



**NIFTY PUT OPTIONS** of 10,500, 10,700 and 11,000 strikes for the May series see increase in activity

## May Series Options Premiums Zoom as Investors Rush for Poll Cover

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Mumbai: Activity in May series futures and options is building up in the run-up to the general elections. Traders are increasingly buying May series contracts mainly to hedge against any downside in the market.

Usually, current month contracts (in this case, March) are the most active, while far month derivatives (like May) are hardly traded. This time, traders are betting on May futures and options as the market has swung wildly in reaction to the election results. The result is spike in options premiums — the price that traders pay to buy options.

"Historically we have seen strong momentum in Indian markets in election months and that is also the reason that causes higher option premium in the May series which has price of volatile event as well due

to its higher vega factor," said Chandan Tapparia, analyst - derivatives, Motilal Oswal Financial Services.

Nifty put options of strike 10,500, 10,700 and 11,000 among others in the May series have seen an increase in activity in the last week or so. The Nifty closed at 11,343 on Thursday. When a trader or investor buys a put option, she is betting that the underlying stock or index will weaken.

"These contracts are not very liquid as of now and its early quotes are on the basis of less open interest. But, price quotes and trade setup suggest that participants are at least expecting the movement of more than 700-800 points in Nifty index due to the election outcome," said Tapparia.

The premium for Nifty put option of 10,500 strike for May series is currently at ₹140 as against ₹8 for the March end series. Nifty put for similar strike price was trading at ₹7 on March 14, 2018 and at ₹20

in January 14, 2019.

"Option premium quotes have spiked for May series because (options) writers are charging much higher premium on the eve of election outcome at higher implied volatility of 20-25% compared to the recent volatility of 15-20%," said Yogesh Radke, head of alternative & quantitative research at Edelweiss Securities. Options writers, or sellers, are the counterparty to the buyers.

"Since there is a major event in May, options premiums are expensive. Implied volatility is at 23-24 levels compared to 16-17 now," said Ashish Chaturmohta, head of derivatives & technical, Sanctum Wealth Management.

The build-up of activity in Nifty call options of the May series is relatively moderate compared to put options, suggesting hedgers are buying protection.

Continued on ►► Smart Investing

### Put In Demand

Expiry Date	LTP (₹)	IV	OI
<b>Strike Price : 10500</b>			
28/03/2019	8.00	23.57	2360400
25/04/2019	30.00	19.52	649575
30/05/2019	139.20	25.33	125250
<b>Strike Price : 10700</b>			
28/03/2019	11.25	20.39	2688975
25/04/2019	43.90	18.25	539025
30/05/2019	165.10	23.97	11025
<b>Strike Price : 11000</b>			
28/03/2019	23.20	15.87	3987525
25/04/2019	81.00	16.51	1642050
30/05/2019	239.00	23.27	474450



### Market Trends

STOCK INDICES	VALUES	% CHANGE
Nifty 50	11343.25	0.01
Sensex	37754.89	0.01

MSCI India	875.09	0.07
MSCI EM	2355.5	0.12
MSCI World	628.74	0.06
MSCI BRIC	8693.2	0.09
SX 40	22206.72	0.01
Nikkei	21287.02	0.02
Hang Seng	28851.39	0.15
Straits Times	3197.92	0.07

OIL (\$)	BOND
DUBAI CRUDE	10-YR YIELD
68.03	7.36
0.94	0.01

GOLD RATE	US	India
OPEN	1309.5	1441.82
LAST*	1297.0	1429.80

\*At 10.30pm. After adjusting for import duty, Indian spot gold lower by \$ 3.10 to US Comex gold price on Thursday. The premium on local gold is due to tight supply following import curbs.

FOREX RATE (₹-₹ Exchange Rate)	OPEN	LAST*
	69.68	69.35

SOLITAIRE PRICE INDEX	15 <sup>th</sup> March, 2019	Over last Month	Over last Year
	4,232*	0.35% ↑	13.58% ↑

\*This is an average of Divine Solitaires Price List. This data has not been created by The Economic Times. Call: 022-66264800 | www.divinesolitaires.com

### STOCK SURGES 45% IN 12 MTHS, 3<sup>RD</sup> BEST AMONG TOP 100 COS GLOBALLY

## With \$122.8 b M-cap, RIL Enters World's Top 75 Club

Reliance Industries Ltd (RIL) has broken into the world Top 75 club with a market capitalisation of \$122.87 billion. The median market cap of the top 75 companies in the world was \$161 billion, according to Bloomberg data.

The RIL stock has surged 45% over the past 12 months, the third best return among the top 100 companies globally by market value after Eli Lilly and Merck. The average stock return of the sample was 5.7%. The MSCI World index — a gauge of global equity performance — slipped 3% in the past year.

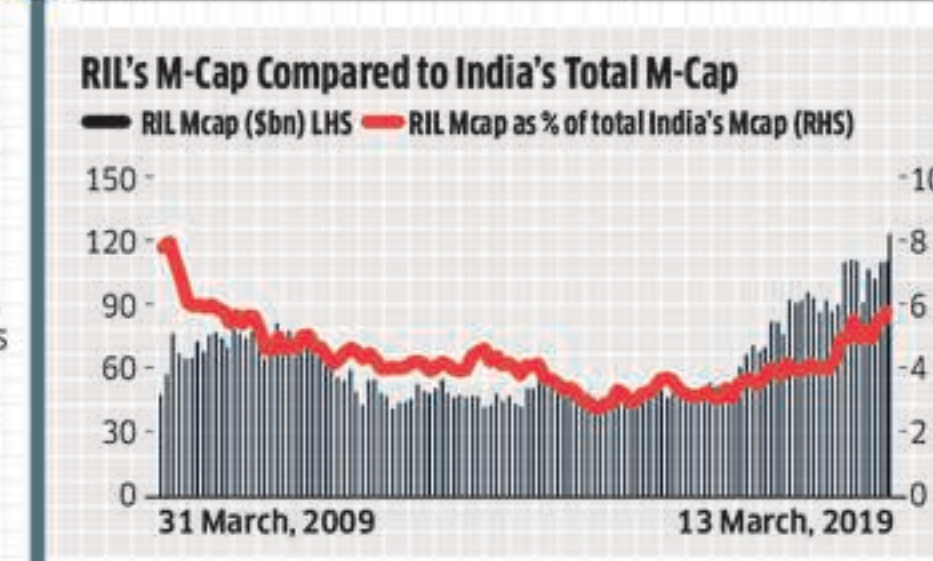
In addition, RIL's stock return was five times the average return of global energy companies such as Exxon Mobil, Chevron, BHP, BP and Total in the past three years. RIL has invested close to \$75 billion — among the highest capital expenditures by an Indian company — in the past five years, which includes its telecom venture, Reliance Jio. This increased the company's debt to ₹2.7 lakh crore (\$39.3 billion) at the end of December 2018 from ₹0.9 lakh crore (\$15 billion) in March 2014.

Given the strong stock momentum, RIL promoter Mukesh Ambani's wealth has touched \$52.8 billion. He's the only billionaire from the energy sector in the top 20 of the Bloomberg Billionaires list. Analysts say RIL's net debt — gross debt minus cash — may have peaked as most of its capital-intensive expansion is complete. The annual operating cash flow of around \$8.6 billion from its refining and petrochemical projects and retail division may be sufficient to fund the remaining capex.

—Ashutosh R Shyam/ETIG

### Best Performing Global Giants in Past One Year

Company/Country	Rank among top 100 global cos based on current M-Cap	Expected P/E next year	1-year stock performance (%)	Market Cap (\$ b)
ELI LILLY (US)	64	18.84	56.03	127.87
MERCK (US)	34	15.50	46.70	209.67
RIL (India)	74	16.77	44.58	122.87
TCS (India)	84	21.58	38.60	108.72
BHP GROUP (Australia)	67	13.95	34.16	125.22



## Rupee Surts 20 P to End at 7-mth High on Robust Inflows

PTI

Mumbai: The rupee appreciated by 20 paise to close at a seven-month high of 69.34 against the US dollar Thursday, extending gains for a fourth session in a row, on robust foreign inflows ahead of general elections. The domestic currency in the four sessions to Thursday has appreciated by 80 paise or 0.8% on hopes of forex inflows.

The Reserve Bank Wednesday said it will inject long-term liquidity worth \$5 billion into the system through dollar-rupee swap arrangement with banks for three years. "The strong foreign fund flows in current month also bode well for the rupee strength."

At the Interbank Foreign Exchange market, the rupee opened weak at 69.75 a dollar over its previous closing price of 69.54. The local unit moved in a range of 69.78 to 69.26 before finally ending at 69.34, showing a gain of 20 paise over its last close. This is the highest closing level since August 10, when the rupee had finished at 68.83.

Meanwhile, the dollar index, which gauges the greenback's strength against a basket of six currencies, gained 0.24% to 96.78. Foreign institutional investors (FIIs) remained net buyers in the capital markets, putting in Rs 1,482.99 crore Thursday, as per provisional data.

## Mutual Funds Increase Holding in 'Attractively Valued' Oil & Gas Stocks

Equity schemes increase sector weight for the fourth successive month in February

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Mumbai: Mutual funds have been adding shares of oil and gas companies such as GAIL, HPCL, BPCL and ONGC over the last few months, encouraged by cheap valuations. As per a report by Motilal Oswal Financial Services, equity schemes have increased their oil and gas sector weight for the fourth successive month in February to reach a new high of 7.8%, a rise of 20 basis points from the previous months, and 120 basis points

### Stepping on The Gas

Company	Price	P/E	P/B	Market Cap (Cr)
BPCL	390.3	12.67	2.33	84,676
Castrol India	166.45	23.24	14.12	16,459
GAIL (India)	353.6	13.49	1.78	79,919
HPCL	267.15	8.48	1.53	40,739
Indian Oil Corp	151.1	8.9	1.21	1,42,530
Indraprastha Gas	291.15	27.75	5.23	20,419
ONGC	151.05	6.66	0.9	1,90,402
Oil India	178.65	5.53	0.7	20,280
Petronet LNG	237.55	15.92	3.35	35,632
Reliance Industries	1,341.55	21.99	2.63	8,50,145

As on March 14 Source: Value Research

from the same month a year ago. The sector is now at the fifth position in sector allocation of mutual funds, it was at the seventh position 12 months ago.

Fund managers and analysts point out that there are a number of stocks in the space which are trading at a 15-year low valuations.

Many companies are now trading at historically low valuations on both price-to-earnings (P/E) as well as price-to-book (P/B) basis.

"Valuations are extremely attractive for both upstream as well as downstream companies and that is the reason for increasing exposure. In addition, com-

panies are now rewarding shareholders by giving dividends and buybacks which are close to 50-70% of cash flows," says Vinay Paharia, chief investment officer at Union Mutual Fund.

As per data from Value Research, GAIL trades at a PE ratio of 13.49 times and PB of 1.78 times, while BPCL trades at a PE of 12.67 and PB of 2.33, while HPCL trades at a PE of 8.48 and PB of 1.53, and ONGC at PE of 6.7 and PB of 0.9.

JP Morgan points out that ONGC is trading at near all-time lows on PE and P/B. The earnings estimates are based on \$60/bbl oil which is mid cycle, and ONGC's organic growth pipeline (gas production growth, ramp up of petchem project) looks robust, while realisations have not been impacted by subsidies. Similarly, IOC is also trading at near all-time low valuations across both PE and PB. Earnings estimates are based on mid cycle assumptions of refining margins, while marketing margins have stabilised.

## ARBITRAGE BETWEEN forex and money markets likely to compress, say analysts

## RBI's \$5-b Liquidity Plan to Boost Forex, Money Markets

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Mumbai: The swap facility that the Reserve Bank of India has offered to address cash shortages at banks at the fiscal year-end will benefit both foreign exchange and money markets. It will compress arbitrage trades in the forward markets, while the central bank will have a relatively easy task in shoring up its dollar reserves vital to fight any global economic crisis.

"It is a proactive move to manage liquidity," said Ashish Vaidya, head of markets for India at Singapore's DBS. "This is a new way to infuse liquidity into the system instead of the traditional G-sec buys via OMOs (open market operations)," he said. "With this, arbitrage between forex and money market will surely compress, making markets more orderly."

The differential or spread between MIFOR (Mumbai Interbank Offered Rate, which depicts forwards rates in the forex market) and two-year OIS (Overseas Interest Rate, a gauge that portrays the same in the money market), has been in the range of 70-83 basis points in past one-two weeks, compared with 25-30 bps normally. Such disparity destroys market dynamics, fanning speculative bets, dealers said.

Traders tend to make large bets if the differential is wide. "While in short term bond yields are likely to fall, long-term yields may rise due to the latest RBI liquidity measure," said Anindya Banerjee, an analyst at Kotak Securities. "The absence open-market purchase operations will cut supply of long-maturity bonds, but the cash availability in the system should push down shorter-maturity rates."

The central bank would also not feel the urge to shore up forex reserves as the move will automatically add up to the dollar stock, he said.

Earlier, the central bank was actively seen buying dollars whenever the



### The Skeptic Governor Das' 'Whatever It Takes' Moment

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rupee gained significantly against the US currency.

The one-year treasury bill fell three basis points Thursday while the 10-year benchmark yield rose three basis points before closing at 7.36%.

On Wednesday, the RBI offered a \$5-billion swap facility to banks to help manage cash shortages in the banking system just ahead of financial year closure.

In order to meet the durable liquidity needs of the system, the RBI has decided to augment its liquidity management toolkit and inject rupee liquidity for longer duration through long-term foreign exchange buy/sell swap, the bank said.

The auction will happen on March 26 and the buy/sell swap will run up to March 28, 2022, or for a three-year duration. Under this, a bank can sell US dollars to the Reserve Bank and simultaneously agree to buy the same amount of dollars at the end of the swap period.

## RBI Categorises IDBI as Private Bank

MUMBAI The Reserve bank of India has classified IDBI Bank as a private lender after LIC took control of it. The move may lead to a rating downgrade and a rise in cost of funding as investors would factor in the absence of sovereign backing for the bank. "IDBI Bank has been categorised as a 'Private Sector Bank' for regulatory purposes by Reserve Bank of India with effect from January 21, 2019 consequent upon Life Insurance Corporation of India acquiring 51% of the total paid-up equity share capital of the bank," the central bank said in a notification issued on Thursday. IDBI Bank shares fell 0.12% to close at ₹43.10n Thursday. Separately, rating company ICRA has revised rating outlook of six banks including IDBI, Bank of India, Punjab National Bank, Oriental Bank of Commerce, Bank of Maharashtra and Punjab & Sindh Bank.

## BANKS CONTINUE TO REMAIN 'TOO BIG TO FAIL' LENDERS SBI, ICICI and HDFC Banks to Comply With Additional Capital Norms: RBI

Our Bureau

Mumbai: State Bank of India, ICICI Bank and HDFC Bank will have to comply with additional capital requirement norms by April 1 as the banks continue to remain 'too big to fail' lenders, referred to as D-SIB or domestic systemically important bank, RBI said.

D-SIBs are subjected to higher levels of supervision so as to prevent disruption in financial services in the event of any failure.

"The additional Common Equity

Tier 1 (CET1) requirement for D-SIBs has already been phased-in from April 1, 2016, and will become fully effective from April 1, 2019. The additional CET1 requirement will be in addition to the capital conservation buffer," the central bank said.

The additional CET1 core capital requirement in case of State Bank of India applicable from April 1 has been prescribed at 0.6% of Risk Weighted Assets (RWAs), while for the other two banks it is 0.4%.

The RBI had issued the framework for dealing with D-SIBs in July 22,

2014. The D-SIB framework requires the RBI to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs).

Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it.

SIBs are seen as 'too big to fail' (TBTf), creating expectation of government support for them in times of financial distress. These banks also enjoy certain advantages in

### A Monk Who Trades

How can you tow my car away? This is unfair!

You have to pay the fine now, you can challenge it in court later.

I refuse to pay the fine. There was no sign board there.

Really!!

See this.

Sir, do you need more proof?

A picture is worth a thousand words. Documentary proof can silence all arguments.

What a fine parking!

Ensure to get receipt/ acknowledgement of funds/ collaterals deposited with the member.

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