooks prevailing in the market. There may be range bound market, volatile market and many more but popular ones & widely used are bullish n bearish outlook.

The following table reflects the best suited strategies out of the strategies mentioned in the bullish market:

VIEW	STRATEGY	
BULLISH	(a)	Collar Strategy
	(b)	Short Combo
	(c)	Long Strap

By practicing such type of trading strategy, one can earn unlimited profits if the market turns in favorable zone & if the market moves other way round, loss exposure is also limited to a certain extent.

By practicing such trading strategies, an investor can predict his maximum loss in advance which is not the case if he trades without framing such trading strategies.

CONCLUSION

Trading strategy can be framed by individual taking several considerations like view for the market-bullish, bearish or uncertain, type of trader-hedger, speculator or arbitrageur, risk appetite, period of investment, type of analysis-fundamental or technical analysis etc. **But important thing is to minimize loss & take the right opportunity**. Now a day markets are very volatile, so it is in the interest of investors to frame market strategies in such a way that even if it is unfavorable the loss is minimum and also known to the investors as shown in the payoff at different market prices. The paper makes an attempt to explore new strategies in upward markets with an objective to know possible payoffs at different market prices. The investor can select the best strategy according to his/her risk appetite. However there can also be strategies where markets are volatile or are range bound or bearish. Now a days with increased volatility arbitrage based or opportunistic strategies are also used by analysts who gives fix amount of profit irrespective of market fluctuations.

SCOPE FOR FURTHUR RESEARCH

Since strategies are framed by individual taking various factors into consideration there are numerous areas for research but the challenge is to maximize profit and minimize loss. One can research into strategies dealing with other market outlooks like bearish, volatile, range bound & arbitrage trading. Now a days algorithm trading is also widely used by investors.

ACKNOWLEDGEMENTS

The project was done in 2010 with my student Mr.Ankit Shah.I am thankful to him for the first communication with the Arcadia Shares & stock Brokers pvt ltd.

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SOFTWARE

11. CAPITALINE NEO
12. ODIEN DIET OF NSE

APPENDIX

Bear: Someone who thinks market prices will decline.
Bull: Someone who thinks market prices will rise.
Call: An option contract granting the purchaser the right to buy the underlying instruments at the agreed strike price. A call obliges the seller to sell the underlying instrument at the agreed strike price, if the option is assigned to him.
Closing: Conducting a transaction, this offsets the original trade and liquidates an existing position.
Contract unit: The number of units of the underlying instrument on which the contract bears, i.e. contract size. This may vary according to the underlying on which the contract bears.
European-style options: An option that can be exercised by the buyer only on the contract expiration date.
Exercise: A decision, reserved for the option holder, to request execution of the contract.
Expiration date: The date on which the option contract expires.
Hedge: A conservative strategy used to limit investment loss by effecting a transaction, which offsets an existing position.
Holder: The party who purchased an option.
Liquidity: Market situation in which quick purchase or sale of a security is possible without causing substantial changes in prices.
Long position: An investor's position where the number of contracts bought exceeds the number of contracts sold. He is a net holder.
Lot size: Number of contract you want to buy or sell
Premium: The price of an option–the sum of money that the option buyer pays and the option seller receives for the rights granted by the option.
Put: An option contract granting the purchaser the right to sell the underlying instruments at the agreed strike price. A put obliges the seller to purchase the underlying instrument at the agreed strike price, if the option is assigned to him.
Short position: An investor's position where the number of contracts sold exceeds the number of contracts bought. The person is a net seller.
Spot Price: Refers to the underlying current market price.
Strike price or exercise price: The price at which the option holder may purchase (in case of call) or sell (in case of put) the underlying instrument.
Time value: It is determined by the remaining lifespan of the option, the volatility and the cost of refinancing the underlying asset (interest rates).
Time value = option price - intrinsic value
Underlying asset, underlying instrument: The instrument (shares, bonds, stock index…) that can be purchased (in case of call) or sold (in case of a put) by a buyer who exercises his option.
Volatility: It is a measure for the fluctuation range of the underlying price. The greater the volatility, the higher the option price.

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Sd/-

Co-ordinator

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