

**Weekly Options Report****October 01, 2009****Options Open Interest Activity – Overall**

	As on 300909		As on 230909		% Change w-o-w	
	No. of shares ('000s)	Open Interest (Rs. crores)	No. of shares ('000s)	Open Interest (Rs. crores)	No. of shares ('000s)	Open Interest (Rs. crores)
Nifty Options	85,309	43,371	1,21,407	60,339	-29.7%	-28.1%
Other Index Options	65	49	731	281	-91.1%	-82.6%
Stock Options	1,46,444	2,510	3,18,669	7,062	-54.0%	-64.5%
Total Options	2,31,818	45,930	4,40,807	67,682	-47.4%	-32.1%

The week ended September 30, 2009 saw markets moving higher and closing 2.29% above the closing of last week. The total OI saw a significant decline both in terms of number of shares and OI in crores (47.4% and 32.1% respectively). This was mainly due to the September series derivatives expiry and start of the new October series. This fall in OI was mainly due to the decline in OI seen in the stock options segment (dip of 54% and 64.5% in terms of number of shares and OI in crores respectively – high value stocks saw lower rollovers).

The Other index options i.e. index options other than the Nifty options, saw a very sharp fall this week i.e. fall of 91.1% and 82.6% in terms of number of shares and OI in crores respectively. Among the other index options, the only index active is Bank Nifty. The Nifty Mcap 50 futures were withdrawn after September expiry.

The Nifty Options saw a fall of about 29.7% and 28.1% for OI in terms of shares and value respectively. This fall in Stock Options OI was mainly seen in ACC, Tata Power, Wipro, Sterlite, ONGC, HDFC Bank and TCS.

Options Volumes Activity

	For the week ended 300909		For the week ended 230909		% Change w-o-w	
	Number of Contracts	Turnover (Rs. Crs.)	Number of Contracts	Turnover (Rs. Crs.)	Number of Contracts	Turnover
Stock Options	2,05,806	7,091	2,77,046	9,543	-25.71%	-25.69%
Index Options	48,53,754	1,21,087	55,24,031	1,36,686	-12.13%	-11.41%
Total Options	50,59,560	1,28,178	58,01,077	1,46,229	-12.78%	-12.34%

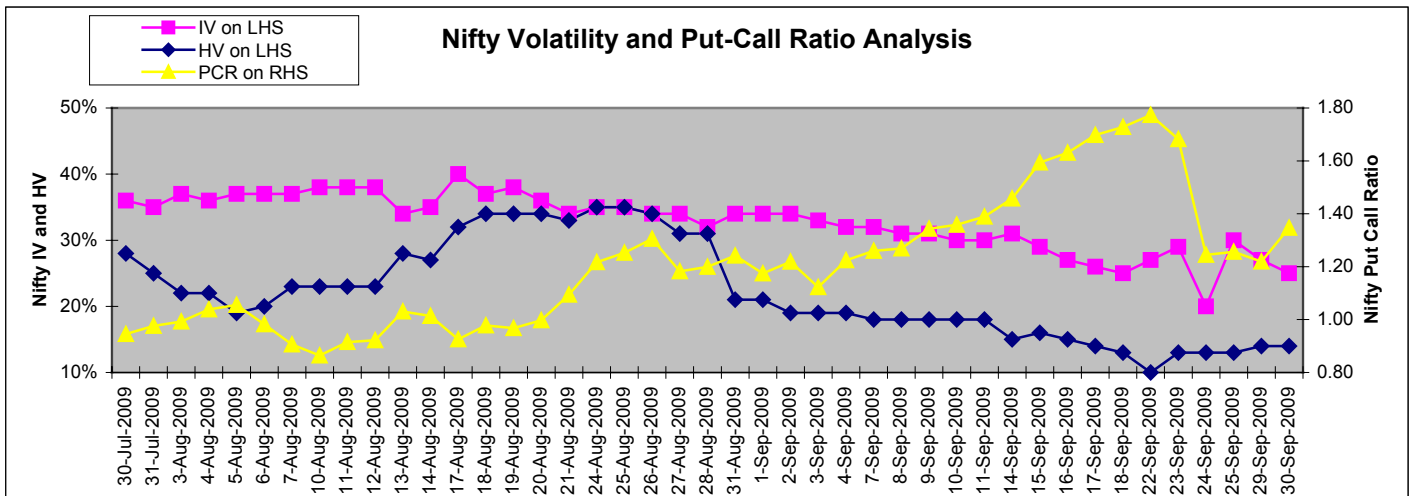
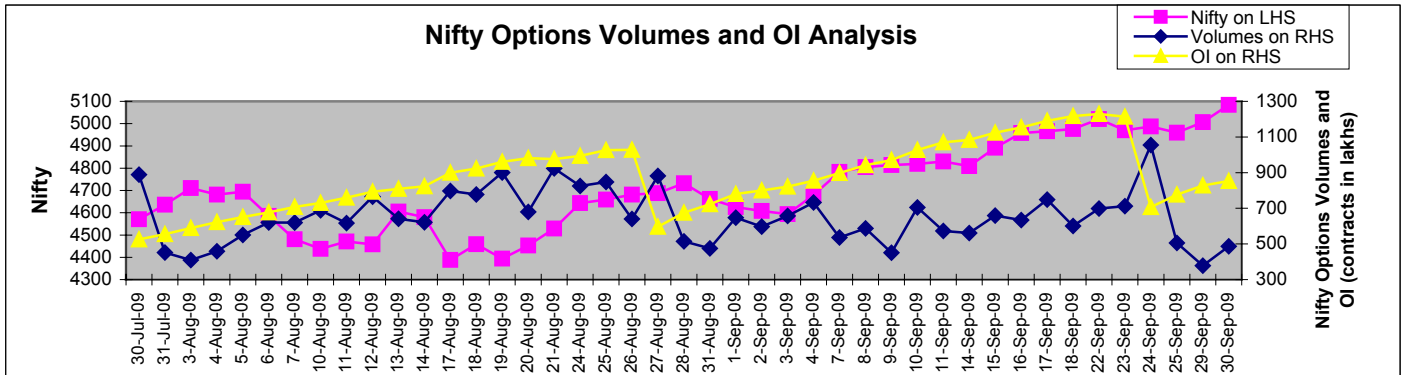
For the week ended September 30, 2009, the total options saw a decline in volumes by about 12.78% (in terms of number of contracts) and 12.34% (in terms of the turnover). This decline was seen more in the stock options segment (25.71% and 25.69% in terms of contracts and turnover respectively) as compared to the index options (12.13% and 11.41% in terms of contracts and turnover respectively). Both the current and the previous week were 4-day week. This decline can be mainly attributed to the September series derivatives expiry last week when the volumes were high and the volumes dipping with the start of the new October series. Among the stock options, a fall in volumes was seen in BHEL, FSL, R Power, SAIL, Hindalco and Reliance Infra.

FII Activity in Options

	BUY		SELL		Open Interest as on 011009		Open Interest as on 230909		Change in FIIs Open Interest (W-o-W)	
	No. of contracts	Amt in Rs. Crores	No. of contracts	Amt in Rs. Crores	No. of contracts	Amt in Rs. Crores	No. Of contracts	Amt in Rs. Crores	No. Of contracts	Amt in Rs. Crores
Index Options	5,54,088	13,577	4,74,399	11,494	11,41,141	29,008	14,41,056	35,810	-2,99,915	-6,802
Stock Options	1,694	56	1,405	45	9,704	346	54,537	1,754	-44,833	-1,408

FIIs were net buyers across index as well as stock options for the week ended September 30, 2009 i.e. (2,083 crores and Rs. 11 crores for index and stock options respectively). The OI however declined significantly with the September series expiry. The built up in the new October series is yet to happen.

Nifty Options Volumes, OI, PCR and Volatility Trend Analysis



The week ended September 30, 2009 saw the markets moving higher and making new 2009 highs. The Nifty closed 2.29% higher than the close of last week. The OI was seen falling sharply after the September series expiry. The volumes also saw a significant fall in the week gone by (as can be seen from the chart above).

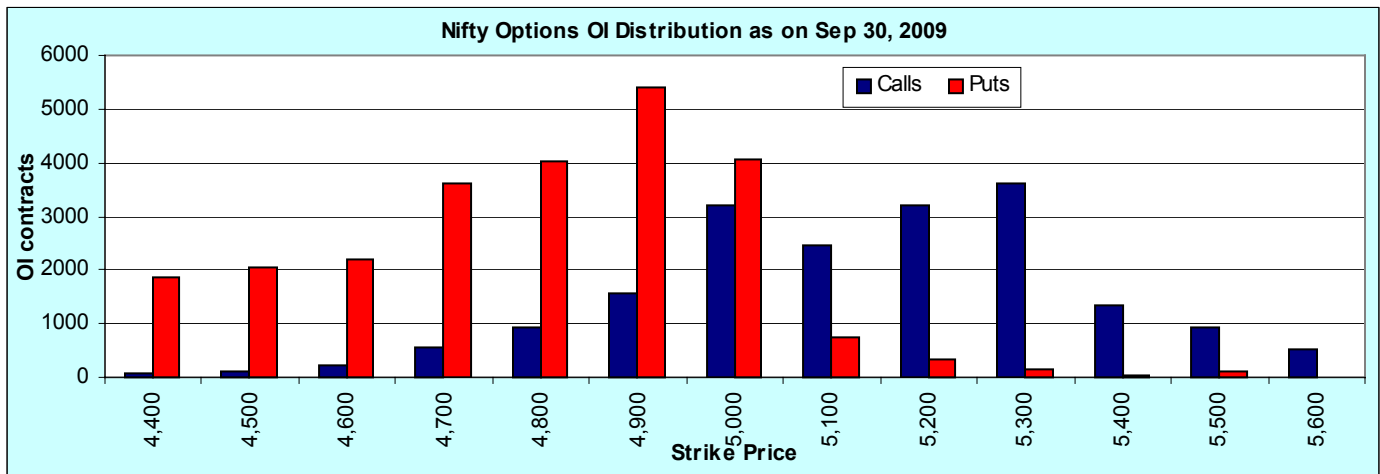
The Nifty OI PCR after touching a peak at 1.80 last week has declined quite sharply and is currently trading at around 1.30 levels. The PCR level does not signify overbought condition. The IV is still trading significantly higher than the HV and is currently at 25%. However, the gap between the IV and the HV is seen to be reducing. We could see the markets witnessing a correction amidst lower volatility.

Mid Month options Activity -

There was a significant build up in the Hind Unilever 260 Nov Put Option. The 4300-4500 Nov Put options have seen a build up in the OI in the last 1-2 sessions and these levels could be the next significant support.

The Nifty 5500 and 5600 Oct Call Options are seeing increased activity by traders in the last few sessions signifying that the Nifty could find resistance at around 5500-5600 level in case of the markets moving higher. Suzlon 110 Nov Call option and Tata Steel 510 Nov Call option has also seen increased activity and thus these stocks could find resistance at these levels.

Nifty Options Strike - wise OI Distribution as on September 30, 2009



Call Option:

During the week ended Sep 30, 2009, maximum open interest was observed in Nifty Oct Call 5300 series (Near the spot Nifty), (stood at 32.17 lacs) which was gradually seen building over the last week. This suggests that traders were expecting Nifty to face resistance at 5300 level.

Put Option:

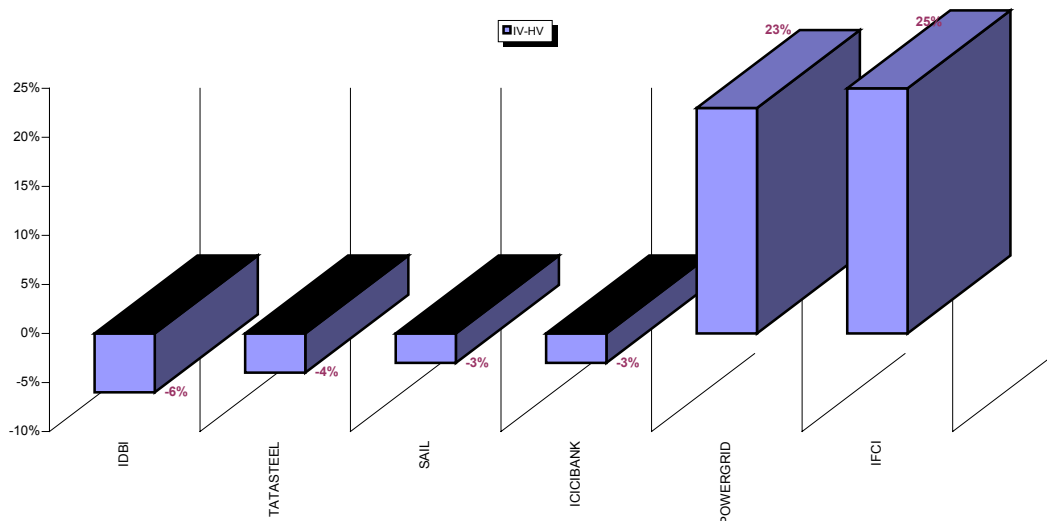
During the week ended Sep 30, 2009, maximum open interest was observed in Nifty Oct Put 4900 series (Near the spot Nifty price), which stood at 54.13 lacs. Traders this week added almost 24 lakh contracts, suggesting that the Nifty is likely to take support at this level in the coming weeks.

Nifty Options Strike - wise Volumes Analysis as on September 30, 2009

During the week ended Oct 30, 2009, maximum volumes were observed in the Nifty 5000 Call Option, as traders were expecting the Nifty to face resistance at 5000 level at the expiry. However after the Sept series, it has shifted to 5100 series suggesting that the Nifty may face resistance at this fresh level.

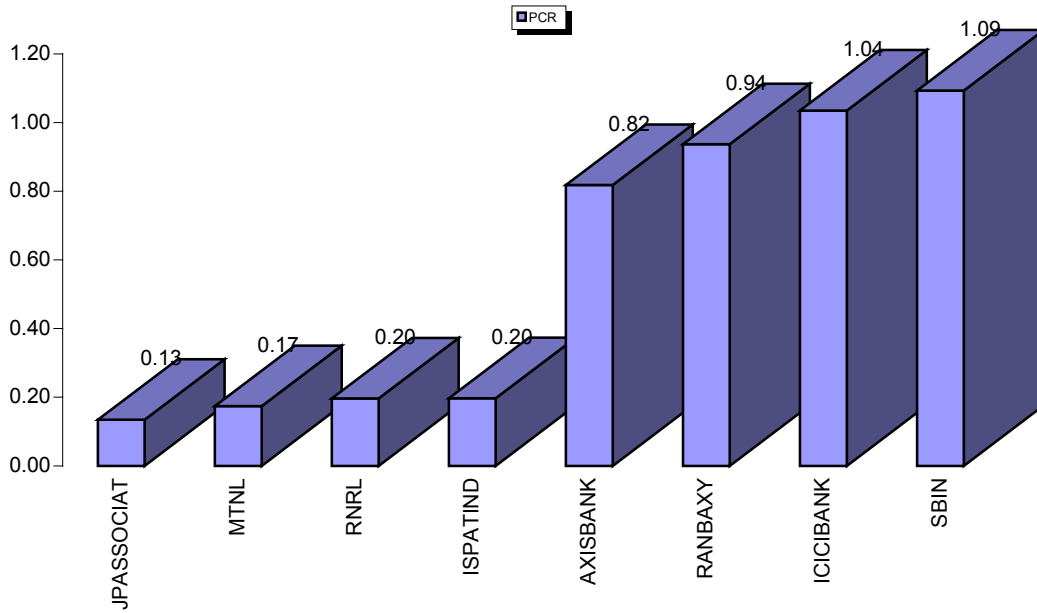
In the Nifty October series, maximum put volumes were observed in Nifty Oct 4900 strike price. From last week, traders have built fresh positions in Nifty Oct 4900 Put in anticipation that Nifty could take support at 4900 in the coming weeks, which got reflected in the increase in volumes in this strike price.

Stock Volatility Analysis (IV vis-à-vis HV) and Put Call Ratio for the week ended September 30, 2009



Historical Volatility (HV) reflects the past price movements (volatility) of the underlying asset, while implied volatility (IV) is a measure of market expectations regarding the asset's future volatility.

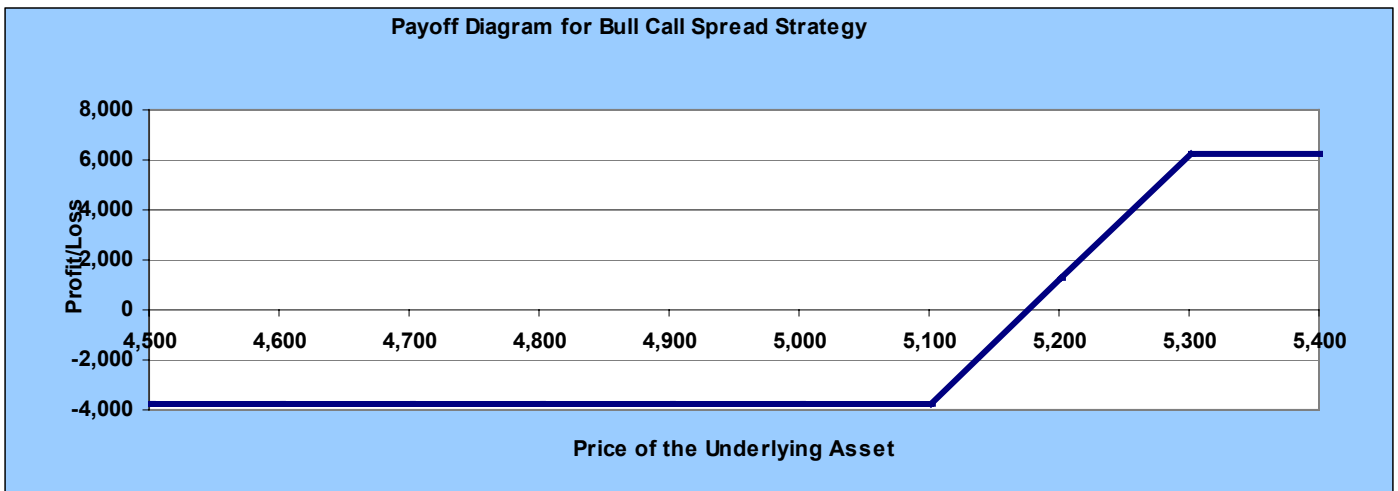
- Stocks like IFCI & Powergrid after seeing a significant level of action in the recent past could see lower momentum or reversal as their IVs could try to fall near their HVs in the near future.
- Stocks like IDBI, Tata Steel and SAIL (whose IV are quoting at steep discount to HV) could try to move up as their HVs are trading significantly higher than their IVs.



Put-call ratios are useful, sentiment-based, indicators. The put-call ratio is simply the OI of all puts that are outstanding on any given day divided by the OI of calls. As this ratio increases, it can be interpreted to mean that investors are putting more money into put options rather than call options. This gives a hint of markets nearing overbought region.

Stocks like State Bank, Ranbaxy, ICICI bank & Axis Bank have a high PCR. Hence we could see a downward movement in these stocks, as these stocks seem overbought. Stocks like JP Associates, MTNL, RNRL & Ispat Industries show a lower PCR indicating possible upward moves in these stocks.

Trading Idea



Strategy	Nifty Strategy
View	Expect markets to remain move higher and expire above 5176 at October expiry.
Action	Buy 1 Nifty 5100 Oct Call Option at Rs.120 and Short 1 Nifty 5300 Oct Call Option at Rs.44.60.
Premium Outflow	Rs. 75.4 (120-44.60)
Total Initial Outflow	3770 (75.40 * 50 lot size)
Breakeven Point	Profitable when Nifty closes above 5176 at expiry.
Pay-Off	Maximum Profit = 6230 if the October series expires above 5300 at October expiry, Maximum Loss = 3770 if the Nifty expires below 5100 at October expiry
Execution	Initiate strategy only if the total premium outflow is lower than Rs.77
Costs	The above does not include brokerage, funding (IM and MTM) and Impact cost

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