

Nifty Bear Put Spread

Strategy Rationale:

After a sharp rally of more than 10% in last 2 expiry, Nifty took pause around 11750-11800 range and failed to breach those levels. From those levels, long unwinding and short accumulation was seen in heavy weight stocks that's keeping market under pressure. Call writing at 11800 strike option clearly indicate that nifty will find strong resistance around those levels. In today's session, nifty broke its crucial support level of 11600 and is trading below that. From these levels, we expect that Nifty can see some more pressure on downside and can test 11420-11350 levels in short term. Therefore, we recommend initiating Bear Put strategy in nifty at current levels.

Strategy Details

The strategy consists of buying 1 lot of Nifty September 11600 Put option at Rs.133.50 and selling 1 lot of September 11300 Put at Rs.50.50. The premium outflow in this strategy would be Rs. 77.

Profit and Loss Matrix:

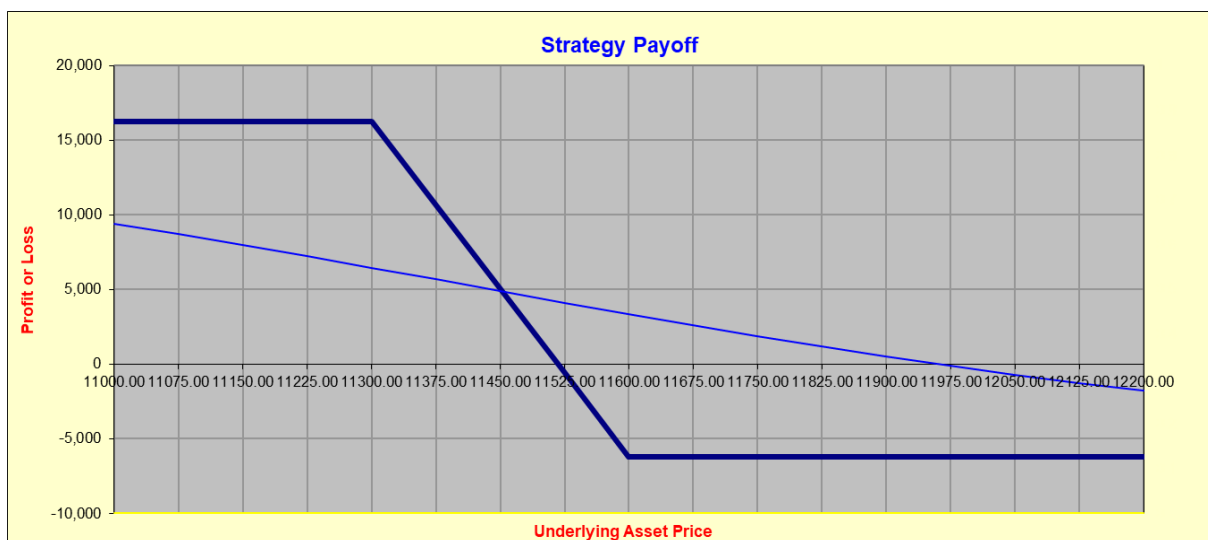
Maximum Loss will be Rs.6225 if index closes above 11600 and maximum profit Rs. 16275 if stock closes at or below 11300 at the time of expiry.

Leveraging Cost

The SPAN margin of complete strategy is 21,100 at the time of initiation and may vary depending upon the volatility in the market.

Strategy:

Buy 1 lot of Nifty September 11600 Put at 133.50
 Sell 1 lot of Nifty September 11300 Put at 50.50



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