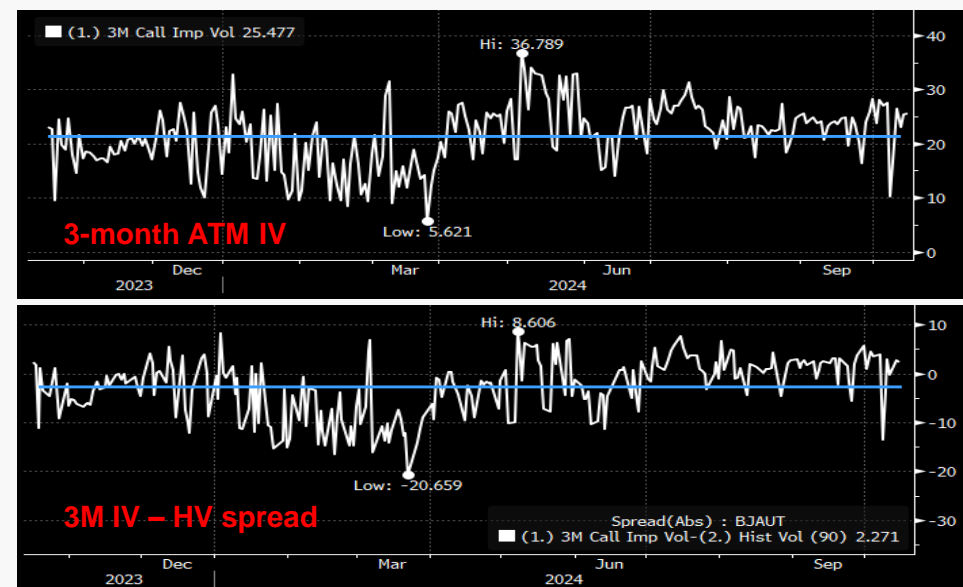




Options Result Edge

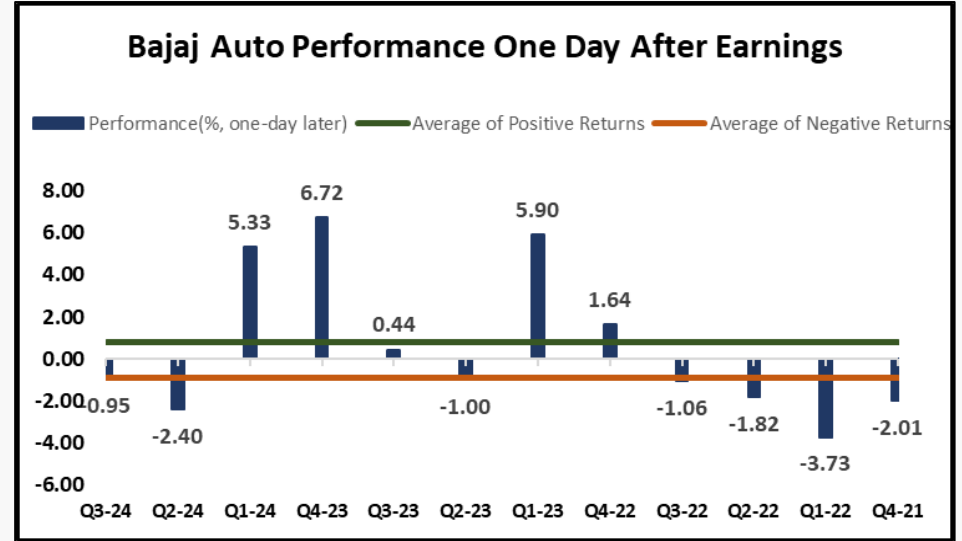
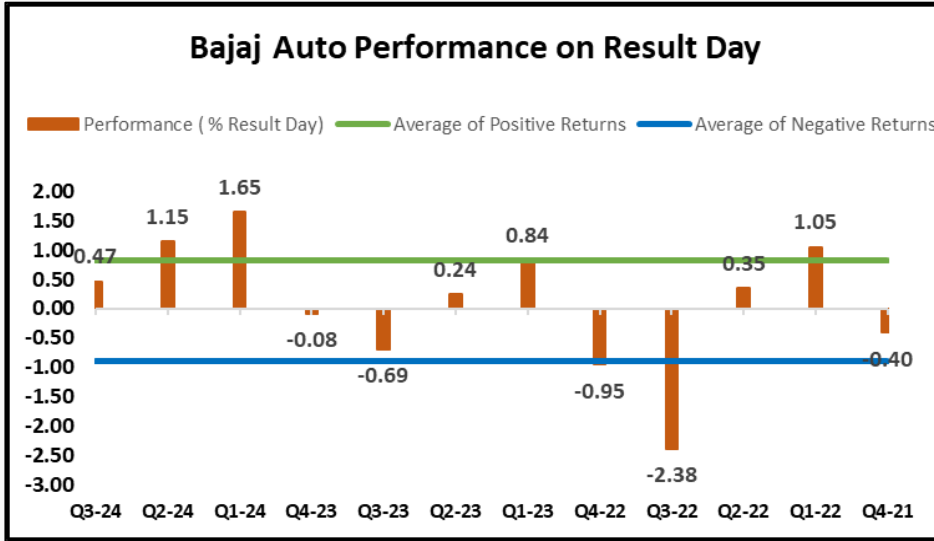
Must Knows

- Bajaj Auto closed out the September expiration cycle on a positive note with a gain of around 16.8%; Rollover was 92% v/s the 3-month average of 89.7%, indicating that long positions have stayed intact.
- For the current expiration cycle, the stock is down 8.7% along open interest slumping 18.9%, indicating that long positions have been unwound partially.
- The current 3-month Implied Volatility (IV) is at 25.5% (12-month average is 21.5%), with 75% of the observations over the last year below the current IV
- Measure has ranged between 5.6% and 36.8% over the last one year
- Difference between the 3-month IV and Historical Volatility (90-day HV) is presently at 2.3% (average: -2.6%), which is nearly six standard deviations from the mean spread; this means the market is pricing in heightened volatility relative to history as earnings come due (Oct. 16)
- Options **implied one-day move** as per Bloomberg model estimates is **1.5%**
- *Compared with **one week ago**, 5% OTM calls have become more expensive relative to 5% OTM puts; this shows a **bullish** opinion from options traders
- *Relative to **one day ago** however, 5% OTM calls have become cheap while similar moneyness puts have become expensive, showing tactical **nervousness**

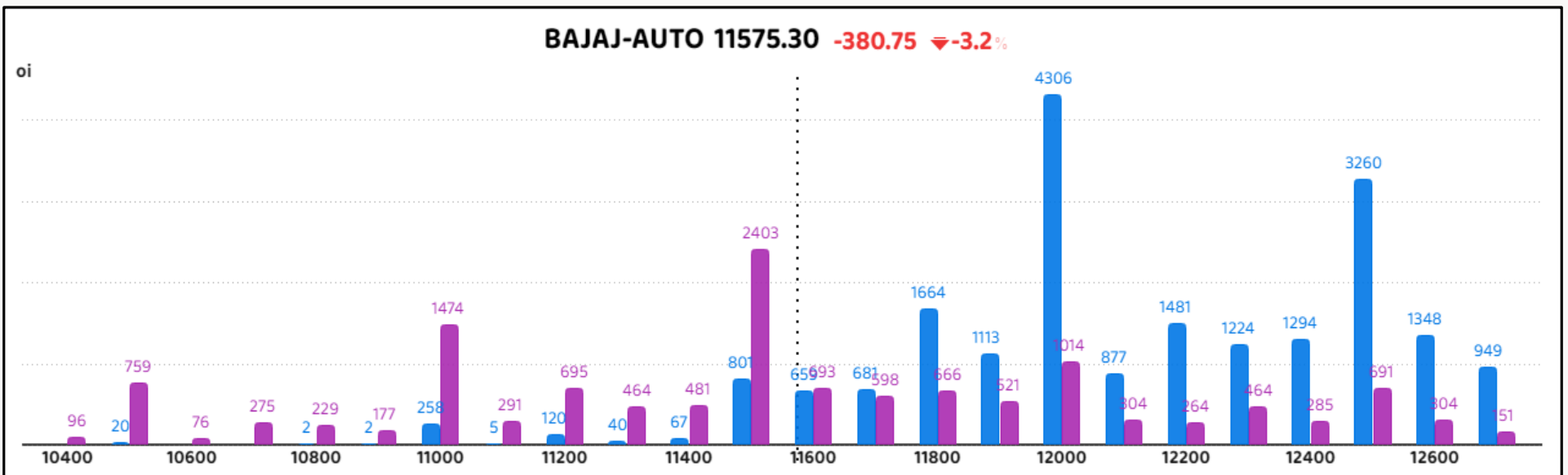


- The above chart shows event flags for the last 8 quarterly earnings releases (Green = Beat, Red = Miss) for Bajaj Auto for which quarterly estimates from brokers were made available (Notice that the Q1 2023 earnings event does not have the icon since brokers' estimates weren't available on Bloomberg)
- OTM calls and puts based on the October 31 expiration cycle

Stock Performance on Result Day and One Day After



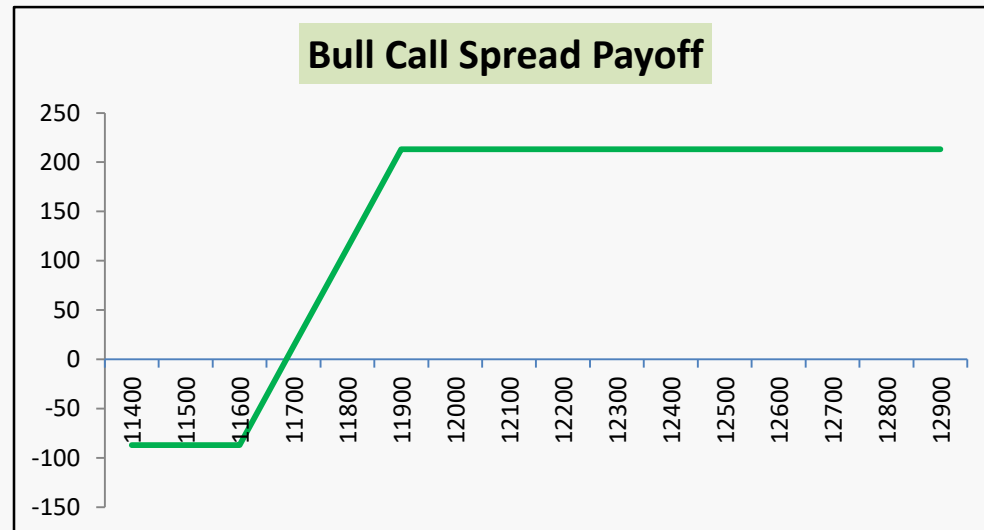
Option Strikes Concentration



Observations:

- **View:** **Bullish** based on the options skew compared to expectations one week ago, but tactical outlook is that stock may see an earnings-driven **pullback**
- **Seasonality:** Based on 10 years of history, the stock has **risen an average of 1.1%** (Best: 8.7%, Worst: -4.3%) in week # 42, gaining in seven out of 10 occasions. In the following week, the stock has **gained 0.5% on average** (Best: 3.6%, Worst: -2.7%), ending higher 70% of the time
- The highest call open interest is currently placed at **12,000** with the highest put concentration at **11,500**
- Therefore, we suggest a **Bull Call Spread** on the stock
- **Bull call spread** is a strategy deployed when the view is that the price of the underlying will increase ahead of expiry, with both the profit and loss capped
- It is a **net debit** strategy where there is a premium outflow, with the maximum loss capped at the premium paid
- Traders could initiate this spread strategy to make modest returns amid limited risk and reward

Recommendation	Strike Price	Range
Buy (1 lot)	11,600 Call	240 - 260
Sell (1 lot)	11,900 Call	155 - 175
Breakeven Point (BEP)	11,690	
Max Loss (-87)	-6,525	
Max Gain(+213)	15,975	



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