Weekly Options Report for the week ended May 30, 2012 May 31, 2012

Options Open Interest Activity – Overall

	As on 300512 (No. of shares ('000s)			As on 230512 (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	77,433	82,560	1,59,993	80,952	78,736	1,59,688	-4.3	4.9	0.2
Stock Option	3,37,543	1,29,600	4,67,143	3,22,004	1,20,256	4,42,260	4.8	7.8	5.6
Total Option	4,14,976	2,12,160	6,27,136	4,02,956	1,98,992	6,01,948	3.0	6.6	4.2

The week ended May 30, 2012, saw the Nifty bouncing from the 4830 levels and finding resistance at 5020. Total option OI increased by a modest 4.2% W-o-W. Last week, total option OI increased by 8.6% 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. The expiry of the May series was also probably another reason.

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 6.6% W-o-W, the call option OI increased by 3.0% 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 Stock option segment rather than in the Nifty option segment. This indicates a preference for taking a view on specific stocks rather than the index. Going forward, with the June near month series starting from tomorrow, we can expect a gradual build up of fresh positions.

Options Volumes Activity

	As on 300512 (No. of contracts)			As on 230512 (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	104,80,870	112,30,103	217,10,973	101,52,545	95,16,657	196,69,202	3.2	18.0	10.4
StockOption	7,07,032	3,89,409	10,96,441	7,90,193	4,13,008	12,03,201	-10.5	-5.7	-8.9
Total Option	111,87,902	116,19,512	228,07,414	109,42,738	99,29,665	208,72,403	2.2	17.0	9.3

Along with a modest build up of fresh positions, there was also a modest rise in option volumes W-o-W. Option volumes rose by 9.3% W-o-W. Last week, option volumes rose by 23.5% W-o-W.

Examining the table above, we notice that the increase in volumes was more in the Nifty option segment. While there was a 10.4% rise in volumes in the Nifty option segment W-o-W, Stock option volumes dipped by 8.9% over the same period.

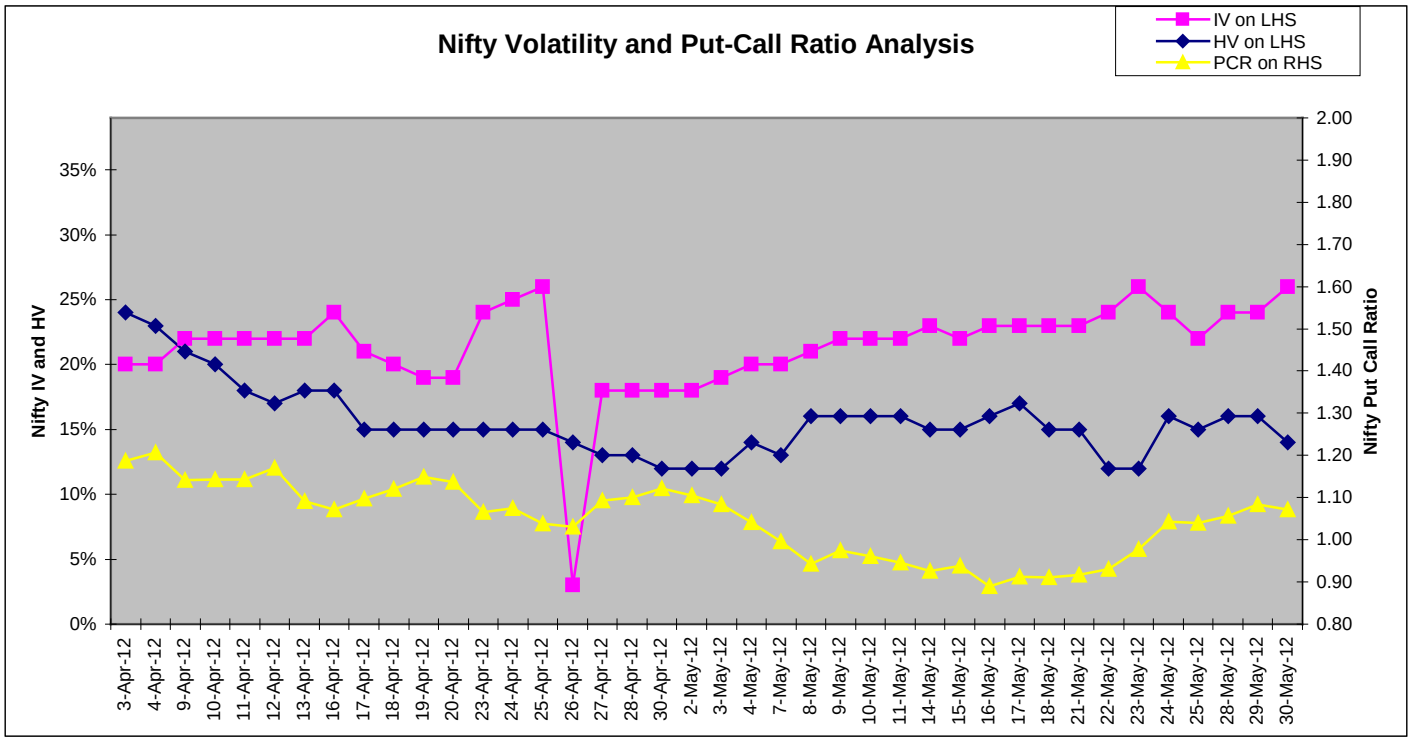
FII Activity in Options

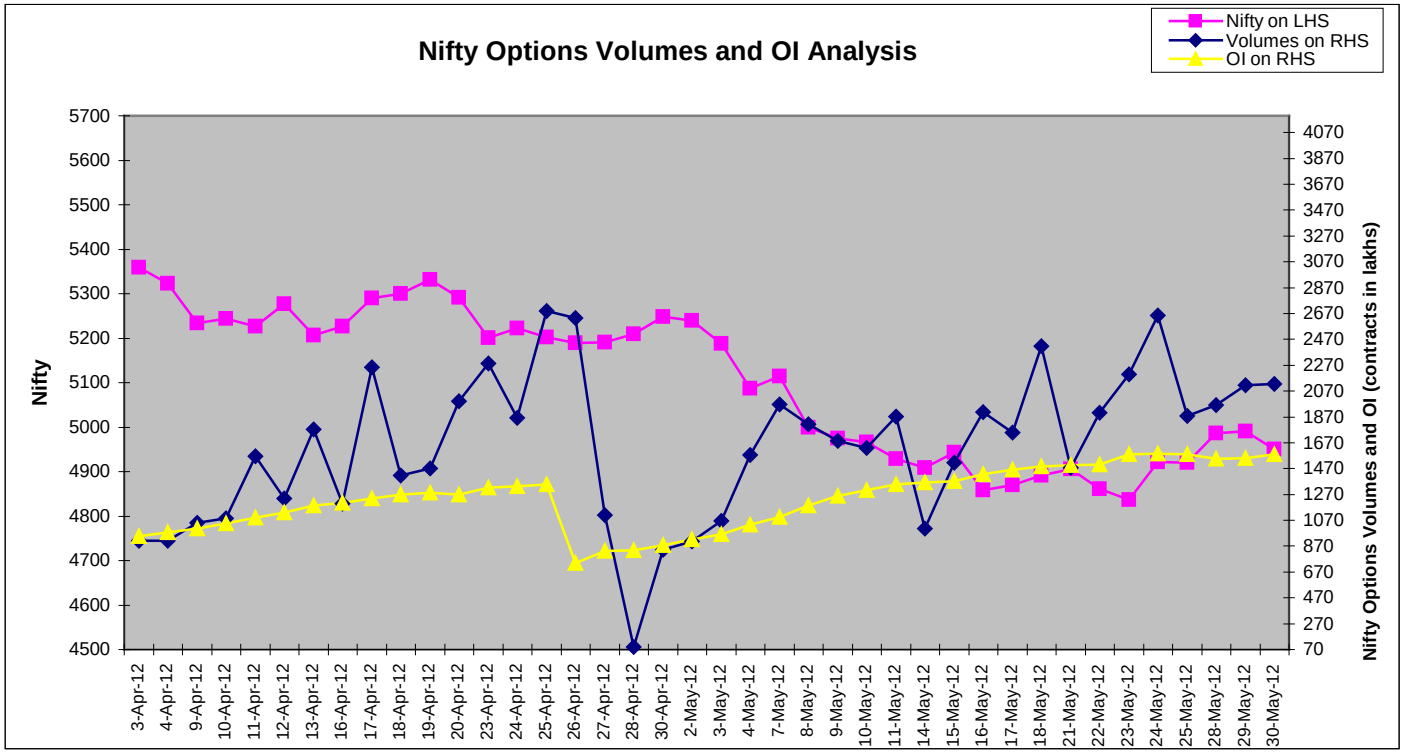
	BUY		SELL		Open Interest as on 300512		Open Interest as on 230512		Change in FIIs Open Interest (W-o-W)	
	No. of contracts	Amt in Rs.Crores	No. of contracts	Amt in Rs.Crores	No. of contracts	Amt in Rs. Crores	No. Of contracts	Amt in Rs. Crores	No. Of contract	Amt in Rs. Crores
Index Options	39,66,920	96,782	38,95,910	95,076	18,80,061	46,512	18,86,937	45,589	-6,876	923
Stock Options	1,66,483	4,177	1,69,713	4,253	58,658	1,455	57,844	1,401	814	54

In the index options segment, FIIs were net buyers to the tune of 71,010 contracts. OI declined by 6,876 contracts indicating short covering and a build up of longs.

They were net sellers to the tune of 3230 contracts in the stock options segment. OI rose by 814 contracts, which implies a build up of shorts and unwinding of longs.

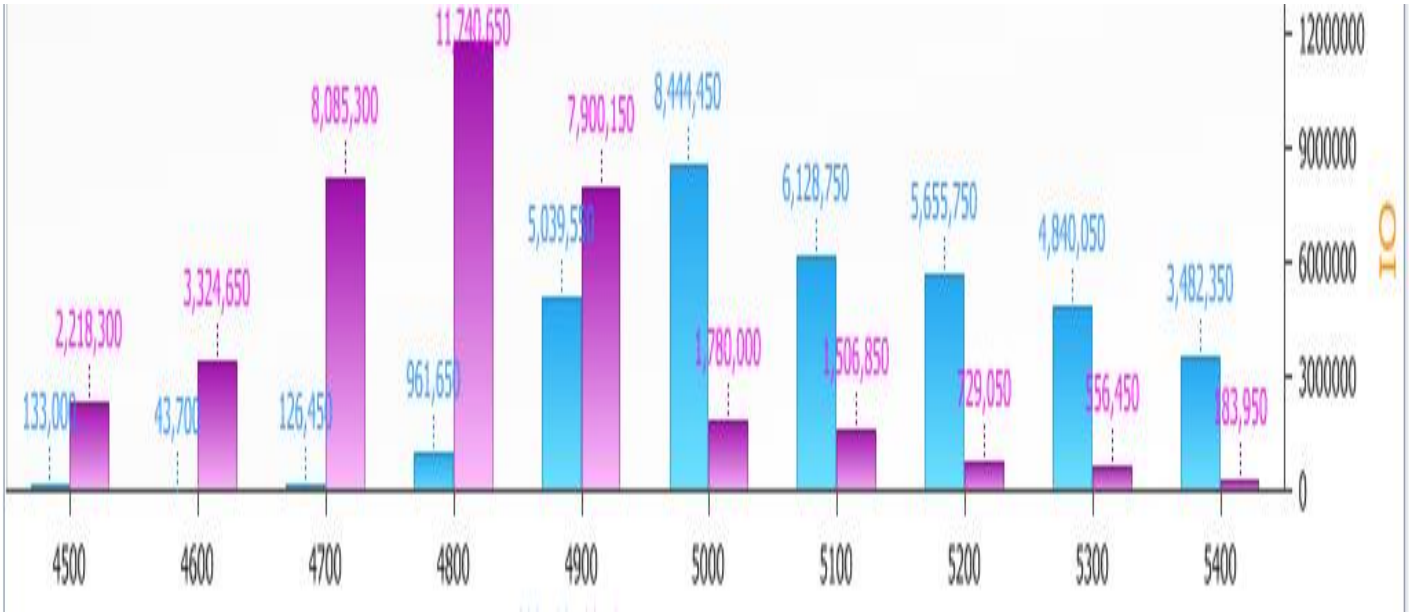
Nifty Options OI, Volumes, PCR and Volatility (IV – HV) Trend Analysis as on May 30, 2012





Volatility expectations remained steady during the week as the Nifty IV remained at 26%. The HV climbed to 14% from 12% last week, indicating that options have become cheaper in the last one week. The Nifty OI PCR rose to 1.07 from 0.98 levels last week.

Nifty Options Strike - Wise OI Distribution as on May 31, 2012



Call Option:

During the week ended May 31, 2012, maximum open interest was observed in Nifty May 5000 calls (See the blue bars), which stood at 84,44,450 shares. This suggests that Nifty may find it difficult to cross the 5000 levels in the coming week.

Put Option:

During the week ended May 31, 2012, maximum open interest was observed in Nifty May 4800 Puts (See the purple bars), This suggests that lot of traders expect the 4800 levels to hold in the coming sessions and that they expect the Nifty to trade between the 4800-5000 levels in the coming week.

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