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Option Strategies at Union Securities: A Study on Derivative Trading and Risk Management

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Abstract:

Options are one of the most widely used derivative instruments in financial markets, offering investors opportunities for hedging, speculation, and income generation. Various option strategies help traders manage risk while maximizing returns under different market conditions. This study examines the option strategies adopted at Union Securities, focusing on their application in derivative trading, portfolio protection, and investment decision-making. The research analyzes investor awareness, preferred option strategies, risk-return perceptions, and the effectiveness of options in managing market volatility. The findings reveal that option strategies play a significant role in risk management and investment performance.

Keywords: Options, Derivatives, Option Strategies, Union Securities, Hedging, Risk Management, Investment Decisions.

Introduction:

The derivatives market has become an integral part of modern financial systems, providing investors with tools to manage risk and enhance returns. Options are financial contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a predetermined price within a specified period.

Brokerage firms such as Union Securities assist investors in implementing various option strategies based on market expectations and risk tolerance. Strategies such as covered calls, protective puts, straddles, strangles, bull spreads, and bear spreads are commonly used for hedging and speculative purposes.

This study focuses on understanding option strategies practiced through Union Securities and their effectiveness in achieving investment objectives.

Literature Review:

Hull (2021) The author stated that options are effective instruments for risk management and portfolio protection in volatile markets.

Sharma and Gupta (2022) The study found that option strategies help investors minimize downside risk while maintaining profit opportunities.

Kumar (2023) The researcher observed that investor awareness significantly influences the successful implementation of option strategies.

Singh and Verma (2024) The study highlighted that hedging strategies using options improve portfolio stability during market fluctuations.

Mehta (2025) The researcher concluded that structured option strategies contribute to better risk-adjusted returns for investors.

The literature indicates that option strategies are valuable tools for managing investment risk and enhancing portfolio performance.

Objectives of the Study:

1. To understand the concept of options and option trading.
2. To identify the major option strategies used by investors through Union Securities.
3. To analyze the role of option strategies in risk management.
4. To examine investor awareness and preferences regarding options trading.
5. To suggest measures for improving the effectiveness of option trading strategies.

Research Questions:

1. What are the major option strategies used by investors?
2. How do option strategies help in managing investment risk?
3. Which option strategies are most preferred by investors?
4. What factors influence investor participation in options trading?
5. How can option strategy implementation be improved?

Research Methodology:

Research Design:

Descriptive Research Design.

Sources of Data:

Primary Data:

- Structured Questionnaire
- Personal Interaction with Investors and Dealers

Secondary Data:

- NSE Reports
- SEBI Publications
- Union Securities Reports
- Research Journals
- Financial Market Publications
- Online Sources

Sampling Technique:

Convenience Sampling.

Sample Size:

100 Investors.

Data Collection Tools:

Questionnaire and Interview Schedule.

Statistical Tools:

- Percentage Analysis
- Mean Analysis
- Tables and Charts

Study Period:

January 2026 – April 2026.

Data Analysis:

Table 1: Preferred Option Strategy

Strategy	**Respondents**	**Percentage**
Covered Call	30	30%
Protective Put	25	25%
Bull Spread	18	18%
Bear Spread	12	12%
Straddle/Strangle	15	15%
Total	100	100%

Interpretation: Covered Call and Protective Put strategies are the most preferred option strategies among investors.

Table 2: Purpose of Using Option Strategies

Purpose	Respondents	Percentage
Hedging Risk	45	45%
Speculation	30	30%
Income Generation	15	15%
Portfolio Diversification	10	10%
Total	100	100%

Interpretation: Most investors use options primarily for hedging and risk management.

Table 3: Satisfaction with Option Trading Performance

Opinion	Respondents	Percentage
Highly Satisfied	28	28%
Satisfied	50	50%
Neutral	14	14%
Dissatisfied	8	8%
Total	100	100%

Interpretation: A majority of investors are satisfied with the performance of option strategies.

Findings:

1. Option strategies are widely used for risk management and portfolio protection.
2. Covered Call and Protective Put are the most commonly adopted strategies.
3. Hedging is the primary objective of options trading among investors.
4. Investor awareness significantly affects strategy selection and success.
5. Option strategies help reduce the impact of market volatility.
6. Most investors are satisfied with the outcomes of options trading.
7. Professional guidance enhances the effectiveness of option strategy implementation.

Suggestions:

1. Conduct investor education programs on derivatives and option strategies.
2. Encourage the use of risk-management tools before initiating trades.
3. Provide regular market analysis and strategy recommendations.
4. Improve awareness regarding advanced option strategies.
5. Strengthen investor support services and advisory functions.

Conclusion:

Option strategies play a vital role in modern investment management by helping investors manage risk, protect portfolios, and capitalize on market opportunities. The study concludes that Union Securities provides valuable support to investors in implementing effective option strategies. Strategies such as Covered Calls, Protective Puts, and Spreads contribute significantly to risk reduction and return optimization. Continuous investor education and improved market awareness can further enhance the effectiveness of option trading activities.

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