Weekly Options Report for the week ended May 23, 2012 May 25, 2012

Options Open Interest Activity – Overall

	As on 230512 (No. of shares ('000s)			As on 160512 (No. of shares ('000s)			% Change w-o-w		
Type of Option	Call Option	Put Option	Total	Call Option	Put Option	Total	Call Option	Put Option	Total
Nifty Option	80,952	78,736	1,59,688	76,556	67,650	1,44,206	5.7	16.4	10.7
Stock Option	3,22,004	1,20,256	4,42,260	2,99,779	1,10,315	4,10,094	7.4	9.0	7.8
Total Option	4,02,956	1,98,992	6,01,948	3,76,335	1,77,965	5,54,300	7.1	11.8	8.6

The week ended May 23, 2012, saw the Nifty trading in a range with the 4788 levels providing support. Total option OI increased by a modest 8.6% W-o-W. Last week, total option OI increased by a healthy 21.3% W-o-W. The slow down in build up of OI indicates that traders preferred to remain on the sidelines due to the uncertainty of market direction.

Examining the table above, we notice that the build up of fresh positions was more in the put option segment. While the put option OI rose by 11.8% W-o-W, the call option OI increased by 7.1% over the same period. This probably indicates more put writing as the markets rose during the week and traders were confident that it would not fall below a certain level.

We also notice that there was a heavier build up of positions in the Nifty option segment rather than in the Stock option segment. This indicates a preference for taking a view on the index rather than the stocks. Going forward, with the May near month series only a week away from expiry, we can expect a further slow down in build up of fresh positions.

Options Volumes Activity

	As on 230512 (No. of contracts)			As on 160512 (No. of contracts)			% Change w-o-w		
Type of Option	Call Option	Put Option	Total	Call Option	Put Option	Total	Call Option	Put Option	Total
Nifty Option	101,52,545	95,16,657	196,69,202	80,23,414	79,87,505	160,10,919	26.5	19.1	22.8
StockOption	7,90,193	4,13,008	12,03,201	5,83,475	3,03,243	8,86,718	35.4	36.2	35.7
Total Option	109,42,738	99,29,665	208,72,403	86,06,889	82,90,748	168,97,637	27.1	19.8	23.5

While there was a modest build up of fresh positions, there was a healthy rise in option volumes W-o-W. Option volumes rose by 23.5% W-o-W. Last week, option volumes dipped by 2.5% W-o-W.

The rise in volumes this week combined with the fact that there was only a modest increase in fresh positions indicates that there was more of churning and unwinding of positions.

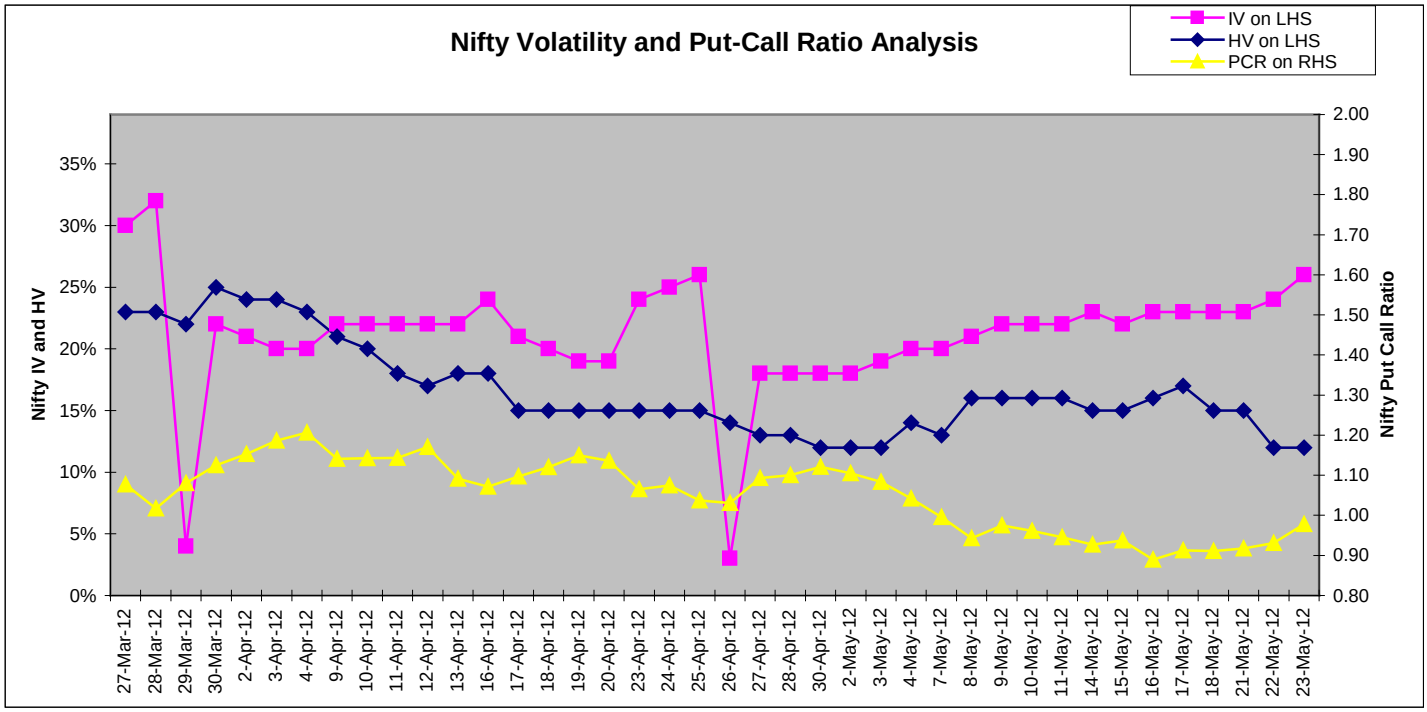
Examining the table above, we notice that the increase in volumes was more in the Stock option segment. While there was a 35.7% rise in volumes in the Stock option segment W-o-W, Nifty option volumes rose by 22.8% over the same period.

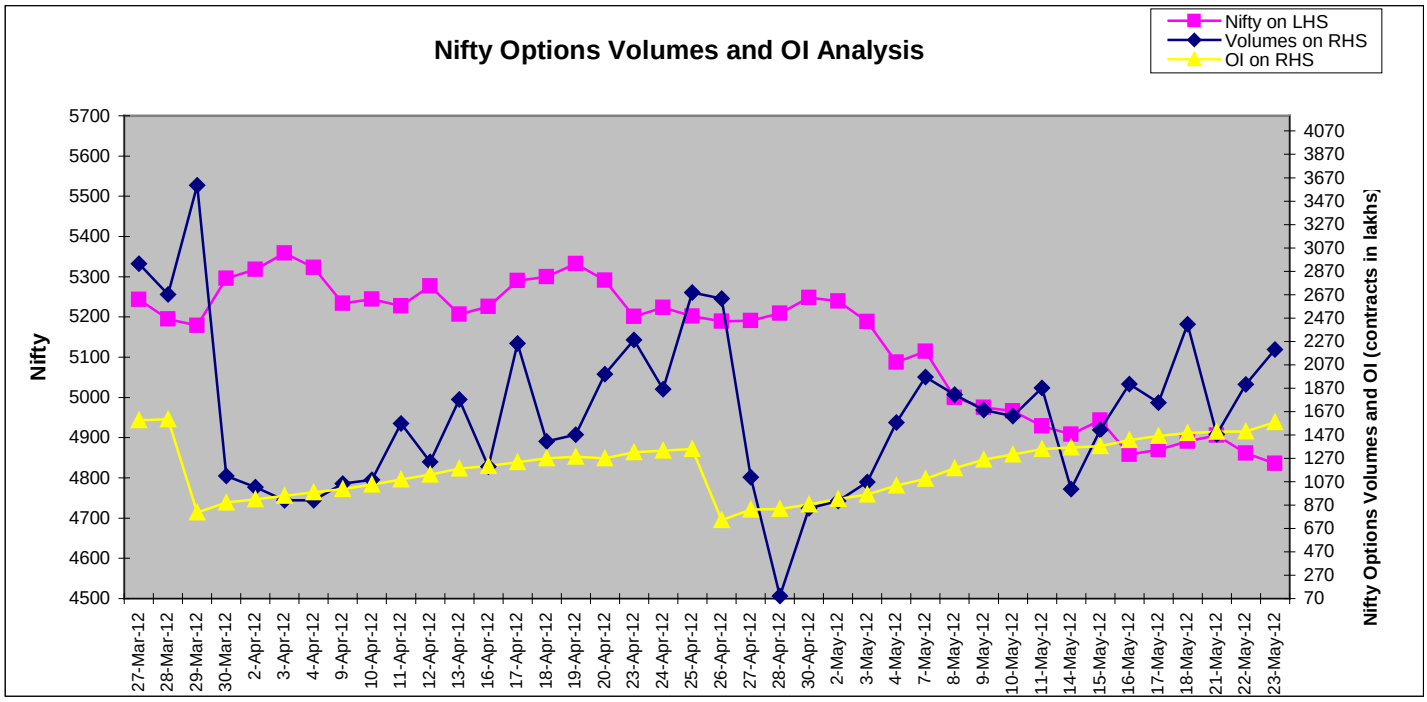
FII Activity in Options

	BUY		SELL		Open Interest as on 230512		Open Interest as on 160512		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 contract	Amt in Rs. Crores
Index Options	39,27,832	94,833	38,51,885	93,156	18,86,937	45,589	17,41,638	42,270	1,45,299	3,319
Stock Options	2,41,824	5,766	2,41,835	5,762	57,844	1,401	52,935	1,267	4,909	134

In the index options segment, FIIs were net buyers to the tune of 75,947 contracts. OI rose by 1,45,299 contracts indicating a build up of longs and shorts. They were net sellers to the tune of 11 contracts in the stock options segment. OI rose by 4,909 contracts, which implies a build up of longs and shorts.

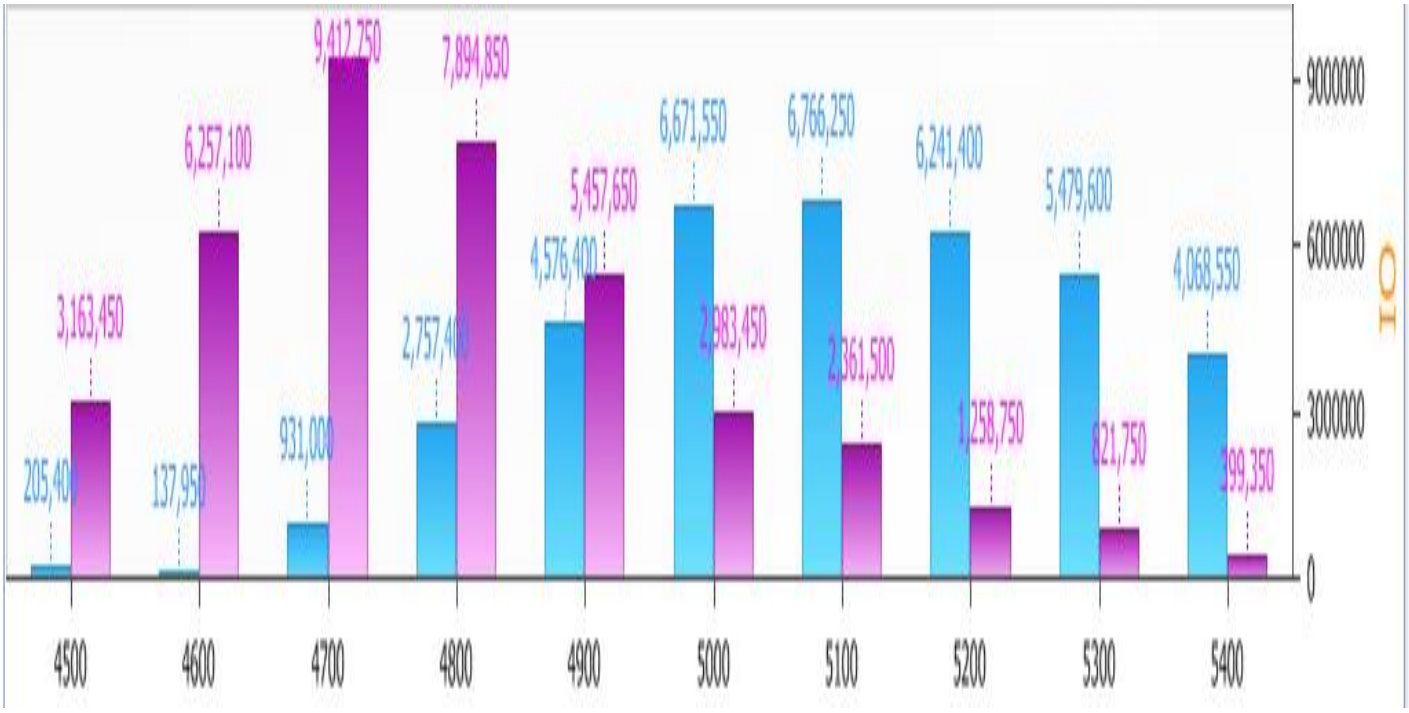
Nifty Options OI, Volumes, PCR and Volatility (IV – HV) Trend Analysis as on May 23, 2012





Volatility expectations increased during the week as the Nifty IV rose to 26% from 23% at the end of the previous week. The HV declined to 12%, indicating that options have become more expensive in the last one week. The Nifty OI PCR rose to 0.98 from 0.89 levels last week.

Nifty Options Strike - Wise OI Distribution as on May 25, 2012



Call Option:

During the week ended May 25, 2012, maximum open interest was observed in Nifty May 5100 calls (See the blue bars), which stood at 67,66,250 shares. This suggests that Nifty may find it difficult to cross the 5100 levels in the coming week.

Put Option:

During the week ended May 25, 2012, maximum open interest was observed in Nifty May 4700 Puts (See the purple bars), This suggests that lot of traders expect the 4700 levels to hold in the coming sessions and that they expect the Nifty to trade between the 4700-5100 levels in the coming week.

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