We develop stock market indexes

Indexes for stock futures, underlying stocks, Cost of Carry & Delivery %

Technidex Stock Futures Index© +0.30% at 3503.85   Technidex Underlying Stock Index© +0.17% at 3586.67

Technidex

STOCK FUTURES INDEX©

INDIA'S STOCK FUTURES INDICATOR

The first ever Futures' Open Interest based index, **Technidex Stock Futures Index©**, is an indicator of price movement of the entire universe of active stock futures across all expiries. Higher representation of Open Interest & Turnover makes The Index a true indicator of activity in stock futures.

Proprietary Index Construction & Computation Methodology© eliminates representation & calculation bias making it impossible to manipulate **Technidex Stock Futures Index©**. All factors required to compute Index value are unknown, dynamic & derived from other variables.

Superior performance of **Technidex Stock Futures Index©** across time horizons, stable share-holder profile, higher volatility & profitable results on our automated trading model will enthuse diversified market participants to trade in the index resulting in higher turnover for a Stock Exchange.

Technidex Capital Advisors

Address: **905 - A "RNA Heights", J. V. Link Road, Andheri East, Mumbai 400093, INDIA**
Connect with us: **http://www.Technidex.in | Email: info@Technidex.in | Phone: +91 98200 27446**

July 1, 2014

Technidex Capital Advisors owned **Technidex Stock Future Index**© (*Copyright 2012*) is an ideal bench-mark for tradable exposure to Indian stock futures & their underlying stocks since they take into account the price movement of all active future contacts (current, near & far month contracts) of the constituents, their underlying stocks and simultaneously compute the prevailing Cost of Carry & Delivery % of the Indexes.

Technidex Stock Future Index©

With a base of 1,000 on January 2, 2006*, **Technidex Stock Future Index**© uses (proprietary) documented Index Construction & Calculation Methodology© (*Copyright 2012*) and have adequate historical data.

Technidex Stock Futures Index© represents price movement of the entire universe of active stock futures listed for trading on a major stock exchange in India, across all expiry dates. Thus, the index factors in possible announcements or corporate actions that may be due in the middle / far months.

Technidex Underlying Stock Index© tracks the price movement in underlying shares of the index constituents. Weights used are identical as those used in Technidex Stock Futures Index©.

Technidex Cost of Carry (CoC) Indicator© is a continuous price line tracking the prevailing premium / discount of stock futures across all expiries, making it useful for traders, arbitrageurs, investors & institutional players. Our CoC calculation methodology plots a continuous price-line without abnormal spikes / falls in CoC close to expiry days.

Technidex Delivery Indicator© tracks delivery% in the underlying stocks. The extent of delivery directly impacts Technidex Cost of Carry Indicator©. It also indicates the movement of stocks between stronger / weaker hands in the overall market.

Indexes' components are reviewed at the end of every calendar quarter. Changes to the composition are made at the end of trading hours on the last trading day of every March, June, September & December.

Navin B. Agrawal

An innovator, Navin was part of the team which created the world's first depositary receipt index, Skindia GDR Index in 1994, played a key role in restructuring Instanex FII Index, Instanex DII Index & other Ownership Indexes owned by Instanex Capital Inc., USA & also created Technidex Stock Futures Index©, the first ever open interest based Stock Futures Index.

An Investment Strategist, he specializes in equity investing using market neutral strategies, structuring portfolios, hedged using derivatives. Navin has created real-time automated analytic models which have outperformed their underlying assets. He writes market reports & analysis based on customized research.

Navin has conceptualized, designed and executed Technidex Capital Advisors, offering specialized products - stock market indexes, advisory services with structured strategies, real-time automated analytic models & specialized reports.

Technidex™ has launched Technidex Stock Futures Index© (Copyright 2012 protected) with a base of 2006. The specialized reports have proved how conventional stock broking, research & fund management methods are less relevant today and hint at a shift to alternate research and a growing demand for specialized products.

Stock Index | Stock Index Futures | Stock Futures Index

Market analysis for derivative products uses the **three dimensional approach** which includes study of price, volume and open interest in the futures segment.

Price is the most important. Volume and Open Interest provide important secondary confirmation of the price action on a chart and often provide a lead indication of an impending change of trend.

Volume represents a measure of intensity or pressure behind a price trend. The greater the volume the more we can expect the existing trend to continue rather than reverse. Analysts believe volume precedes price reversal in trend on the bar chart.

Open Interest, or the total number of open contracts on a security, is often used to confirm trends and trend reversals. Where volume measures the pressure or intensity behind a price trend, open interest measures the flow of money into the futures market. For each seller of a futures contract there must be a buyer of that contract. Regardless of whether open interest is rising or falling, changes in open interest indicate changes in trader's positions.

- ## Stock Index

Indexes are useful tools, if you know **what they represent** and what they don't represent. They provide a good historical perspective, but they should not be viewed as the market. Indexes are **useful tools for tracking market trends** and are the only tool we have that provides a historical perspective to a market with a chronically short memory. By understanding how and why the indexes react to economic, political, sectoral and global trends over time, investors might gain insight that will help guide better investment decisions.

Stock indexes are a way of expressing the overall performance of a set of different stocks in the form of a single figure. They provide an easy-to-understand way of tracking overall market movements. One can keep track of an entire market without having to go through all the prices and movements. An index gives the major trends and problems within a specific sector or specialty, at a glance.

Constituents of a Stock Index are weighted by a particular factor. Market cap-weighted index takes into account the price of each stock and the number of shares that have been issued. Free-float Equity Market Cap weighting takes account only those stocks available for public trading when calculating weighting.

- ## Stock Index Futures

Index Futures are futures contracts with an index instead of a physical asset as its underlying asset. These Stock Index Futures allow futures traders to "Buy the market" or "sell the market" without having to simultaneously trade the numerous stocks that these indexes cover. In a way, trading *Stock Index Futures is really trading all the stocks or assets covered by an index in the capital weightage represented in the underlying index.*

For many years, adjusted free-float equity cap-weighted indexes have been used as a default option for representative portfolios as well as for efficient benchmarks. However, Stock Index Futures do not seem to actually represent the overall activity in the futures (derivative) segment. *Stock Index Futures do not reflect the price movement, traded volume, changes in Open Interest & Cost of Carry in stock futures,* they are merely representing the underlying index (adjusted free-float equity market cap) alongwith the prevailing Cost of Carry.

- ## Stock Futures Index

Very often, the Open Interest Value (open interest shares * last traded / closing price) of each index component stock as a part of the Open Interest Value of all Index stocks **(Open Interest weight)** is very different from the adjusted free-float equity market cap of the respective stock as a part of the adjusted free-float equity market cap of all Index stocks **(Free-float Equity Market Cap weight)**.

An illiquid (in terms of open interest & traded volume in futures segment) stock may command a high weight in the free-float equity cap-weighted index whereas an actively traded stock (in futures segment) may have very little weight or may not even be a part of the free-float equity cap-weighted index! **Hence, the need for an Open-Interest based Stock Futures Index to represent the Futures segment of the exchange.**

In recent years, the mind-set of marketmen & business channels seems to have become that of traders with lesser long-term memory. With the advent of Algorithmic Trading & High Frequency Trades, we have come to rely on indexes and intra-day trend analysis as reality, paying attention to sound-bites instead of sound reasoning. When the markets are up, it is assumed FIIs & bull operators are buying and similarly, if the index is down, the bears are in town and we are down.

Technidex Stock Futures Index© *(Copyright 2012)* **is based on the Open Interest of all active futures of index component companies across all 3 expiries.** *They are computed on the prices of not only the current month future but all active future contracts (current, near & far month contracts) of the constituents & their underlying stocks. The prevailing Cost of Carry across all expiries & Delivery % in the spot market are computed simultaneously to cover all aspects of stock futures analysis.*

Technidex STOCK FUTURES INDEX©

INDIA'S STOCK FUTURES INDICATOR

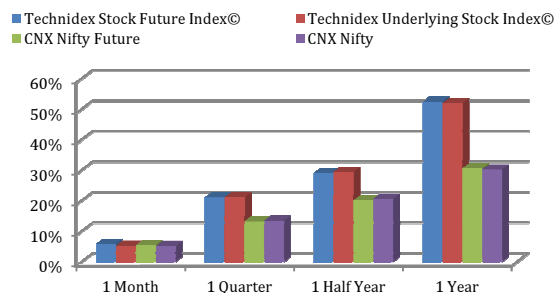**Technidex Stock Futures Index©** *because…***Superior Performance in short, medium & long term**

Index Performance

Legend: Technidex Stock Futures Index© | Technidex Underlying Stock Index© | CNX Nifty Future | CNX Nifty
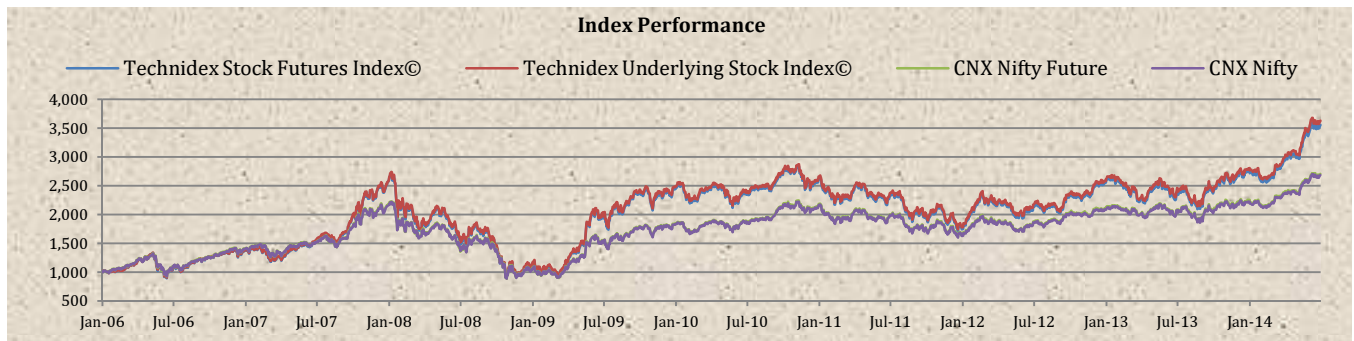
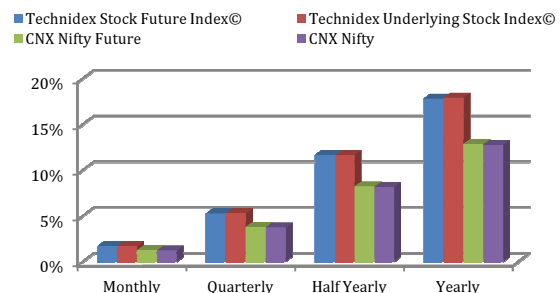|	Technidex Stock Futures Index©	Technidex Underlying Stock Index©	NSE CNX Nifty Future	NSE CNX Nifty
2-Jan-06	1000.00	1000.00	2819.70	2835.95
30-Jun-2014	3557.20	3627.55	7634.35	7611.35
% Change	255.72%	262.76%	170.75%	168.39%

Technidex Stock Futures Index© has outperformed CNX Nifty Future in the short, medium & long terms since inception on Jan 2, 2006.

- ❖ *102 of the 102 rolling months. Average outperformance in the 102 rolling months is 0.62%*
- ❖ *34 of the 34 rolling quarters. Average outperformance in the 34 rolling quarters is 1.97%*
- ❖ *17 of the 17 rolling half years. Average outperformance in the 17 rolling half years is 3.87%*
- ❖ *8 of the 8 rolling years. Average outperformance in the 8 rolling years is 7.16%*
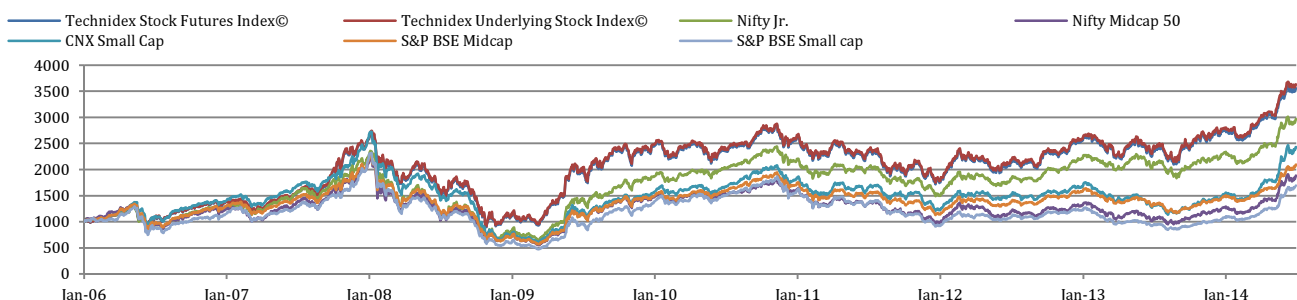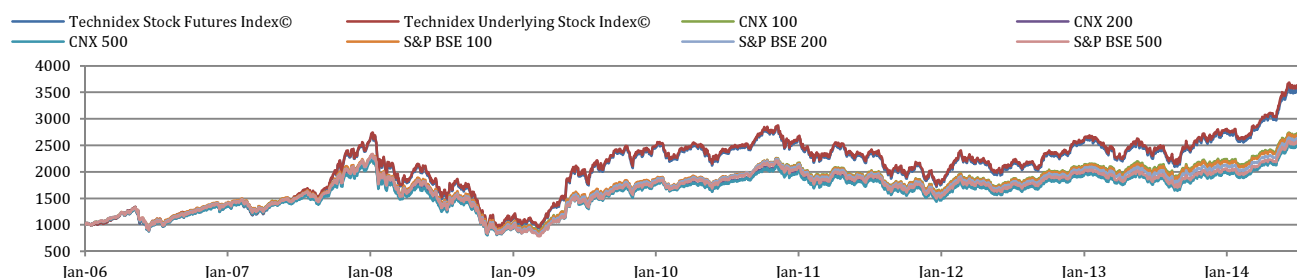
Index Returns as on June 30, 2014

Legend: Technidex Stock Future Index© | Technidex Underlying Stock Index© | CNX Nifty Future | CNX Nifty

Rolling Returns since January 2, 2006

Legend: Technidex Stock Future Index© | Technidex Underlying Stock Index© | CNX Nifty Future | CNX Nifty

Performance against Mid-cap & Small-cap Indexes

Legend: Technidex Stock Futures Index© | Technidex Underlying Stock Index© | Nifty Jr. | Nifty Midcap 50 | CNX Small Cap | S&P BSE Midcap | S&P BSE Small cap

Performance against Broad-based Indexes

Legend: Technidex Stock Futures Index© | Technidex Underlying Stock Index© | CNX 100 | CNX 200 | CNX 500 | S&P BSE 100 | S&P BSE 200 | S&P BSE 500

Technidex Stock Futures Index© *because*… **Staying ahead – Picking winners & selling losers**

The Indexes' components are reviewed at the end of every calendar quarter. There have been 34 completed quarters since inception.

- There were 167 instances of stocks being included and excluded during this period. Thus, approximately 10% of the constituents have changed every quarter on an average.
- Once included, the stocks have been part of the index for atleast 2 continuous quarters. They **gained 19.96%** on an average, in the quarter preceding their inclusion in the index;
- There were 24 instances where a stock was included but then excluded in the following quarter. These stocks gained **0.21%** on an average during the quarter in which they were part of the index;

Impact on stock price due to inclusion / exclusion from Technidex Stock Future Indexes©

	Quarter included / causing exclusion	1 Quarter after being included / excluded	2 Quarters after being included / excluded	3 Quarters after being included / excluded	4 Quarters after being included / excluded
Introduced	+3.05%	+5.92%	+10.34%	+10.66%	+7.24%
Removed	-5.07%	-0.40%	+1.51%	+2.88%	+3.07%

Stocks included in the index on July 1, 2014:   *Adani Ent, Bank of Baroda, Coal India, Crompton Greaves, Reliance Infra, Unitech*
*Stocks excluded from the index on July 1, 2014:*   *Apollo Tyre, Bajaj – Auto, Cipla, Hero Moto, M&M, Titan*

Technidex Stock Futures Index© *because*… **Diversified share-holder profile**

Technidex Underlying Stock Index© has a well diversified share holding pattern since inception, with nearly 80% shares being held by Promoters & Institutional Investors - giving fundamental comfort to those trading / investing in the index.

Share Holding Pattern
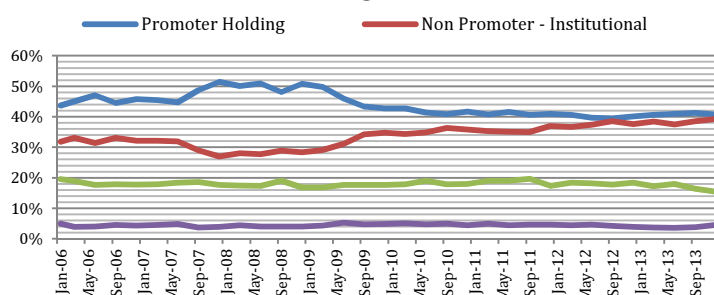

Average Holding since Jan 2, 2006
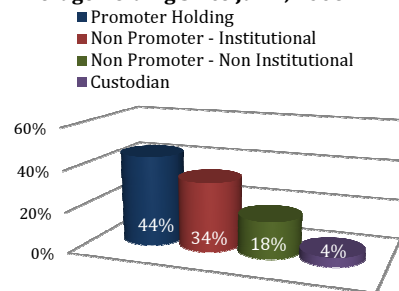
Technidex Stock Futures Index© *because*… **Higher Volatility – Indicating Tops & Bottoms in the market**

With an average volatility of 34.34% and 32.92% over the past eight & half years, Technidex Stock Futures Index© and Technidex Underlying Stock Index© are quite volatile, making them attractive for traders. CNX Nifty & CNX Nifty Future volatility was 29.48% & 27.86% during the same period. Volatility in Technidex Indexes© has more often than not indicated tops & bottoms in the market.

	Co-relation	Slope	Volatility
Technidex Stock Futures Index©	-	-	34.34%
Technidex Underlying Stock Index©	1.00	1.04	32.92%
S&P BSE Sensex	0.96	1.17	27.70%
CNX Nifty Future	0.97	1.12	29.48%
CNX Nifty	0.97	1.19	27.86%
Nifty Jr.	0.93	1.05	29.84%
Nifty Midcap 50	0.91	0.98	32.11%
CNX Small Cap	0.85	1.09	26.58%
CNX 100	0.98	1.20	27.67%
CNX 200	0.98	1.23	27.07%
CNX 500	0.98	1.25	26.55%

Volatility & Index Movement
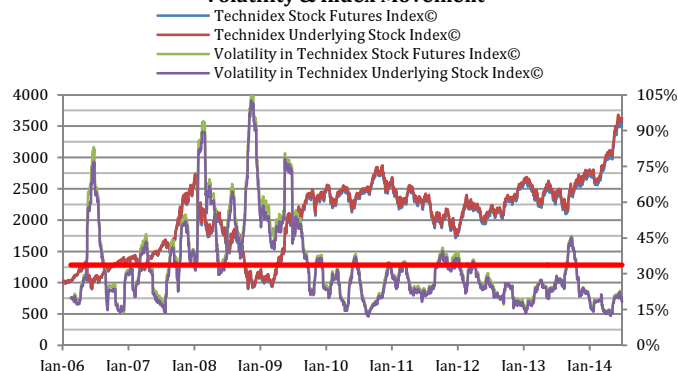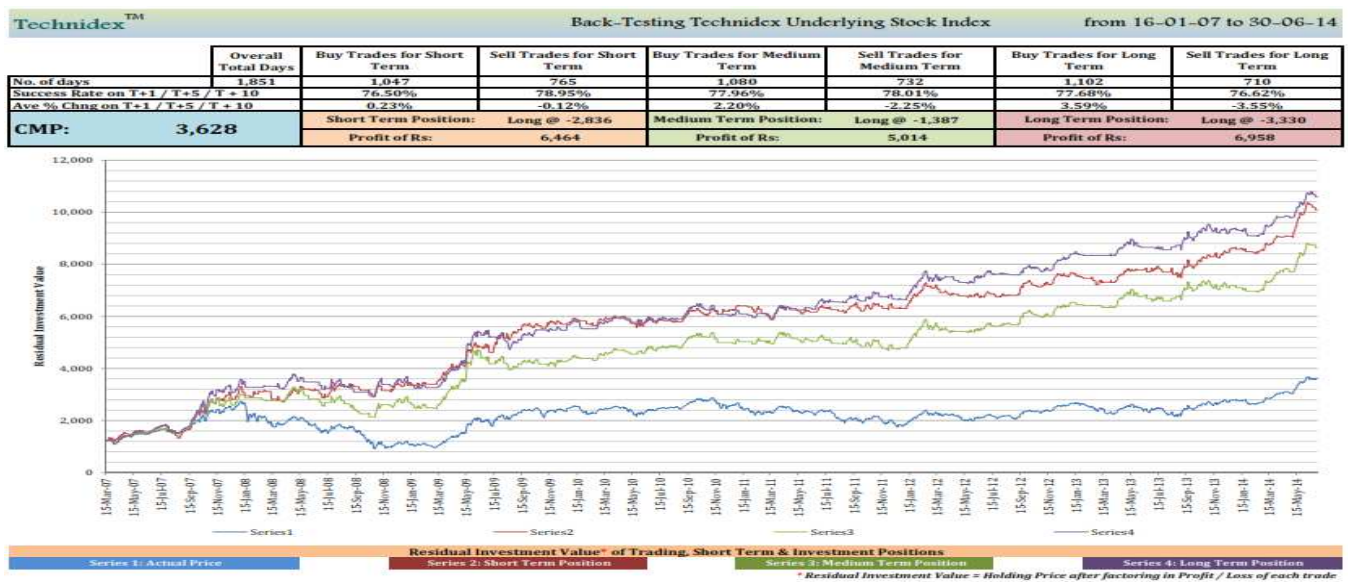
Technidex STOCK FUTURES INDEX©

INDIA'S STOCK FUTURES INDICATOR

Technidex Stock Futures Index© *because…* Suits automated analysis / trading

Our proprietary automated trading model is exclusively based on the history of the daily prices and trading volumes. We have devised a method that puts together tools that are really used in practice, with the purpose of investigating the feasibility of using an intelligent trading system in real market conditions. It has shown that **our model can achieve good results in terms of profitability when tested on trading, short term & investment positions**.

As a rule, the system is always either LONG or SHORT one unit of the index at the end of the day for each of the three time horizons, i.e. for trading, short term & investment. Independent analysis is carried out for each time horizon. We continue being LONG till the system is in BUY mode or stay SHORT till it is in SELL mode. As soon as the view changes from BUY to SELL or vice versa, we reverse the existing position and create an opposite position. This serves the dual purpose of having an inbuilt STOP LOSS and secondly taking advantage of a RISING & FALLING market by going LONG & SHORT.

Our automated trading model has yielded a profit of 6,464 (short term position), 5,014 (medium term position) & 6,958 (long term position) since inception on a base index of 1,000.

Technidex™		Back-Testing Technidex Underlying Stock Index				from 16–01–07 to 30–06–14	
	Overall Total Days	Buy Trades for Short Term	Sell Trades for Short Term	Buy Trades for Medium Term	Sell Trades for Medium Term	Buy Trades for Long Term	Sell Trades for Long Term
No. of days	1,851	1,047	765	1,080	732	1,102	710
Success Rate on T+1 / T+5 / T + 10		76.50%	78.95%	77.96%	78.01%	77.68%	76.62%
Ave % Chng on T+1 / T+5 / T + 10		0.23%	-0.12%	2.20%	-2.25%	3.59%	-3.55%
CMP:	3,628	Short Term Position:	Long @ -2,836	Medium Term Position:	Long @ -1,387	Long Term Position:	Long @ -3,330
		Profit of Rs:	6,464	Profit of Rs:	5,014	Profit of Rs:	6,958

Residual Price of position ((Long @ -2,836 | Long @-1,387 | Long @ -3,330) has been arrived at after incorporating profit / loss of each trade.

Technidex Stock Futures Index© *because…* Broad Representative Selection

A good index must provide more representative samples over time and act as a micro-version of the larger market in nearly all respects. The more diverse the sample, the more representative the overall average becomes. For concept based indices, a good index will need to have both the right number of stocks and the right choice of stocks to give a broad view. The list of stocks tracked should be regularly reviewed and updated in a good index.

The present set of Technidex Stock Futures Index© constituents has 35 stocks from Nifty, 13 from either Jr. Nifty or Nifty Midcap 50 making it representative of large, mid & small cap stocks. The 50 index constituents represent 20 GICS industries.

Selected from all stocks traded in futures segment on NSE, presently Technidex Stock Futures Index© represents 69% of the complete stock future universe Open Interest value. Stocks constituting CNX Nifty represent 59%. Historically the 2 indexes have represented 68% & 60%, respectively, of complete stock future universe Open Interest value.

Market Capitalization of the 135 stocks traded in F&O segment represent ~77% (Rs. 67,694 Bn) of market cap of companies available for trading (excluding suspended companies) on NSE. Technidex Stock Futures Index© constituents market cap is Rs. 48,334 Bn. Technidex Stock Futures Index© constituents represent ~71% of F&O segment and ~55% of total NSE market cap.
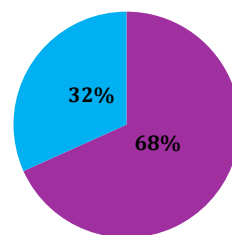
Average Futures Open Interest Value

■ Technidex Stock Futures Index OI Value ■ Nifty Futures OI Val ■ Nifty Stocks Future OI Value
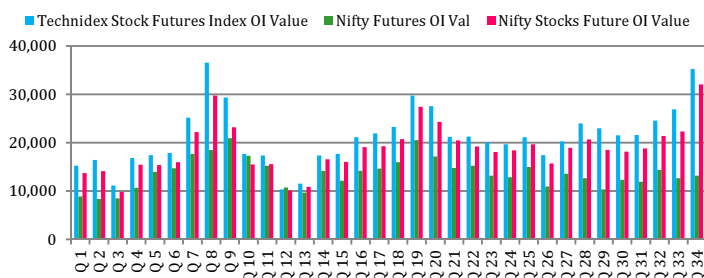
Average Open Interest Value

■ Technidex Stock Futures Index OI Value
■ Remaining Stock Future OI Value

The average Open Interest (OI) value of Nifty Index Futures during this period (Jan 2, 2006 – Jun 2014) has been Rs. 13,760 cr. Using the ratio between OI value of Nifty constituent stock futures & Nifty Index futures, the derived OI value of an index future on Technidex Stock Futures Index© *can be estimated at Rs. 15,528 crores (+13%).*

GICS Industrial Representation
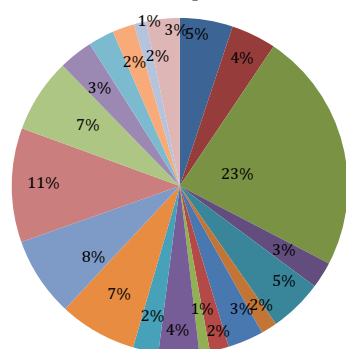
|	
■ Automobiles	■ Beverages
■ Commercial Banks	■ Construction & Engineering
■ Diversified Financial Services	■ Electric Utilities
■ Electrical Equipment	■ Food Products
■ Household Products	■ Independent Power Producers &
■ Industrial Conglomerates	■ IT Services
■ Metals & Mining	■ Oil, Gas & Consumable Fuels
■ Pharmaceuticals	■ Real Estate Management & Devel
■ Thrifts & Mortgage Finance	■ Tobacco
■ Trading Companies & Distributo	■ Wireless Telecommunication Ser

Technidex Stock Futures Index© *because…* **Easily Tradable- High on Liquidity**

The stocks included in a good index should be ones that usually have high levels of both demand and supply. Stocks that aren't easily tradable don't necessarily reflect the overall performance of a market and can thus distort an index.

The average daily turnover of **Technidex Stock Futures Index**© companies has been over 69% of the total turnover of all stock futures' turnover on NSE. CNX Nifty stock futures represented ~59% on an average. The two indexes represented 74% and 63% respectively of all stock futures' turnover in CY2014.

The average daily cash market turnover of **Technidex Underlying Stock Index**© companies has been ~57% of the total cash market turnover on NSE. CNX Nifty stocks represented ~51% on an average during the period. The two indexes represented 62% and 56% respectively of the total cash market turnover in CY2014.

Average Futures Segment Turnover

■ Technidex Stock Futures Index Turnover ■ Nifty Index Futures Turnover ■ Nifty Stocks Future Turnover
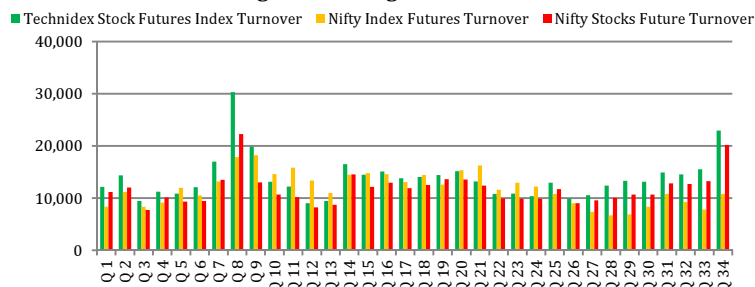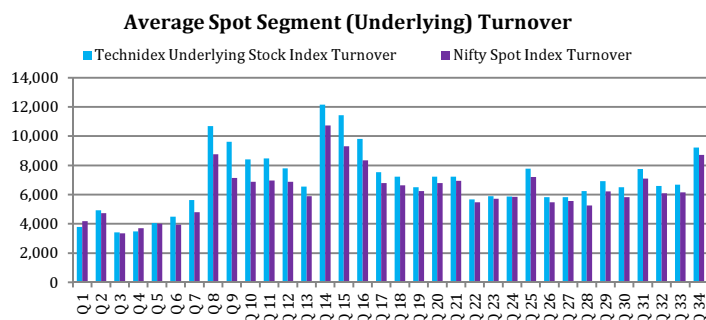
Average Stock Futures Turnover

■ Technidex Stock Futures Index Turnover
■ Remaining Stock Future Turnover
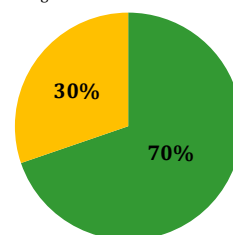
The average daily turnover of Nifty Index Futures during this period has been **Rs. 11,870 cr**. *Using the ratio between turnover of Nifty constituent stock futures & Nifty Index futures, the derived daily turnover of an index future on* Technidex Stock Futures Index© *can be estimated at* **Rs. 13,941 crores** *(+17%).*

Average Spot Segment (Underlying) Turnover

Average Spot Segment Turnover
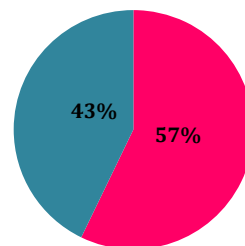
Technidex Stock Futures Index© *because…* Copyright protected Index Construction & Computation Methodology

The operators of a good stock index will clearly explain the basis on which the index operates and how it reflects the market. Usually an index is weighted by a particular factor. For example, a capitalization-weighted index takes into account both the price of each stock & the number of shares that have been issued - in other words, the company's market value.

Possible Short-comings in stock indexes

1. **Calculation Bias** (the way the indexes are calculated)

   Most indexes are market-cap weighted, meaning that the stocks with the largest market cap have the larger weighting in and larger influence on the index.

   ❖ This overweighing means that if the large cap stocks are sick, the whole market gets the flu, regardless of the strength in small cap stocks that are in the index.

2. **Representative Bias** (what the indexes do not measure)

   An index comprises of few stocks, picked to represent a universe of stocks. Committees pick which stocks are included in the index, and these stocks are changed over time, in order to **reflect the economy as it is for that year**. There is a possibility that stocks which promoters / institutions (the larger owner class) are buying due to **future projections** or on account of policy changes, political, national, global developments may have been left out due to not meeting pre-set criteria. Stocks which are **less representative** of the active market and are **less liquid** may land up being picked at the cost of those stocks which are more representative but which are not included.

   ❖ Market forces are not deciding which stocks should constitute an index.

3. **Known (static) & Unknown (dynamic) Variables** (for computing index value)

   Market cap-weighted index takes into account the price of each stock and the number of shares that have been issued. This means that changes in the price of a large company will have a greater effect on the index than similar changes in the price of a small company.

   ❖ The number of shares issued is **known** & normally static (adjusted for corporate action). The **only unknown variable is last traded price** of the constituent stocks.

   Variations: Free-float Equity Market Cap weighting takes account only those stocks available for public trading when calculating weighting. Modified capitalization weighting puts an upper limit on the proportion of the index that is made up of any one company's stock, even if its market value means the stock "deserves" greater weighting.

   ❖ Once again, the number of shares issued and free-float factor (updated periodically) are **known** and are mostly static. Once again, **the only unknown variable is last traded price** of the constituent stocks.

Technidex™ Index Construction & Computation Methodology© (Copyright 2012 protected)

Index components are reviewed at the end of every Calendar Quarter and companies must meet the following criteria to be included:

Trading History: Both, the future (any 1 or more live contracts) & underlying share of the component, should have been traded on each trading day in the preceding Calendar Quarter.

Open Interest: The average Open Interest value of the component's futures should be among the top 55 among all companies, meeting the Trading History criteria, in the preceding Calendar Quarter.

Liquidity: To ensure low impact cost, the total traded value of all index components' futures & underlying should be atleast two-third of the total traded value of all stocks traded in both, futures & cash segments in the preceding Calendar Quarter.

Weights in all **Technidex Stock Futures Indexes**© are identical, assigned to each index component based on its futures' Open Interest value. Market forces decide the composition of the index (on a quarterly basis) and components' daily weight.

Technidex's proprietary Index Computation Methodology© calculates a single adjusted future price & adjusted expiry date for all future contracts for each index component. The adjusted future price is used for computing **Technidex Stock Futures Index**©.

Open Interest value and adjusted future price in the Technidex Stock Futures Index© are **unknown, dynamic & derived variables** making it **impossible to artificially manipulate** (support / restrict) the index or to predict an index level. One would have to manipulate / control prices for all active contracts of all index constituents alongwith the open interest of all contracts of each of the constituents!

An index should be dynamic, not stale. It should be difficult to manipulate the variables. **The objective of creating an index is to reflect the happenings in a particular universe (futures segment in this case) of stocks with a small sample from that universe.** These short-listed stocks reflect the picture of that particular universe not just at the time of short-listing but also on a day-to-day basis.

Index with partial Static (known) & partial Dynamic + Derived (unknown) variables
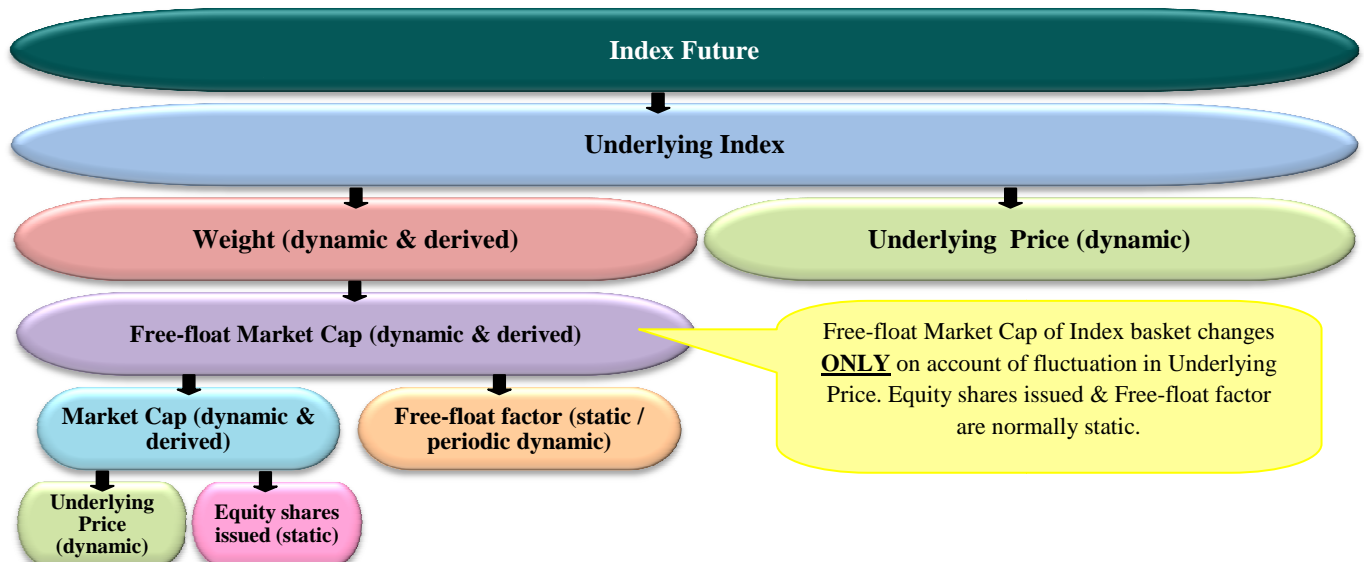
Index with all Dynamic + Derived (unknown) variables
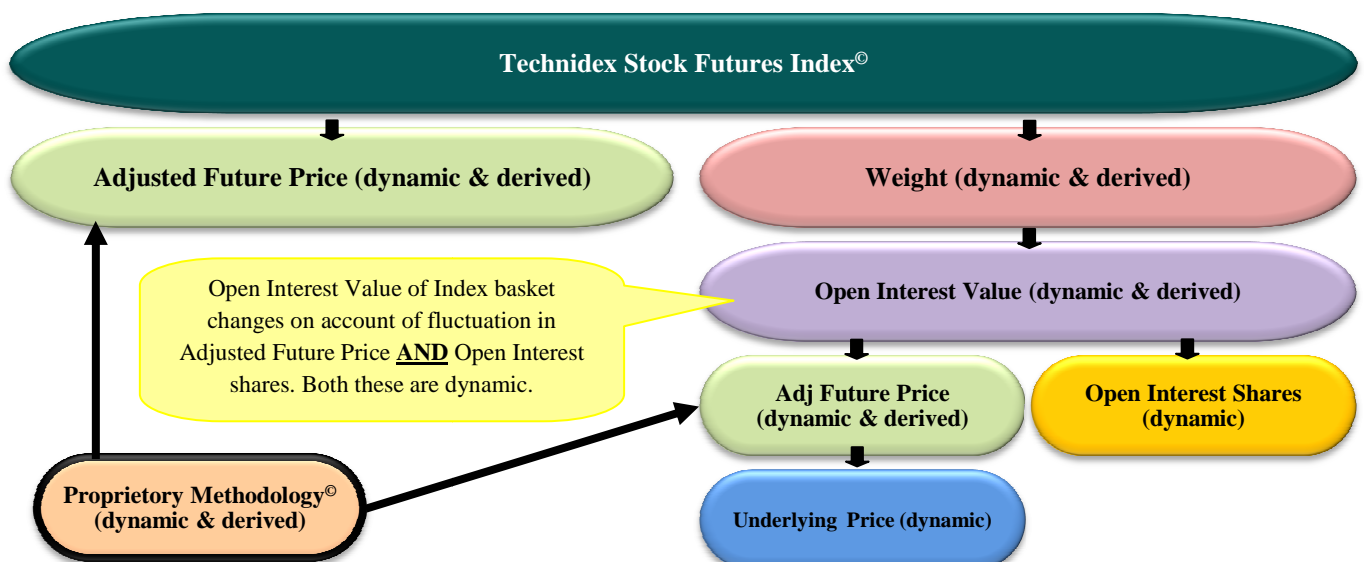
Turnover growth in equities, futures & options…

Revenue from transaction charges are a significant portion of income of stock exchanges. As shown in various graphs in this document, average annual volumes have surged in Cash (Spot) & Derivatives (F&O) segments on NSE during the past 8 calendar years (2006 to 2014).

Cash Segment: +96% from ave daily turnover of Rs. 7,665 cr (2006) to Rs. 15,053 cr (2014)

F&O Segment: +488% from ave daily notional turnover of Rs. 28,186 cr to Rs. 165,737 cr

Break-up of Derivatives Segment:

Stock Futures: +86% from ave daily turnover of Rs. 15,508 cr to Rs. 28,871 cr

Index Futures: +43% from ave daily turnover of Rs. 9,321 cr to Rs. 13,336 cr
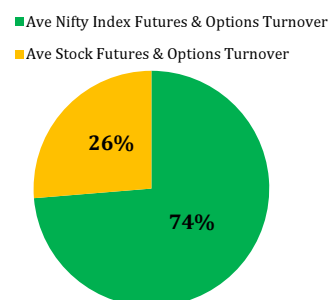
Stock Options: +1368% from ave daily notional turnover of Rs. 804 cr to Rs. 11,814 cr

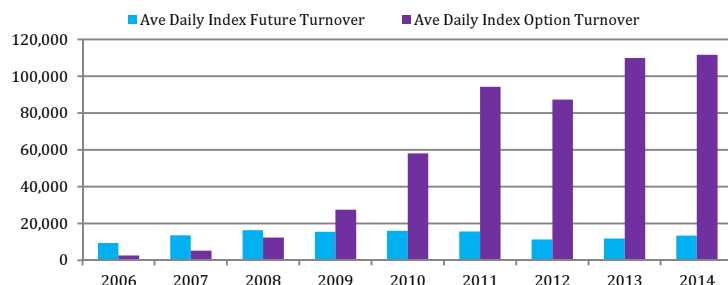Index Options: +4277% from ave daily notional turnover of Rs. 2,552 cr to Rs. 111,717 cr

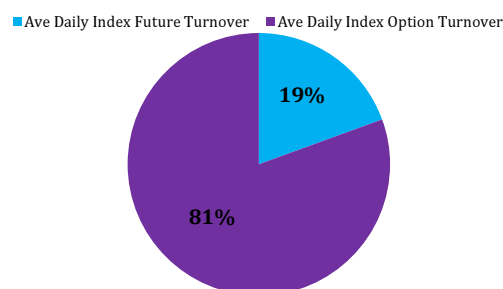**Growth in Index and Stock Futures &Options Turnover**
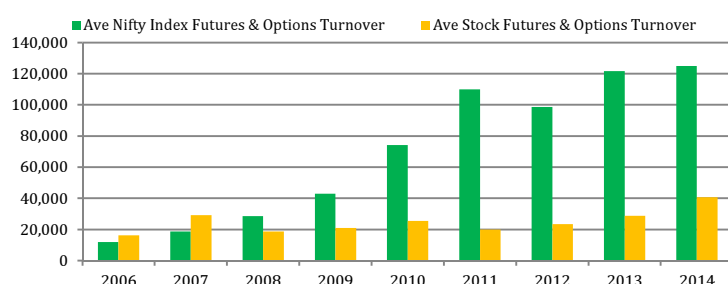
Index F&O Turnover vs Stock F&O Turnover

Growth in Index Futures & Index Options Turnover

Index Futures Turnover vs Index Options Turnover

Derived & estimated Open Interest & Turnover of proposed Technidex Stock Futures Index©

➢ The average Open Interest value of Nifty Index Futures during CY2014 has been **Rs. 12,918 crores**. Using the ratio between Open Interest value of Nifty constituent stock futures & Nifty Index futures, the derived Open Interest value of the proposed Index Future can be estimated at **Rs. 14,753 crores (higher by ~14%)**;

➢ The average daily turnover of Nifty Index Futures during CY2014 has been **Rs. 9,315 crores**. Using the ratio between turnover of Nifty constituent stock futures & Nifty Index futures, the derived daily turnover of the proposed Index Future can be estimated at **Rs. 10,726 crores (higher by ~15%)**;

➢ The average daily turnover of Nifty Index Options during CY2014 has been **Rs. 103,609 crores**. Applying the ratio between turnover of Nifty Index Futures & Nifty Index Options, to the abovementioned derived daily turnover **(Rs. 10,726 crores)** of the proposed Index Future, its Index Options turnover can be estimated at **Rs. 119,303 crores (higher by ~15%)**.

Technidex STOCK FUTURES INDEX©

INDIA'S STOCK FUTURES INDICATOR

How does a Stock Exchange benefit by launching / listing Technidex Indexes?

Once the interested Stock Exchange needs has formed a joint venture with **Technidex Capital Advisors,** owners of **Technidex Stock Futures Indexes©**, to enable it to use the Copyright protected **Technidex™ Index Construction & Computation Methodology©**. They Stock Exchange should then launch the following:

➢ Technidex Stock Futures Index©
  - *to represent activity & sentiment in stock futures segment across all expiries;*
➢ Technidex Underlying Stock Index©
  - *to simultaneously represent activity & sentiment in spot market segment;*
➢ Technidex CoC Indicator©
  - *to indicate prevailing Cost of Carry in stock futures segment across all expiries;*
➢ Technidex Delivery Indicator©
  - *to indicate extent of delivery activity in spot market for stocks traded in futures segment.*

This document has elaborated how **Technidex Stock Futures Index©** fits into the requirement of diversified market participants. Superior performance across time horizons, diversified share-holder profile, higher volatility, profitable results on our automated trading model, better representation & liquidity will make this index attractive for trading, investing & hedging by diversified market participants.

1) *First mover advantage – Being the first to launch a Stock Futures Index…*
   Globally the derivative segment of a stock exchange offer trading in Stock futures & options and Index futures & options. Stock Index Futures are future contracts with a stock index as the underlying asset rather than an index based on stock futures. They do not reflect the price movement, traded volume, changes in Open Interest & Cost of Carry in stock futures, they are merely representing the underlying index (adjusted free-float equity market cap) alongwith the prevailing Cost of Carry. **The exchange launching & listing will be offering the first ever derivative instruments based on a <u>Stock Futures Index</u>** giving an insight on the price movement, exposure, activity and sentiment of the entire stock futures universe with a single value!!!

2) *Impact of listing new derivative instruments for trading*
   Listing (for trading) of proposed Technidex Stock Index Futures© & Index Options with Technidex Stock Futures Index© as the underlying index should have the following impact:
   - The proposed Index Future will incorporate the future prices of active futures of index component companies across all expiries and will **reflect activity & sentiments across all expiries with one single index** value rather than multiple values;
   - The proposed Index Future will have a single contract rather than multiple contracts with different expiry dates. Funds, investors, traders & arbitrageurs will **save on brokerage & other transaction cost** incurred on roll-over trades every expiry;
   - Decline in turnover on account of no roll-over should be compensated by **substantially higher open interest & turnover** since participants will be able to take an exposure on a larger number of stocks and an exposure across all expiries;
   - **Long-only funds & long-term investors should be enthused** to take exposure in the proposed index as it will be based on stock futures across all expiries – giving them an opportunity to take exposure for short, medium & long term;
   - **Arbitrage volume should see a fillip**. With a correlation of ~0.97 with CNX Nifty & ~0.96 with S&P BSE Sensex, market participants will be able to arbitrage between 3 indexes. Lesser money to be deployed (only margin & MTM) and savings on transaction cost will bring in volume from individual & retail segment as well.
   - Technidex CoC Indicator© will reflect the over-all Cost of Carry prevailing in the stock futures segment across all expiries. This should induce additional volumes from funds, investors, traders & arbitrageurs whenever there is a price mis-match;
   - **Diversified participant profile** trading on the exchange will result in a surge in t**rading volumes** as participants have different approach to market and time horizons for their trades.

3) *Economic benefit to the exchange*
   It can be reasonably be accepted that an index, **Technidex Stock Futures Index©** in this case, which largely represents the Stock Futures segment and has an impact on the Turnover & Open Interest of the entire universe, should result in higher turnover on the stock exchange. Earnings from transaction charges account for a significant portion of revenue generated by stock exchanges. **<u>Higher turnover will result in higher revenue for the exchange.</u>**

Technidex Stock Futures Indexes©

A win – win solution for all, The Stock Exchange, Brokers & Participants…

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