

# Derivatives View

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# Intraday Outlook: Buy Nifty Bank in the range of 25650-25700...

## Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open flat to negative on the back of mixed global cues. Buy Nifty in the range of 10270-10280 for target of 10330, stop loss: 10250
- ❖ **Nifty Bank Future:** Outperformance was clearly seen in the index. The first half was supported by private sector leaders and the second half by the PSU pack, which helped the index end at new life-time high levels. Open interest concentration is high in 26000 Call whereas on the Put side, the position has shifted from 25500 to 25700 levels indicating major short-term support and dips in the index should be used to create fresh longs. Buy Nifty Bank in the range of 25650-25700, target: 25800-25900 stop loss: 25570

## F&O Highlights

- Post scoring a century last Thursday, a follow-up rally was also seen on Friday on the back of Moody's upgrading Indian sovereign rating for the first time in the last 13 years. However, despite back-to-back rallies, the index ended the week flat. Apart from IT, which witnessed aggressive profit booking, all major sectoral indices ended in the green. Realty led the chart followed by banking, auto, metals and capital goods. With the decent performance in Nifty stocks where 30 ended in green, the index managed to end with gains of 70 points.

## Stock Analysis

- Long build-up: DLF, HDIL, Just Dial, Tata Power and Titan Company
- Short build-up: Tech Mahindra, Infosys, Reliance Infra, UPL and Dabur

## FIs Action

- ❖ FIs bought ₹ 1277 crore while DIIs bought ₹ 1467 crore in the cash segment. FIs bought ₹ 518 crore in index futures and bought ₹ 1193 crore in index options. In stock futures as well they sold ₹ 805 crore.

## Intraday recommendations

i) Titan Company		ii) Gail India	
Buy TITIND NOV Fut at 782.50-783.00		Sell GAIL NOV Fut at 442.50-443.00	
CMP: 785		CMP: 445.4	
Target 1: 786.6	Target 2: 792.6	Target 1: 440	Target 2: 435.5
Stop Loss: 778.6		Stop Loss: 446	

### Note:

Call initiation message will be broadcast on iclick-2-gain

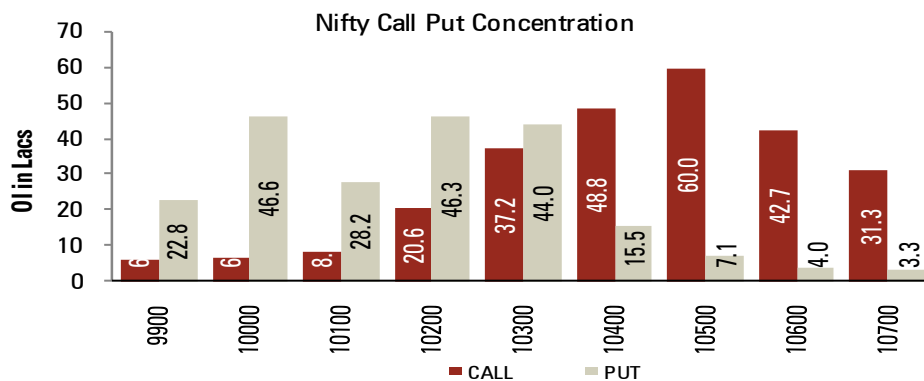
# Daily Nifty snapshot

## Highlights of last session & Pivot Levels...

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	10283	10309	6.89	25671900	1.23	1.02	11.62
Previous	10215	10249	9.23	25821975	1.21	0.85	11.64
Change (%)	0.67%	0.58%	-	-0.58%	-	-	-
Pivot levels (NOV)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10164	10244	10277	10325	10357	10405	10486
Bank Nifty future	25404	25626	25722	25849	25945	26071	26293

Nifty futures settled at a premium of 26 points with a rise in IVs by 1.9%...

## Nifty Options build-up



The highest Put base is at the 10200 strike with 46 lakh shares while the highest Call base is at the 10500 strike with 60 lakh shares...

## Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
17-Nov-17	VOLTAS	Buy	Long Fut	617.50	623.00	611.00	-	Not Initiated
17-Nov-17	COALIN	Sell	Short Fut	264.75	260.20	269.80	-	Not Initiated

Source: NSE, Seediff, ICICIdirect.com Research

# Weekly Recommendation...

## **Godrej Consumer product (GODCON)**

**Buy November future in the range of ₹ 935-940. Target: ₹ 1010 ; Stop Loss: ₹ 897**

### **Rationale**

As the Nifty stages a pullback towards November VWAP levels of 10350, the sectoral churn again seems to be in favour of banking & consumer themes. We are recommending Godrej Consumer as the stock is a strong risk-rewards play. The F&O set up for the stock remains conducive for upsides in the stock. The current OI in the stock of 2.6 million shares has a long bias. This is seeing gradual accretion as the stock consolidates around 930. The 30 day historical volatility has started to move higher while 90 day historical volatility is stable. The expansion of this spread (30D HV -90D HV) bodes well for upsides in the stock.

**Carried forward from November 10 , 2017 report**

## **Bajaj Auto (BAAUTO)**

**Buy November future in the range of ₹ 3240-3260. Target ₹ 3490; Stop Loss ₹ 3120**

### **Rationale**

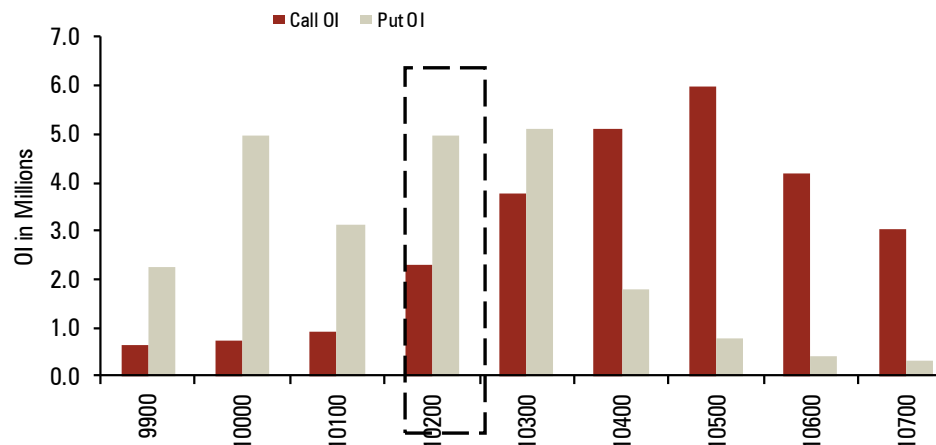
Two-wheeler stocks had not seen much price performance. However, the price action is picking up in two-wheeler stocks. We are recommending Bajaj Auto from the auto space. The stock has reported a stable set of quarterly numbers. The F&O set-up in the stock also remains accretive for upsides. The current OI in the stock is over 1.8 million shares but OI is not excessively heavy, suggesting the stock could move up on fresh long addition. In the options segment as well, Call strike of 3300 & 3400 are seeing buying interest, which is aiding the upsides.

**Note :** Kindly initiate the recommendation after seeing its activation levels on iClick2Gain

## Level of 10200 important for Nifty to continue current uptrend

- The Nifty remained highly volatile during the week and witnessed sharp declines in the first three sessions of the week. However, with a rebound in global equities coupled with positive sentiments after a rating upgrade of India by Moody's, the Nifty bounced back sharply to end the week almost flat
- On the data front, major additions among Call strikes were seen at 10400 and 10500 for the November series last week. Closure among 10400 strike may fuel further upsides in coming sessions. At the same time, both 10200 and 10300 strikes have major Put option concentration. Thus, we believe the prevailing positive bias in the index may continue till it holds above 10250
- Recent declines in both the Nifty and Nifty Bank were triggered by long liquidation. As fresh additions were seen along with the recovery, it seems like positive bias has been formed again in the index
- The volatility has subsided after making highs near 14.8 levels. We expect equities to trade positive till we do not see a fresh escalation of volatility near these levels
- Sectorally, technology stocks have provided significant cushion against sell-off seen in the BFSI and energy space. With the rupee starting to appreciate, renewed interest may be seen in the banking space once again

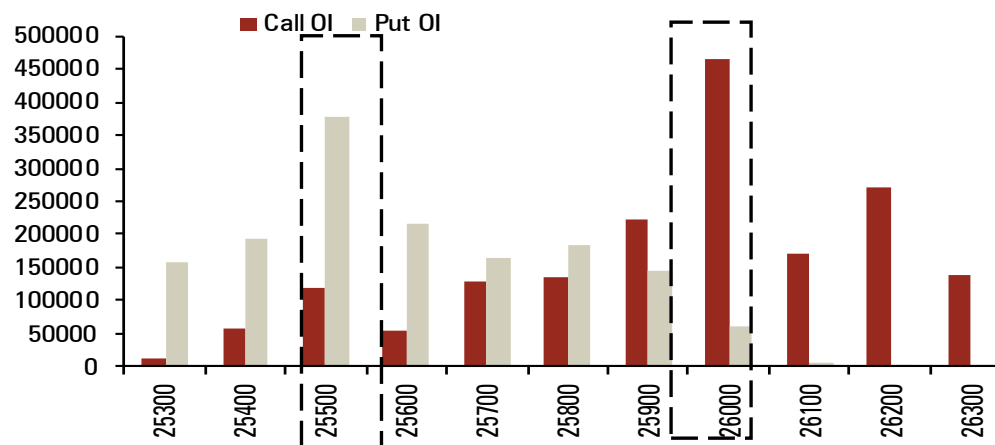
### Nifty options build-up for November series...



## Nifty Bank: Close above 26000 likely to attract more buying in coming days...

- The index witnessed decent support near the sizeable Put base of 25200 and remained firm above these levels throughout the week. However, a move above 25500 was seen on the weekly expiry day. Still, the index got the required steam when Moody's upgraded India's sovereignty bond outlook last Friday after which it moved towards the highest Call base of 26000 and made new life-time high levels well ahead of the Nifty
- In this current leg of the rally, private sector banks continued to dominate whereas this time PSUs also supported the overall up move. Stocks like SBI have started moving up from the support level of ₹ 310, which is likely to trigger broad based buying in the PSU pack
- As the highest Call base is placed at 26000, we feel a close above this levels would attract more buying whereas on downside, Put options writers of 25600 and 25700 are likely to provide a cushion in case of any major selling
- The current price ratio (Nifty Bank/Nifty) has moved to 2.50 levels from 2.44 levels. We feel the outperformance in banking stocks is likely to continue, which is further going to take the ratio higher towards 2.55 levels

### Nifty Bank Weekly options build-up



## India rating upgrade to trigger FII inflows, EM risk-off triggers selling during week...

- Volatility greeted across asset classes at the start of week as US bond yields tracked crude higher. As the week progressed there was weakness in credit markets as well (with US high yield market falling to lowest level since August). This triggered a round of profit taking in global equity markets as well. The MSCI EM index fell 2.5% in the first three sessions of week. However, strong data from the US and weaker crude prices pushed reversal back in the last two trading sessions of the week
- Optical illusion of FII inflows continued during the week in India. This week, we had seen over US\$600 million inflow but it has Bharti Infratel block, if one excludes that then there is an outflow of over US\$100 million. Other EMs also saw outflows and economies of Thailand, Indonesia and Taiwan saw outflows of almost US\$200 million dollar
- A look at FIIs' action in F&O segment suggests some bearish bets put in place by them. In the index future and stock future segment, they created short of over US\$500 million each. At the same time, in the index options segment, there was buying of over US\$284 million (hedging)
- Global risk sentiment seemed to stabilise and is moving towards risk-on mode. This bodes well for an up move in EMs as well. India, in particular, could grab the limelight, as the Moody's, rating agency, upgraded India's sovereign rating to Baa2 on November 17, 2017. This is likely to lift sentiments not only on FPIs but also catalyse FDI flows in the longer term. Considering that FIIs have had limited participation in India equities from the start of August, buying figures from them is not ruled out

FIIs sell-off in Indian Equity Markets					
Date	FII				DII
	Index Fut	Stock Fut	Index Opt	Cash	Cash
10-Nov	-274.63	-19.17	4.63	-68.78	295.52
13-Nov	42.91	-52.20	56.48	-21.13	-41.35
14-Nov	-126.25	-287.13	-152.17	410.41	-0.20
15-Nov	-203.78	-91.08	-126.31	-61.25	133.71
16-Nov	-11.49	-76.76	502.05	0.00	130.38

## S&P 500: S&P remains above crucial support of 2540...

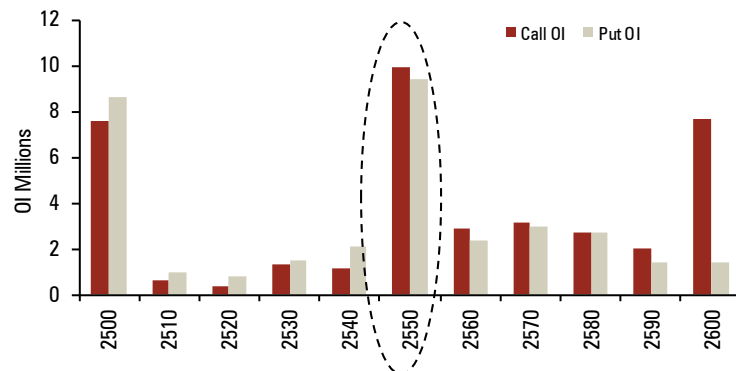
### S&P 500: 2540 is immediate support...

- The S&P continued its positive bias amid historically low volatility. The current move in S&P has the lowest volatility, since 1968 where even corrections of 0.5% are not visible. Continued range bound moves despite result season is more of a surprise. We believe any change of bias requires some meaningful correction in the index. Till then, the positive bias should maintain in S&P till it holds above 2540 in coming sessions

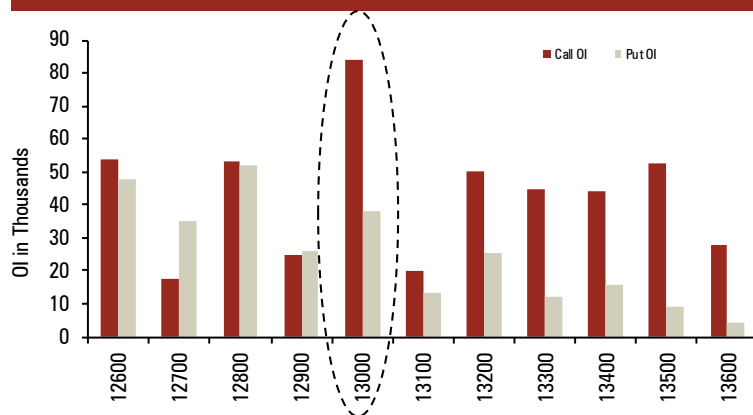
### Dax: Uptrend continues...

- Political instability in the UK has put Euro on a stronger foot in the ongoing Brexit negotiations. The recent development is likely to provide some cushion to the Euro. However, we believe Euro may take a while to sustain above 1.17 levels. In such a scenario, German Equity index may trade with marginally negative bias in coming sessions
- In the options space, the highest Call option concentration is at the 13000 strike for the December series. The major writing was observed in the recent declines of the index from 13500. This is the reason we expect Dax to remain subdued in the near term. However, move above 13200 once again may drive the index to fresh high levels

## S&P: Could consolidate near life-time highs



## Dax : Support for index placed at 12750...





# Rupee rises sharply vs. US\$ as Moody's upgrades India's sovereign bond outlook a notch higher to "stable"...

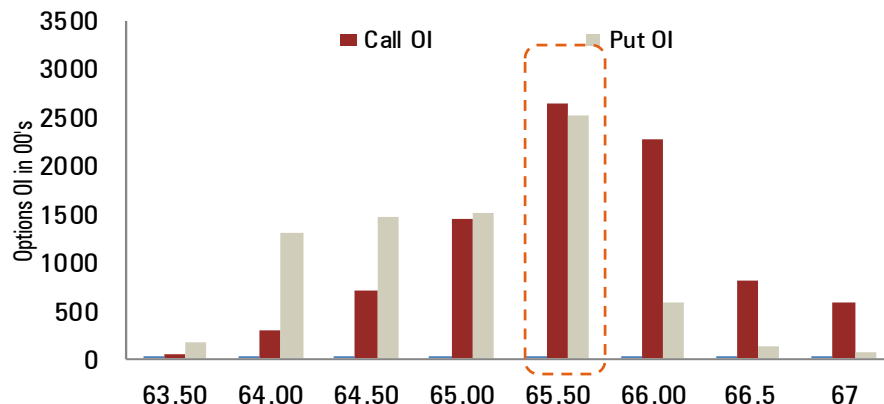
- The US\$ index extended losses and is down ~0.83% against major currencies. Investors continue to book profits at higher levels as pessimism grows over delay in major US tax reform overhaul
- Euro continue to gain, rising from major supports placed at 1.15-1.16 zone. Euro-US\$ pair rose over 1% while JPY also posted gains of 0.84%. Investors keenly await US Fed December FOMC meeting for cues on pace of further rate hikes
- The rupee posted sharp gains, boosted by Moody's upgrading India's sovereign bond rating, a first upgrade since 2004. This could lead to further strong foreign inflows in domestic debt and equities. However, notwithstanding the current boost, we expect rupee to remain in a broad range in near term. We advise traders to initiate short in US\$INR November futures at 65.20-65.30 level for a target at 64.75 and stop loss at 65.65 level

## EM & DM Currency performance

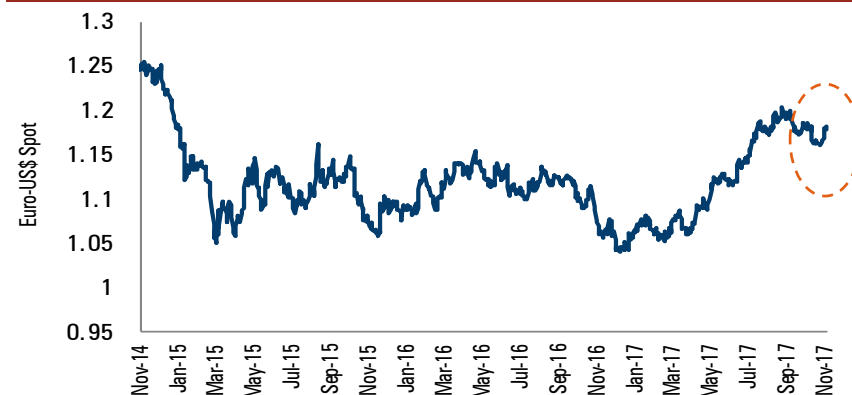
Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	93.61	94.39	-0.83	Depreciated
Euro	1.1804	1.1665	1.19	Appreciated
Japanese Yen	112.58	113.53	-0.84	Appreciated
UK GBP	1.3228	1.3196	0.24	Appreciated
Australian \$	0.7568	0.7661	-1.21	Depreciated
Canadian \$	1.2737	1.2682	0.43	Depreciated
Swiss franc	0.9929	0.9961	-0.32	Appreciated
Emerging currencies v/s US\$				
Indian rupee	64.85	65.17	-0.49	Appreciated
Chinese yuan	6.63	6.64	-0.15	Appreciated
Brazilian real	3.28	3.28	0.00	unchanged
Russian ruble	59.64	59.16	0.81	Depreciated
South african rand	14.16	14.38	-1.50	Appreciated
Indonesian rupee	13514	13543	-0.21	Appreciated
S.korean won	1098.25	1116.99	-1.68	Appreciated

Source: Bloomberg, ICICIdirect.com Research

## November US\$INR Options build up



## Euro recovers from supports zone placed between 1.15-1.16 area



# Stock options OI activity....

## Top liquid stock options

### High Open Interest Accumulations

Calls					Puts				
Stock	Expiry	Strike	OI	Chg in OI	Stock	Expiry	Strike	OI	Chg in OI
SUNPHARMA	30-Nov	520	1401	1155	RCOM	30-Nov	7.5	676	648
TATAMOTORS	30-Nov	420	1566	1104	RELIANCE	30-Nov	900	1502	561
ITC	30-Nov	260	1297	1051	SUNPHARMA	30-Nov	500	1332	457
VEDL	30-Nov	320	1240	794	INFY	30-Nov	980	491	422
RELCAPITAL	30-Nov	500	1146	577	TCS	30-Nov	2700	550	352

### High Open Interest Closures

Calls					Puts				
Stock	Expiry	Strike	OI	Chg in OI	Stock	Expiry	Strike	OI	Chg in OI
INFY	30-Nov	960	840	-402	SBIN	30-Nov	300	1,736	-455
SUNPHARMA	30-Nov	580	1,579	-388	TATAMOTORS	30-Nov	440	490	-265
SBIN	30-Nov	320	1,092	-275	VEDL	30-Nov	320	258	-198
TATAMOTORS	30-Nov	460	2,508	-263	RELCAPITAL	30-Nov	460	305	-194
M&M	30-Nov	1400	189	-240	HDFC	30-Nov	1700	190	-178

# Forthcoming Events...

## India:

- **Results (As per Bloomberg):**
- 22 November : Bajaj Finance

## Japan:

- 20 November : Trade Balance
- 21 November : All Industry Activity
- 24 November : Nikkei Japan PMI Mfg

## US:

- 20 November : Leading Index
- 21 November : Existing Home Sales
- 22 November : MBA Mortgage Applications, Initial Jobless Claims, Durable Good Orders, Consumer Confidence
- 24 November : Markit US Services and Composite PMI

## Euro zone:

- 22 November : Consumer Confidence
- 23 November : Markit Eurozone Manufacturing PMI
- 23 November : Markit Eurozone Services and Composite PMI

## UK:

- 21 November : Public Sector Net Borrowings
- 23 November : GDP

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