

Arbitrage Expiry Analysis

April, 2024

Key Highlights



- Total number of stocks available in F&O segment in April series were 182 (Large cap – 83, Midcap – 72, Small cap – 27) as compared to 182 in March series (Large cap – 83, Midcap – 72, Small cap – 27).
- Nifty Index gained 1.1% in April series while both Midcap Index and Small-cap Index closed with gains of 4.94% and 9.83% respectively.
- Market-wide rollover stood at ~90% which is in-line with its 3 months average rollover of ~90%.
- Average roll levels across stock futures during expiry week remained at around 70-73bps (cost to long rollers).
- It is expected that the markets in CY'24 would be volatile due to global macro uncertainty, news flow related to geopolitical tensions, US Fed rates and general elections.

Index Performance



Nifty Index gained 1.1% in April series while both Midcap Index and Small-cap Index closed with gains of 4.94% and 9.83% respectively. Foreign Institutional Investors (FIIs) were net sellers to the tune of USD 2.7 bln, while Domestic Institutional Investors (DIIs) continued to support the market with a deployment of USD 4.5bln.

Rollover Analysis



- At the end of April series, market-wide rollovers stood at ~90% which is in-line with its 3 months average of 90%. Market-wide futures open interest (OI) stood at ~INR 3.98tn (~INR 3.87tn at the start of April series). Single stock futures rollover stood at 84% which were lower than its 3 months average of 93%. Single Stock Futures Open Interest stood at INR 3.59tn as compared to INR 3.34tn at the start of April series.
- Average roll levels across stock futures during expiry week remained at around 70-73bps (cost to long rollers).
- In terms of open interest positioning, FIIs have increased their short position in the Index futures while reducing their long position in Single Stock Futures.
- Metals, Realty, PSU Banks, Media, Auto, Energy sectors were major outperformers while IT sector was major underperformer.

Flow Analysis: Institutional Flows



FIIs were net sellers to the tune of USD 2.7bln, while DIIs continued to support the market with a deployment of USD 4.5bln.

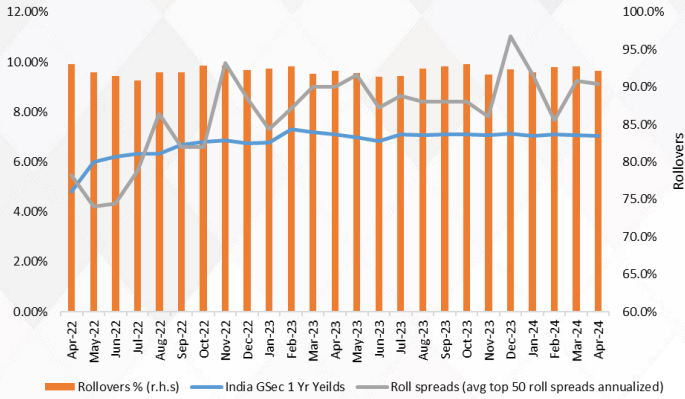
Outlook



- Key events to watch out in May will be polling in the remaining phases (India general elections), Q4FY24 earnings, cues on monsoon, US inflation data and FOMC meet.
- We feel that the markets in CY'24 would be volatile due to global macro uncertainty, news flow related to geopolitical tensions, US Fed rates and general elections. Volatility in the markets would help to churn the arbitrage portfolio and generate good returns.

Arbitrage Expiry Analysis

April, 2024



- Annualised Roll spreads of Top 50 stocks in April'24 were lower as compared to March'24.
- India Government Security 1year Yield was in-line in April'24 as compared to March'24.
- Market wide Rollovers were in-line in April'24 as compared to March'24.

Source: Axis Capital

Return Analysis	Trends		
JM Arbitrage Fund	MOM change	QOQ change	YOY change
Equity portion Returns	↓	↓	↓
Debt portion Returns	↔	↓	↑
Total Returns	↓	↓	↓

Source – JMF MF Research

Tax Comparison

Post Tax Returns	Arbitrage funds	Liquid funds
Invested amount	Rs. 100000	Rs. 100000
Assumed returns	4%	4%
Investment period	6 months	6 months
Investment gross value	Rs. 102000	Rs. 102000
Tax applicable - HNI/Individual % ^	STCG 15% + 15% surcharge + 4% cess = 17.94%	30% + 37% surcharge + 4% cess = 42.74%
Total tax – HNI/Individual (Rs)	359	855
Post tax value - Individual	1,641	1,145
HNI/Individual Post tax returns %	3.28	2.29
Tax applicable - Corporate % ^	STCG 15% + 12% surcharge * + 4% cess = 17.47%	30% + 12% surcharge * + 4% cess = 34.94%
Total tax - Corporate (Rs)	349	699
Post tax value - Corporate	1,650	1,301
Corporate Post tax returns %	3.30	2.60

^ Highest Tax bracket considered for calculations. In case of companies if income exceeds Rs. 1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge 2% in case of foreign companies and if income exceeds Rs 10 crore then surcharge @ 5% in case of foreign companies would be applicable. In the case of Individuals, as per Finance Act, 2019, where taxable income of the individual exceeds Rs 50 lakhs but does not exceed Rs 1 crore, surcharge @ 10% would be applicable, where the taxable income of the individual exceeds Rs 1 crore, but does not exceed Rs 2 crore, surcharge @ 15% would be applicable, where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% shall be applicable and where the taxable income exceeds Rs 5 crore, surcharge @ 37% shall be applicable. In all cases, the tax payable (as increased by surcharge would be further increased by Health & Education Cess (4%). Further Finance Act 2022 has capped the rate of surcharge on long term capital gains referred to in section 112 at the rate of 15% if the income exceeds INR 1 crore. If the income is between INR 50 lacs to INR 1 crore, the surcharge of 10% continues to apply. *Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds Rs.1 Crore but is less than Rs. 10 Crore and at the rate of 12%, where income exceeds Rs.10 Crore) (except such domestic company whose income is chargeable to tax under section 115BAA or 115BAB of the Income- Tax Act, 1961). In view of the individual nature of tax implications, investors are advised to consult their professional tax advisor. The calculation is based on old regime. Source – IIFL Research, JMF MF Research

JM Arbitrage Fund (An open ended scheme investing in arbitrage opportunities)

This Product is suitable for investors who are seeking*	Scheme Risk-o-meter#	Benchmark Risk-o-meter# Nifty 50 Arbitrage Index
<ul style="list-style-type: none"> • Regular Income over Medium Term • Income through arbitrage by investment predominantly in Equity Stocks and taking offsetting positions in Equity Futures and Options. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>Investors understand that their principal will be at low risk</p>	<p>Benchmark riskometer is at low risk</p>

The Risk-o-meter of the Scheme and Benchmark is as on March 31, 2024

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.