

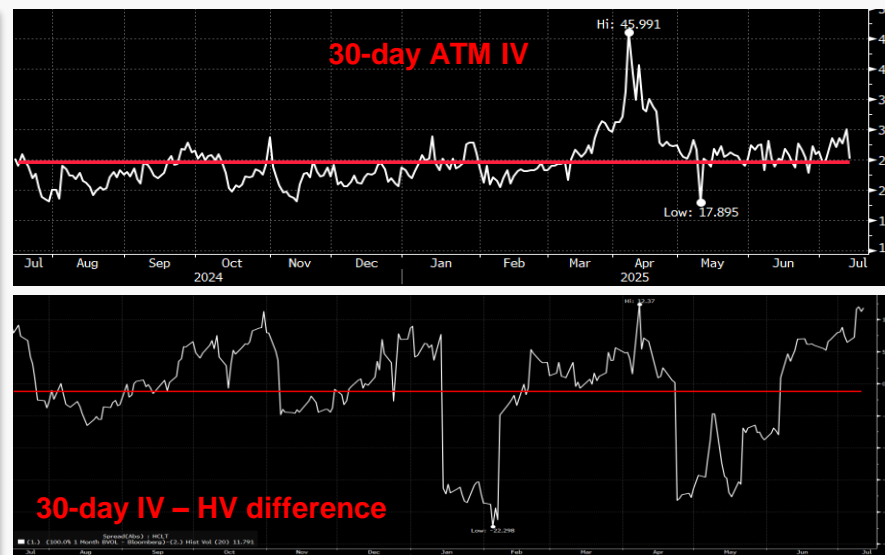
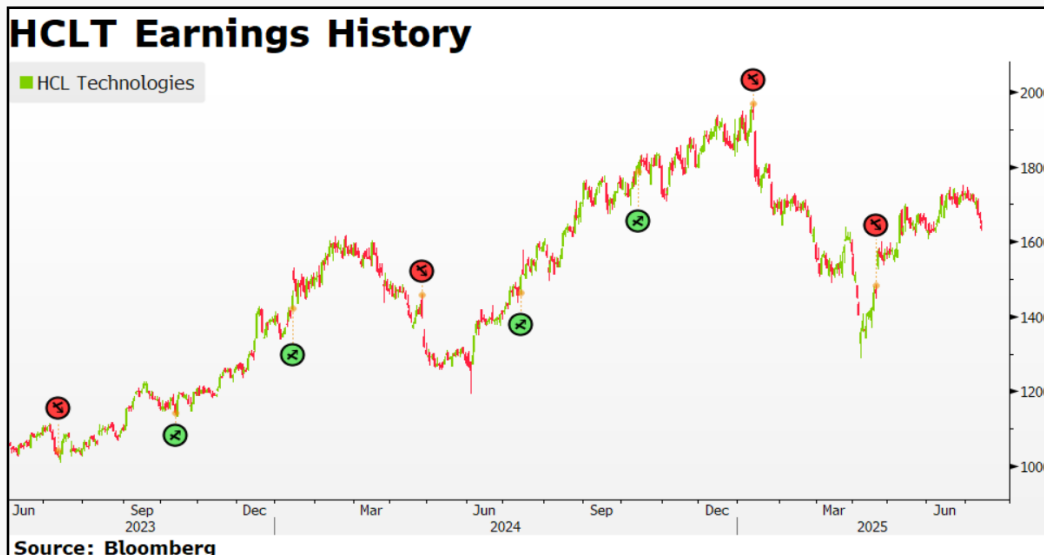


# Options Result Edge

HCL Technologies Ltd.

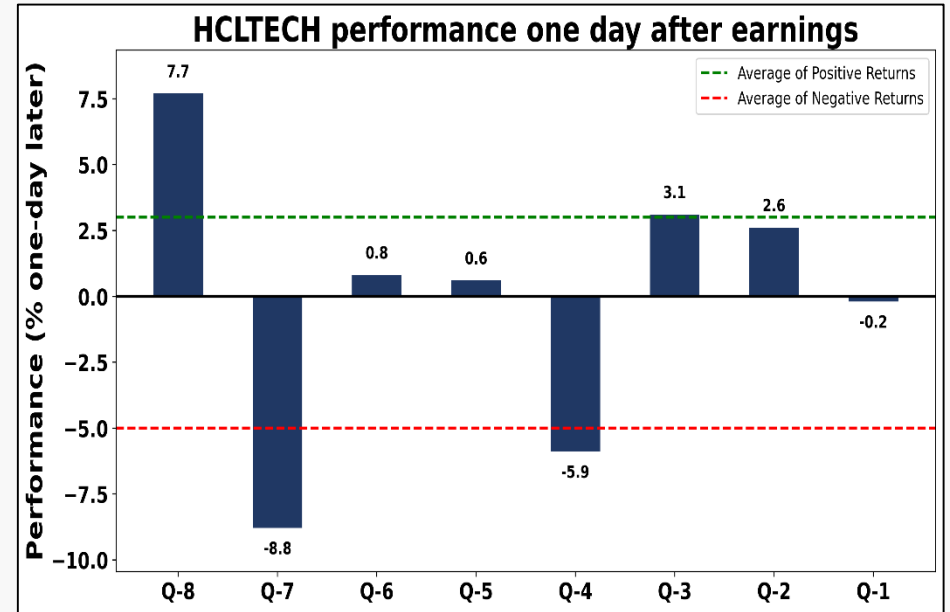
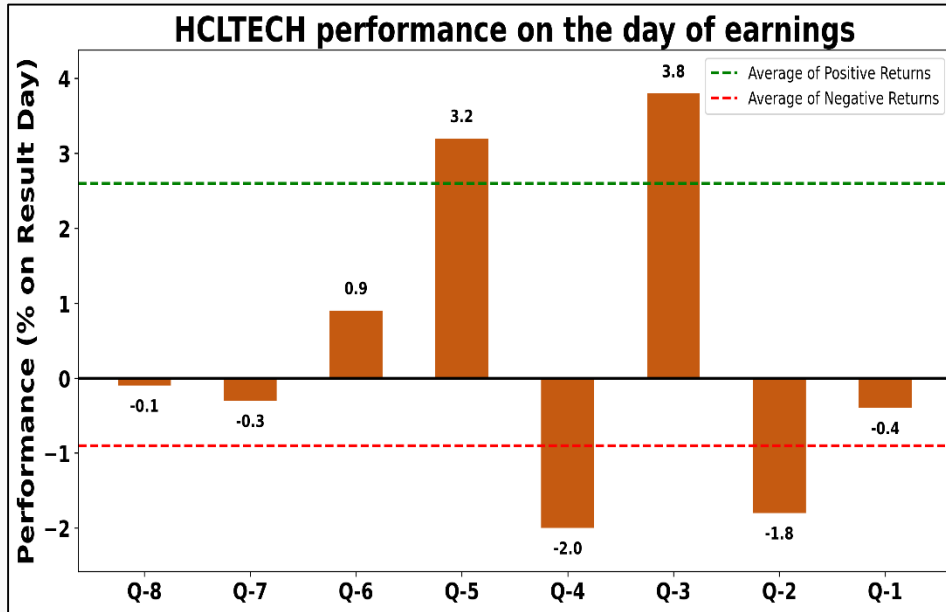
## Must Knows

- HCL technologies gained around 3.6% in the June series with a rollover of 89% v/s a 3-month average of 83.7%, indicating **short covering**.
- For the current expiry cycle, the stock is down 4.8% with open interest up 18.7%, indicating that **short positions have been built**.
- The current 30-day Implied Volatility (IV) is at 25.1% (12-month average is 24.5%); The reading is at the 65<sup>th</sup> percentile, which means that 65% of the time in the last one year, volatility has been lower than the current value. In other words, **ATM options are somewhat expensive**.
- The measure has ranged between 17.9% and 46% over this period.
- Currently, the difference between the 30-day IV and similar tenor HV (Historical, or past volatility) is at 11.8% (12-month average: -1.1%), which is around 8 standard deviations from the mean spread; this means the **market is discounting greater price swings ahead of earnings, due today**.
- The spread between IV and HV is at the 99<sup>th</sup> percentile, which means 99% of the time it has been lower than 11.8%. This means **that if the earnings are not materially different from consensus estimates, option prices will fall rapidly**.
- **The earnings implied one-day move as per Bloomberg model estimates is 0.8%**.
- Compared with one week and one day ago, 5% OTM calls have fallen more compared with 5% OTM puts; this shows **bearish positioning** from traders.
- The July 1700/17200 calls have significant **gamma exposure**, meaning that if the **spot comes near this zone, it could lead to even greater volatility**.

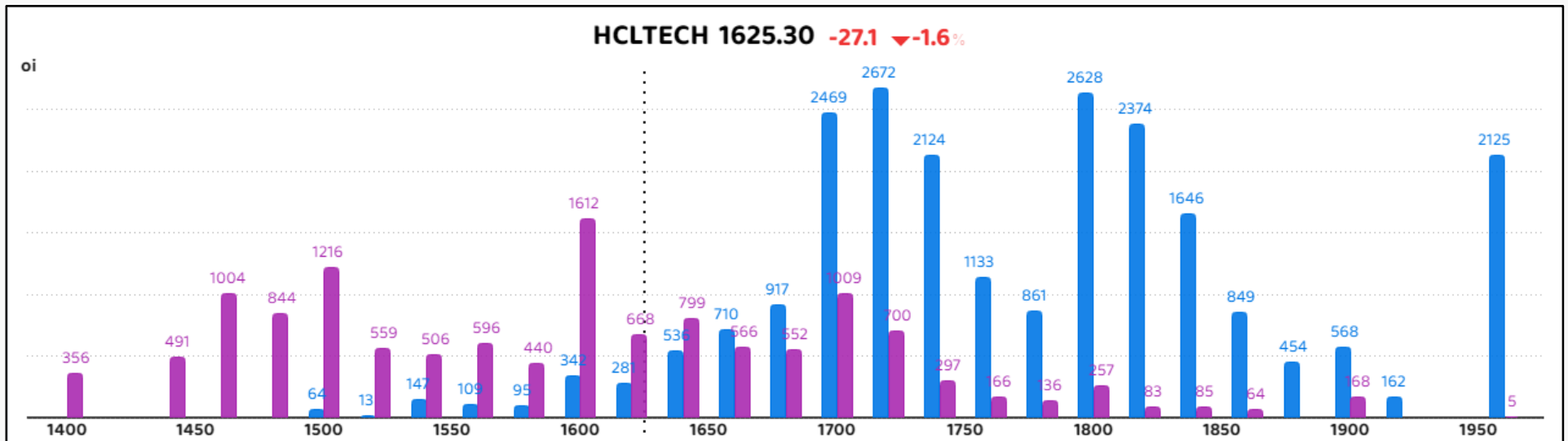


\*Chart shows event flags for the last 8 quarterly earnings releases (Green = Beat, Red = Miss) for DMART where quarterly estimates from brokers were made available on Bloomberg.

## Stock Performance One Day Before Earnings and One Day After



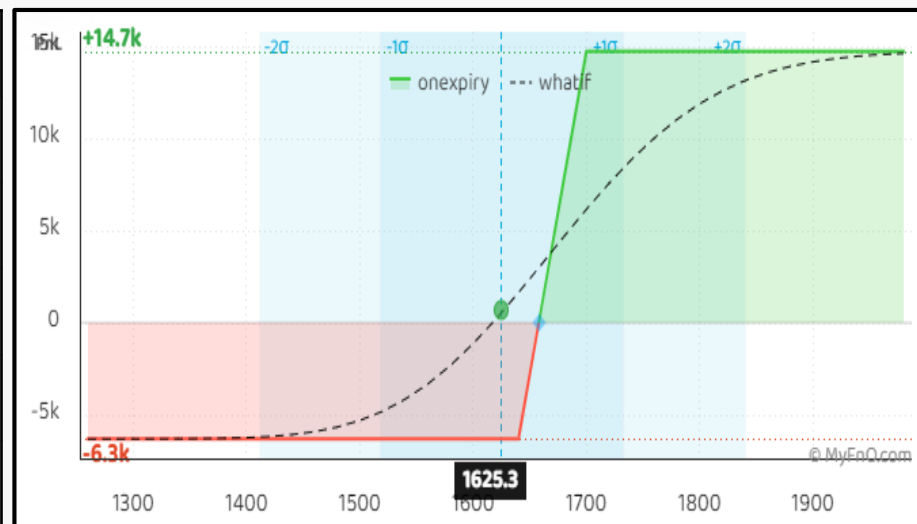
## Option Strikes Concentration



## Observations:

- **View: Bearish** based on positioning and the options skew. That said, the stock sits near vital support around 1600.
- **Seasonality:** In July, the stock has risen 60% of the time, returning 5.7% on average – making it the best performing month for the stock. Breaking it down by week, we can see that in week #29 (current week), the stock has risen 1.6% on average and has gained 70% of the time. Therefore, the weight of the evidence makes us believe that any earnings-related dip won't be sustainable. Expectations are for weak numbers, but if the actual earnings are a shocker and the stock ends below 1600, the 1480 – 1530 area may be the next downside objective.
- Technically speaking, the stock has the 100-day average offering support near 1600 while the 200-day average is hovering near 1700.
- Recent price action: Stock was down on Friday, its fifth straight drop – the last time that happened was on April 7<sup>th</sup>, when the stock bottomed at 1287.
- In conclusion, we suggest the following **Bull Call Spread**:

Recommendation	Strike Price	Range
Buy (1 lot )	1640 Call	27 – 33
Sell (1 lot )	1700 Call	13 – 18
Break-Even	<b>1655</b>	
Max Loss	<b>-5,075</b>	
Max Gain	<b>15,925</b>	



\*Kindly enter & exit all the legs in strategy together and square-off the strategy before session closes, Expiry 31 July 2025\*

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