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## Derivatives Strategy – Reverse Collar

**Sell Nifty for target of ₹ 14300**

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### Few open Calls...

#### Derivatives Strategy

Underlying	Action
Britannia	Sell
Nifty	Sell
TCS	Buy

Duration : 1-2 months



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# Reverse Collar strategy: Sell Nifty future for target of 14300

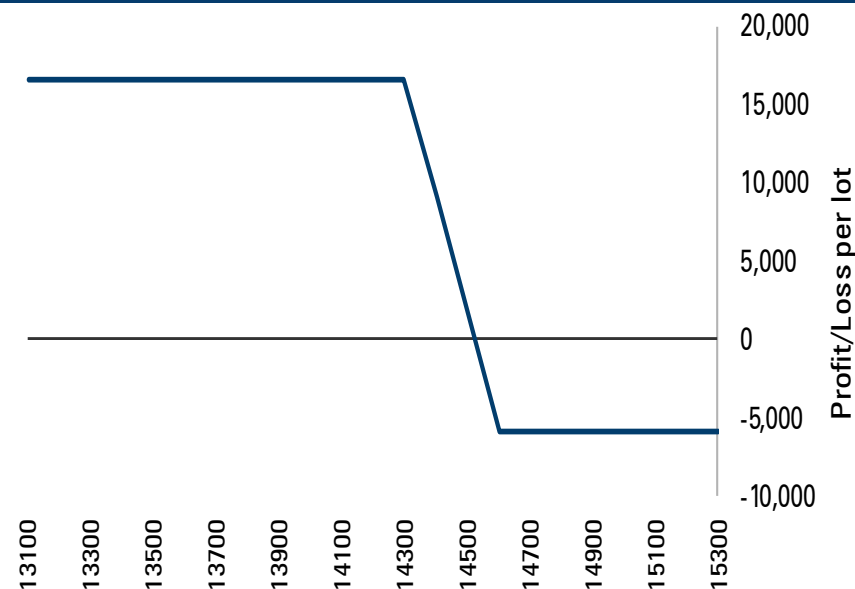
## Recommendation

Underlying	Action	Initiation Range	Target	Max profit	Max loss	Time Frame
Nifty January Future	Sell	14570-14590				
Nifty January 14600 Call	Buy	112-118	14300	220-225 points	75-80 points	till January expiry
Nifty January 14300 Put	Sell	55-60				

## Rationale

- On the weekly expiry day, Nifty and the Bank Nifty reverted sharply from its highest Call base along with sharp rise in volatility. Follow up selling continued where option blocks are visible since morning.
- 14600 and 14700 strike Calls saw addition of 14 lac shares and 15 lacs shares respectively whereas Put OI blocks are observed in OTM strike indicating more downsides.
- Profit booking is expected in sectors like Pharma, Metals, Banking and financials ahead of the budget 2021 which will limit the upsides.
- FII's lowered their long leverage positions as Nifty made a high of 14750 which will add some more pressure in coming days.
- Hence, we feel index is likely to move towards 14300 levels for the coming week and recommend forming a Reverse Collar strategy due to higher IV's which will reduce the overall cost in the strategy and give higher returns on downside.

## Strategy Pay-off

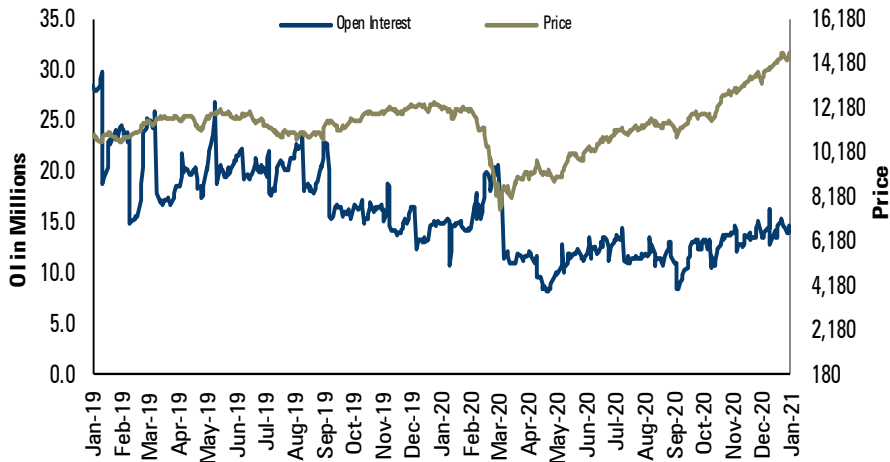


**Note :** Recommendation given on Iclick2gain on January 22, 2020

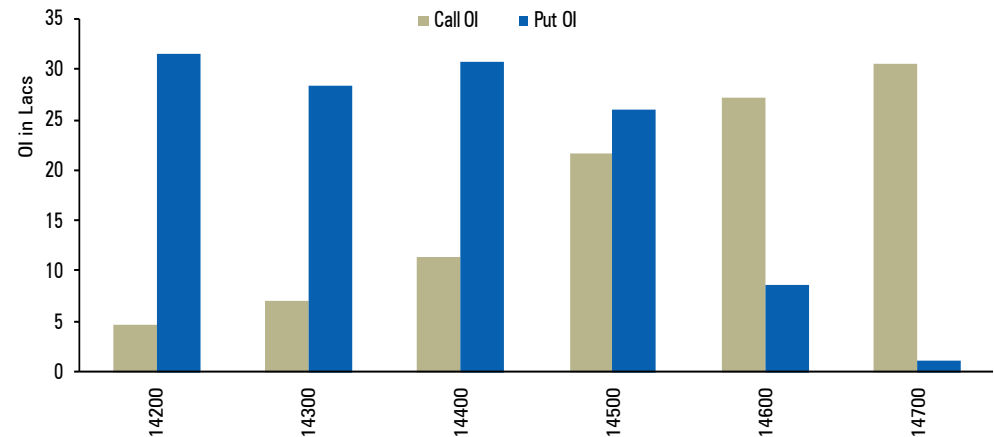
## Reverse Collar strategy

Reverse Collar strategy is a limited profits limited loss strategy which is formed when volatility in the underlying asset are high. It is formed by selling future and buying an ATM Call. To reduce the cost further deep OTM Put are sold of the same expiry which is the target point of the strategy. Basically it's a hedge strategy which protect the risk if adverse move are seen.

### Price Chart



### Nifty Option OI



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Source: Bloomberg, ICICI Direct Research

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