

## Derivatives Strategy – Protective Future

### Buy TCS for target of ₹ 3400

#### Recent recommendations

Date	Scrip	Action	Strategy Name	Profit/Loss
8-Jan-21	Adani Ports	Buy	Covered Call	32500
8-Jan-21	Bank Nifty	Buy	Positional Option	2700
11-Jan-21	Escorts	Buy	Weekly Future	12650
13-Jan-21	Nifty	Sell	Protective Future	8200
15-Jan-21	Bank Nifty	Buy	Positional Option	3750
18-Jan-21	Aurobindo Pharma	Buy	Weekly Future	-26550
19-Jan-21	TVS Motor	Buy	Covered Call	44800
22-Jan-21	Nifty	Sell	Reverse Collar	7200
1-Feb-21	Bank Nifty	Buy	Positional Option	4450
1-Feb-21	Axis Bank	Buy	Covered Call	22900

#### Few open Calls...

Derivatives Strategy	
Underlying	Action
Britannia	Sell
Bharti Airtel	Buy
TCS	Buy

Duration : 1-2 months



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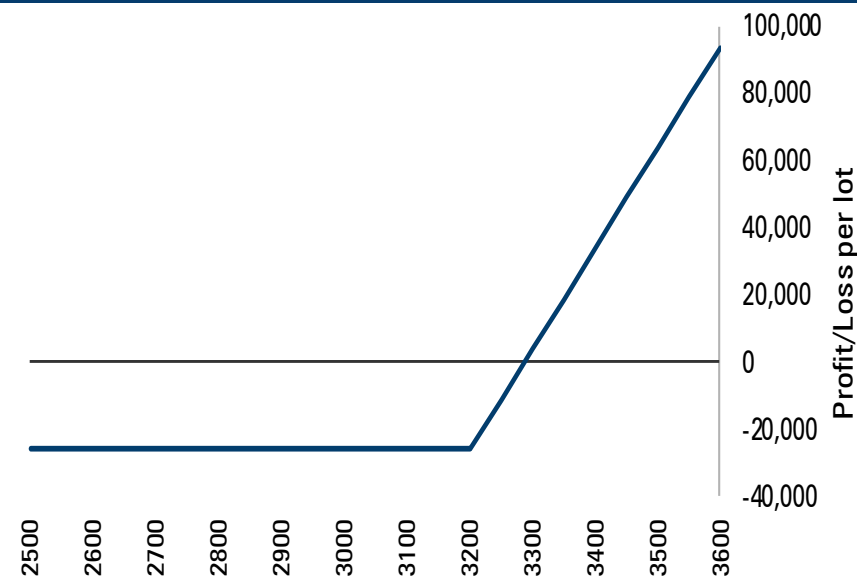
## Recommendation

Underlying	Action	Initiation Range	Target	Max-loss	Time Frame
TCS February Future	Buy	3190-3210	3400	85-90 points	till February expiry
TCS February 3200 Put	Buy	85-90			

## Rationale

- Most IT stocks remained resilient as the Nifty saw profit booking in the last week of the January series
- Among leaders, TCS, in particular, stayed firm above its last month's Put base of 3000. Delivery based volumes were observed multiple times last month whereas the stock is rallying on the back of short covering
- The open interest in the stock has moved to a two-year low. We feel there is huge headroom left for fresh participation on the long side. TCS started the current series with highest Call base at ATM strike of 3200. No aggressive additions were observed in OTM strike Calls, indicating a close above ₹ 3200 levels would open up more upsides
- The IV-spread of Nifty-TCS reverted from its Mean-2 Sigma levels on the back of Call writing positions. We feel on the back of fresh buying interest in the stock for February series, the IV-spread would approach its Mean + 2 sigma levels, which would be positive for the stock

## Strategy Pay-off

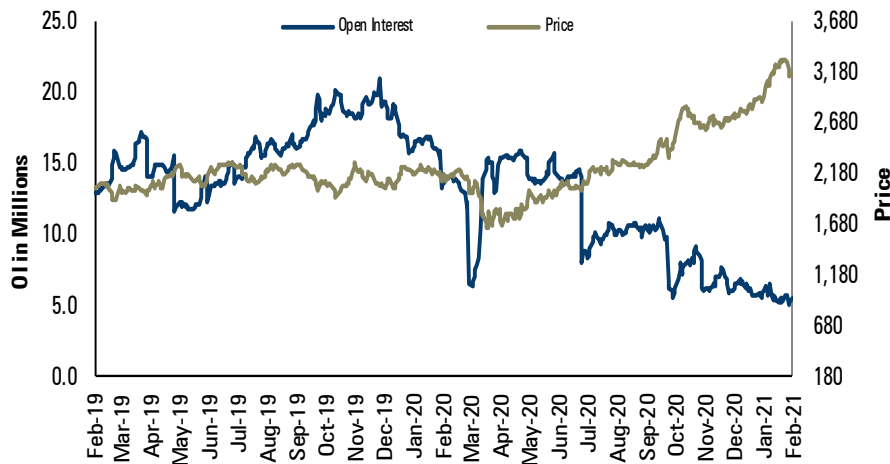


**Note :** Recommendation given on Iclick2gain on February 02, 2020

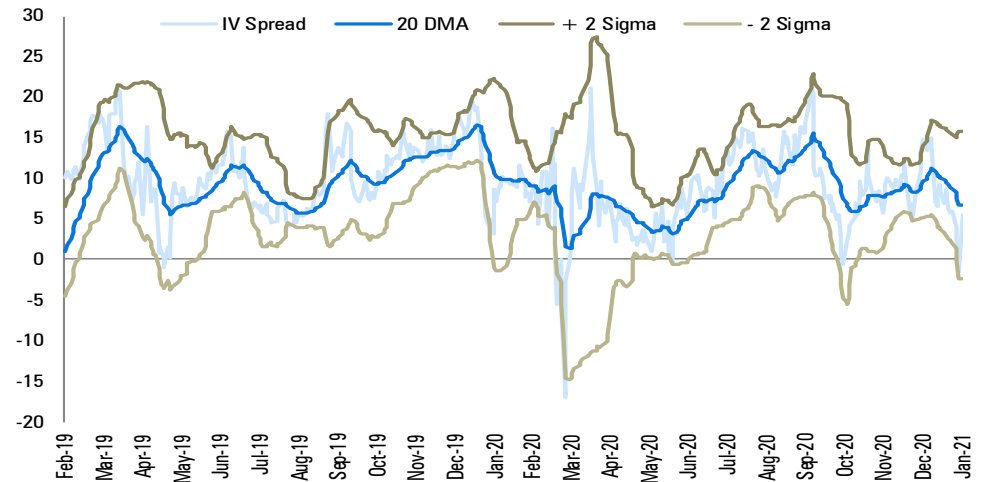
## Protective Future strategy

Protective Future strategy refers to forming a position in future (either long or short) & minimize the risk by buying ATM or OTM option. For example, buying Nifty current month future & buying ATM Put or long current month stock future & buying ATM Put. It's a limited risk, unlimited profit strategy generally formed where market are too volatile and sharp moves are expected in the underlying.

### Price Chart



### Nifty-stock IV Spread



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*Source: Bloomberg, ICICI Direct Research*

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