Twitter Thread by Chandan Taparia



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A Good but an old published article on #OptionsTrading activities in Indian Market. Sharing for your reading to understand what is it all about. Hope you would like it. @MotilalOswalLtd @BSEIndia @NSEIndia #Nifty #banknifty #TradingView

The Road Ahead



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INDIA DERIVATIVES MARKET AND OPPORTUNITIES IN OPTIONS

Indian Derivatives market is growing rapidly from last couple of years because of its multi fold advantages like higher liquidity, less transaction cost, flexibility, hedging, arbitrage, user friendly, customized strategies, limited or calculated risk and rising knowledge with better understanding among the market participants. Traders are now a days quite familiar with many well-known and low risk option strategy and also understand the effect and benefit of time decay.

Understanding and using the option and hedging activities can give an extra edge in such kind of upcoming scenario to mitigate the risk and to increase the profitability.

Index Options gaining significant share of overall business

In Indian derivatives market, options of Nifty, Bank Nifty and BSE Sensex contributes around 80-85% of total turnover. Now a days, weekly expiry of Bank Nifty and monthly expiry of Nifty attracts huge participations because of its inbuilt features. As per the exchange daily turnover data, suggests that the contribution of Index options in the exchange's overall business has increased significantly over the last few years.In FY18 the share of Index options in the average daily turnover stood at 78% which has increase to ~82 to 90% in FY19 and FY20so far.



Use of Options Trading to benefit from the current volatile market

Option market provides a huge opportunity to option buyers to play the volatility of expiry day by just paying a small premium amount and that is the only reason that Bank Nifty expiry makes everyone participate in it. While Option seller gets a better return on investment by selling near the money or out of the money strikes with the aim to get benefit from higher time decay with higher probability. All kinds of Option traders are involved here and most of the strategies can be used in a single day starting from naked buy, sell to all the spreads, butterfly, condor, covered call and puts based on expected market view.

Day by day jobber, arbitragers, hedger including delta hedging are also contributes to the biggest role in its trading depth and liquidity. Involvement of Algos and system trading is going to make this field more wide and opportunistic.

Option buyers and sellers both are enjoying with option premium, market volatility and that is the