

## A REPORT ON FUTURES AND OPTIONS

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### ABSTRACT

Market deregulation, development in worldwide exchange, and proceeding with innovative advancements have upset the money related commercial center during the previous two decades. A side-effect of this unrest is expanded market unpredictability, which has prompted a comparing increment sought after for hazard the executives items. This interest is reflected in the development of money related derivatives from the institutionalized futures and options results of the 1970s to the wide range of over-the-counter (OTC) items offered and sold during the 1990s. Numerous items and instruments are regularly portrayed as derivatives by the budgetary press and market members. In this direction, budgetary derivatives are extensively characterized as instruments that fundamentally get their incentive from the presentation of basic intrigue or remote trade rates, value, or ware costs.

### 1. INTRODUCTION

Despite the fact that derivatives are real and important devices for banks, similar to every budgetary instrument they contain dangers that must be overseen. Dealing with these dangers ought not be viewed as one of a kind or particular. Or maybe, doing as such ought to be incorporated into the bank's general hazard the board structure. Dangers related with derivatives are not new or outlandish. They are essentially equivalent to those looked in customary exercises (e.g., value, financing cost, liquidity, credit chance). In a general sense, the danger of derivatives (starting at all money related instruments) is an element of the planning and inconstancy of money streams.

### 2. NEED OF THE STUDY:

In recent times, the Derivative markets have gained importance in terms of their vital role in the economy. The increasing investments in derivatives (domestic as well as overseas) have attracted by interest in this area. Through the use of derivative products, it is possible to partially or fully transfer price risks by locking-in asset prices. As the volume of trading is tremendously increasing in derivatives market, this analysis will be of immense help to the investors.

### 3. OBJECTIVES:

1. To analyze the operations of futures
2. To Help develop risk management strategies and risk management plans future derivatives market

4. To find out profit/loss positions futures buyer and seller

5. To Develop strategies and plans for lasting risk management strategies future derivatives market

### 4. SCOPE OF THE STUDY:

Presentation of derivatives in the Indian capital market is the start of another period, which is genuinely energizing. Derivatives, worldwide are perceived hazard the board items. These items have a long history in India, in the disorderly part, particularly in money and ware markets. The accessibility of these items on sorted out trades has furnished the market members with expansive based hazard the board apparatuses.

This examination for the most part covers the zone of supporting and hypothesis. The primary point of the examination is to demonstrate how dangers in putting resources into value offers can be decreased and how to make most extreme come back to the next venture

### 5. RESEARCH METHODOLOGY

The research design specifies the methods and procedures for conducting a particular study. The type of research design applied here are

#### TITLE OF STUDY

The topic, which is selected for the study, is "FINANCIAL DERIVATIVES" in the firm so the problem statement for this study will be "FINANCIAL DERIVATIVES"

**Exploratory research**

An exploratory research focuses on the discovery of ideas and is generally based on secondary data.

**DATA COLLECTION METHOD**

The sources of data collection method which is being used for the studies:-

**Primary source of data**

Interview with Derivatives trader and also derivative broker who are dealing with derivatives.

**Secondary Source Of Data:**

For analysis purpose I have taken data from NSE India.com website and also taken data from journals websites and articles.

**Sample size:**

NIFTY50

**Sample duration:**

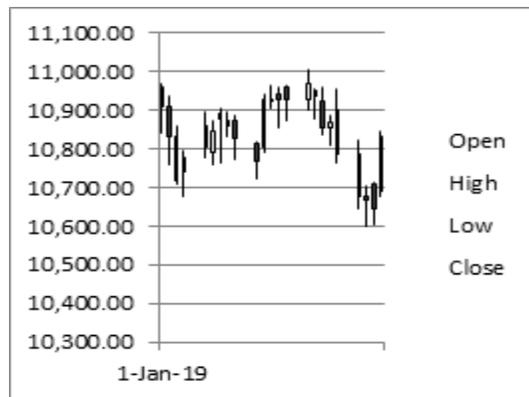
I collected data from 1<sup>st</sup> January 2019 to 31<sup>st</sup> July 2019.

**Sample Method:**

Most tradable companies are taken for analysis

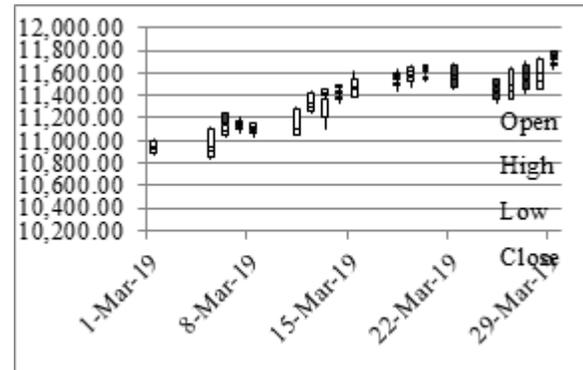
**6. DATA ANALYSIS**

1. Calculation of correlation between oi and (jan) future performance & spot vs futures price



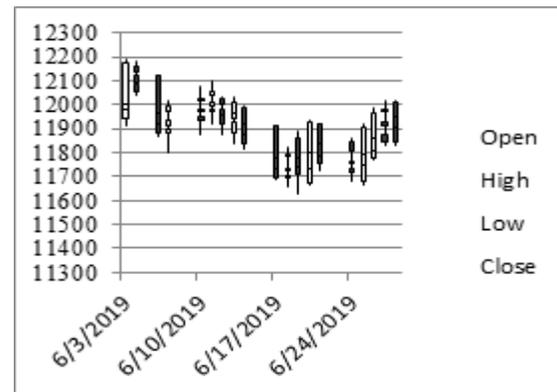
**INTERPRETATION:-**From the above data we analyze that NIFTY Future value and Spot value. When we are comparing with both ,**the correlation is 0.83 which means positive** correlation between spot price and future price. **The average rate of return is 0.74 means positive.** in the month of January contract future price is fluctuated between **10600 to 11000**

2. Calculation of correlation between oi and (mar) future performance & spot vs futures



**INTERPRETATION:-**From the above data we analyze that NIFTY Future value and Spot value. When we are comparing with both ,**the correlation is 0.95 which means positive** correlation between spot price and future price. **The average rate of return is 0.24 means positive.** in the month of March contract future price is fluctuated between **10800 to 11800**

**3. CALCULATION OF CORRELATION BETWEEN OI AND (Jun) FUTURE PERFORMANCE & SPOT VS FUTURES PRICE**



**INTERPRETATION:-**From the above data we analyze that NIFTY Future value and Spot value. When we are comparing with both, **the correlation is 0.91 which means positive** correlation between spot price and future price. **The average rate of return is -0.02 means negative.** in the month of June contract future price is fluctuated between **11700 to 12200.**

## 7. FINDINGS

Based on the study the findings are as follows

1. January NIFTY Future value and Spot value. When we are comparing with both, the correlation is 0.83 which means positive correlation between spot price and future price. The average rate of return is 0.74 means positive. In the month of January contract future price is fluctuated between 10600 to 11000.
2. NIFTY Future value and Spot value. When we are comparing with both, the correlation is 0.80 which means positive correlation between spot price and future price. The average rate of return is 0.44 means positive. in the month of February contract future price is fluctuated between 10,600 to 11,100.
3. In the month of March when we are comparing with both, the correlation is 0.95 which means positive value between spot price and future price. The average rate of return is 0.24 means that is also positive value and the contract future price is fluctuated between 10800 to 11800.
4. In the month of April we analyze that NIFTY Future value and spot value. When we are comparing with both the correlation is 0.18 which means positive correlation between spot price and future price. The average rate of return is 0.01 means positive. In the month of April contract future price is fluctuated between 10600 to 11900.

## 8. SUGGESTIONS

- In the worth auxiliary market pieces the relationship coefficient between number trades Index future and Index elective as far back as 7 years remains at 0.22 which isn't at essential relevance level. Record decisions have created in abundance of different occasions while the document destinies remain about in a comparable level.
- In the occasion of Stock destinies and options parcel there is a negative association of (- 0.65) which shows as the stock destinies trading numbers are decreasing speculation opportunity are growing for up to seven years.
- In solicitation to make more participation of the retail theorists in the exchange traded things it is critical to affect eagerness for the endeavor. This is possible through consistent guidance offered by the SEBI, NSE and BSE. Cash related capability activities are driven at various concentrations and budgetary master care ventures are driven by market individuals to get a consistently expanding number of

examiners into the market so the new subordinate things are suitably grasped by the monetary pros for supporting and trade purposes additionally. With the happening to development the progression provided for the money related authorities through web and compact trading will go far for their collaboration in the market.

## 9.CONCLUSION

Derivate market is an advancement to money advertise. Around its day by day turnover compasses to the equivalent phase of money advertise. The normal every day turnover of the NSE subordinate sections

In real money advertise the benefit/loss of the speculator relies upon the market cost of the basic resource. The speculator may acquire colossal benefits or he may bring about immense benefits or he may cause tremendous misfortune. Yet, in derivatives portion the financial specialist the speculator appreciates colossal benefits with constrained drawback.

In real money showcase the speculator needs to pay the complete cash, however in derivatives the financial specialist needs to pay premiums or edges, which are some level of all out cash.

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