Bank Nifty Options Strategies

NSE
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About NSE

National Stock Exchange of India Limited (NSE) is an electronic exchange with a nationwide presence. It offers trading facility through its fully automated, screen based trading system. A variety of financial instruments, which includes, equities, debentures, government securities, index futures, index options, stock futures, stock options, currency futures, Interest rate Futures etc. are traded on its electronic platform.

NSE is the largest stock exchange in India, with a significant market share in equities and in derivatives (equities/equity indices/currency). It is also one of the leading global exchanges. NSE uses a state of the art telecommunication network to provide investors an efficient and transparent market.

NSE has created new benchmarks in technology infrastructure, risk management systems, clearing and settlement systems, investor services and best market practices. It has been in the fore front offering newer products in equities and derivatives and also new asset classes for the investors to choose from.

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How to use this booklet

Each strategy has an accompanying graph at lower right hand corner showing profit and loss at expiration. The vertical axis shows the profit/loss scale.

When pay-off line is below the horizontal axis it represents the loss/outlay for the strategy. The portion of the pay-off line above the horizontal axis represents a credit or profit for the position.

The intersection of the pay-off line and the horizontal axis is the break-even point (BEP) not including transaction costs, commissions, taxes, margin costs etc.

An illustrative example for the explained strategy and a pay-off table based on example are also provided for better understanding. Each contract used in the following examples has a lot size of 25
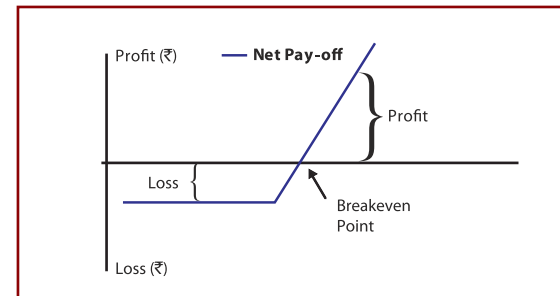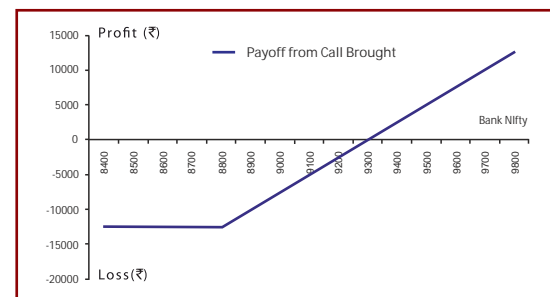
- **View:** Very bullish on Bank Nifty

- **Strategy:** Buy call option

- **Risk:** Limited to premium

- **Reward:** Unlimited

- **Breakeven:** Strike price + Premium

- Profit, when: Bank Nifty closes above the strike price on expiry

- Loss, when: Bank Nifty closes below the strike price on expiry

Notes

Example: Buy 1 Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Strike Price (₹)	8800
	Premium (₹)	500
	Break Even (₹)	9300

Bank Nifty on expiry (₹)	Premium Pay-off (₹)	Exercise Pay-off (₹)	Net Pay-off (₹)
8800	-12500	0	-12500
9000	-12500	2500	-10000
9200	-12500	10000	- 2500
9400	-12500	15000	2500
9600	-12500	20000	7500

Payoff from Call Brought

- **View:** Bullish on Bank Nifty
- **Strategy:** Sell put option
- **Risk:** Unlimited
- **Reward:** Limited to premium
- **Breakeven:** Strike price - Premium
- Profit, when: Bank Nifty does not go down and option expires unexercised
- Loss, when: Bank Nifty goes down and option exercised

Notes

Example: Sell 1 Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Strike Price (₹)	8800
	Premium (₹)	400
	Break Even (₹)	8400

Bank Nifty on expiry (₹)	Premium Pay-off (₹)	Exercise Pay-off (₹)	Net Pay-off (₹)
8000	10000	-20000	10000
8200	10000	-15000	5000
8400	10000	-10000	0
8600	10000	-5000	5000
8800	10000	0	10000
9000	10000	0	10000

Payoff from Put Sold

Bullish Strategy : Call Spread

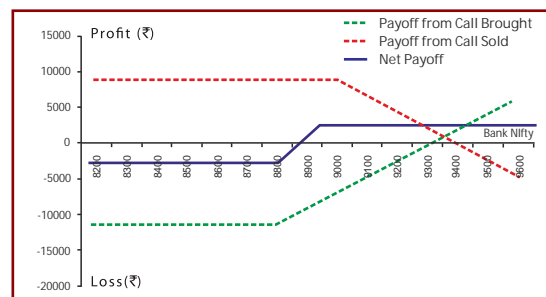- **View:** Moderately bullish on Bank Nifty

- **Strategy:** Buying ITM Call and selling OTM call thereby reducing cost and breakeven of ITM call

- **Risk:** Limited to net premium paid

- **Reward:** Limited to the difference between the two strikes minus net premium paid

- **Breakeven:** Strike price of purchased call + Net premium paid

- **Max profit, when:** both options exercised

- **Max Loss, when:** both options unexercised

Notes

Example: Buy 1 ITM Call Option and Sell 1 OTM Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	ITM Call Strike Price (₹)	8700
	Call Premium (₹)	500
	OTM Call Strike Price (₹)	9000
	Call Premium (₹)	400
	Break Even (₹)	8900

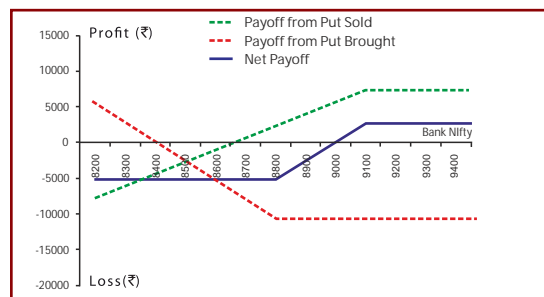| Bank Nifty on expiry (₹)	Pay-off from ITM Call brought (₹)	Pay-off from OTM Call Sold (₹)	Net Pay-off (₹)
8500	-12500	10000	-2500
8200	-12500	10000	-2500
8400	-10000	10000	0
8600	-5000	7500	2500
8800	0	2500	2500

Bullish Strategy : Put Spread

- **View:** Moderately bullish on Bank Nifty

- **Strategy:** Sell OTM Put and buy further OTM put to protect downside

- **Risk:** Limited to the difference between the two strikes minus net premium received

- **Reward:** Limited to net premium received

- **Breakeven:** Strike Price of short put -Net premium received

- **Max profit, when:** both options unexercised

- **Max Loss, when:** both options exercised

Notes

Example: Buy 1 ITM Call Option and Sell 1 OTM Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Sell OTM Put Strike Price(₹)	8800
	Put Premium (₹)	500
	Buy OTM Put Call Strike Price(₹)	8500
	Put Premium (₹)	400
	Break Even (₹)	9000

Bank Nifty on expiry (₹)	Pay-off from Put sold (₹)	Pay-off from Put purchase (₹)	Net Pay-off (₹)
8600	0	-5000	-5000
8800	5000	-10000	-5000
9000	10000	-10000	0
9200	12500	-10000	2500
9400	12500	-10000	2500

Profit (₹)
- - - Payoff from Put Sold
- - - Payoff from Put Brought
—— Net Payoff

Loss(₹)

- **View:** Conservatively bullish on Bank Nifty

- **Strategy:** Buy future and buy put option to protect against unexpected fall

- **Risk:** Limited to Future Price + Put Premium - Put Strike Price

- **Reward:** Unlimited

- **Breakeven:** Future Price + Put Premium

- **Profit, when:** Bank Nifty goes up

- **Max Loss, when:** Bank Nifty goes down and option exercised

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Example: Buy 1 Future and 1 Put Option*		
Bank Nifty	Future Price (₹)	8900
*Lot size 1 Contract = 25	Strike Price (₹)	8800
	Premium (₹)	200
	Break Even (₹)	9100

| Bank Nifty on expiry (₹)	Pay-off from Futures Long (₹)	Pay-off from Put option brought (₹)	Net Pay-off (₹)
8600	-7500	0	-7500
8800	-2500	-5000	-7500
9100	5000	-5000	0
9200	7500	-5000	2500
9500	15000	-5000	10000
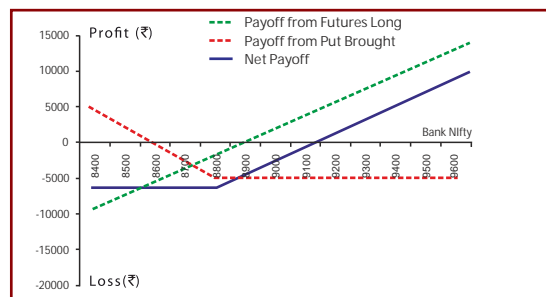
- **View:** Moderately Bullish on existing long future in portfolio

- **Strategy:** Sell OTM call option to earn premium

- **Risk:** Unlimited if Bank Nifty falls. Benefit to the extent of premium

- **Reward:** Limited to Strike price- Future Price Paid + Premium received

- **Breakeven:** Future price paid –Premium Received

- **Max Profit, when:** Bank Nifty goes up and option exercised

- **Loss, when:** Bank Nifty goes down

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Example: Exisiting 1 Long Future and Sell 1 OTM Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Future Price(₹)	8900
	Strike Price (₹)	9100
	Premium (₹)	200
	Break Even (₹)	8700

| Bank Nifty on expiry (₹)	Pay-off from Futures Long (₹)	Pay-off from Call sold (₹)	Net Pay-off (₹)
8500	-10000	5000	-5000
8600	-7500	5000	-2500
8700	-5000	5000	0
8800	-2500	5000	2500
8900	0	5000	5000
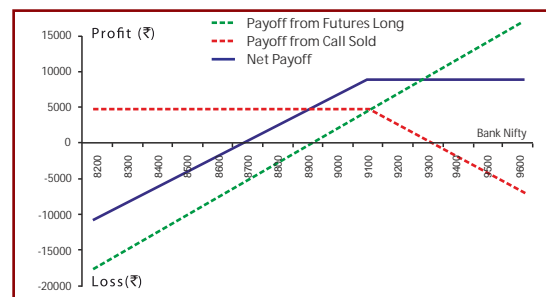
Bullish Strategy : Collar

- **View:** Conservatively bullish

- **Strategy:** Buy futures, buy put to insure downside, sell call option to partly finance put

- **Risk:** Limited

- **Reward:** Limited

- **Breakeven:** Purchase price of futures - Call premium + Put premium

- **Max profit, when:** Bank Nifty goes up and call option exercised

- **Max Loss, when:** Bank Nifty goes down and put option exercised

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Example: Buy 1 Future and 1 Put Option Contract and Sell 1 Call Option Contract*		
Bank Nifty	Future Price (₹)	8900
*Lot size 1 Contract = 25	Put Strike Price (₹)	8800
	Put Premium (₹)	150
	Call Strike Price (₹)	9000
	Call Premium (₹)	200
	Break Even (₹)	8850

Bank Nifty on expiry (₹)	Pay-off from Futures Long (₹)	Pay-off from Put brought (₹)	Pay-off from Call sold (₹)	Net Pay-off (₹)
8600	-7500	1250	5000	-1250
8800	-2500	-3750	5000	-1250
8850	-1250	-3750	5000	0
9000	2500	-3750	2500	3750
9300	10000	-3750	-2500	3750
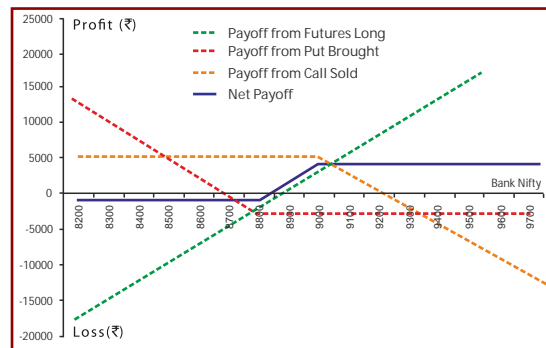
8 Bullish Strategy : Long Combo

- **View:** Bullish on Bank Nifty

- **Strategy:** Sell OTM put and buy OTM call option

- **Risk:** Unlimited

- **Reward:** Unlimited

- **Breakeven:** Call strike + Net premium

- **Profit, when:** Bank Nifty goes up and call option exercised

- **Loss, when:** Bank Nifty goes down and put option exercised

Example: Sell 1 OTM Put Option and Buy 1 OTM Call Option*

Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Put Strike Price (₹)	8800
	Put Premium (₹)	300
	Call Strike Price (₹)	9000
	Call Premium (₹)	400
	Break Even (₹)	9100

Bank Nifty on expiry (₹)	Pay-off from Put sold (₹)	Pay-off from Call brought (₹)	Net Pay-off (₹)
8700	5000	-10000	-5000
8900	7500	-10000	-2500
9100	7500	-7500	0
9300	7500	-2500	5000
9500	7500	2500	10000

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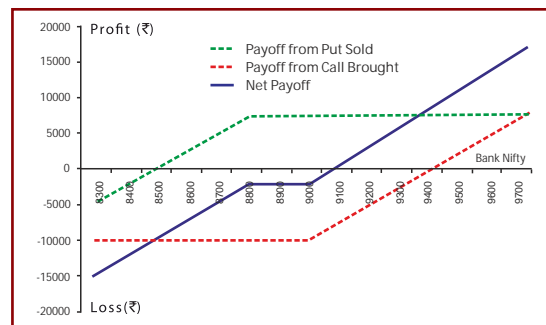
- **View:** Bearish on Bank Nifty

- **Strategy:** Buy put option

- **Risk:** Limited to premium

- **Reward:** Unlimited

- **Breakeven:** Strike Price – Premium

- **Profit, when:** Bank Nifty goes down and option exercised

- **Max Loss, when:** Bank Nifty goes up and option not exercised

Notes

Example: Buy 1 Put Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Strike Price (₹)	8800
	Premium (₹)	400
	Break Even (₹)	8400

Bank Nifty on expiry (₹)	Pay-off from (₹)	Pay-off from (₹)	Net Pay-off (₹)
8000	-10000	20000	10000
8200	-10000	15000	5000
8400	-10000	10000	0
8600	-10000	5000	-5000
8800	-10000	0	-10000
9000	-10000	0	-10000
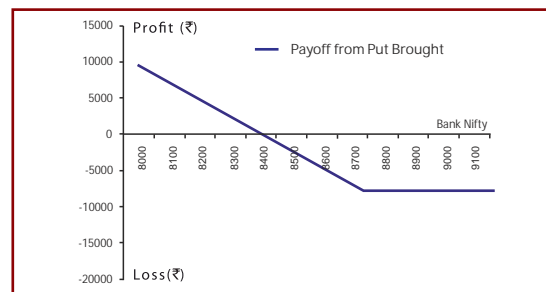
- **View:** Very bearish on Bank Nifty

- **Strategy:** Sell call option

- **Risk:** Unlimited

- **Reward:** Limited to premium

- **Breakeven:** Strike Price + Premium

- **Max Profit, when:** Bank Nifty goes down and option not exercised

- **Loss, when:** Bank Nifty goes up and option exercised

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Example: Sell 1 Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Strike Price (₹)	8800
	Premium (₹)	500
	Break Even (₹)	9300

Bank Nifty on expiry (₹)	Premium Pay-off (₹)	Exercise Pay-off (₹)	Net Pay-off (₹)
8800	12500	0	12500
9000	12500	-2500	10000
9200	12500	-10000	2500
9400	12500	-15000	-2500
9600	12500	-20000	-7500

Payoff from Call Sold

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- **View:** Mildly Bearish on Bank Nifty

- **Strategy:** Sell ITM Call and buy OTM Call option to protect against unexpected rise

- **Risk:** Limited to the difference between the two strikes minus net premium

- **Reward:** Limited to the net premium received

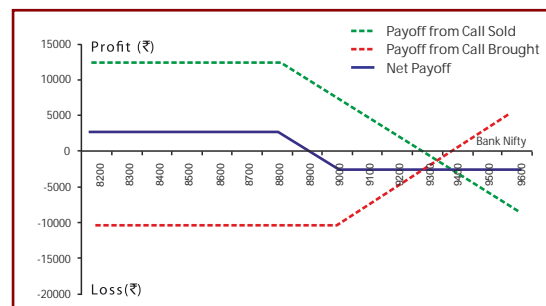- **Breakeven:** Strike Price of Short call + Net premium received

- **Max profit, when:** Bank Nifty goes down and both options not exercised

- **Max Loss, when:** Bank Nifty goes up and both options exercised

Notes

Example: Sell 1 ITM Call Option and Buy 1 OTM Call Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Sell ITM Call Strike Price(₹)	8800
	Call Premium(₹)	500
	Buy OTM Call Strike Price (₹)	9000
	Call Premium(₹)	400
	Break Even (₹)	8900

Bank Nifty on expiry (₹)	Pay-off from ITM Call Sold (₹)	Pay-off from OTM Call Brought (₹)	Net Pay-off (₹)
8500	12500	-10000	2500
8700	12500	-10000	2500
8900	10000	-10000	0
9100	5000	-7500	-2500
9300	0	-2500	-2500

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Bearish Strategy : Put Spread

- **View:** Moderately Bearish on Bank Nifty

- **Strategy:** Buy ITM Put and sell OTM Put option to reduce cost and breakeven of ITM Put

- **Risk:** Limited to net premium paid

- **Reward:** Limited to the difference between the two strikes minus net premium paid

- **Breakeven:** Strike price of long Put -Net premium paid

- **Max profit, when:** Bank Nifty goes down and both options exercised

- **Max Loss, when:** Bank Nifty goes up and both options unexercised

Notes

Example: Buy 1 ITM Put Option and Sell 1 OTM Put Option*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Buy ITM Call Strike Price(₹)	9100
	Puf Premium (₹)	500
	Sell OTM Put Strike Price (₹)	8800
	Put Premium (₹)	400
	Break Even (₹)	9000

Bank Nifty on expiry (₹)	Pay-off from ITM Put brought (₹)	Pay-off from OTM Put sold (₹)	Net Pay-off (₹)
8600	0	5000	5000
8800	-5000	10000	5000
9000	-10000	10000	0
9200	-12500	10000	-2500
9400	-12500	10000	-2500

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Bearish Strategy : Protective Call / Synthetic Long Put

- **View:** Bearish on Bank Nifty but keep protected against any unexpected rise

- **Strategy:** Sell futures, buy call option to protect against rise in Bank Nifty

- **Risk:** Limited to Call strike price -Futures price + Premium

- **Reward:** Unlimited

- **Breakeven:** Futures price -Call premium

- **Profit, when:** Bank Nifty goes down and option not exercised

- **Max Loss, when:** Bank Nifty goes up and option exercised

Notes

Example: Buy 1 ITM Put Option and Sell 1 OTM Put Option*

Bank Nifty	Future Price (₹)	8900
*Lot size 1 Contract = 25	Buy Call Strike Price (₹)	8900
	Call Premium (₹)	200
	Break Even (₹)	8700

Bank Nifty on expiry (₹)	Pay-off on Futures (₹)	Pay-off from Call brought (₹)	Net Pay-off (₹)
8300	15000	-5000	10000
8500	10000	-5000	5000
8700	5000	-5000	0
8900	0	-5000	-5000
9100	-5000	0	-5000

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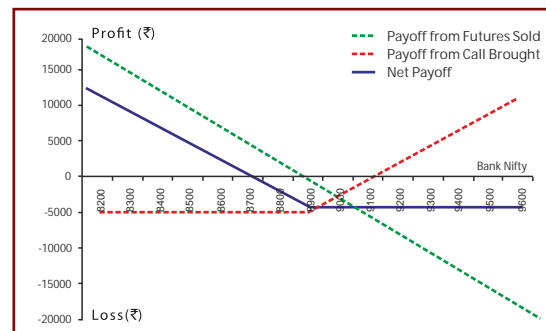
- **View:** Neutral to Bearish on Bank Nifty

- **Strategy:** Sell futures, Sell OTM put option to earn premium

- **Risk:** Unlimited

- **Reward:** Future price – Strike price + Put premium

- **Breakeven:** Futures price + Premium received

- **Max Profit, when:** Bank Nifty goes down and option exercised

- **Max Loss, when:** Bank Nifty goes up and option not exercised

Notes

Example: Sell 1 Futures and Sell 1 Put Option*		
Bank Nifty	Future Price (₹)	8900
*Lot size 1 Contract = 25	Put Call Strike Price (₹)	8800
	Put Premium (₹)	200
	Break Even (₹)	9100

Bank Nifty on expiry (₹)	Pay-off from Futures (₹)	Pay-off from Put sold (₹)	Net Pay-off (₹)
8500	10000	-2500	7500
8700	5000	2500	7500
8900	0	5000	5000
9100	-5000	5000	0
9300	-10000	5000	-5000
9500	-15000	5000	-10000
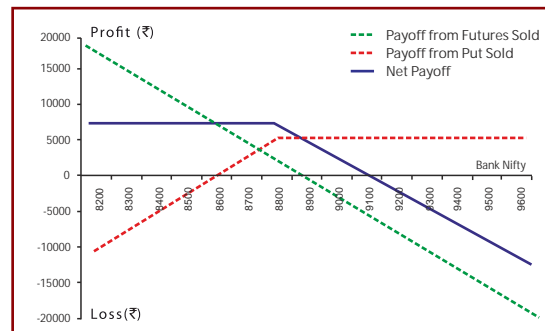
- **View:** Bank Nifty will experience significant volatility

- **Strategy:** Buy call and buy put option of same strike price

- **Risk:** Limited to Premium paid

- **Reward:** Unlimited

- **Breakeven:** Upper BEP = Strike Price of Long Call + Net Premium Paid

  Lower BEP = Strike Price of Long Put - Net Premium Paid

- **Profit, when:** One of the option exercised

- **Max Loss, when:** Both the option not exercised

Notes

Example: Buy 1 Call and Buy 1 Put Option at same strike		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Call and Put Strike Price (₹)	9000
	Call Premium (₹)	100
	Put Premium (₹)	200
	Upper BEP (₹)	9300
	Lower BEP (₹)	8700

Bank Nifty on expiry (₹)	Pay-off from Call brought (₹)	Pay-off from Put sold (₹)	Net Pay-off (₹)
8300	-2500	12500	10000
8500	-2500	7500	5000
8700	-2500	2500	0.00
9000	-2500	-5000	-7500
9300	5000	-5000	0.00
9600	12500	-5000	7500
10000	22500	-5000	17500

Profit (₹)

- - - Payoff from Call Brought
- - - Payoff from Put Brought
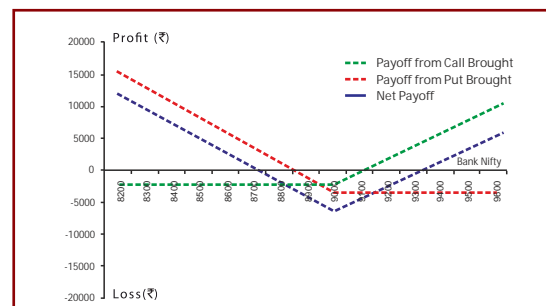—— Net Payoff

Bank Nifty

Loss (₹)

- **View:** Bank Nifty will experience very little volatility

- **Strategy:** Sell Call and sell Put option of same strike price

- **Risk:** Unlimited

- **Reward:** Limited to Premium received

- **Breakeven:** Upper BEP = Strike price of short call + Net premium received

  Lower BEP = Strike price of short put - Net premium received

- **Max Profit, when:** Both the options not exercised

- **Loss, when:** one of the options exercised

Notes

Example: Buy 1 Call and Buy 1 Put Option at same strike		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Call and Put Strike Price (₹)	9000
	Call Premium (₹)	100
	Put Premium (₹)	200
	Upper BEP (₹)	9300
	Lower BEP (₹)	8700

Bank Nifty on expiry (₹)	Pay-off from Call brought (₹)	Pay-off from Put sold (₹)	Net Pay-off (₹)
8000	2500	-20000	-17500
8400	2500	-10000	-7500
8700	2500	-2500	0
9000	2500	5000	7500
9300	-5000	5000	0
9600	-12500	5000	-7500
10000	-22500	5000	-17500

Legend:
- Payoff from Call Sold
- Payoff from Put Sold
- Net Payoff

- **View:** Bank Nifty will experience significant volatility

- **Strategy:** Strategy : Buy slight OTM call and put option

- **Risk:** Limited to premium paid

- **Reward:** Unlimited

- **Breakeven:** Upper BEP = Strike price of Call + Net premium

  Lower BEP = Strike price of Put - Net premium

- **Profit, when:** One of the option exercised

- **Max Loss, when:** Both the option not exercised

Notes

Example: Buy 1 Call and Buy 1 Put Option at different strike		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Call Strike Price (₹)	9000
	Call Premium (₹)	200
	Put Strike Price (₹)	8800
	Put Premium (₹)	100
	Upper BEP (₹)	9300
	Lower BEP (₹)	8500

Bank Nifty on expiry (₹)	Pay-off from Call purchase (₹)	Pay-off from Put purchase (₹)	Net Pay-off (₹)
8000	-5000	17500	12500
8300	-5000	10000	5000
8500	-5000	5000	0
9000	-5000	-2500	-7500
9300	2500	-2500	0
9500	7500	-2500	5000
9800	15000	-2500	12500

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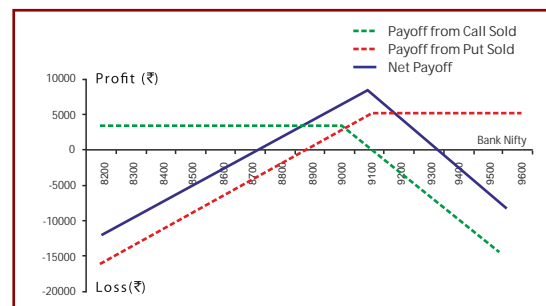
- **View:** Bank Nifty will experience very little volatility

- **Strategy:** Sell OTM Call and Put option

- **Risk:** Unlimited

- **Reward:** Limited to premium received

- **Breakeven:** Upper BEP = Strike price of Call + Net premium

  Lower BEP = Strike price of Put - Net Premium

- **Max Profit, when:** Both the options not exercised

- **Loss, when:** One of the options exercised

Notes

Example: Sell 1 Call and Sell 1 Put Option at different strike		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Call Strike Price (₹)	9000
	Call Premium (₹)	200
	Put Strike Price (₹)	8800
	Put Premium (₹)	100
	Upper BEP (₹)	9300
	Lower BEP (₹)	8500

Bank Nifty on expiry (₹)	Pay-off from Call sold (₹)	Pay-off from Put sold (₹)	Net Pay-off (₹)
8000	5000	-17500	-12500
8300	5000	-10000	-5000
8500	5000	-5000	0
9000	5000	2500	7500
9300	-2500	2500	0
9500	-7500	2500	-5000
9800	-15000	2500	-12500

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- **View:** Neutral on Bank Nifty direction and bearish on volatility
- **Strategy:** Sell 2 ATM Call, Buy 1 ITM Call and Buy 1 OTM Call
- **Risk:** Limited to net premium paid
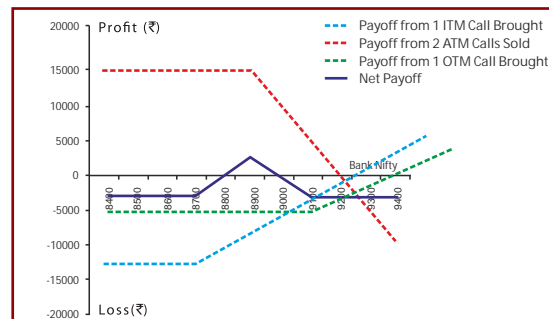- **Reward:** Limited to difference between adjacent strikes minus net premium debit
- **Breakeven:** Upper BEP = Higher Strike Price - Net Premium

  Lower BEP = Lower Strike Price + Net Premium
- **Profit, when:** ITM call exercised and other options not exercised
- **Max Loss, when:** all options exercised or all options not exercised

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Example: Sell 2 ATM Call, Buy 1 ITM Call and Sell 1 OTM Call*

Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Sell ATM Call Strike (₹)	8900
	Call Premium (₹)	300* 2
	Buy ITM Call Strike (₹)	8700
	Call Premium (₹)	500
	Buy OTM Call Strike (₹)	9100
	Call Premium (₹)	200
	Upper BEP (₹)	9000
	Lower BEP (₹)	8800

Bank Nifty on expiry (₹)	Pay-off from 1 ITM Call brought (₹)	Pay-off from 2 ATM Calls Sold (₹)	Pay-off from 1 OTM Call brought (₹)	Net Pay-off (₹)
8600	-12500	15000	-5000	-2500
8700	-12500	15000	-5000	-2500
8800	-10000	15000	-5000	0
8900	-7500	15000	-5000	2500
9000	-5000	10000	-5000	0
9100	-2500	5000	-5000	-2500
9200	0	0	-2500	-2500

Profit (₹) / Loss (₹) chart — Bank Nifty:
- Payoff from 1 ITM Call Brought
- Payoff from 2 ATM Calls Sold
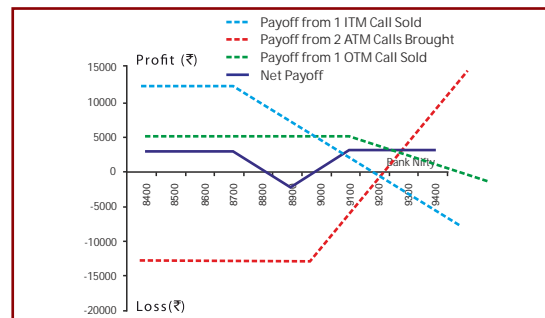- Payoff from 1 OTM Call Brought
- Net Payoff

- **View:** Neutral on Bank Nifty direction and bullish on volatility

- **Strategy:** Buy 2 ATM Call, Sell 1 ITM Call and Sell 1 OTM Call

- **Risk:** Limited to difference between adjacent strikes minus net premium received

- **Reward:** Limited to net premium received

- **Breakeven:** Upper BEP = Higher Strike Price - Net Premium Lower BEP = Lower Strike Price + Net Premium

- **Max Profit, when:** all options exercised or all options not exercised

- **Loss, when:** ITM call exercised and other options not exercised

Notes

Example: Buy 2 ATM Call, Sell 1 ITM Call, Sell 1 OTM Call		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Buy ATM Call Strike(₹)	8900
	Call Premium (₹)	300* 2
	Sell ITM Call Strike (₹)	8800
	Call Premium (₹)	500
	Sell OTM Call Strike (₹)	9100
	Call Premium (₹)	200
	Upper BEP (₹)	9000
	Lower BEP (₹)	8800

Bank Nifty on expiry (₹)	Pay-off from 2 ATM Calls purchased (₹)	Pay-off from 1 ITM Call sold (₹)	Pay-off from 1 OTM Call sold (₹)	Net Pay-off (₹)
8600	12500	-15000	5000	2500
8700	12500	-15000	5000	2500
8800	10000	-15000	5000	0
8900	7500	-15000	5000	-2500
9000	5000	-10000	5000	0
9100	2500	-5000	5000	2500
9200	0	0	2500	2500

Payoff from 1 ITM Call Sold
Payoff from 2 ATM Calls Brought
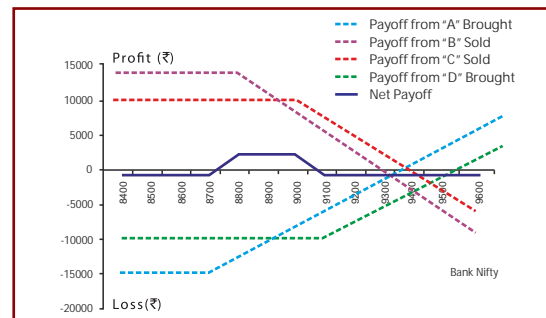Payoff from 1 OTM Call Sold
Net Payoff

- **View:** Range bound market
- **Strategy:** Buy 1 ITM Call (Lower strike "A"), Sell 1 ITM Call (Lower middle "B"), Sell 1 OTM Call (Higher middle "C"), Buy 1 OTM Call (Higher strike "D")
- **Risk:** Limited to difference between the lower strike spread less the higher strike spread less premium paid
- **Reward:** Limited. Max profit when Bank Nifty between "B" and "C"
- **Breakeven:** Upper BEP = Highest Strike Price - Net Premium. Lower BEP = Lowest Strike Price + Net Premium
- **Max Profit, when:** option "A & B" exercised
- **Max Loss, when:** all options exercised or all options not exercised

Notes

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Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Buy ITM Call Strike "A" (₹)	8700
	Call Premium (₹)	580
	Sell ITM Call Strike "B" (₹)	8800
	Call Premium (₹)	520
	Sell OTM Call Strike "C" (₹)	9000
	Call Premium (₹)	420
	Buy OTM Call Strike"D" (₹)	9100
	Call Premium (₹)	380
	Upper BEP (₹)	9080
	Lower BEP (₹)	8720

Bank Nifty on expiry (₹)	Pay-off from "A" (₹)	Pay-off from "B" (₹)	Pay-off from "C" (₹)	Pay-off from "D" (₹)	Net Pay-off (₹)
8400	-14500	13000	10500	-9500	-500
8600	-14500	13000	10500	-9500	-500
8720	-14000	13000	10500	-9500	0
8800	-12000	13000	10500	-9500	2000
9000	-7000	8000	10500	-9500	2000
9080	-5000	6000	8500	-9500	0
9200	-2000	3000	5500	-7000	-500
9400	3000	-2000	500	-2000	-500

Profit (₹)

- - - Payoff from "A" Brought
- - - Payoff from "B" Sold
- - - Payoff from "C" Sold
- - - Payoff from "D" Brought
— Net Payoff

15000
10000
5000
0
-5000
-10000
-15000
-20000

Loss(₹)

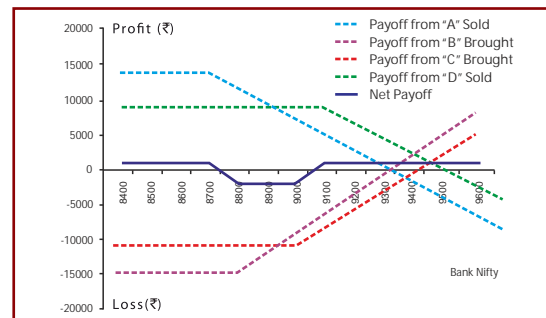Bank Nifty

Neutral Strategy : Short Call Condor

- **View:** Market will break-out trading range, but direction is uncertain

- **Strategy:** Sell 1 ITM Call (Lower strike "A"), Buy 1 ITM Call (Lower middle "B"), Buy 1 OTM Call (Higher middle "C"), Sell 1 OTM Call (Higher strike "D")

- **Risk:** Limited. Max loss when USD/INR between "B" and "C"

- **Reward:** Limited. Price move above the "D" or below "A"

- **Breakeven:** Upper BEP = Highest Strike Price - Net Premium Lower BEP = Lowest Strike Price + Net Premium

- **Max Profit, when:** all options exercised or all options not exercised

- **Max Loss, when:** option "A & B" exercised

Notes

Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Sell ITM Call Strike "A" (₹)	8700
	Call Premium (₹)	580
	Buy ITM Call Strike "B" (₹)	8800
	Call Premium (₹)	520
	Buy OTM Call Strike "C" (₹)	9000
	Call Premium (₹)	420
	Sell OTM Call Strike"D" (₹)	9100
	Call Premium (₹)	380
	Upper BEP (₹)	9080
	Lower BEP (₹)	8720

Bank Nifty on expiry (₹)	Pay-off from "A" (₹)	Pay-off from "B" (₹)	Pay-off from "C" (₹)	Pay-off from "D" (₹)	Net Pay-off (₹)
8400	14500	-13000	-10500	9500	500
8600	14500	-13000	-10500	9500	500
8720	14000	-13000	-10500	9500	0
8800	12000	-13000	-10500	9500	-2000
9000	7000	-8000	-10500	9500	-2000
9080	5000	-6000	-8500	9500	0
9200	2000	-3000	-5500	7000	500
9400	-3000	2000	-500	2000	500

Profit (₹) / Loss(₹) — Bank Nifty

Payoff from "A" Sold
Payoff from "B" Brought
Payoff from "C" Brought
Payoff from "D" Sold
Net Payoff

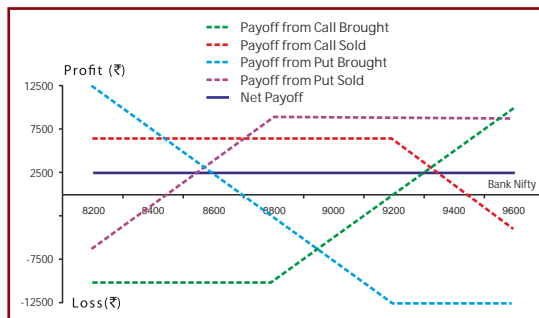**To take advantage of temporary mis-pricing of options in the market**

• **Strategy:** Buy Call strike "A", sell Call strike "B", buy Put strike "B" and sell Put strike "A"; Where B>A

• **Risk:** None, No effect of price change

• **Reward:** Fixed ((B-A)-Net Premium Debit)

• **Max Profit, when:** Always

• **Max Loss, when:** No effect of price change

Notes

Example: Buy 1 Call Strike 8800, Sell 1 Call Strike 9200, Buy 1 Put Strike 9200 & Sell Put Strike 8800*

Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Premium for Call Strike Price 45 (₹)	400
	Premium for Call Strike Price 50 (₹)	250
	Premium for Put Strike Price 50 (₹)	500
	Premium for Put Strike Price 45 (₹)	350

Bank Nifty on expiry (₹)	Pay-off from Call brought (₹)	Pay-off from Call sold (₹)	Pay-off from Put brought (₹)	Pay-off from Put sold (₹)	Net Pay-off (₹)
8700	-10000	6250	0	6250	2500
8800	-10000	6250	-2500	8750	2500
8900	-7500	6250	-5000	8750	2500
9000	-5000	6250	-7500	8750	2500
9100	-2500	6250	-10000	8750	2500
9200	0.00	6250	-12500	8750	2500
9300	2500	3750	-12500	8750	2500
9400	5000	1250	-12500	8750	2500

Payoff from Call Brought
Payoff from Call Sold
Payoff from Put Brought
Payoff from Put Sold
Net Payoff
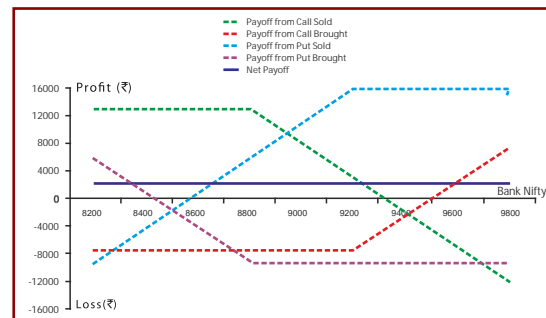
Profit (₹)

Bank Nifty

Loss(₹)

To take advantage of temporary mis-pricing of options in the market.

- **Strategy:** Buy Call "B", sell Call "A", buy Put "A" and sell Put "B"; Where B>A

- **Risk:** None, No effect of price change

- **Reward:** Fixed ((B-A)-Net Premium Credit)

- **Max Profit, when:** Always

- **Max Loss, when:** Never. No effect of price change

Notes

Example: Sell 1 Call Strike 45, Buy 1 Call Strike 50, Sell 1 Put Strike 50 & Buy 1 Put Strike 45*		
Bank Nifty	Spot Price (₹)	8900
*Lot size 1 Contract = 25	Premium for Call Strike Price 8800 (₹)	523
	Premium for Call Strike Price 9200 (₹)	302
	Premium for Put Strike Price 9200 (₹)	638
	Premium for Put Strike Price 8800 (₹)	362

Bank Nifty on expiry (₹)	Pay-off from Call sold (₹)	Pay-off from Call brought (₹)	Pay-off from Put sold (₹)	Pay-off from Put brought (₹)	Net Pay-off (₹)
8400	13000	-7500	-4000	1000	2500
8600	13000	-7500	1000	-4000	2500
8800	13000	-7500	6000	-9000	2500
9000	8000	-7500	11000	-9000	2500
9200	3000	-7500	16000	-9000	2500
9400	-2000	-2500	16000	-9000	2500
9600	-7000	2500	16000	-9000	2500

Legend:
- Payoff from Call Sold
- Payoff from Call Brought
- Payoff from Put Sold
- Payoff from Put Brought
- Net Payoff

Profit (₹) axis: 16000, 12000, 8000, 4000, 0, -4000, -8000, -12000, -16000 Loss(₹)

Bank Nifty axis: 8200, 8400, 8600, 8800, 9000, 9200, 9400, 9600, 9800

Glossary

At-the money (ATM): Any option is at-the money if the strike price is equal to the market price of underlying.

Break-Even Point (BEP): The price at which an option strategy results in neither a profit nor loss.

Call: An option contract that gives the holder the right to buy the underlying at a specified price for a certain, fixed period of time.

In-the-money (ITM): A call option is in-the-money if the strike price is less than the market price of the underlying. A put option is in-the-money if the strike price is greater than the market price of the underlying.

Long position: A position wherein an investor is a net holder in a particular options series.

Out-of-the-money (OTM): A call option is out-of-the-money if the strike price is greater than the market price of the underlying . A put option is out-of-the-money if the strike price is less than the market price of the underlying.

Premium: The price a put or call buyer must pay to a put or call seller (writer) for an option contract. Market supply and demand forces determine the premium.

Put: An option contract that gives the holder the right to sell the underlying at a specified price for a certain, fixed period of time.

Strike price or exercise price: The stated price per quantity for which the underlying may be purchased (in the case of a call) or sold (in the case of a put) by the option holder upon exercise of the option contract.

Synthetic position: A strategy involving two or more instruments that has the same risk/reward profile as a strategy involving only one instrument.

Time decay or erosion: A term used to describe how the time value of an option can "decay" or reduce with the passage of time.

Volatility: A measure of the fluctuation in the market price of the underlying. Mathematically, volatility is the annualized standard deviation of returns.

Notes