

INFOSYS CMP- 2590

Initiated date: 1st Oct 2012

Exit date: 12th Oct 2012

Options strategy-					Payout tracker-				
STRIKE	BUY CALL	BUY PUT	PREM PAID	TOTAL	STRIKE	BUY CALL	BUY PUT	PREM RECD	TOTAL
2200					2200				
2250					2250				
2300					2300				
2350					2350				
2400					2400				
2450					2450				
2500					2500				
2550		94		11750	2550		210	210	26250
2600					2600				
2650	73			9125	2650				
2700					2700				
2750					2750				
2800					2800				
2850					2850				
2900					2900				
2950					2950				
3000					3000				
TOTAL				20875	TOTAL				26250

Payout calculation-				
STRIKE	BUY CALL	BUY PUT		SUM
2200	-9125	32000		22875
2250	-9125	25750		16625
2300	-9125	19500		10375
2350	-9125	13250		4125
2400	-9125	7000		-2125
2450	-9125	750		-8375
2500	-9125	-5500		-14625
2550	-9125	-11750		-20875
2600	-9125	-11750		-20875
2650	-9125	-11750		-20875
2700	-2875	-11750		-14625
2750	3375	-11750		-8375
2800	9625	-11750		-2125
2850	15875	-11750		4125
2900	22125	-11750		10375
2950	28375	-11750		16625
3000	34625	-11750		22875

Theory-

Infosys expected to breakout from the current 2500- 2650 range in the next 1- 2 weeks & likely to rally all the way to 3000 OR crash to 2200.

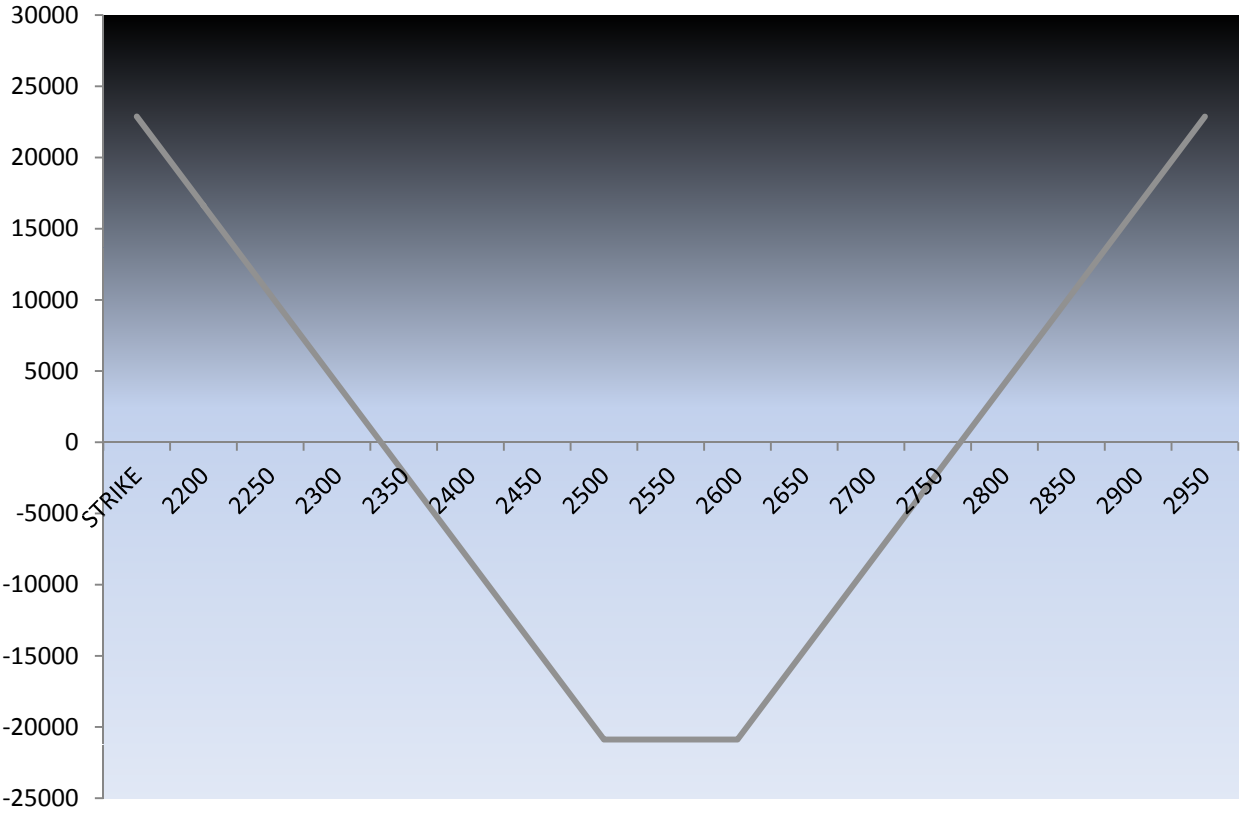
The strategy best used to counter expected volatility is the straddle & involves buying an out-of- the money call option & an out-of- the money put option.

Strategy analysis:
 Buy 2650 call & buy 2550 put
 Total premium paid: Rs 20,875
 Max profit: Unlimited
 Max loss: 20,875

If Infosys remains in the 2400- 2800 range on expiry (25th Oct 2012), the strategy will generate losses & the max. loss will be 20875 (which is equal to the premium paid). If prices move on either side of the 2400- 2800 band, the strategy will generate profits.

Pls. refer the payoff diagram below

Payoff diagram



SUM