

### Strategy Rationale

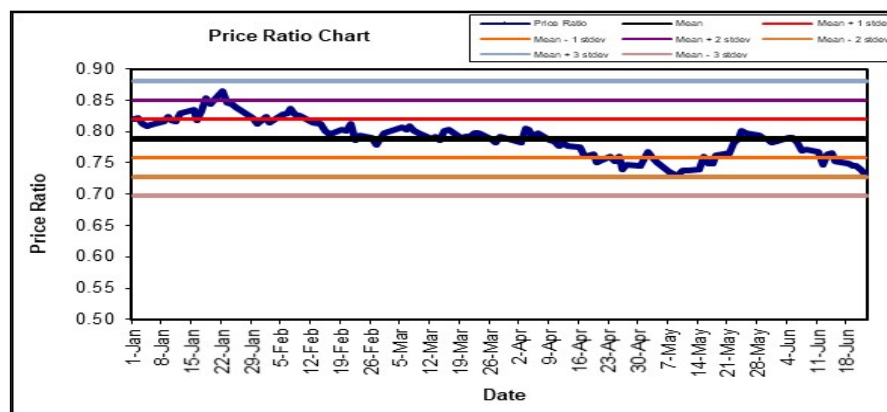
#### COLGATE PALMOLIVE (COLPAL)

Bloomberg Code	CLGT
Reuters Code	COLG
Lot Size	700
Current Fut. Price	1177-1179

#### HINDUNILVR

Bloomberg Code	HUVR
Reuters Code	HLL
Lot Size	600
Current Fut. Price	1608-1610

The Strategy entails taking benefit of the price movement of both the stocks and takes advantage of the price ratio reverting to the mean. Both the stocks are correlated to each other and 100 days correlation between the two is around 91%. However, in short term Colpal has underperformed Hindunilvr and due to this price ratio has deviated from its mean. This is an ideal scenario where one can buy Colpal and sell Hindunilvr. We expect that from here Colpal will outperform Hindunilvr in short to medium term perspective.



### Strategy Details

Particulars	Long	Short
Scrip	COLPAL	HINDUNILVR
Initiation Zone	1177-1179	1608-1610
Lots in Future	1	1
Shares to be bought in cash	120	-
Total Exposure	9,66,000	9,66,000
Current Price Ratio	0.732	
Target Price Ratio	0.790	
Target Profit (Rs.)	62,000	
SL Price Ratio	0.710	
SL (Rs.)	30,000	
Approx Investment	2,25,000	

- The strategy has to be rupee neutral so we need to buy some quantity in cash market to make it of equal value.
- Approx. holding period for positions is around 15-20 days but under unfavorable situations holding period can extend also.
- Position taken in Future needs to be rolled over in next month in case strategy doesn't get square off within the same expiry.
- While calculating Investment, capital invested in Cash market is not added as same shares can be transferred in Margin account which will reduce margin liability.

# Derivative Strategy

## I Pair Trade I

### Team

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