



# HDFC Securities Ltd.

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## Who we are & our mission

HDFCsec is a brand brought to you by HDFC Securities Ltd, which has been promoted by the HDFC Bank & HDFC with the objective of providing the diverse customer base of the HDFC Group and other investors a capability to transact in the Stock Exchanges & other financial market transactions.

HDFCsec, will equip you with the necessary tools to select and manage your investments wisely, and also support it with the highest quality research and trading tools.

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Buying and selling of select corporate debt and government securities on the NSE would be introduced in a subsequent phase.

In a few months, when the Internet trading module from The Stock Exchange, Mumbai (BSE) is ready, we will also offer the following services on the BSE and NSE:

1. Buying and selling of shares on the BSE
2. Arbitrage between NSE & BSE
3. Intraday, Futures & Options
4. Margin trading products.

Structured by:



HDFC Securities Ltd.

# Strategy Guide - Table

Market Outlook	Bullish	Neutral	Bearish
Volatility Estimate			
Rising	Long Call Call Ratio Backspread	Long Straddle Long Strangle Long Strap Long Strip	Long Put Put Ratio Backspread
Neutral	Long Futures Long Semi Futures Bull Call Spread Bull Put Spread	Long Condor Short Condor Long Butterfly Short Butterfly	Short Futures Short Semi Futures Bear Put Spread Bear Call Spread
Falling	Short Put	Short Straddle Short Strangle Short Strap & Strip Put & Call Ratio Spread	Short Call

*All the above strategies have same expiration*

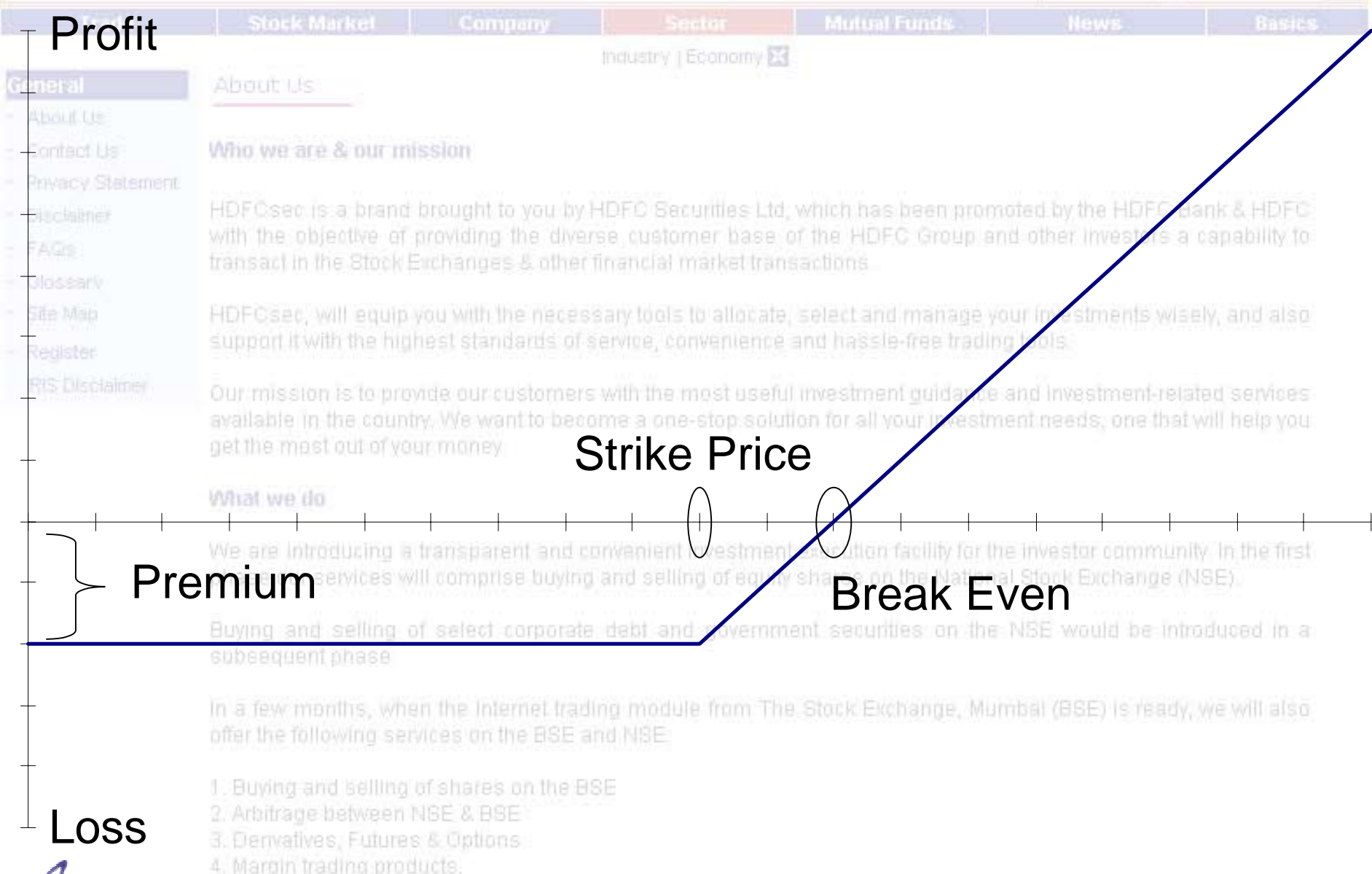
# Risk – Return Profile

<p><b>Risk</b></p> <p><b>Return</b></p>	<p><b>Limited</b></p>	<p><b>Unlimited</b></p>
<p><b>Limited</b></p>	<p>Bull Call Spread (18)                      Bull Put Spread (21)                      Long &amp; Short Condor (44 &amp; 50)                      Long &amp; Short Butterfly (41 &amp; 47)                      Bear Put Spread (86)                      Bear Call Spread (89)</p>	<p>Long Call &amp; Put (4 &amp; 72)                      Call Ratio Backspread (8)                      Long Straddle &amp; Strangle (28 &amp; 31)                      Long Strap &amp; Strip (35 &amp; 38)                      Put Ratio Backspread (76)</p>
<p><b>Unlimited</b></p>	<p>Short Put &amp; Call (24 &amp; 92)                      Short Straddle &amp; Strangle (53 &amp; 56)                      Short Strap &amp; Strip (60 &amp; 63)                      Put Ratio Spread (69)                      Call Ratio Spread (66)</p>	<p>Long Futures (11)                      Long Semi Futures (15)                      Short Futures (79)                      Short Semi Futures (83)</p>

*Figures in brackets are page numbers*



# Long Call - Payoff





# Long Call – Variant

## Protective Put

- Have Underlying or Long Futures, and Buy Put  
(Downside Risk is hedged)

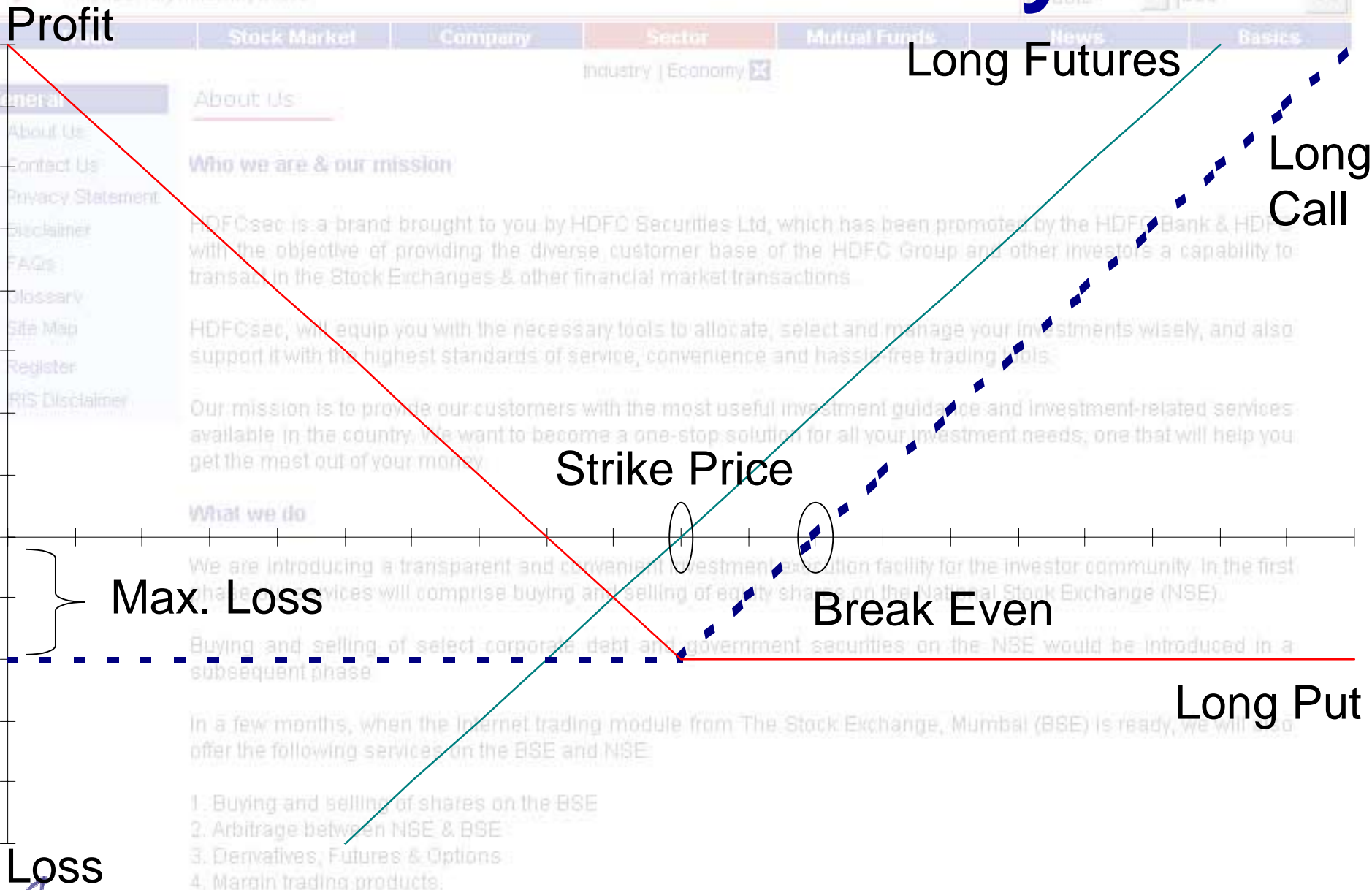
## Max. Loss :

If Futures < Put strike = Premium - (Strike – Futures)

If Futures > Put strike = (Futures - Strike) + premium

Breakeven = Put Strike + Max. Loss

# Protective Put – Payoff



# Call Ratio Backspread

View	Comment
Profit	Increases as the spot price increases
Loss	$(B - A) + (\text{debit premium})$ <u>or</u> $-(\text{credit premium})$
Breakeven	$B + \text{Max. Loss}$
Time Decay	Hurts
Use	Market is near B and outlook is bullish
Volatility	Volatility increase helps the position
Margin	Yes



# Call Ratio Backspread (CRB)

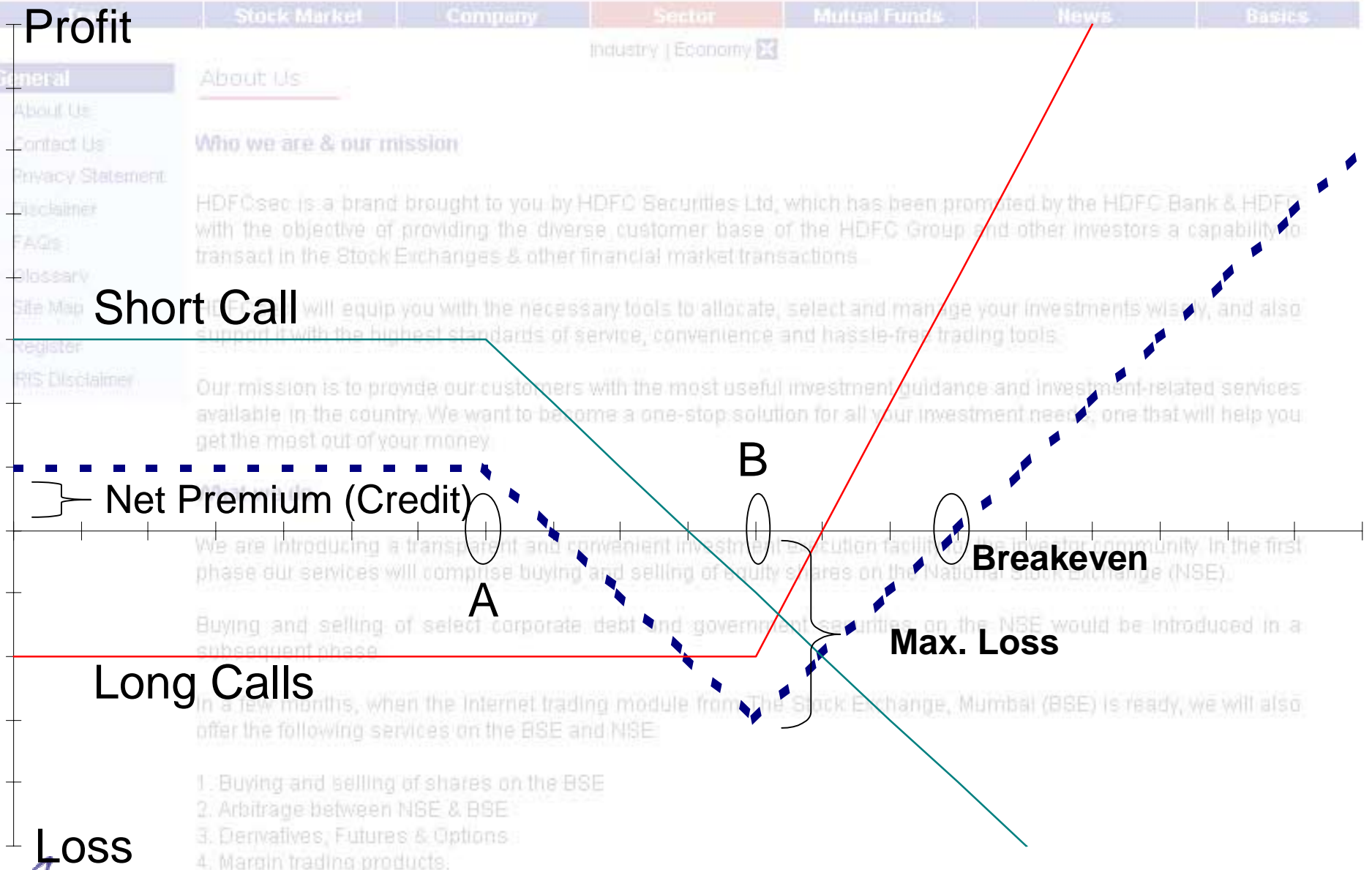
## Formation

- Sell a lower strike (A) call and,  
Buy 2 higher strike (B) calls

## Variant

- Sell a lower strike (A) put,  
Buy 2 higher strike (B) calls and,  
Short Futures

# Call Ratio Backspread - Payoff





# Long Futures – Payoff

Profit

Purchase Price

Loss

HDFC Securities Ltd.

# Long Futures – Variant

## Formation

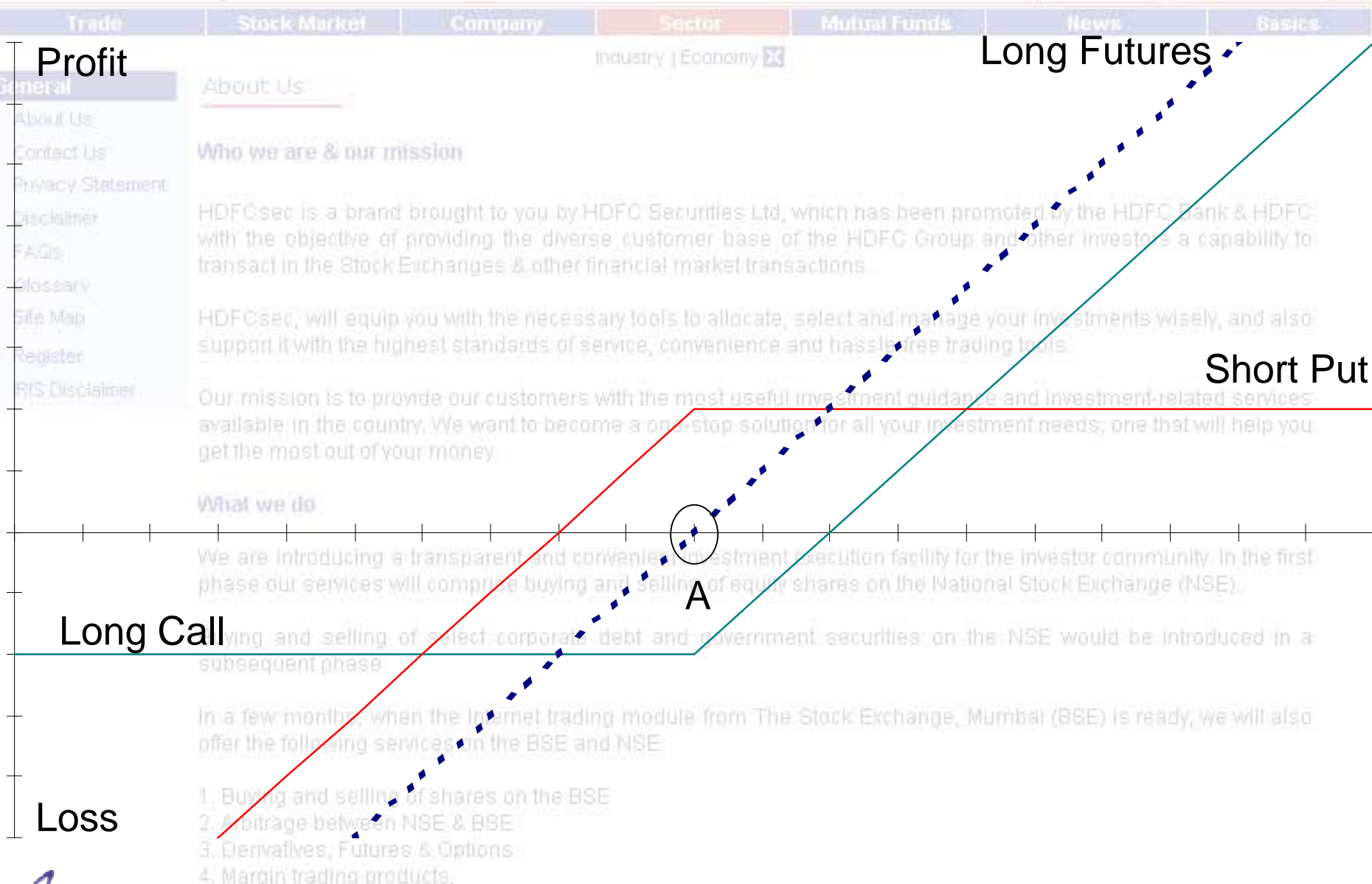
## Buy Call A and Sell Put A

## Going Long at

## A + Call Premium – Put Premium



# Long Futures – Variant Payoff



# Long Semi – Futures

View	Comment
Profit	Increases as the spot price increases
Loss	Increases as the spot price decreases
Breakeven	Call Strike (B) + Premium debit <u>or</u> Put Strike (A) - Premium credit
Time Decay	Mixed – Hurts for Long Call and helps for Short Put
Use	Bullish outlook
Volatility	Neutral
Margin	Yes

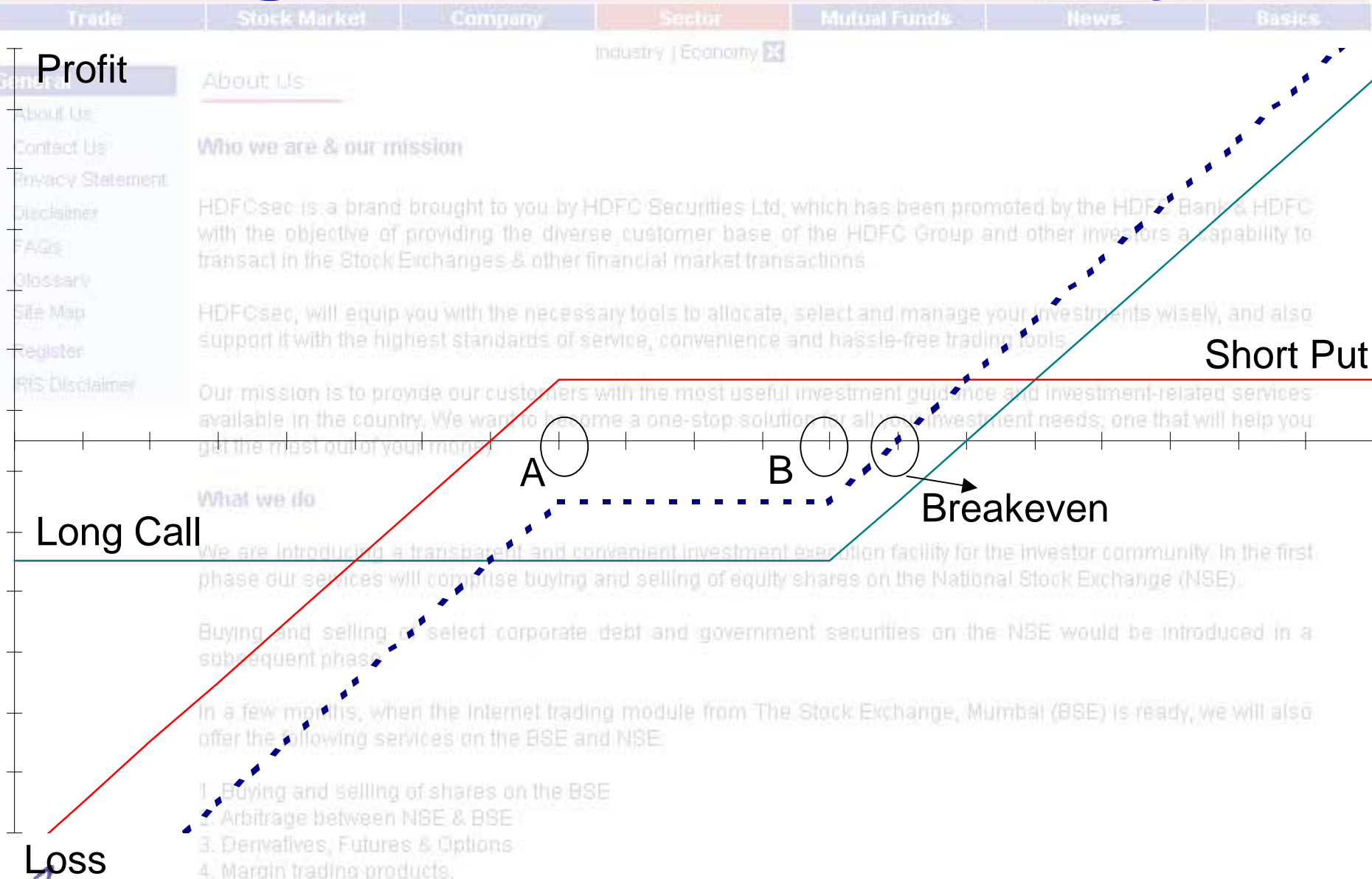
## Formation

- Sell Put A and,  
Buy Call B

## Variant

- Sell Call A,  
Buy Futures and,  
Buy Call B

# Long Semi Futures – Payoff



# Bull Call Spread

View	Comment
Profit	Limited, Max. Profit = $(B - A) - \text{Net Premium}$
Loss	Limited, Max. Loss = Net Premium
Breakeven	Strike A + Max. Loss
Time Decay	Mixed – Hurts for Long Call and helps for Short Call
Use	Bullish outlook
Volatility	Neutral
Margin	Yes



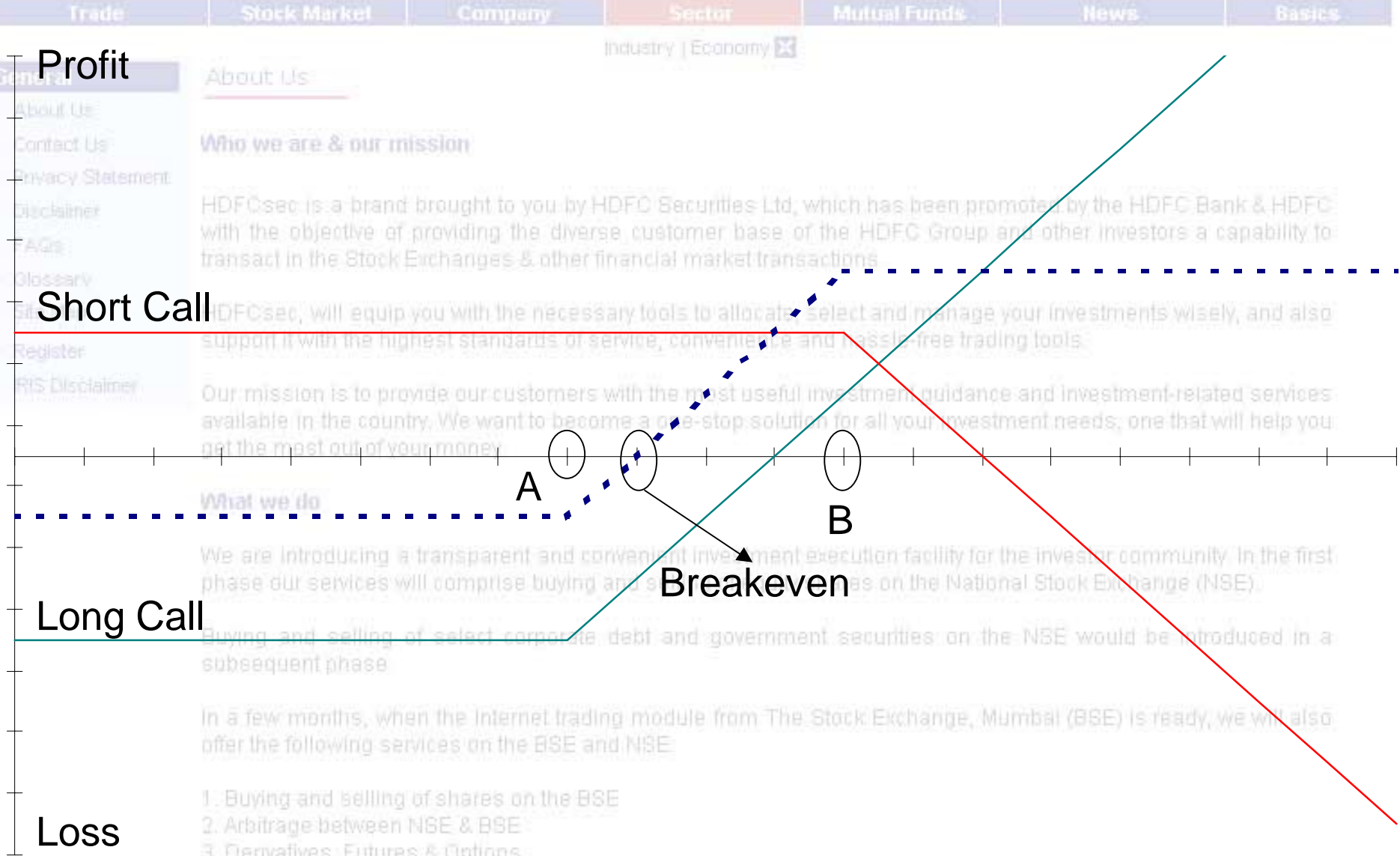
## Formation

- Buy Call A and, Sell Call B

## Variant

- Buy Call A, Sell Put B and, Short Futures

# Bull Call Spread – Payoff



# Bull Put Spread

View	Comment
Profit	Limited, Max. Profit = Net Premium
Loss	Limited, Max. Loss = $(B - A) - \text{Net Premium}$
Breakeven	Strike A + Max. Loss
Time Decay	Mixed – Hurts for Long Put and helps for Short Put
Use	Bullish outlook
Volatility	Neutral
Margin	Yes

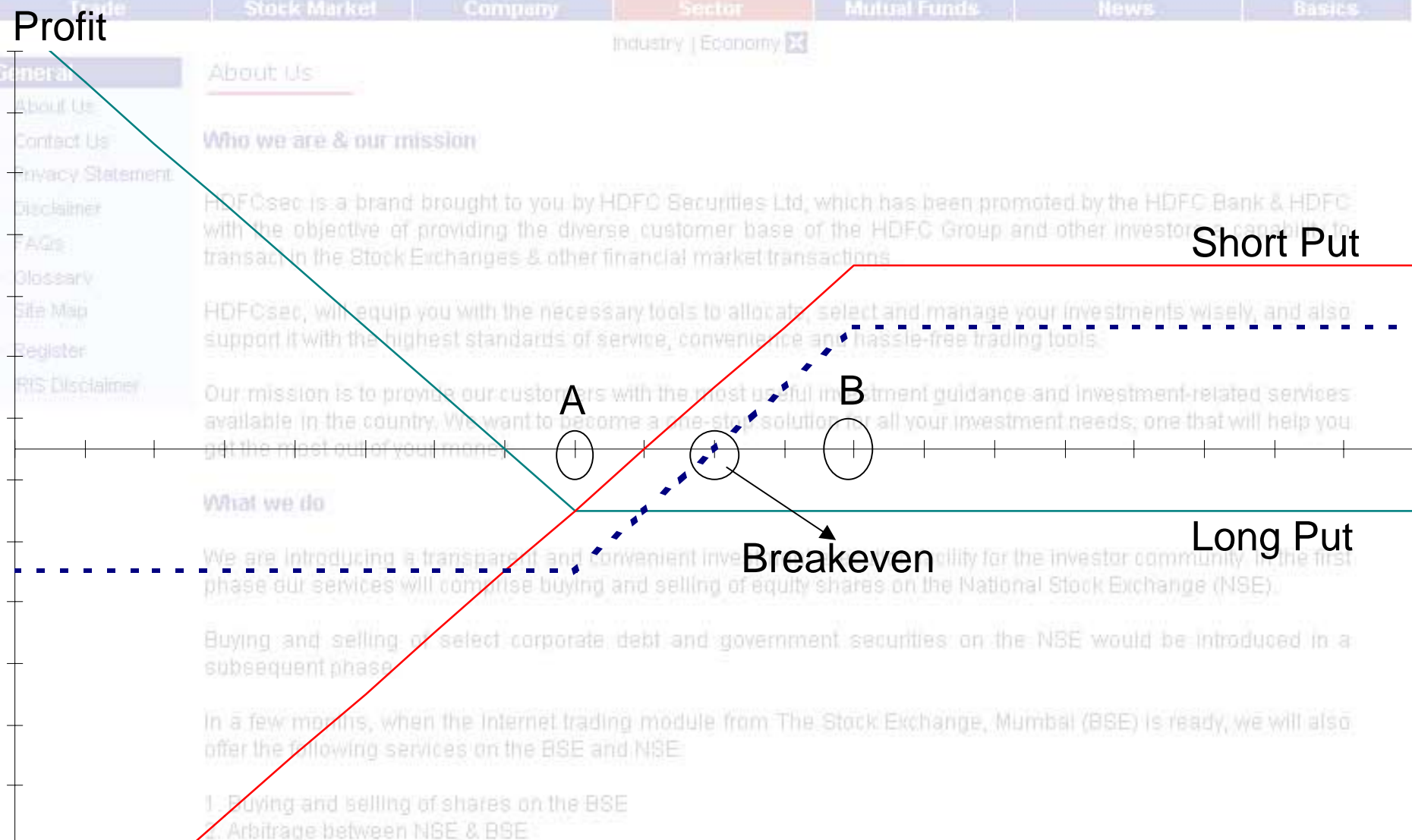
## Formation

- Buy Put A and,  
Sell Put B

## Variant

- Buy Put A,  
Sell Call B and  
Long Futures

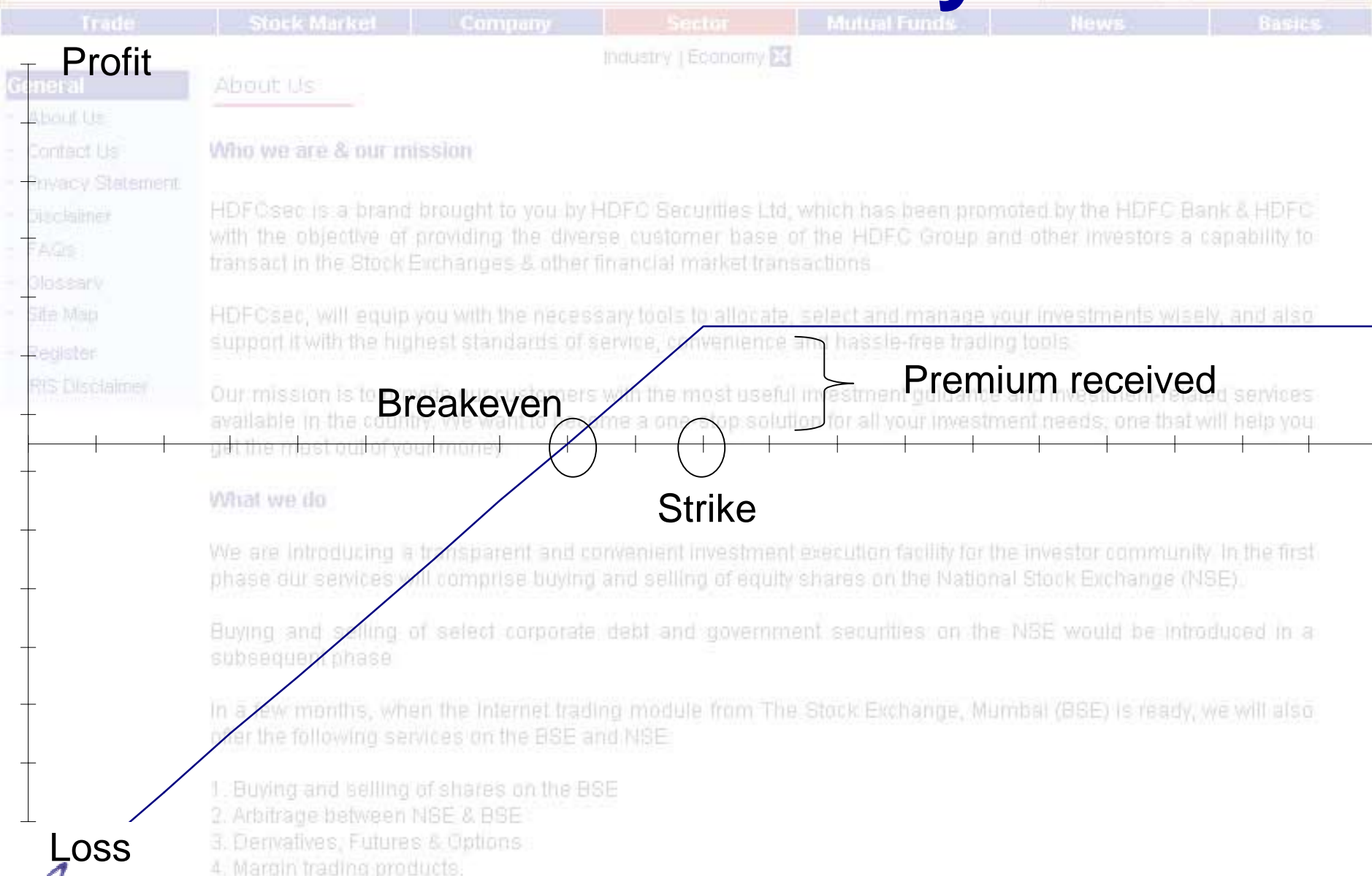
# Bull Put Spread – Payoff







# Short Put – Payoff



# Short Put – Variant

## Covered Call

- Have Underlying or Buy Futures, and Write a Call

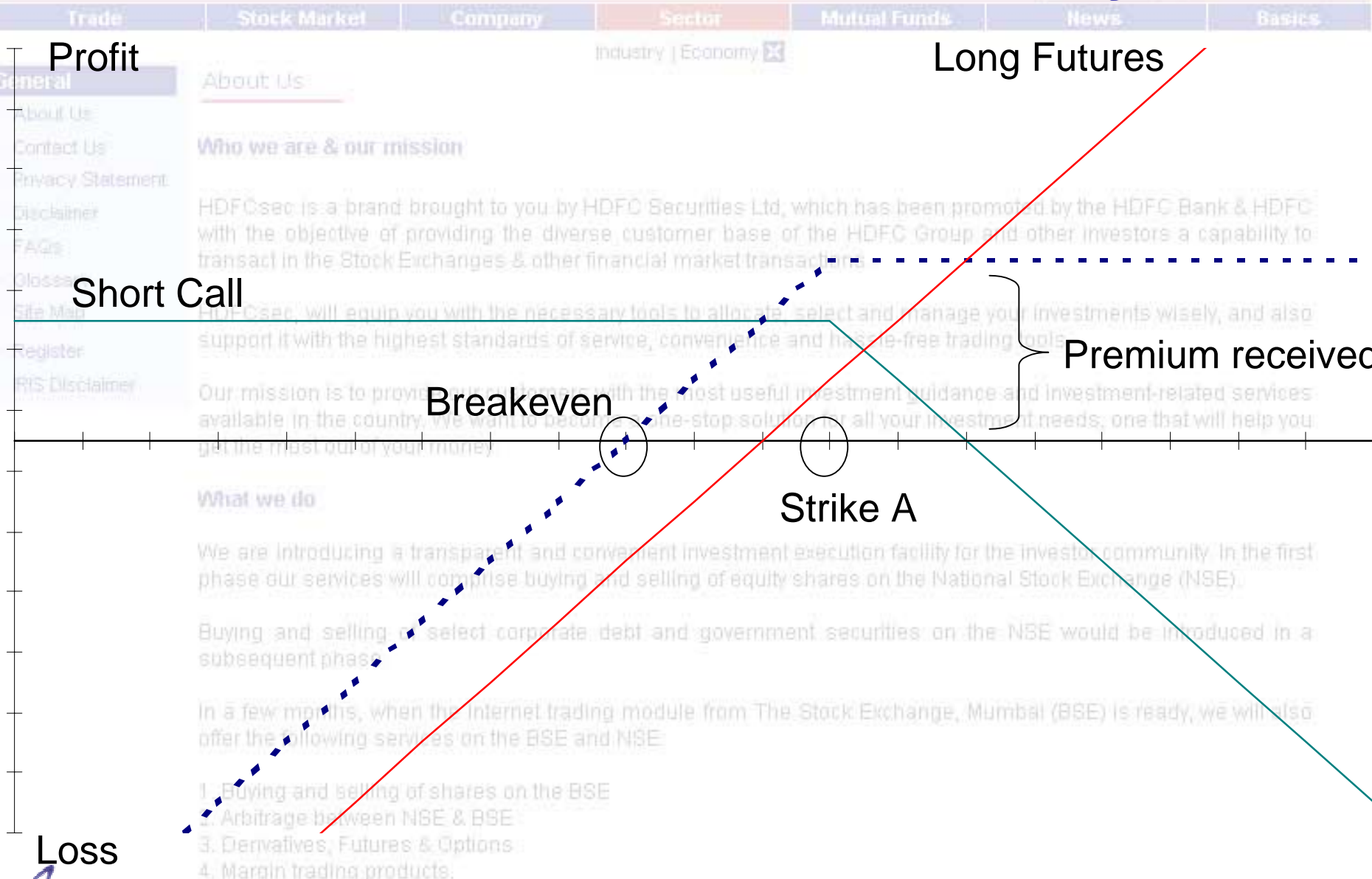
## Max. Profit :

Futures < Strike = Prem. + (Strike – Futures)

Futures > Strike = Prem. – (Futures – Strike)

Breakeven = Call Strike – Max. Profit

# Short Put Variant – Payoff



# Long Straddle

View	Comment
Profit	Unlimited
Loss	Limited to the net premium paid
Breakeven	Low BEP = Strike price – net premium High BEP = Strike price + net premium
Time Decay	Hurts
Use	Expecting a large breakout, Uncertain about the direction
Volatility	Volatility increase improves the position
Margin	No



# Long Straddle

General

About Us

## Formation

- Buy Call A and, Buy Put A

## Variant

- Buy 2 Calls A & Short Futures or
- Buy 2 Puts A & Long Futures

our mission

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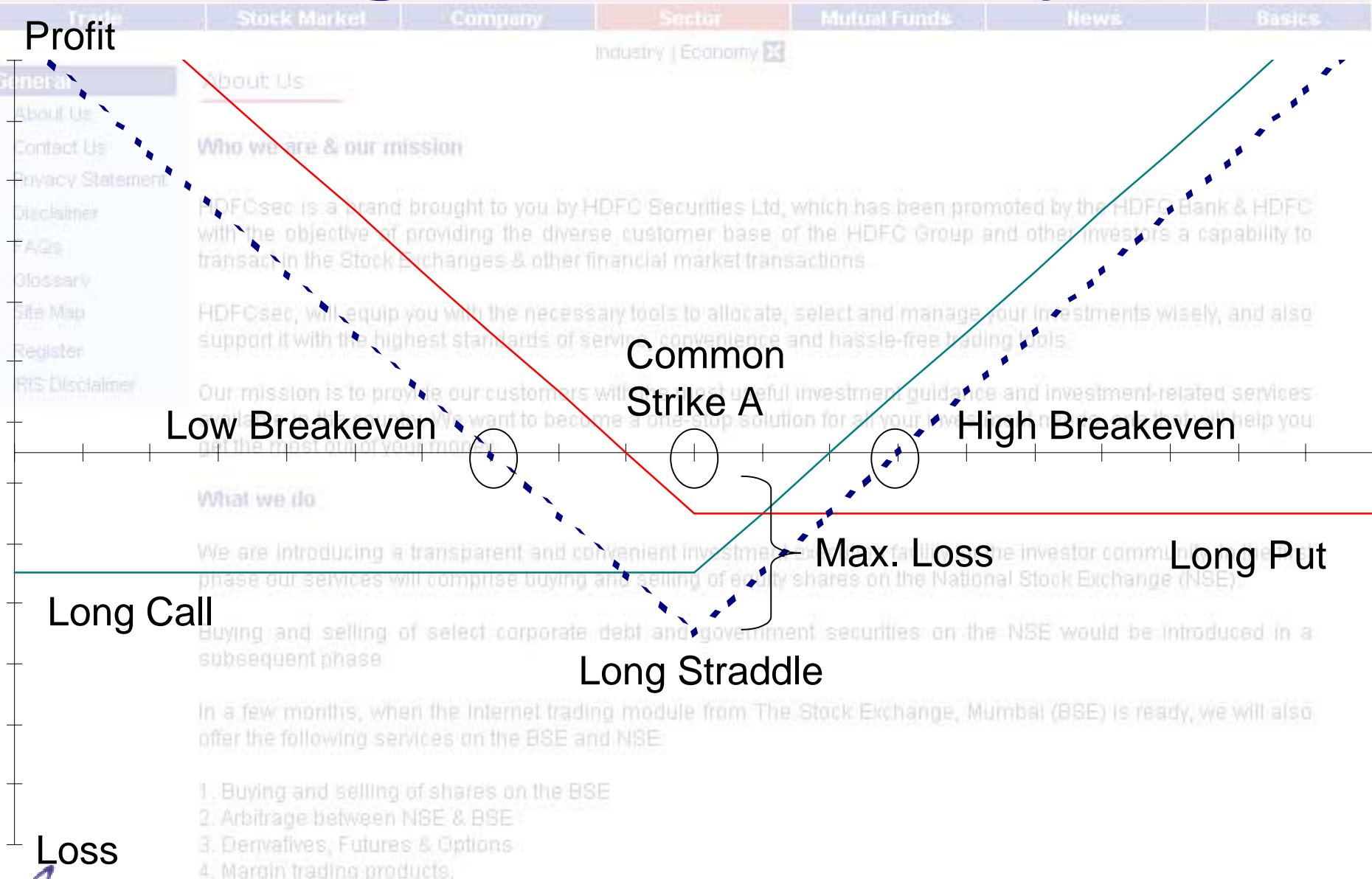
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When the National Stock Exchange of India (NSE) Mumbai (BSE) is ready, we will also offer the following services on the BSE and NSE:

1. Buying and selling of shares on the BSE
2. Arbitrage between NSE & BSE
3. Derivatives, Futures & Options
4. Margin trading products.

# Long Straddle – Payoff



# Long Strangle

Trade	Stock Market	Company	Sector	Mutual Funds	News	Basics
<b>View</b>	<b>Comment</b>					
<b>Profit</b>	Unlimited					
<b>Loss</b>	Limited, Premium – (B – A), if Call Strike is A Limited to premium, if Call Strike is B					
<b>Breakeven</b>	Low BEP = A – Loss High BEP = B + Loss					
<b>Time Decay</b>	Hurts					
<b>Use</b>	Expecting a large breakout, Uncertain about the direction					
<b>Volatility</b>	Volatility increase improves the position					
<b>Margin</b>	No					

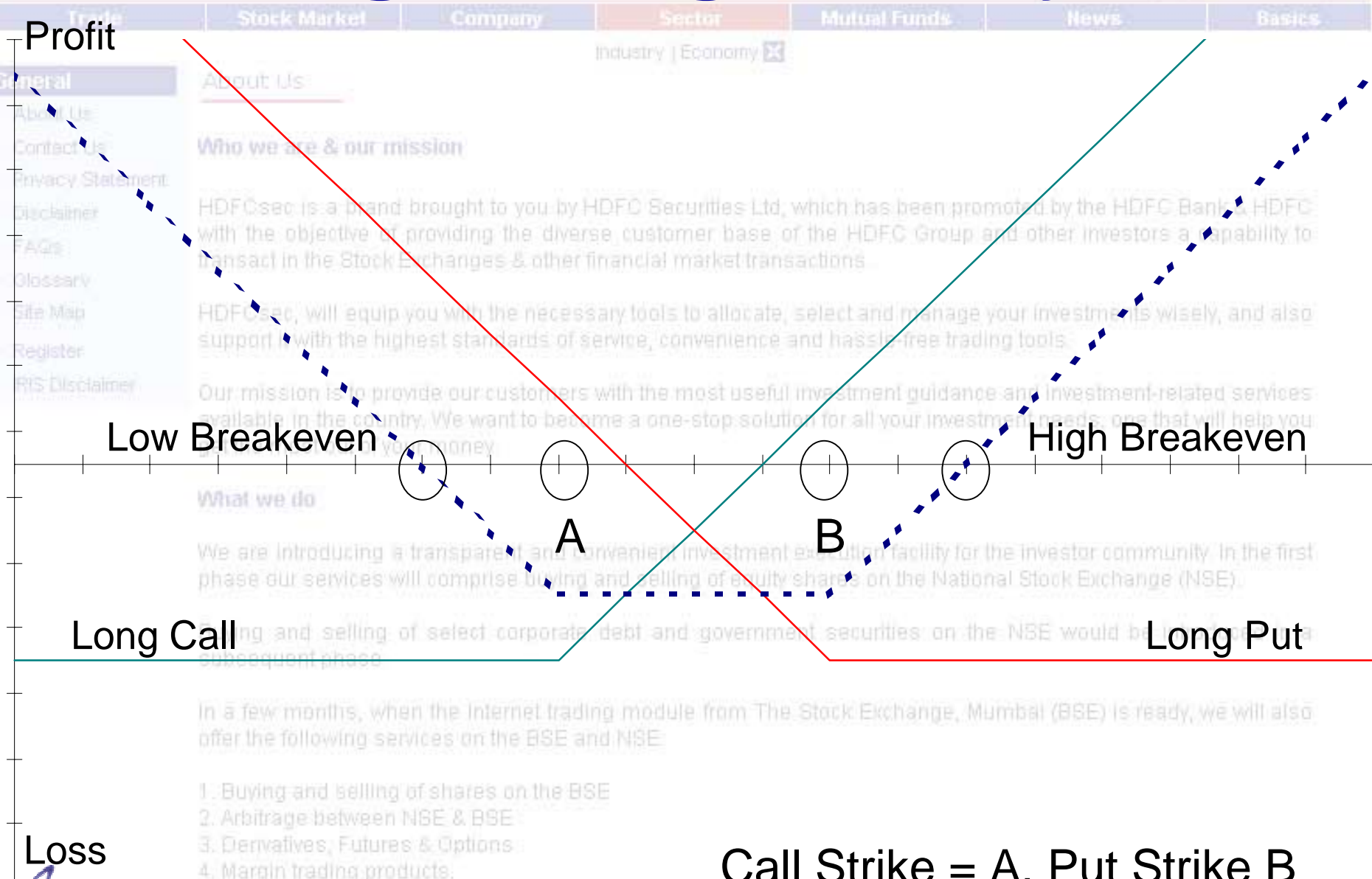
## Formation

- Buy Call A and Buy Put B

## Variants

- Buy Put A and Buy Call B
- Buy Put A, Buy Put B and Long Futures
- Buy Call A, Buy Call B and Short Futures

# Long Strangle – Payoff







# Long Strap

Trade	Stock Market	Company	Sector	Mutual Funds	News	Basics
<b>View</b>	<b>Comment</b>					
<b>Profit</b>	Unlimited					
<b>Loss</b>	Limited to the net premium paid					
<b>Breakeven</b>	Low BEP = Strike price – net premium High BEP = Strike price + (net premium / 2)					
<b>Time Decay</b>	Hurts					
<b>Use</b>	Expecting a large breakout, Uncertain about the direction. Increase in the stock more likely.					
<b>Volatility</b>	Volatility increase improves the position					
<b>Margin</b>	No					

## Formation

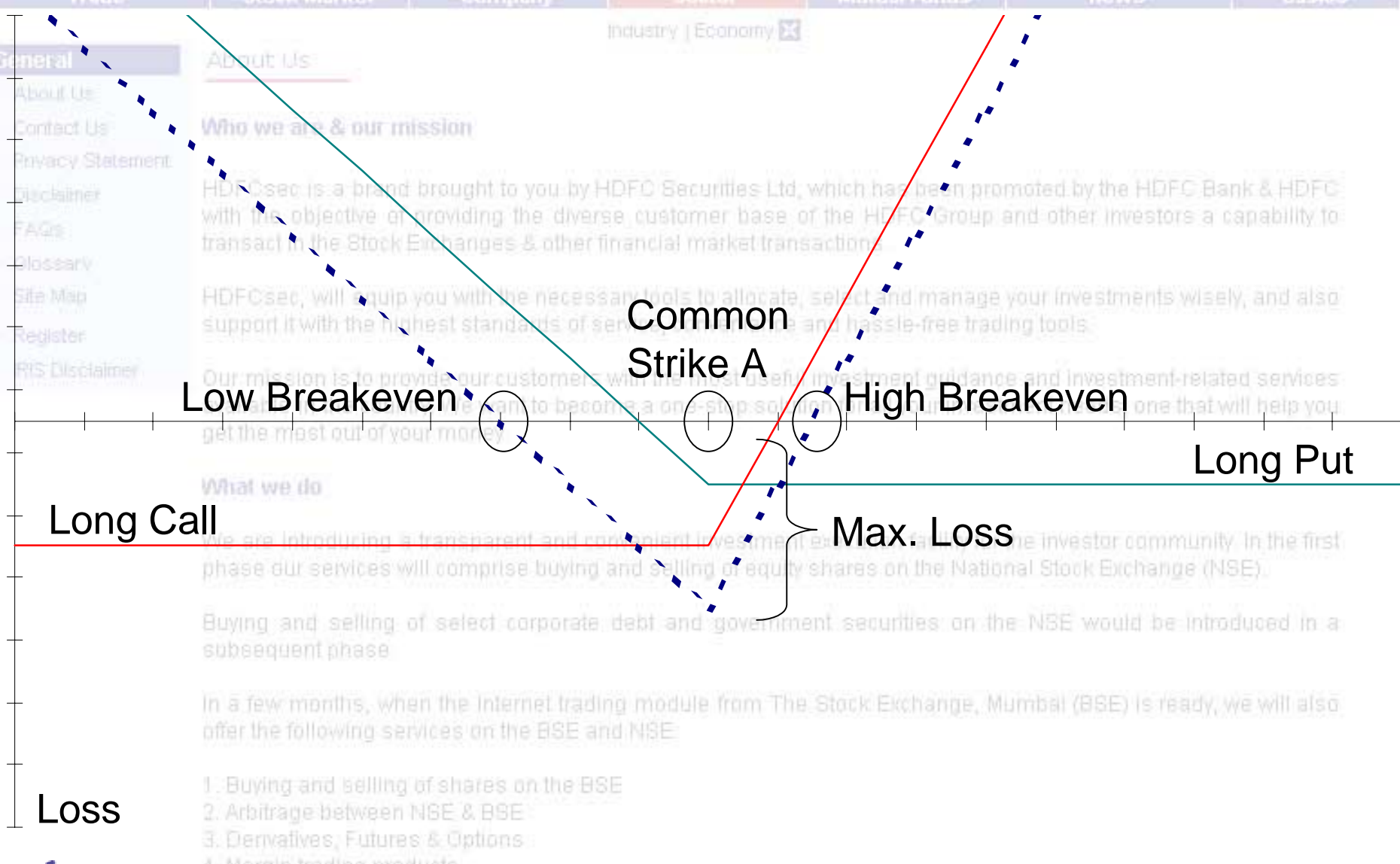
- Buy 2 Calls A and, Buy Put A

## Variant

- Buy 3 Calls A & Short Futures

# Long Strap – Payoff

Profit



Common Strike A

Low Breakeven

High Breakeven

Long Put

Long Call

Max. Loss

Loss

# Long Strip

Trade	Stock Market	Company	Sector	Mutual Funds	News	Basics
<b>View</b>	<b>Comment</b>					
<b>Profit</b>	Unlimited					
<b>Loss</b>	Limited to the net premium paid					
<b>Breakeven</b>	Low BEP = Strike price – (net premium / 2) High BEP = Strike price + net premium					
<b>Time Decay</b>	Hurts					
<b>Use</b>	Expecting a large breakout, Uncertain about the direction. Decrease in the stock more likely.					
<b>Volatility</b>	Volatility increase improves the position					
<b>Margin</b>	No					



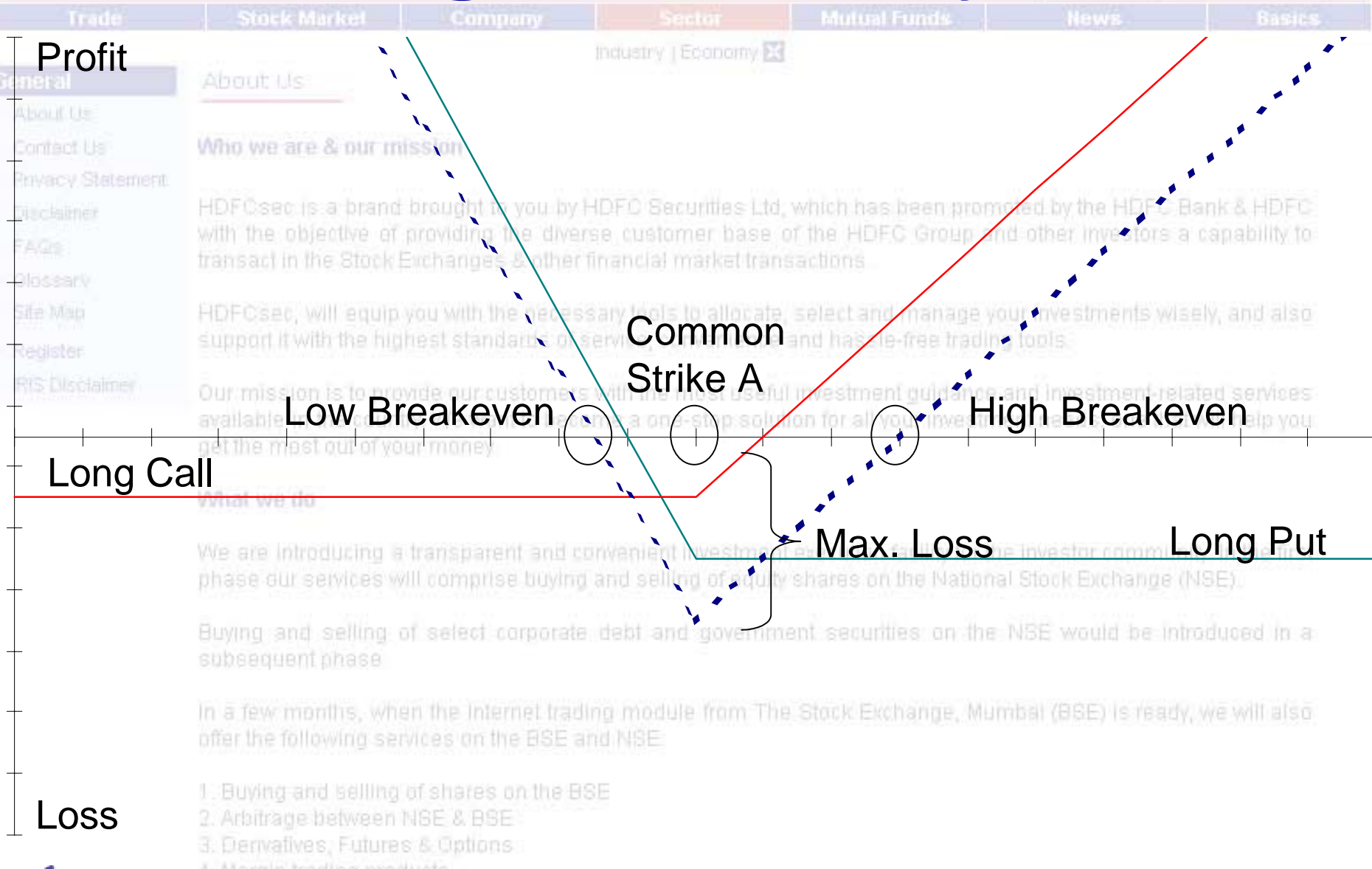
## Formation

- Buy 2 Puts A and, Buy Call A

## Variant

- Buy 3 Puts A & Long Futures

# Long Strip – Payoff



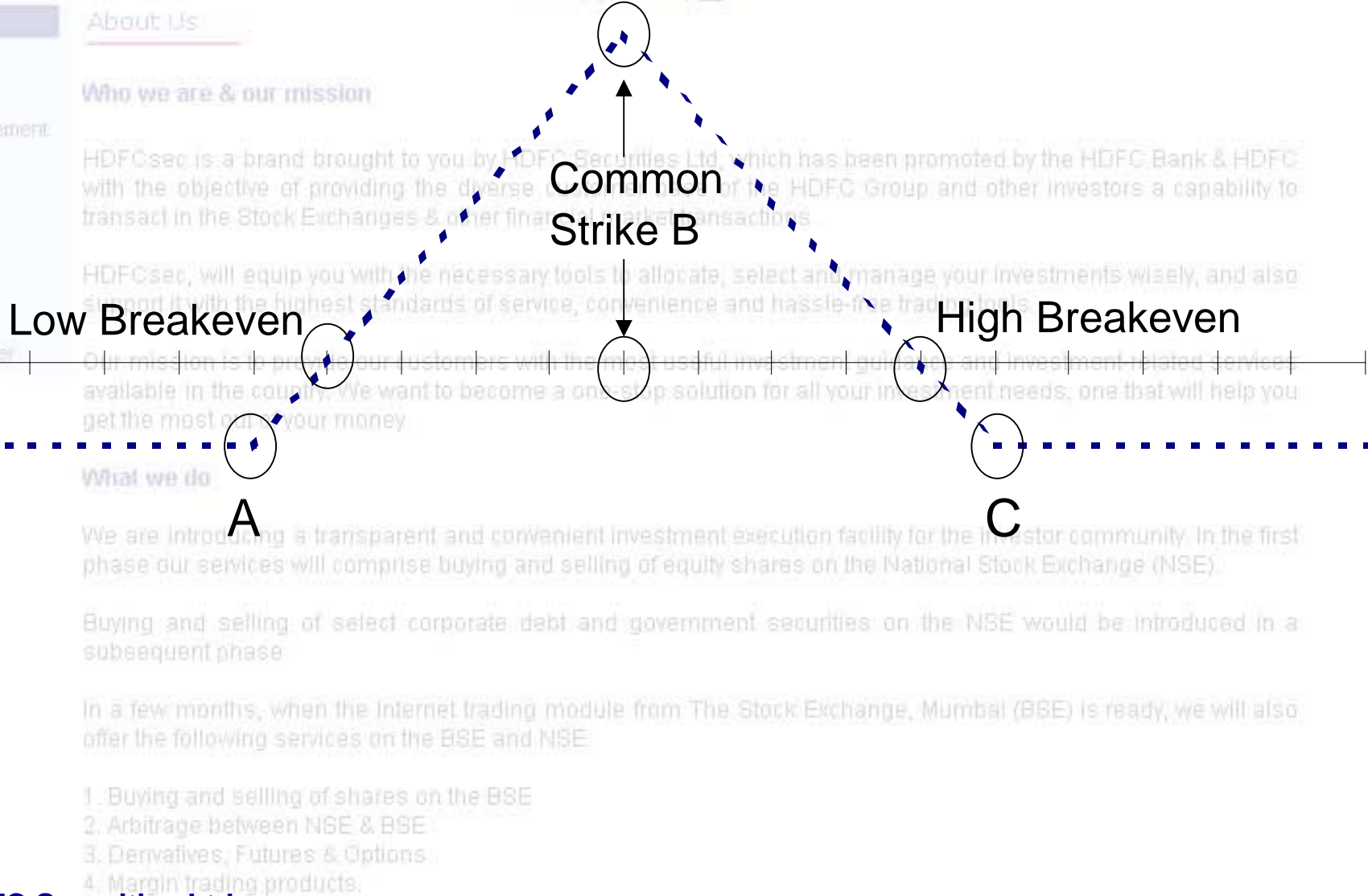
# Long Butterfly

<b>View</b>	<b>Comment</b>
<b>Profit</b>	Limited to $[(B - A) \text{ or } (C - B)] - \text{Net premium}$
<b>Loss</b>	Limited to the net premium paid
<b>Breakeven</b>	Low BEP = Middle Strike - Profit High BEP = Middle Strike + Profit
<b>Time Decay</b>	Neutral
<b>Use</b>	Large stock price movement unlikely. Often used as a follow up strategy
<b>Volatility</b>	Neutral
<b>Margin</b>	Yes



# Long Butterfly – Payoff

Profit



Loss



# Long Condor

View	Comment
Profit	Limited, Maximum when spot is between B & C
Loss	Limited, Maximum when spot is < A & > D
Breakeven	Low BEP = B – Profit High BEP = C + Profit
Time Decay	Neutral
Use	Large stock price movement unlikely. Often used as a follow up strategy
Volatility	Neutral
Margin	Yes

## Formation

- Buy Call A, Sell Call B & C, Buy Call D

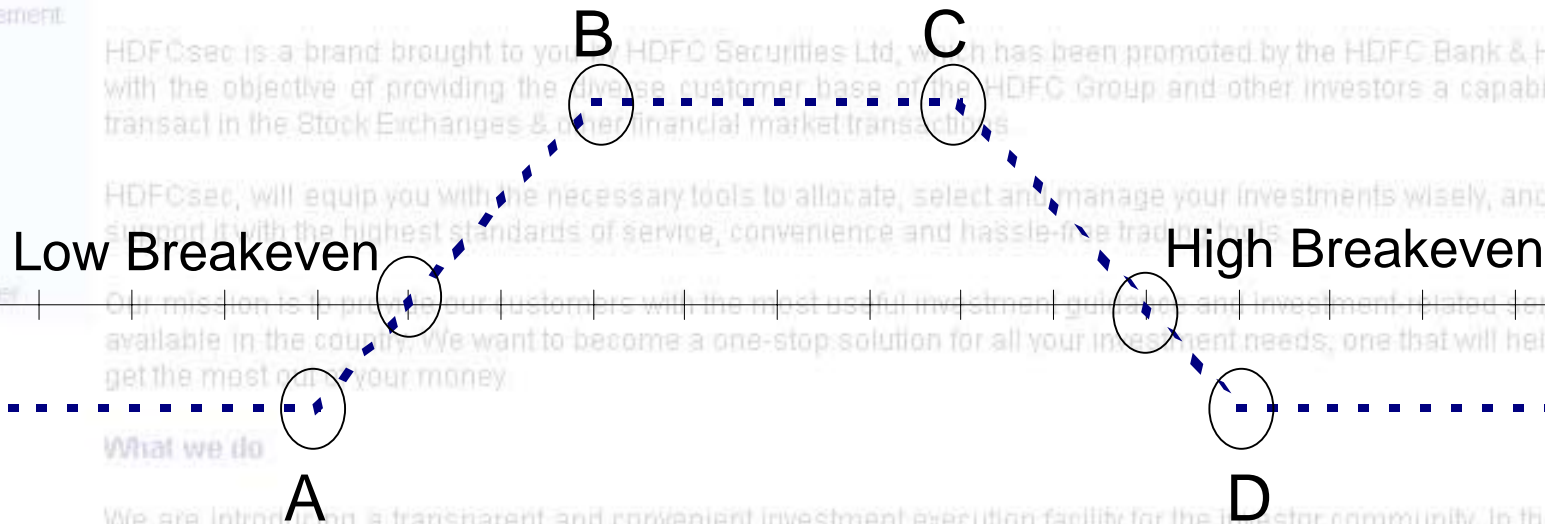
## Variants

- Buy Put A, Sell Put B & C, Buy Put D
- Buy Put A, Sell Put B & Call C, Buy Call D
- Buy Call A, Sell Call B & C, Buy Put D

1. Buying and selling of shares on the BSE
2. Arbitrage between NSE & BSE
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# Long Condor – Payoff

Profit



Loss

# Short Butterfly

View	Comment
Profit	Limited to the net premium received
Loss	Limited to $[(B - A) \text{ or } (C - B)] - \text{Net premium}$
Breakeven	Low BEP = Middle Strike - Loss High BEP = Middle Strike + Loss
Time Decay	Neutral
Use	Large stock price movement expected. Often used as a follow up strategy
Volatility	Neutral
Margin	Yes

## Formation

- Sell Call A, Buy 2 Calls B, Sell Call C

## Variants

- Sell Put A, Buy 2 Puts B, Sell Put C
- Sell Put A, Buy Put & Call B, Sell Call C
- Sell Call A, Buy Put & Call B, Sell Put C



# Short Butterfly – Payoff

Profit

Trade | Stock Market | Company | Sector | Mutual Funds | News | Basics

Industry | Economy

About Us

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Loss

# Short Condor

<b>View</b>	<b>Comment</b>
<b>Profit</b>	Limited, Maximum when spot is $< A$ & $> D$
<b>Loss</b>	Limited, Maximum when spot is between $B$ & $C$
<b>Breakeven</b>	Low BEP = $B - \text{Loss}$ High BEP = $C + \text{Loss}$
<b>Time Decay</b>	Neutral
<b>Use</b>	Large stock price movement expected. Often used as a follow up strategy
<b>Volatility</b>	Neutral
<b>Margin</b>	Yes

## Formation

- Sell Call A, Buy Call B & C, Sell Call D

## Variants

- Sell Put A, Buy Put B & C, Sell Put D
- Sell Put A, Buy Put B & Call C, Sell Call D
- Sell Call A, Buy Call B & Put C, Sell Put D

1. Buying and selling of shares on the BSE
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# Short Condor – Payoff

Profit

Trade | Stock Market | Company | Sector | Mutual Funds | News | Basics

Industry | Economy

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4. Margin trading products.



Low Breakeven

High Breakeven



Loss

# Short Straddle

View	Comment
Profit	Limited to the net premium received
Loss	Unlimited
Breakeven	Low BEP = Strike price – net premium High BEP = Strike price + net premium
Time Decay	Helps
Use	Expecting a tight sideways movement
Volatility	Volatility decrease helps the position
Margin	Yes



# Short Straddle

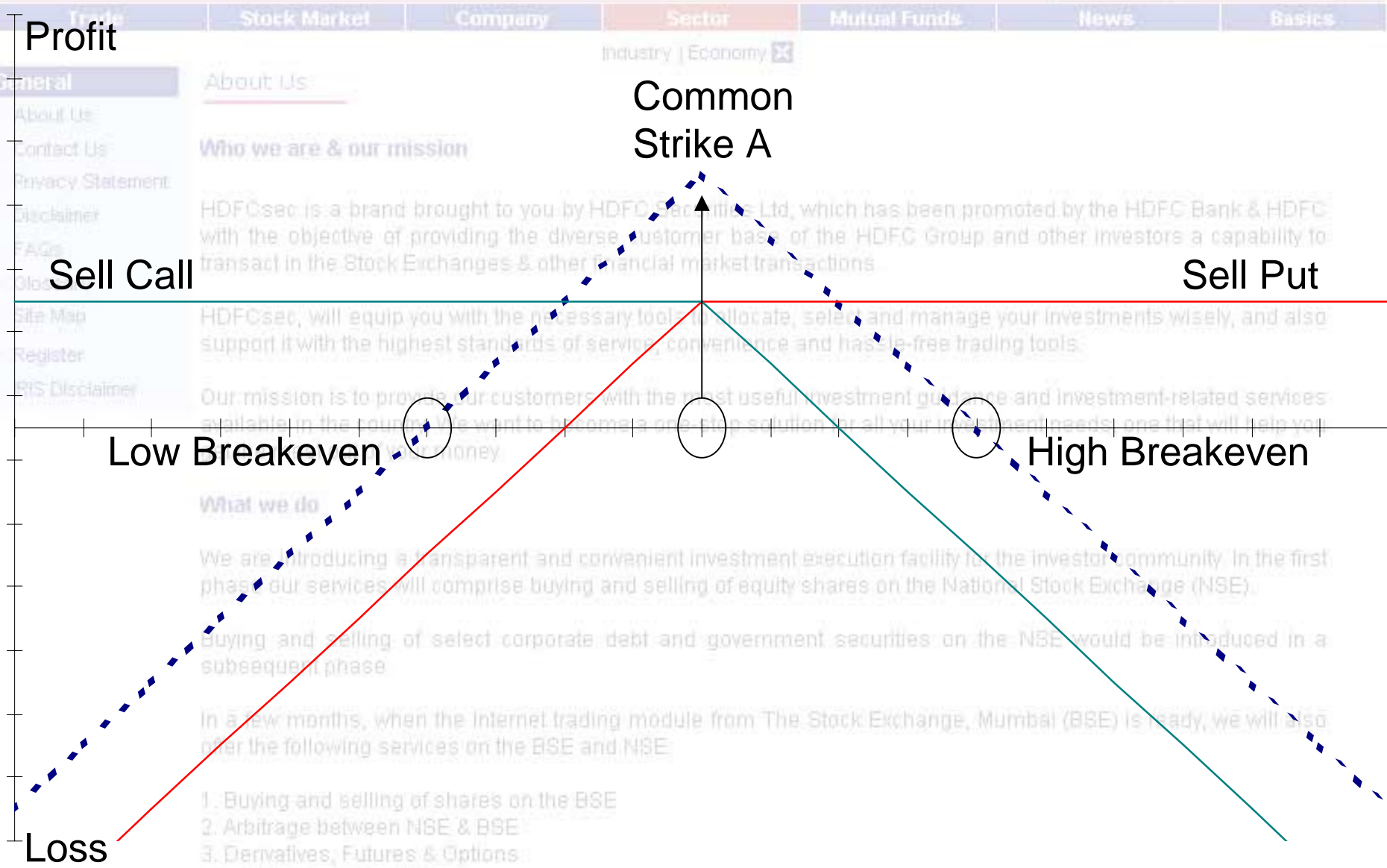
## Formation

- Sell Call A and,  
Sell Put A

## Variant

- Sell 2 Calls A & Long Futures or
- Sell 2 Puts A & Short Futures

# Short Straddle – Payoff



# Short Strangle

View	Comment
Profit	Limited, Premium – (B – A), if Call Strike is A Limited to premium, if Call Strike is B
Loss	Unlimited
Breakeven	Low BEP = A – Profit High BEP = B + Profit
Time Decay	Helps
Use	Expecting a moderate sideways movement.
Volatility	Volatility decrease helps the position
Margin	Yes

## Formation

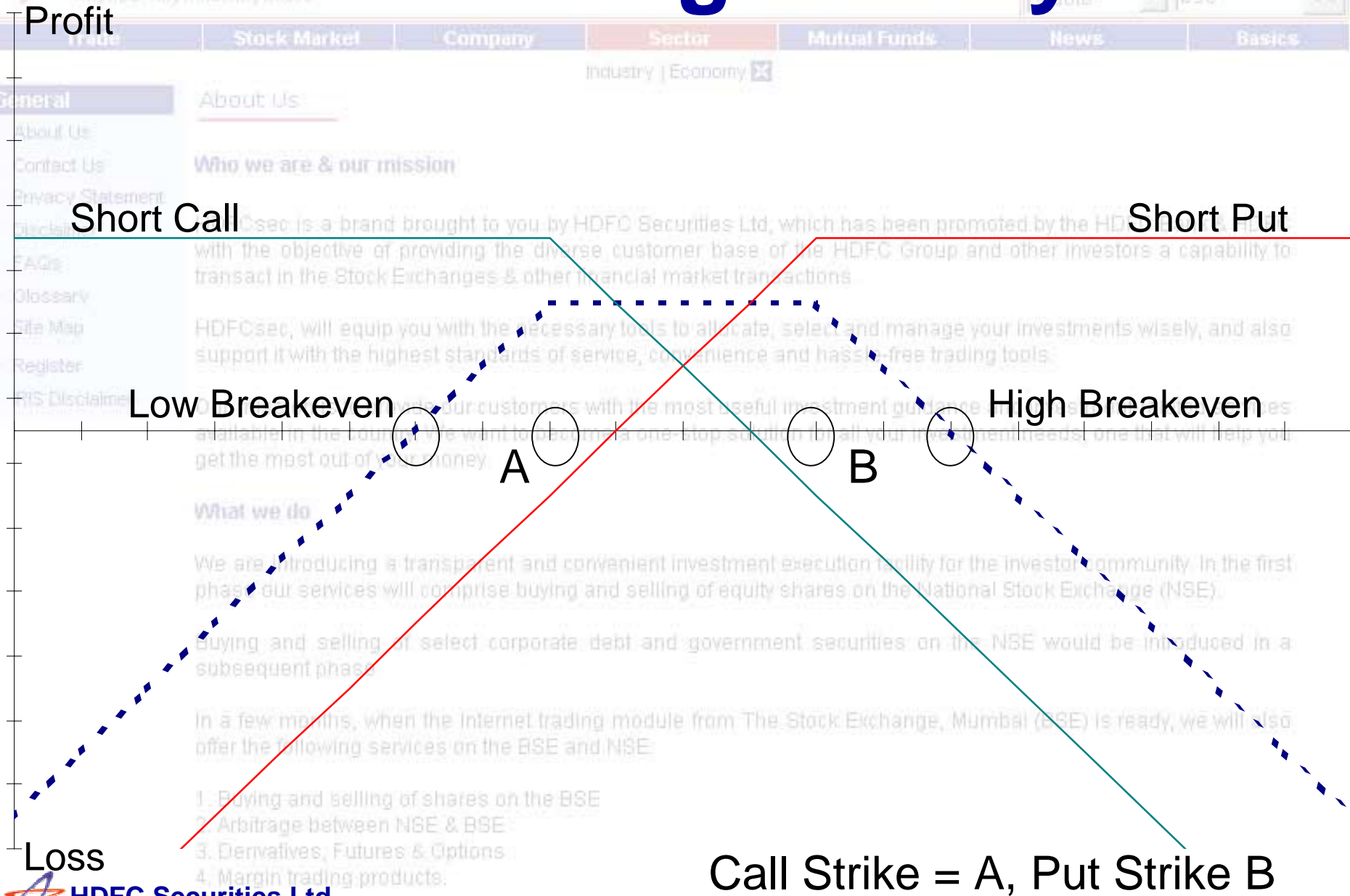
- Sell Call A and Sell Put B

## Variants

- Sell Put A and Sell Call B
- Sell Put A, Sell Put B and Short Futures
- Sell Call A, Sell Call B and Long Futures

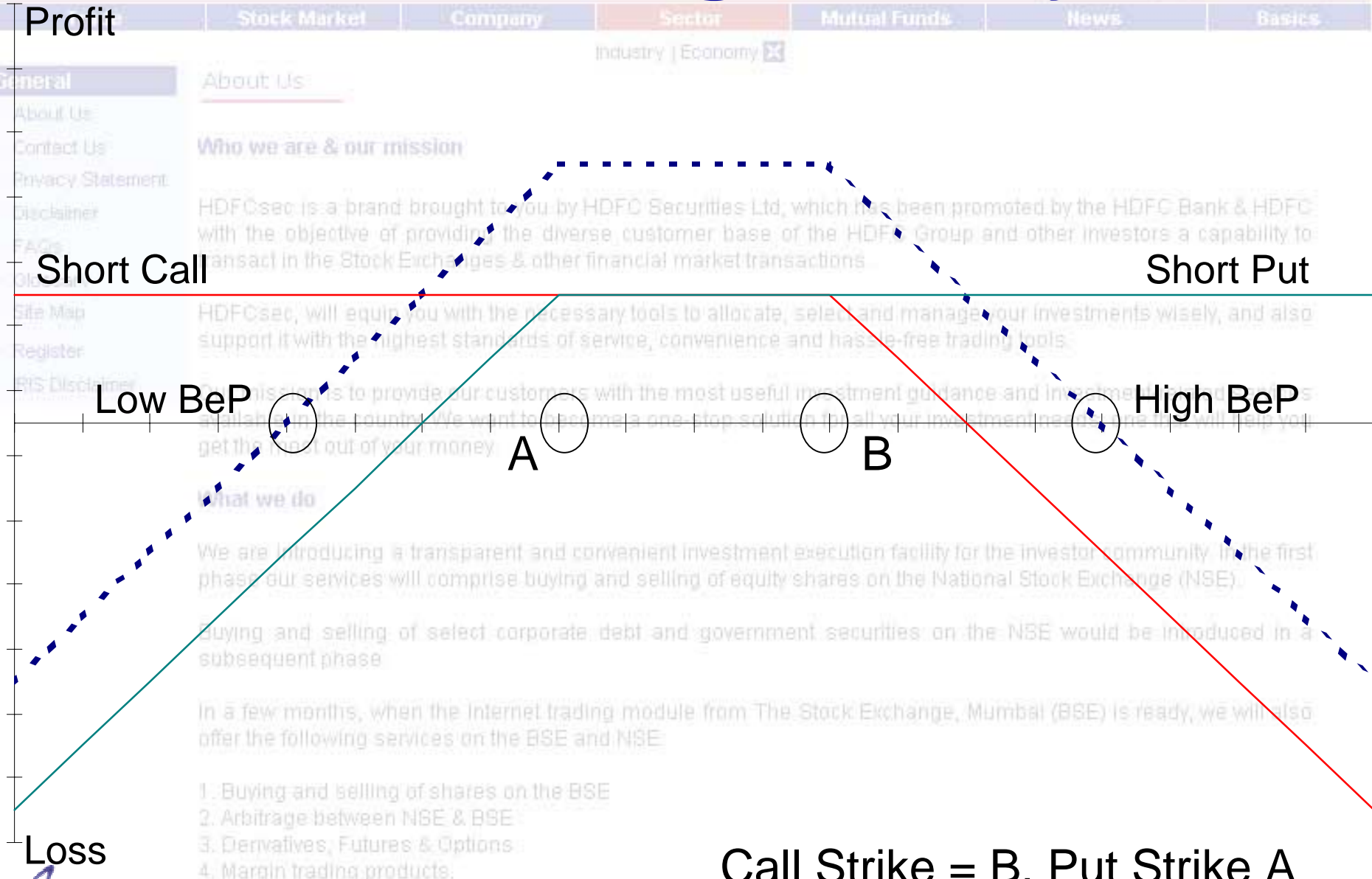
1. Buying and selling of shares on the BSE
2. Arbitrage between NSE & BSE
3. Derivatives, Futures & Options
4. Margin trading products.

# Short Strangle – Payoff





# Short Strangle – Payoff



# Short Strap

Trade	Stock Market	Company	Sector	Mutual Funds	News	Basics
<b>View</b>		<b>Comment</b>				
<b>Profit</b>	Limited to the net premium received					
<b>Loss</b>	Unlimited					
<b>Breakeven</b>	Low BEP = Strike price – net premium High BEP = Strike price + (net premium / 2)					
<b>Time Decay</b>	Helps					
<b>Use</b>	Expecting a tight sideways movement. Decrease in the stock more likely.					
<b>Volatility</b>	Volatility decrease helps the position					
<b>Margin</b>	Yes					

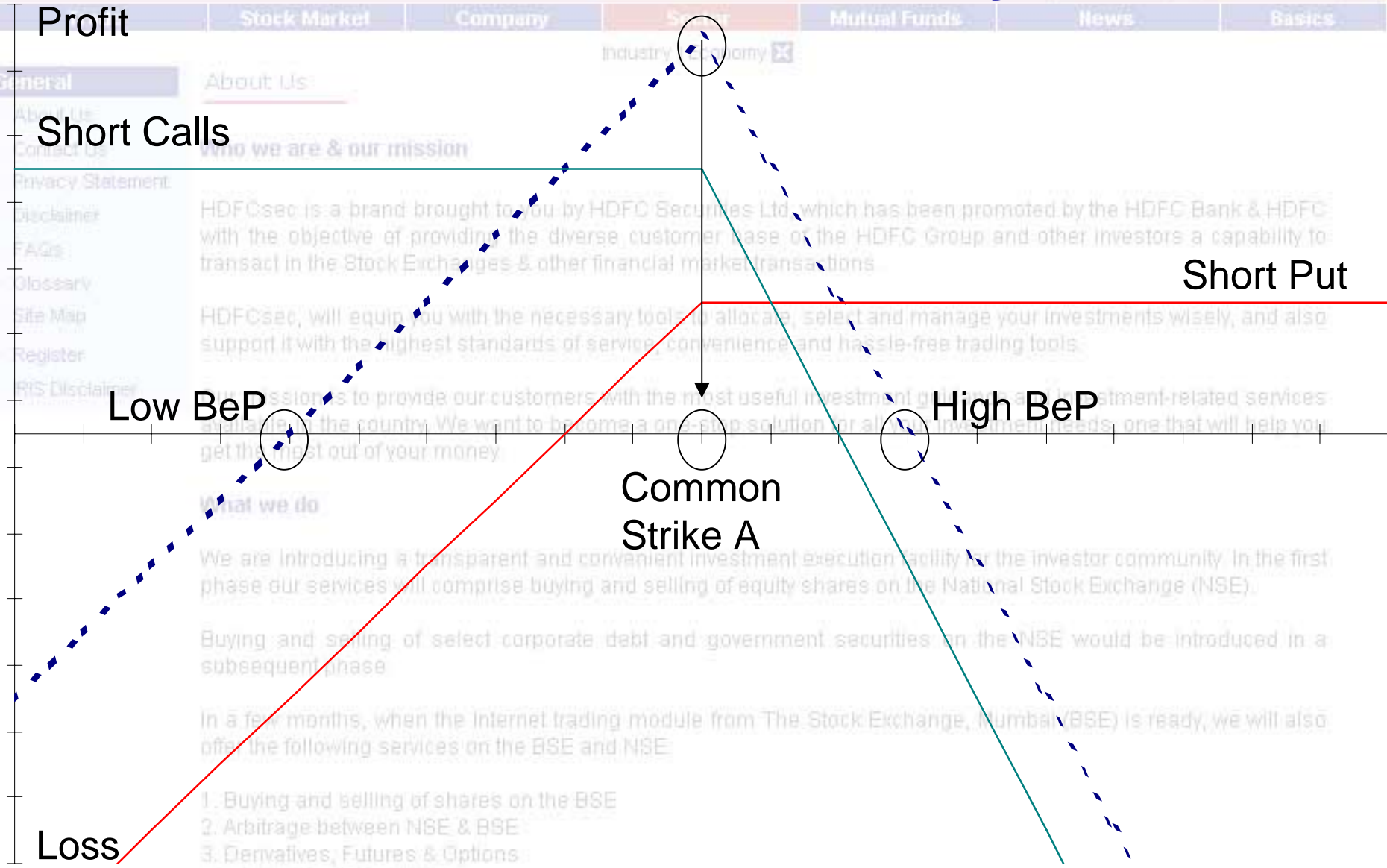
## Formation

- Sell 2 Calls A and,  
Sell Put A

## Variant

- Sell 3 Calls A & Long Futures

# Short Strap – Payoff



# Short Strip

Trade	Stock Market	Company	Sector	Mutual Funds	News	Basics
<b>View</b>	<b>Comment</b>					
<b>Profit</b>	Limited to the net premium received					
<b>Loss</b>	Unlimited					
<b>Breakeven</b>	Low BEP = Strike price – (net premium / 2) High BEP = Strike price + net premium					
<b>Time Decay</b>	Helps					
<b>Use</b>	Expecting a tight sideways movement. Increase in the stock more likely.					
<b>Volatility</b>	Volatility decrease helps the position					
<b>Margin</b>	Yes					



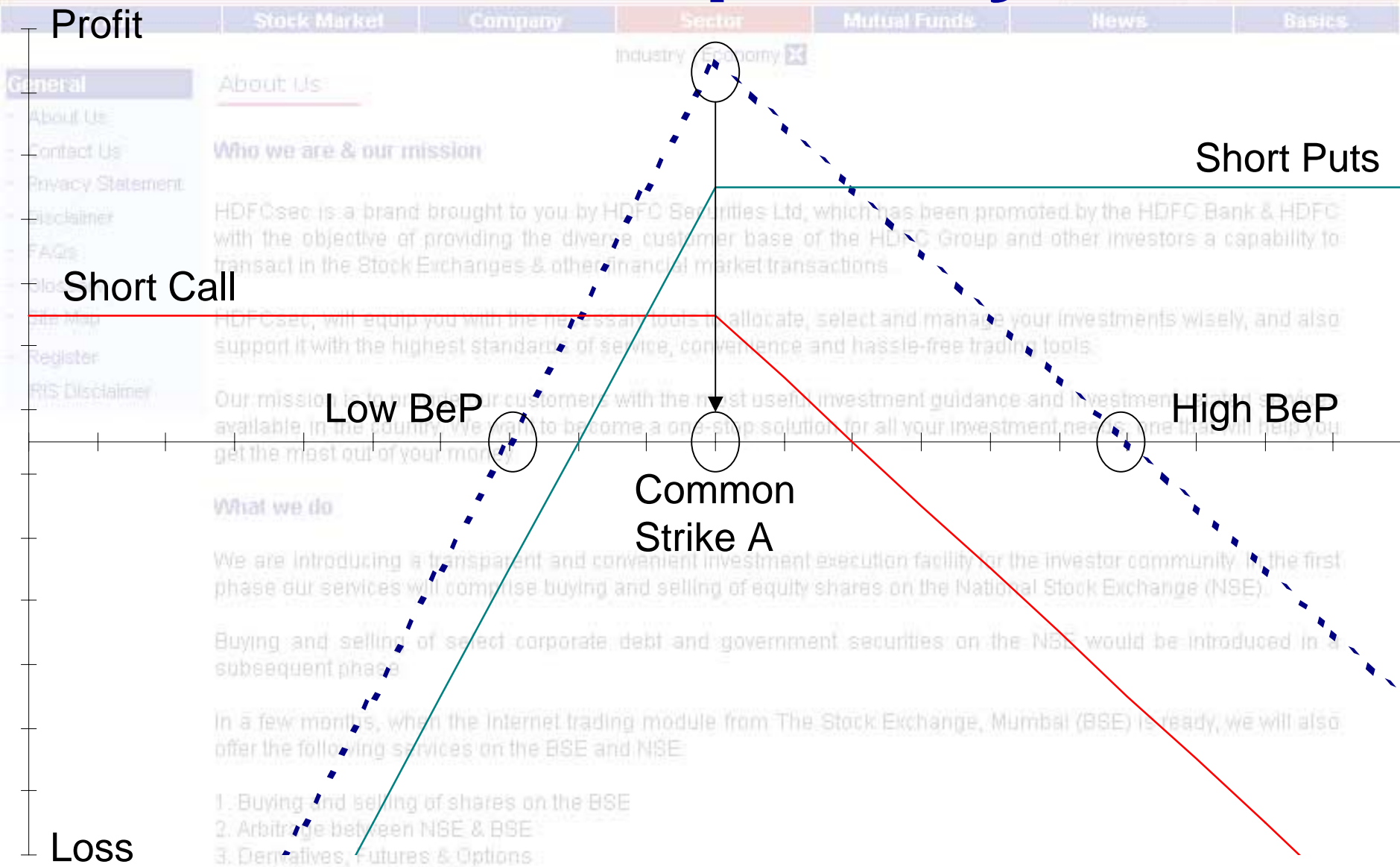
## Formation

- Sell 2 Puts A and, Sell Call A

## Variant

- Sell 3 Puts A & Short Futures

# Short Strip – Payoff



# Call Ratio Spread

View	Comment
Profit	$(B - A) - (\text{debit premium})$ <u>or</u> $+$ (credit premium)
Loss	Increases as the spot price increases
Breakeven	$B + \text{Profit}$
Time Decay	Helps
Use	Expecting a tight sideways movement. Biased towards a decrease in stock price.
Volatility	Volatility decrease helps the position
Margin	Yes

# Call Ratio Spread

## Formation

- Buy Call A & Sell 2 Calls B

## Variant

- Buy Put A, Sell 2 Calls B & Long Futures

# Call Ratio Spread – Payoff

Profit

Stock Market | Company | Sector | Mutual Funds | News | Basics

Short Calls

Net Premium (Credit)

Long Call

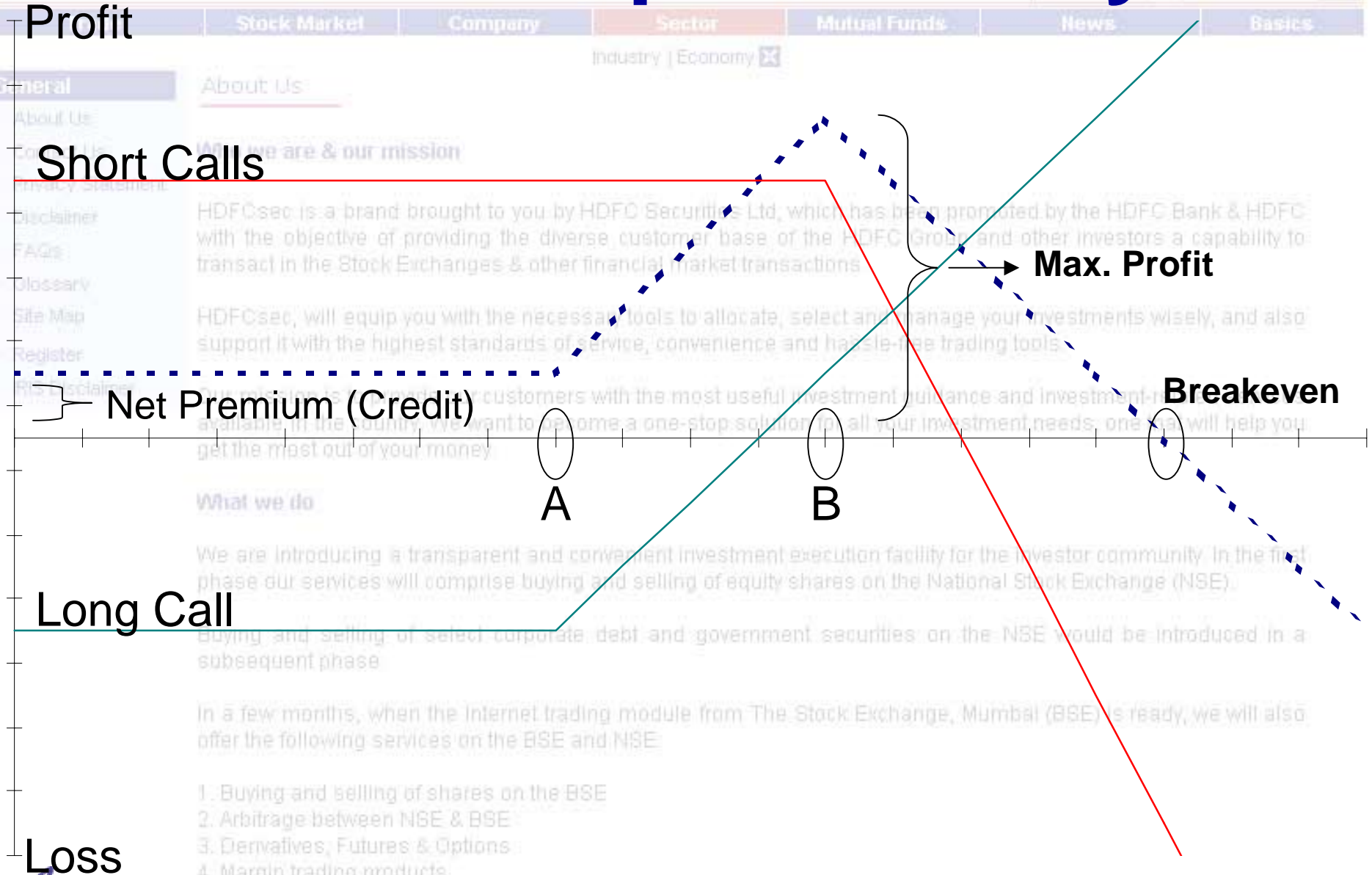
Max. Profit

Breakeven

A

B

Loss





# Put Ratio Spread

View	Comment
Profit	$(B - A) - (\text{debit premium})$ <u>or</u> $+(\text{credit premium})$
Loss	Increases as the spot price decreases
Breakeven	If credit premium = $[A - (B - A)] - \text{premium}$ If debit premium = $[A + (B - A)] - \text{premium}$
Time Decay	Helps
Use	Expecting a tight sideways movement. Biased towards an increase in stock price.
Volatility	Volatility decrease helps the position
Margin	Yes

## Formation

- Sell 2 Puts A & Buy Put B

## Variant

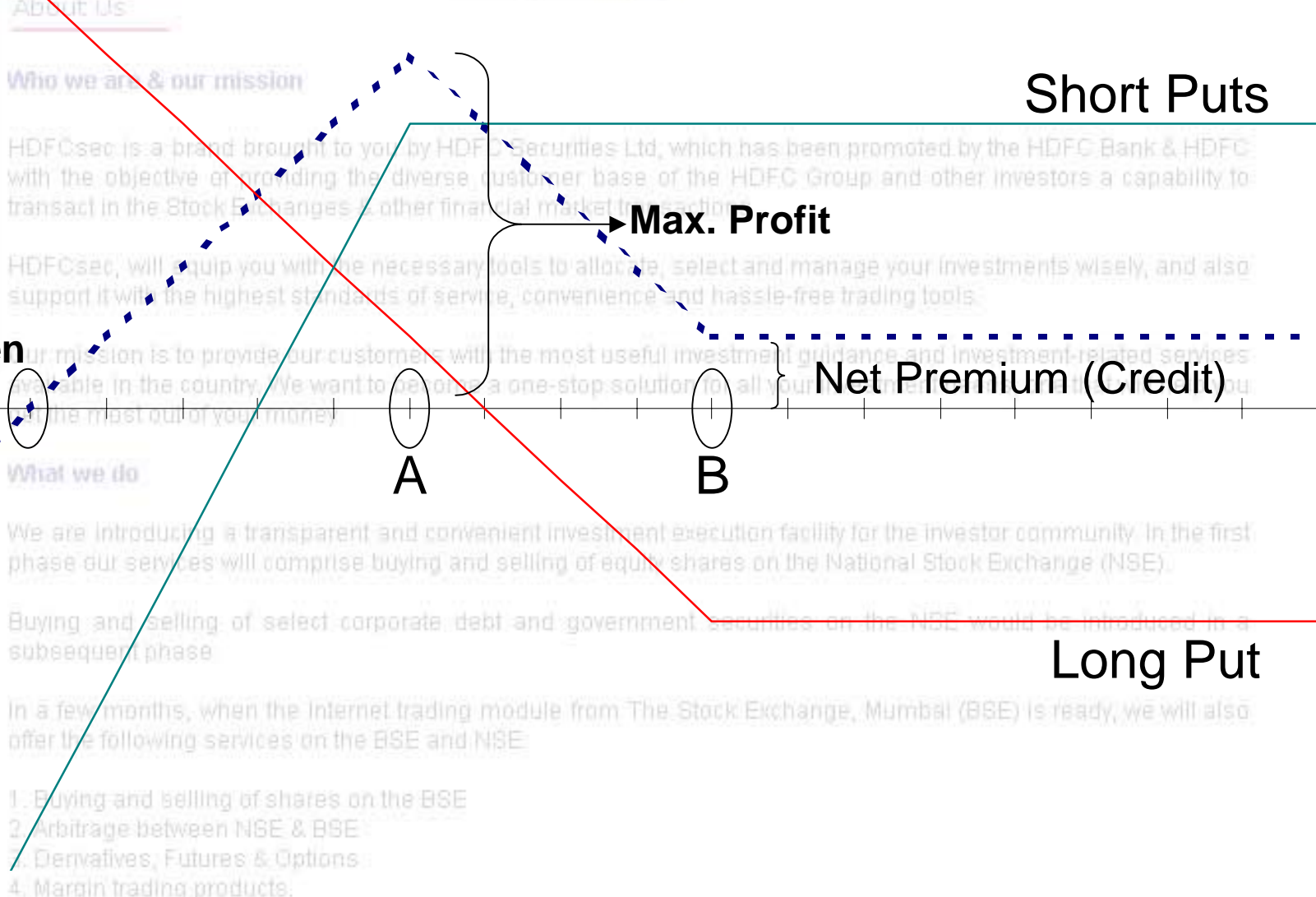
- Sell 2 Puts A, Buy Call B & Short Futures

# Put Ratio Spread

Profit

Stock Market | Company | Sector | Mutual Funds | News | Basics

Industry | Economy



Short Puts

Max. Profit

Breakeven

Net Premium (Credit)

A

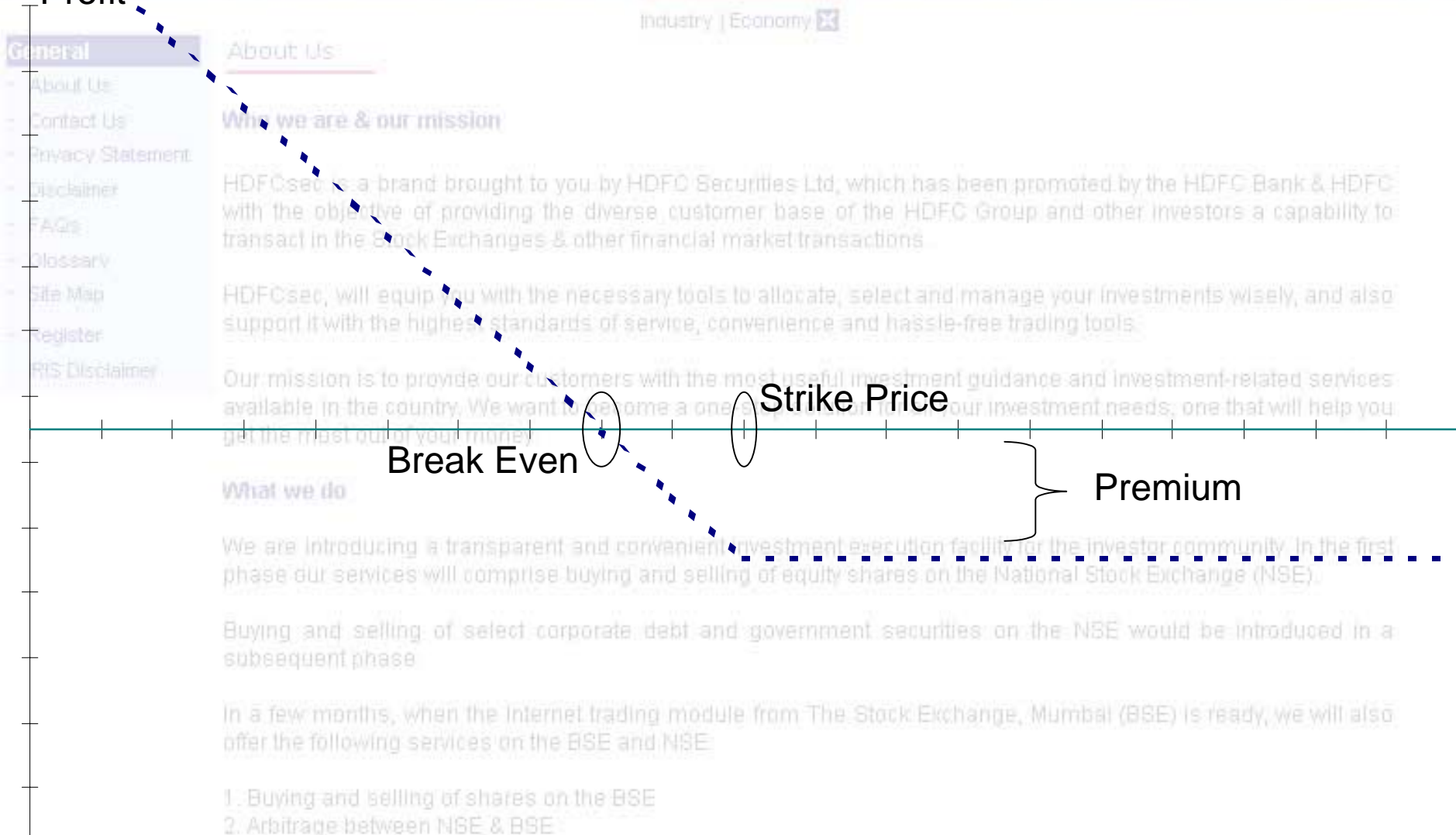
B

Long Put

Loss

# Long Put

View	Comment
Profit	Unlimited, Increases as the spot price decreases
Loss	Limited to the premium paid
Breakeven	Strike price - premium
Time Decay	Hurts
Use	Very bearish outlook
Volatility	Volatility increase helps the position
Margin	No





## Protective Call

- Sell Underlying or Sell Futures, and Buy Call

*(Upside Risk is hedged)*

### Max. Loss:

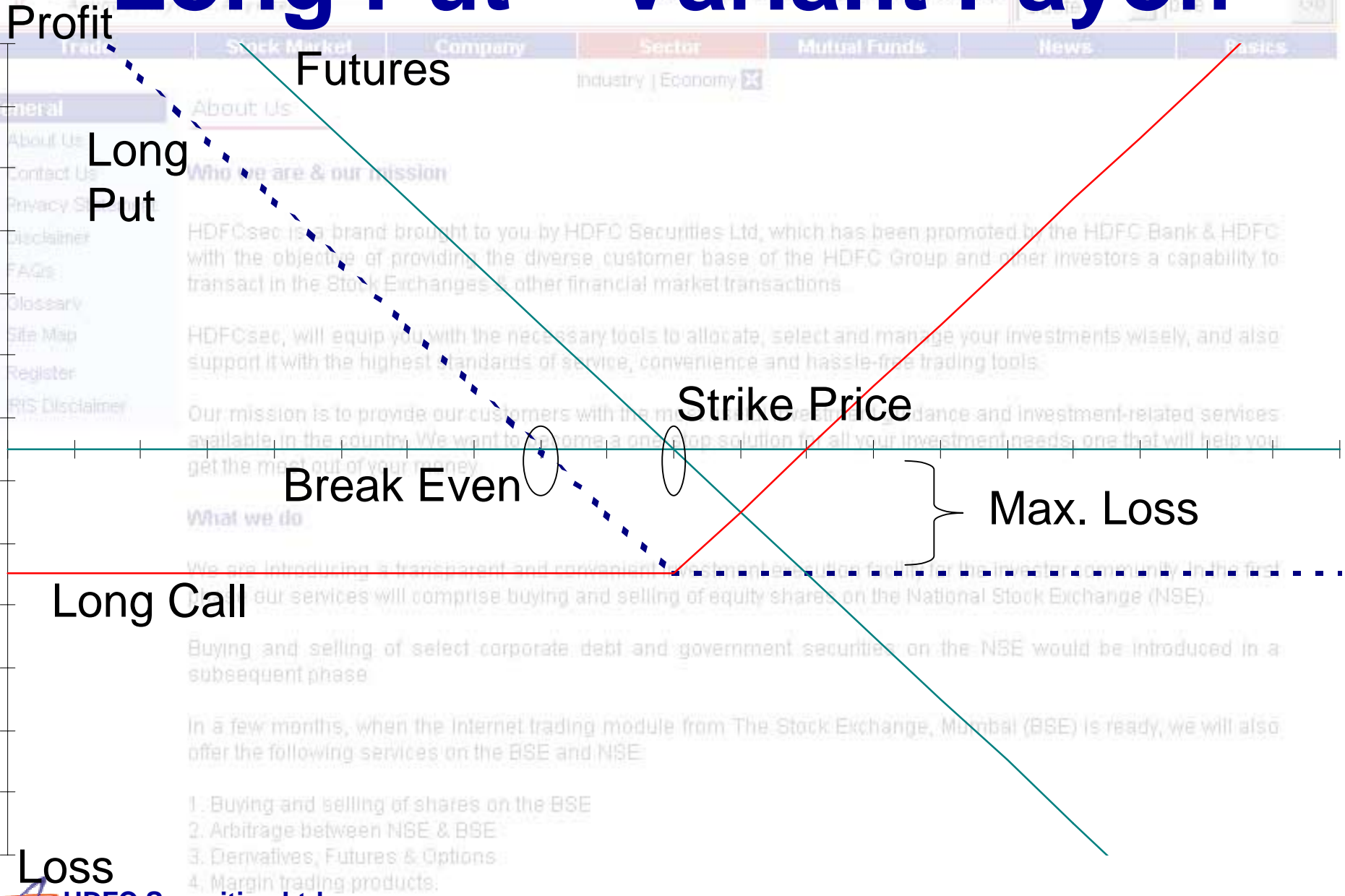
If Futures < Strike = (Strike – Futures) + Premium

If Futures > Strike = Premium – (Futures - Strike)

Breakeven = Call Strike - Max. Loss

Margin required for position in Futures

# Long Put – Variant Payoff



# Put Ratio Backspread

View	Comment
Profit	Increases as the spot price decreases
Loss	$(B - A) + (\text{debit premium})$ <u>or</u> $-(\text{credit premium})$
Breakeven	$A - \text{Loss}$
Time Decay	Hurts
Use	Market is near A and outlook is bearish
Volatility	Volatility increase helps the position
Margin	Yes

# Put Ratio Backspread

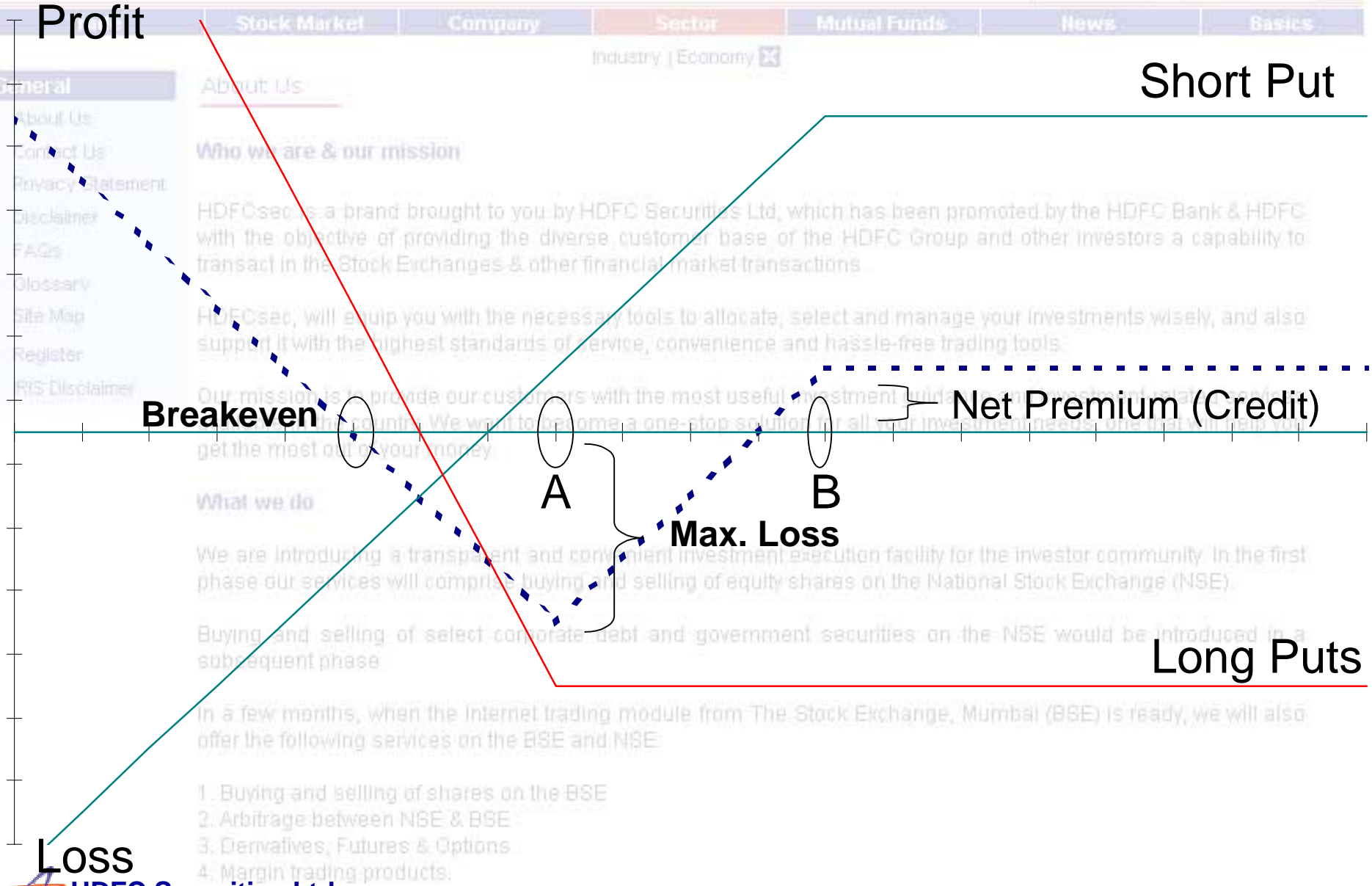
## Formation

- Buy 2 lower strike (A) puts &  
Sell a higher strike (B) put.

## Variant

- Buy 2 lower strike (A) puts,  
Sell a higher strike (B) call &  
Long Futures

# Put Ratio Backspread – Payoff





# Short Futures

View	Comment
Profit	Increases as the spot price decreases
Loss	Increases as the spot price increases
Breakeven	Sell price + Brokerage
Time Decay	No impact
Use	Very bearish outlook
Volatility	No impact
Margin	Yes

# Short Futures

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About Us

**Who we are & our mission**

HDFCsec is a brand brought to you by HDFC Securities Ltd, which has been promoted by the HDFC Bank & HDFC with the objective of providing the diverse customer base of the HDFC Group and other investors a capability to transact in the Stock Exchanges & other financial market transactions.

HDFCsec, will equip you with the necessary tools to allocate, select and manage your investments wisely, and also support it with the highest standards of service, convenience and hassle-free trading tools.

Our mission is to provide our customers with the most comprehensive range of guidance and investment-related services available in the country. We want to become a one-stop solution for all your investment needs, one that will help you get the most out of your money.

**What we do**

We are introducing a transparent and convenient investment execution facility for the investor community. In the first phase our services will comprise buying and selling of equity shares on the National Stock Exchange (NSE).

Buying and selling of select corporate debt and government securities on the NSE would be introduced in a subsequent phase.

In a few months, when the Internet trading module from The Stock Exchange, Mumbai (BSE) is ready, we will also offer the following services on the BSE and NSE:

1. Buying and selling of shares on the BSE
2. Arbitrage between NSE & BSE
3. Derivatives, Futures & Options
4. Margin trading products.

Profit

Loss



Sale Price

# Short Futures – Variant

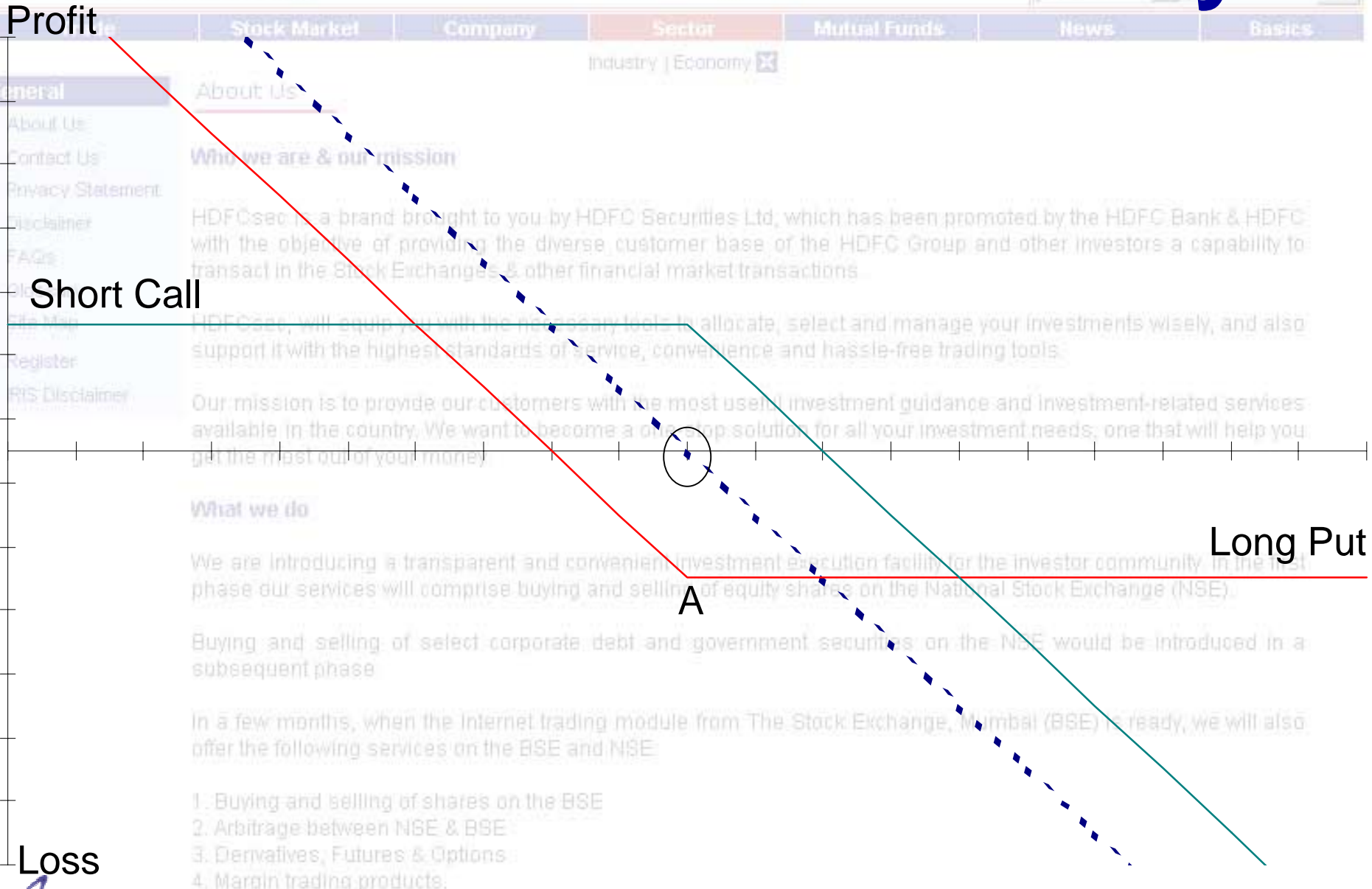
## Formation

- Buy Put A & Sell Call A

## Going Short at

A + Call Premium – Put Premium

# Short Futures – Variant Payoff



# Short Semi Futures

View	Comment
Profit	Increases as the spot price decreases
Loss	Increases as the spot price increases
Breakeven	Call Strike (B) + Premium credit <u>or</u> Put Strike (A) - Premium debit
Time Decay	Mixed – Hurts for Long put and helps for Short call
Use	Bearish outlook
Volatility	Neutral
Margin	Yes



# Short Semi Futures

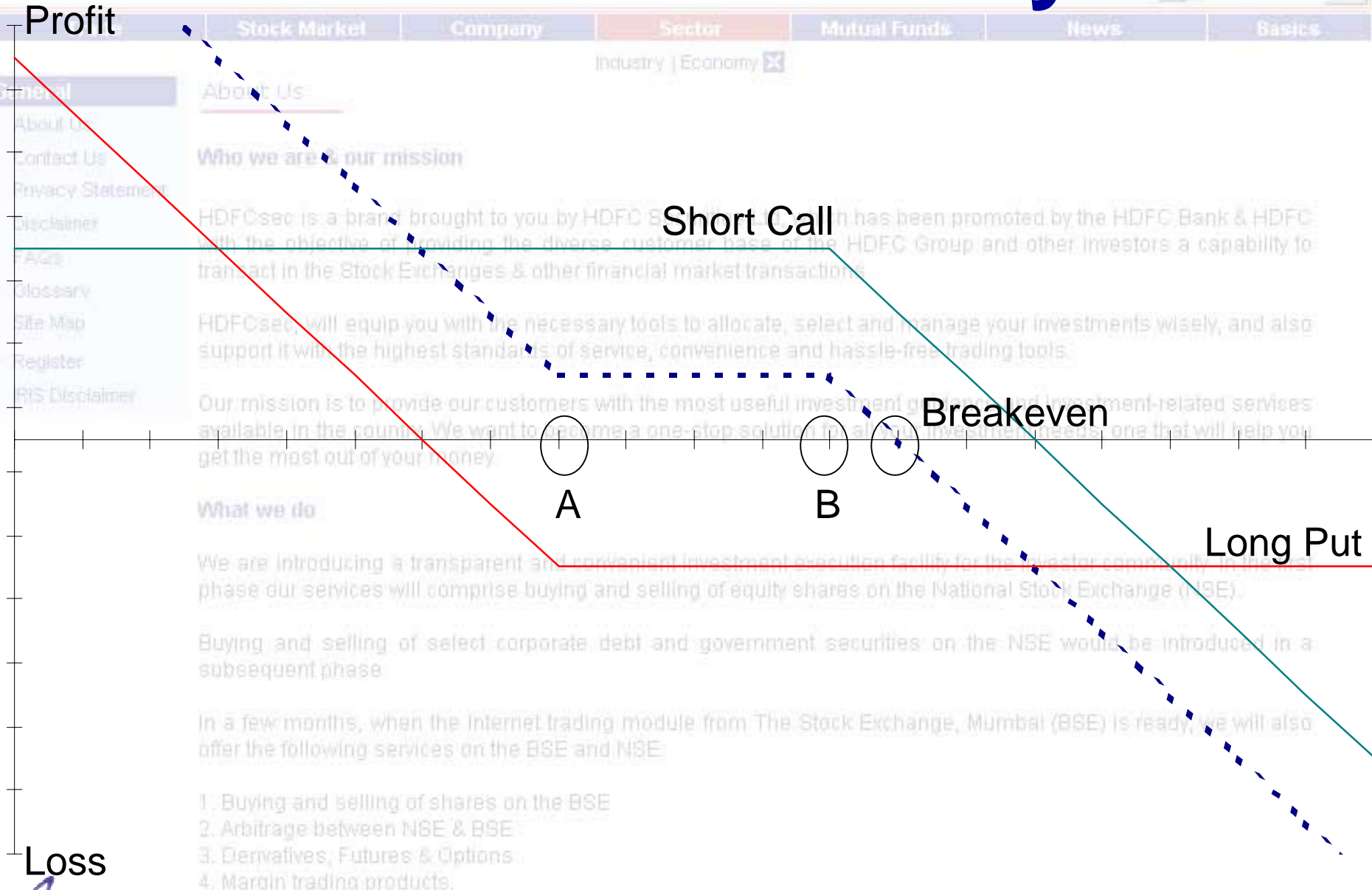
## Formation

- Buy Put A & Sell Call B

## Variant

- Buy Put A, Sell Put B & Short Futures

# Short Futures – Payoff



# Bear Put Spread

View	Comment
Profit	Limited, Max. Profit = $(B - A) - \text{Net Premium}$
Loss	Limited, Max. Loss = Net Premium
Breakeven	Strike B - Max. Loss
Time Decay	Mixed – Hurts for long put and helps for short put
Use	Bearish outlook
Volatility	Neutral
Margin	Yes

## Formation

- Buy Put B and Sell Put A

## Variant

- Buy Call B, Short Futures & Sell Put A

# Bear Put Spread – Payoff

Profit

Stock Market

Company

Sector

Mutual Funds

News

Basics

Industry | Economy

General

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- 4. Margin trading products

Short Put

A

Breakeven

B

Long Put

Loss



# Bear Call Spread

View	Comment
Profit	Limited, Max. Profit = Net Premium
Loss	Limited, Max. Loss = $(B - A) - \text{Net Premium}$
Breakeven	Strike B - Max. Loss
Time Decay	Mixed – Hurts for long call and helps for short call
Use	Bearish outlook
Volatility	Neutral
Margin	Yes

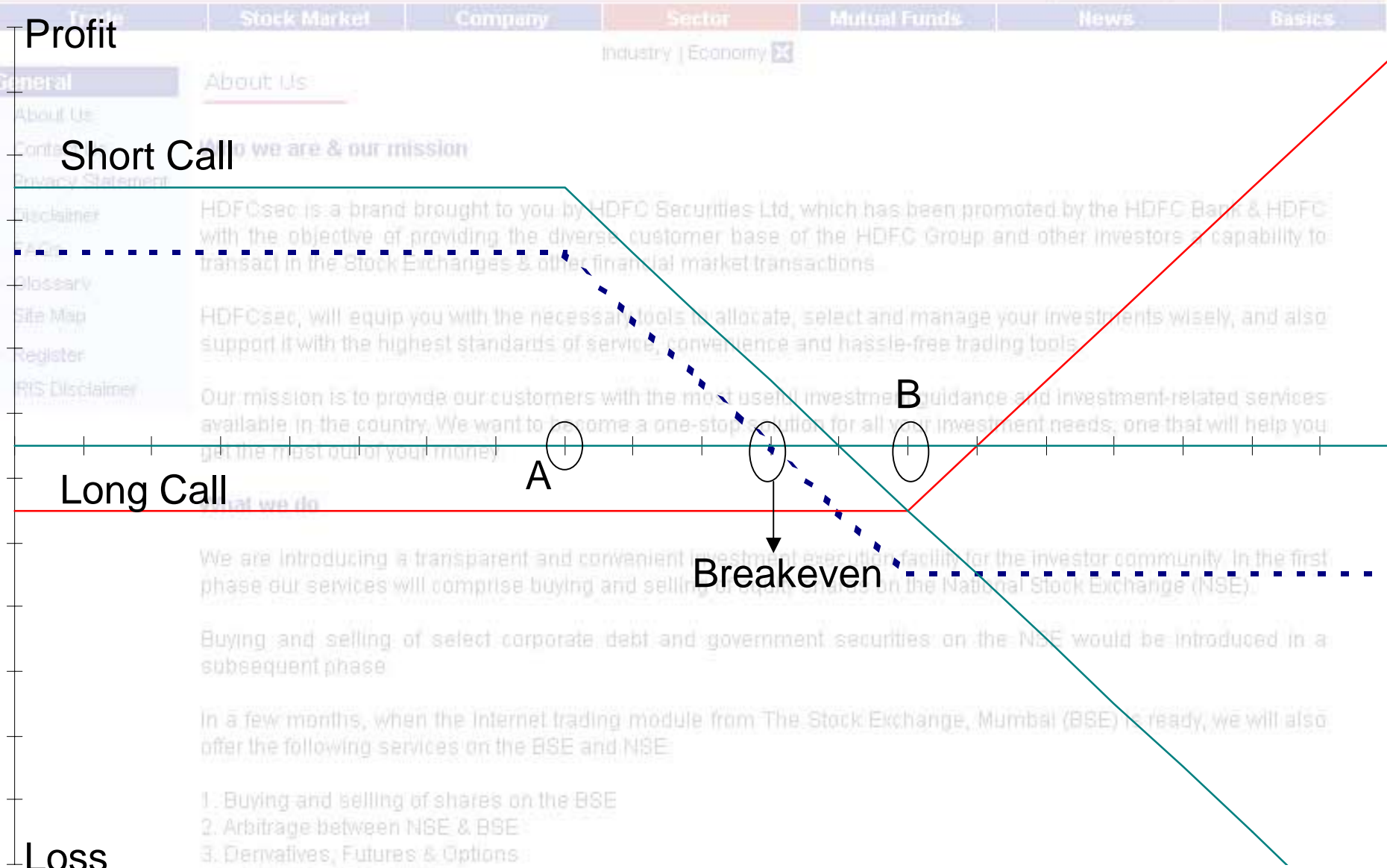
## Formation

- Buy Call B & Sell Call A

## Variant

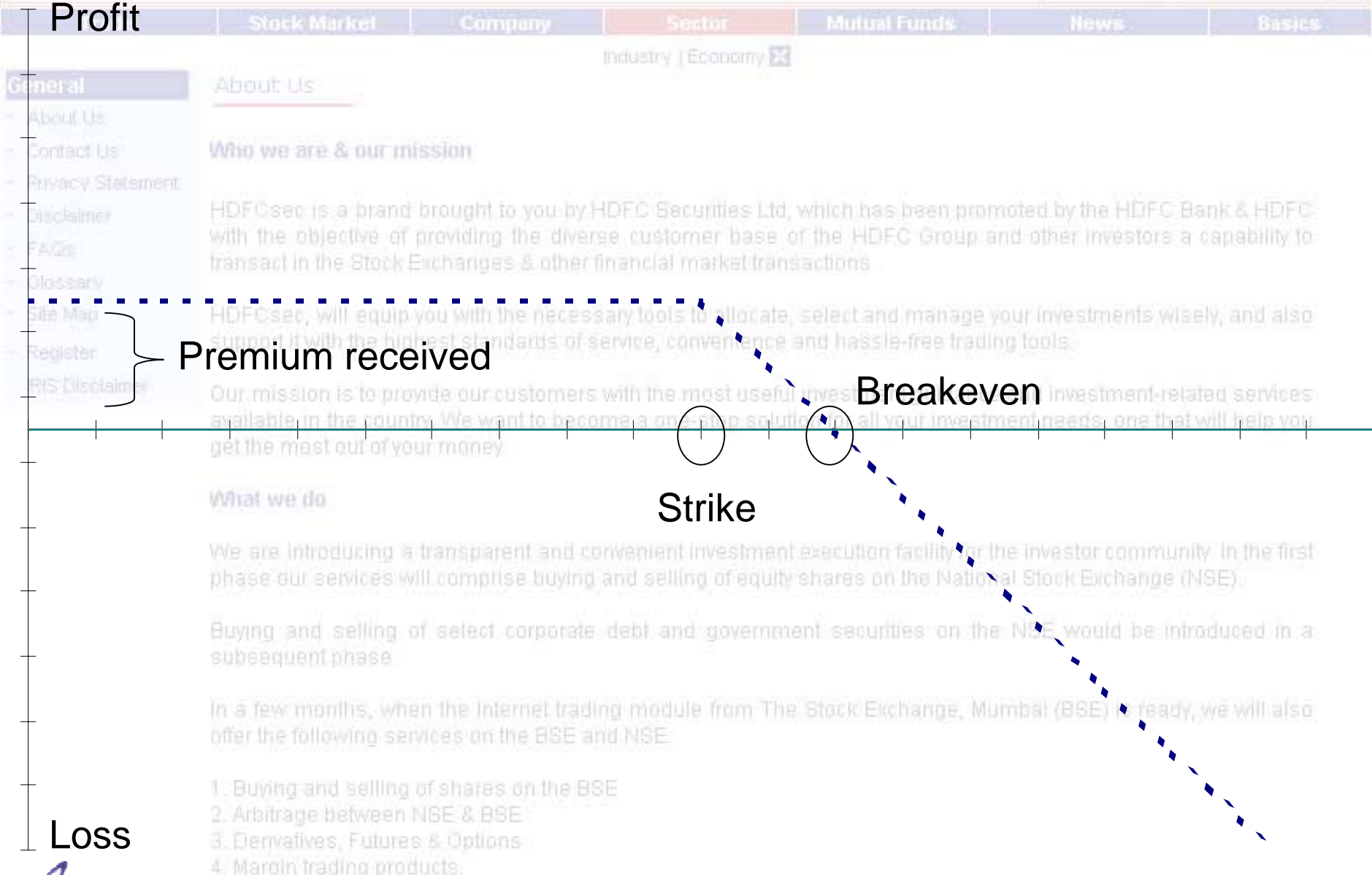
- Buy Call B, Sell Put A & Short Futures

# Bear Call Spread – Payoff



View	Comment
Profit	Limited to the premium received
Loss	Unlimited, increases as the spot price increases
Breakeven	Strike price + Premium
Time Decay	Helps
Use	Bearish outlook
Volatility	Volatility decrease helps the position
Margin	Yes

# Short Call – Payoff





# Short Call – Variant

## Covered Put

- Short Futures, and Sell Put A

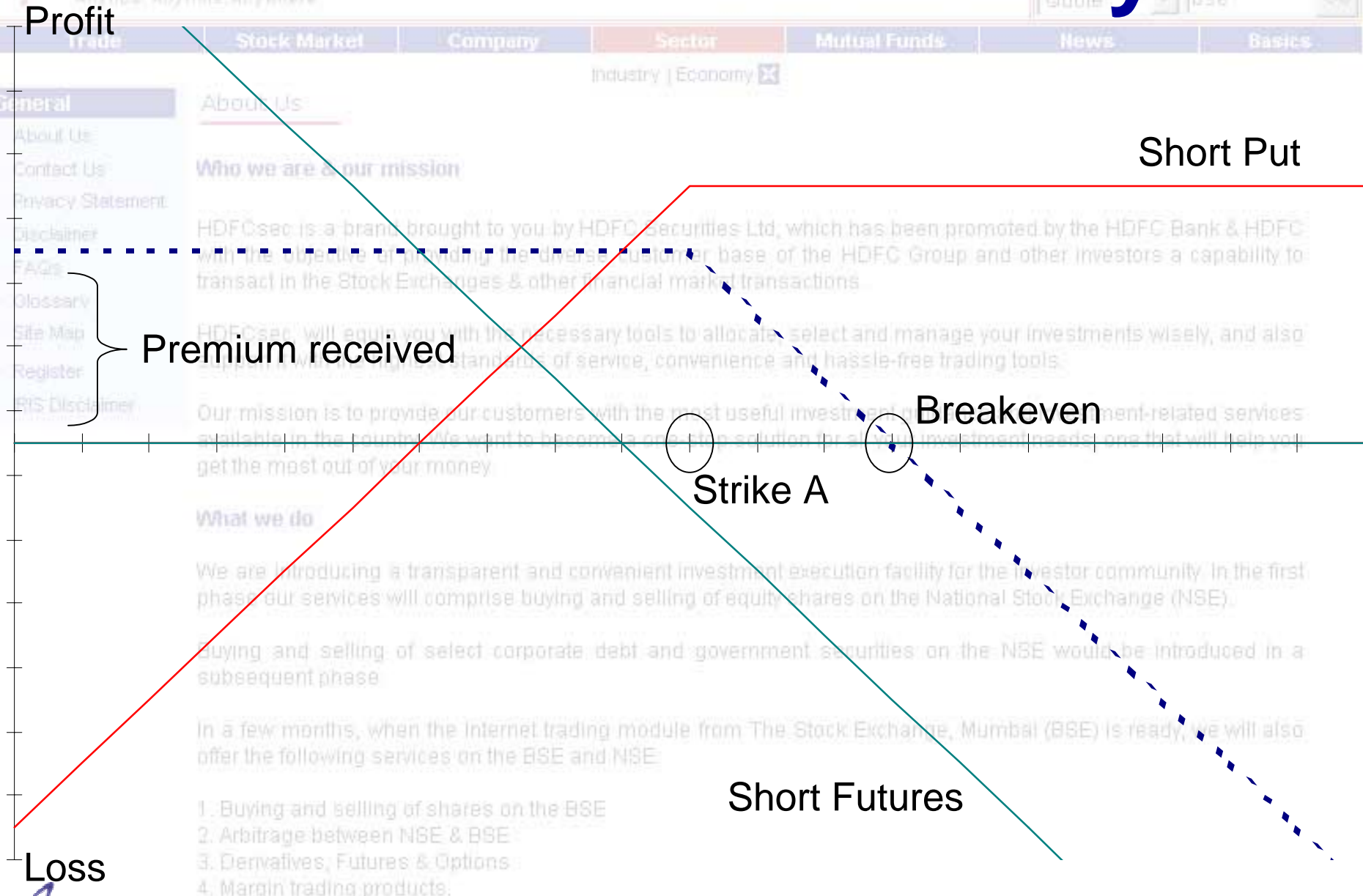
### Max. Profit:

If Futures < Strike = Premium - (Strike – Futures)

If Futures > Strike = Premium + (Futures – Strike)

Breakeven = Put Strike + Max. Profit

# Short Call – Variant Payoff



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# Thank You

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