

November 9, 2018

### Other Product offerings

#### Derivatives Strategy

Underlying	Action
Sun Pharma	Buy

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#### Quant (Derivatives) Pick

Underlying	Action
Ashok Leyland	Buy
Biocon	Buy
United Breweries	Buy

Duration : 1-3 months

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## Derivatives View

[Intraday](#)

[Positional](#)

### Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy HERHON NOV Fut at ₹ 2860.00-2865.00	HERHON	2900.0	2945.0	2840.0	Intraday
Sell AJAPHA NOV Fut at ₹ 1039.00-1040.00	AJAPHA	1028.0	1010.0	1052.0	Intraday

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## Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open negative on the back of weak global cues. Buy Nifty in the range of 10550-10565 for a target of 10584-10609, Stop loss: 10529

## Bank Nifty Future:

- ❖ On the back of participation from private banks, the index moved above 25900. However, selling continued in Axis Bank and SBI. In the second half, expiry activity triggered broad based selling in the banking space. The index turned negative and eroded most of its gains. Writing was seen in the 25600 strike straddle indicating possible consolidation, going ahead. Buy Bank Nifty in the range of 25600-25650, Target: 25800-25850, Stop loss: 25520

## F&O Highlights

- ❖ Post the positive start, the Nifty witnessed some follow-up buying and moved towards 10600. However, sustaining with the same pace seems difficult. The index witnessed a sharp fall towards the end with selling seen in industry heavyweights. Towards the end, it ended almost flat losing nearly 10 points

## Stock Analysis

- ❖ **Long build-up/short covering:** DHFL, Yes Bank, MRPL, Bharti Airtel, Tata Motors and TCS
- ❖ **Short build-up/profit booking:** Cipla, PC Jewellers, IOC, SBI, Siemens, IRB Infra, Ajanta Pharma and NMDC

## FII's & DII Action

- ❖ FIIs bought ₹ 31 crore while DIIs bought ₹ 27 crore in the cash segment. FIIs bought index futures worth ₹ 165 crore while in stock futures they bought ₹ 11 crore
- ❖ **Intraday Recommendations**

i) Hero MotoCorp		ii) Ajanta Pharma	
Buy HERHON NOV Fut at ₹ 2860.00-2865.00		Sell AJAPHA NOV Fut at ₹ 1039.00-1040.00	
CMP: 2893.45		CMP: 1046	
Target 1: 2900	Target 2: 2945	Target 1: 1028	Target 2: 1010
Stop Loss: 2840		Stop Loss: 1052	

### Note:

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

Source: NSE, Seediff, Bloomberg ICICI Direct Research

## Highlights of the last session & Pivot Levels

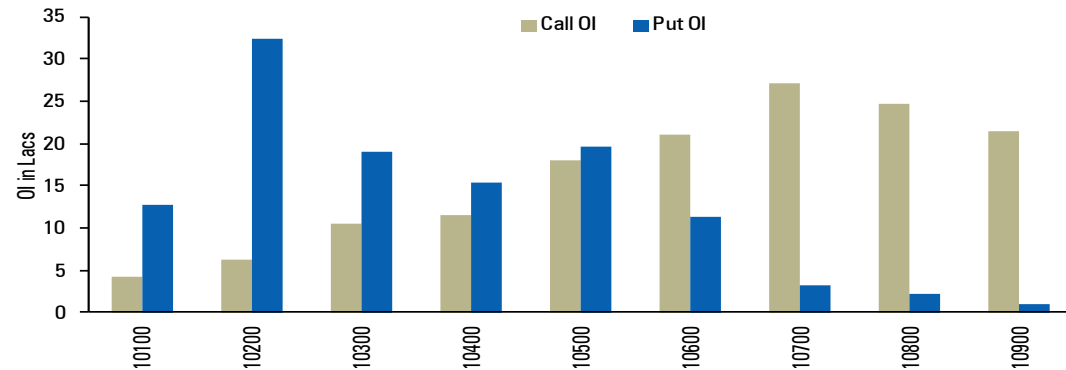
	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
<b>Current</b>	10530	10555	25	24624150	1.55	0.99	18.50
<b>Previous</b>	10524	10551	27	24765900	1.58	1.10	19.50
<b>Change (%)</b>	0.06%	0.04%	-	-0.57%	-	-	-5.41%

Pivot levels (OCT)	S3	S2	S1	Piv	R1	R2	R3
<b>Nifty future</b>	10346	10454	10505	10562	10613	10670	10778
<b>Bank Nifty future</b>	25107	25431	25571	25755	25895	26079	26403

Nifty futures settled at a premium of 25 points on Wednesday with a fall in IVs by 5.4%

## Nifty Options OI build-up



The highest Put base is at the 10000 strike with 40 lakh shares while the highest Call base is at the 11000 strike with 28 lakh shares

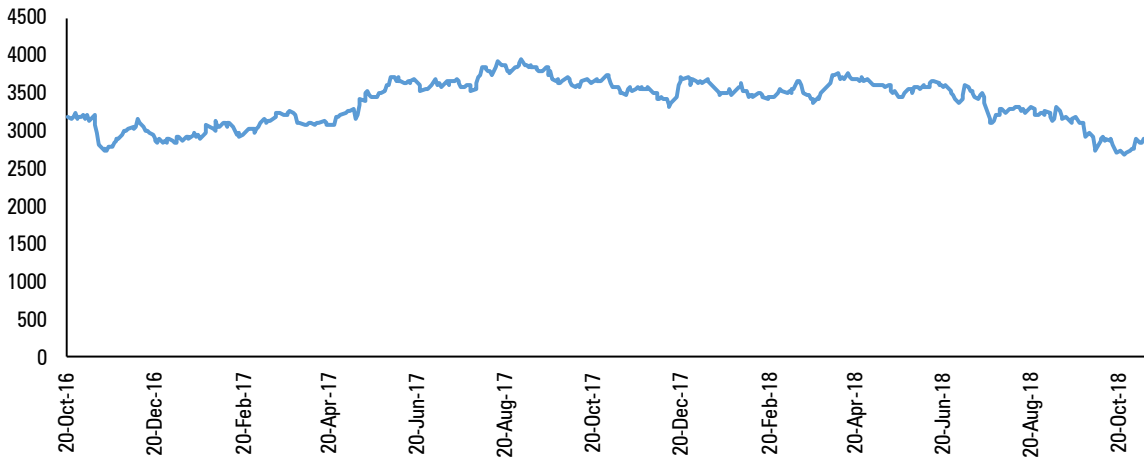
## Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
6-Nov-18	TATMOT	Buy	Long Fut	194.2	198.0	190.0	-	Not Initiated
6-Nov-18	INDBA	Sell	Short Fut	1481.0	1460.0	1500.0	6300	Tgt Achieved

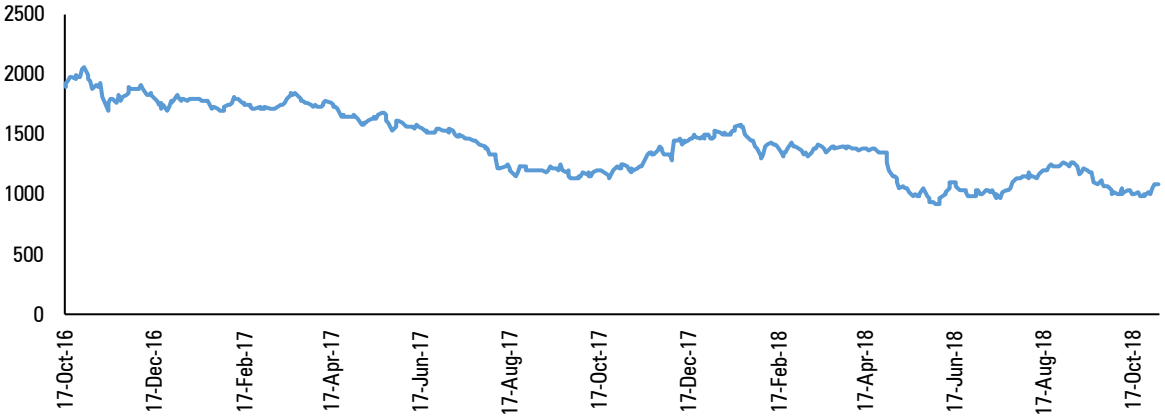
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

## Hero Motocorp



## Ajanta Pharma



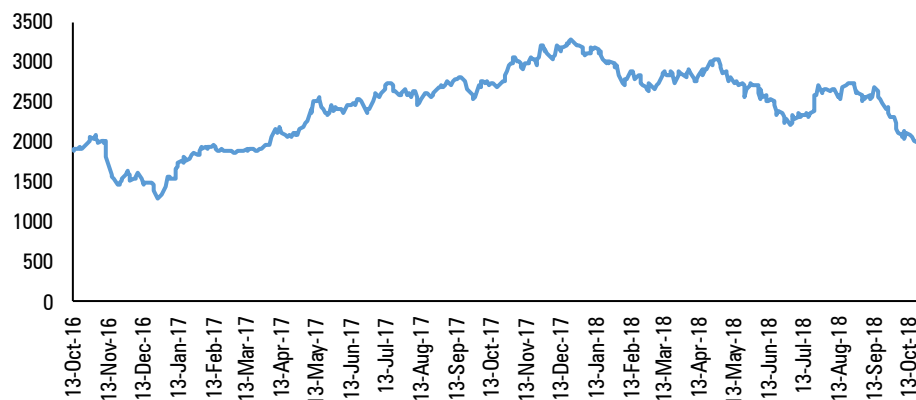
Source: NSE, Seediff, Bloomberg *ICICI Direct Research*  
November 9, 2018

## Weekly future recommendation:

**Buy Dalmia Bharat (DALBHA) November future in the range of ₹ 2160-2170. Target: ₹ 2350. Stop Loss: ₹ 2060**  
**Rationale**

With the recovery in the Nifty last week, stock specific sharp reversals are visible. Cement stocks have experienced significant selling pressure in the last couple of months amid long liquidation. However, the November series saw significant fresh additions in stocks like Ambuja Cement and Dalmia Bharat Cement. After a decline of almost 50% in open interest since July series, Dalmia Bharat saw 24% OI addition in the November series. We believe fresh longs are formed in the stock. It is likely to continue its upward bias in coming sessions.

**Dalmia Bharat Ltd Price performance**



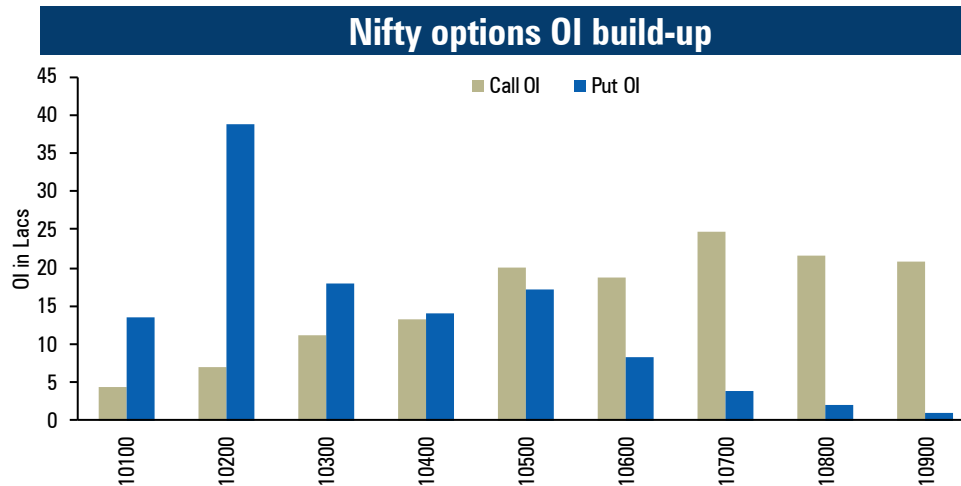
**Recommendation follow up**

Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Hindustan Unilever	Bearish	Sell Future	1560	1460	1610	18000	Profits booked

Source: Bloomberg, ICICI Direct Research

# Nifty: Intermediate support at 10400 in ongoing recovery...

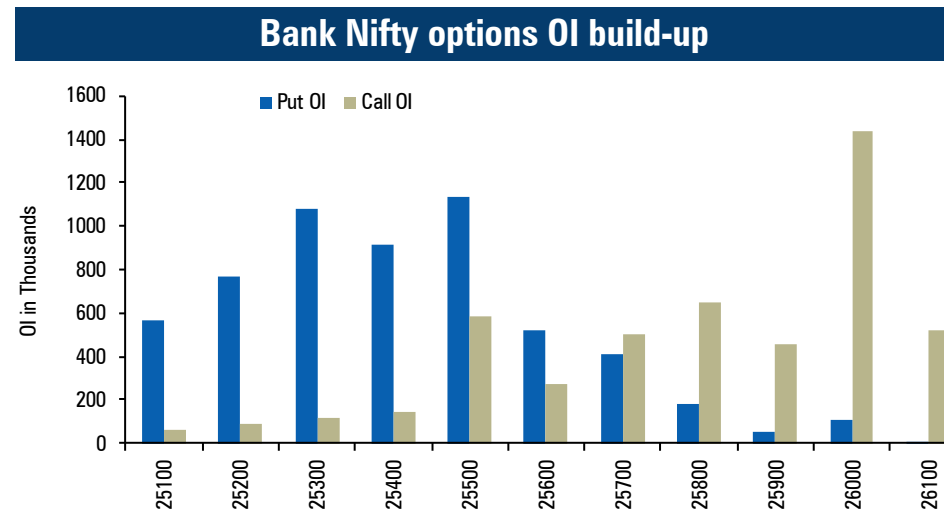
- The Nifty experienced a significant recovery last week and bounced more than 500 points from the lows. It was the highest weekly gains for Nifty since April 2016 when Nifty bounced from the lows of 6825. The current up move is broad based and mid cap index has even surpassed its October 17 high. Sharp decline in Crude and appreciating rupee helped markets to recover swiftly. At the same time, positive news flow regarding trade war also played its part in the market move
- From the data front, option writing is still absent from the market and only noticeable accumulation was seen at 10500 Put in the last trading session of the week. Given the sharp upsides, closure of positions was evident among Call strikes but no major option base is visible in near the money strikes
- We expect Nifty to consolidate on its gains in the coming sessions with 10400 levels is likely to act as major support where incremental Put writing was seen after first round of up move
- Technology and pharma space have lost their sheen given sharp currency appreciation while Auto and Financial stocks witnessed short covering. We believe the ongoing trend of short covering to continue in this space. At the same time, select private sector banking heavyweights are likely to continue their upward bias in the coming sessions as well



Source: Bloomberg, ICICI Direct Research

# Bank Nifty: Private sector heavyweights likely to provide further upside...

- After ending last week on a dismal note, the Bank Nifty consolidated near 24500 levels initially. However, sharp recovery was seen towards the later part of the week. Volatility remained high for the week where the volatility benchmark index made high of 22 and cooled off nearly 300 bps. This also provided required boost to the index with a reversal of 1400 points from the bottom
- As the November series had started with 24% higher open interest positions with short rollover for November series, we saw leverage closure in the last week. The rally was mainly dominated by short closure which is likely to provide more upside
- Private banks continued to lead in the week. However, PSU banks are also showing resilience this time along with short covering. As the index moved above 25500 levels, closure was seen in OTM Calls and OI concentration has shifted to higher strikes of 26000 and 26300 strikes. Put writers are active in 25300 strike indicating major support for the week
- The current price ratio of Bank Nifty/Nifty has been hovering near 2.43 levels since the couple of weeks. We feel the outperformance in the banking stocks is likely to continue unless any major Call writing blocks is seen in private banks. With the support of 2.40 levels, the ratio is likely to move towards 2.48 levels in coming weeks



Source: Bloomberg, ICICI Direct Research

- In the first two sessions of the week, weakness in US markets continued. However since the inception of November series S&P witnessed recovery trend (after declining 8%, largest monthly decline since 2009) . MSCI EM index also posted similar trend, where after falling slightly in first half the week, it recovered sharply in second half of the week, to close almost 3% higher
- As a result of Indian risk-off sentiment, FIIs sold equities worth over US\$ 500 million in the cash segment. For the month the FII selling was over US \$ 3.5 billion in equity (largest monthly FII outflow), still the market stabilised and recovered as DIIs bought over US \$ 3 billion, offsetting the FIIs selling to a greater degree
- In other EM equity markets , FIIs selling declined as well. Inflows to the tune of US \$ 500 million each was seen in Taiwan and South Korea. However some outflows were seen from Thailand & Brazil
- In the coming week mid-term elections will be key event. While market is pricing in a split outcome (Senate with Republican & House of representative with Democrats) from elections. However a sweeping win for existing establishment remains the key risk for EM's (as Dollar and rates are expected to move higher). On an immediate basis, upcoming wage growth number will also guide the pace till the Election verdict reaction on Nov 7<sup>th</sup>. Hence only a strategic FIIs buying is expected and a blanket FII buying is unlikely. India may gain in the process as key deterrent of Indian macro, crude, seems to have ebbed its price surge trend

Fund flow action continues negative					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
26-Oct	-19.9	73.7	104.0	-187.7	255.4
29-Oct	38.0	282.9	303.2	-247.9	344.0
30-Oct	27.3	18.3	68.6	-209.2	185.6
31-Oct	100.3	159.6	-8.4	-59.8	153.1
1-Nov	-35.9	130.3	397.2	0.0	-76.2

Source: Bloomberg, ICICI Direct Research



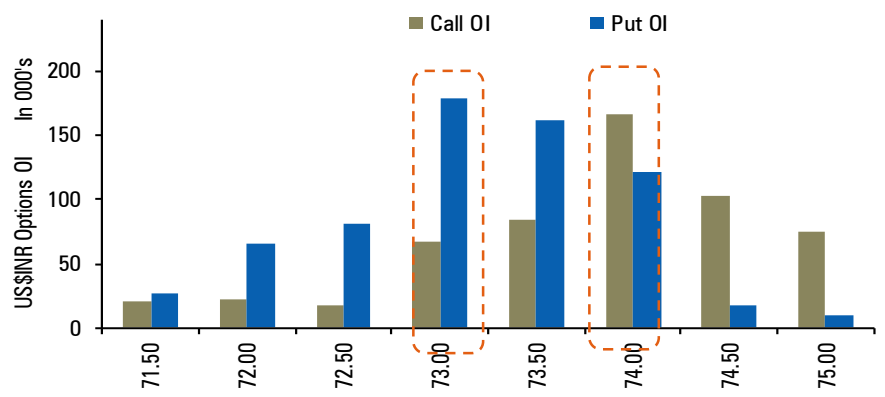
# Rupee recovers sharply tracking fall in crude oil price, expectation of Iran sanction waiver...

- The US\$ declined against major currencies as Risk currencies staged recovery ahead of US employment data. Currencies shall remain volatile ahead of key event like US presidential mid term election outcome next week as well as US Fed FOMC monetary policy meeting
- Rupee has recovered sharply from its lows of 74.14 to currently 73.06 during the week. Decline in crude oil price which is down by over 16% from its over 4-year is positive for rupee. Also expectation that India may get sanction relief over Iranian oil imports supported rupee. We expect Rupee to maintain its strength in near term however official announcement over Iran oil sanction waiver and US mid term election remain key events to be watched

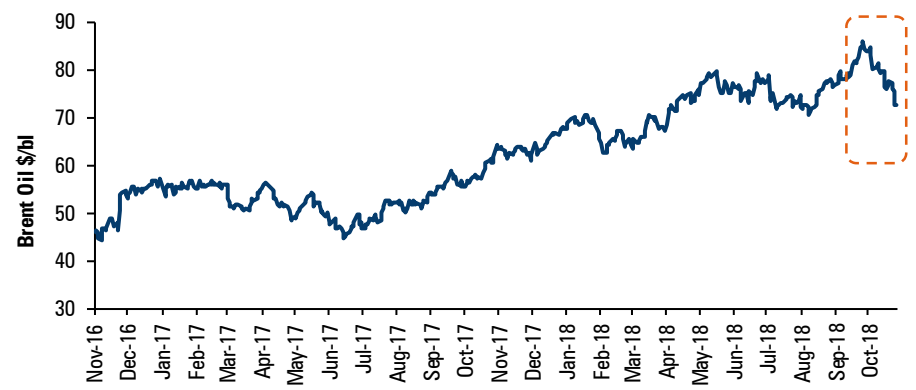
### EM and DM currency vs. US\$...

Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	96.34	96.36	-0.02	Depreciated
Euro €	1.1402	1.1403	-0.01	Depreciated
Japanese ¥	112.74	111.91	0.74	Depreciated
UK £	1.2990	1.2828	1.26	Appreciated
Australian \$	0.7203	0.7090	1.59	Appreciated
Canadian \$	1.3093	1.3106	-0.10	Appreciated
Swiss franc	1.0019	0.9970	0.49	Depreciated
<b>Emerging currencies v/s US\$</b>				
Indian rupee	73.12	73.47	-0.48	Appreciated
Chinese yuan	6.93	6.94	-0.20	Appreciated
Brazilian real	3.70	3.64	1.64	Depreciated
Russian rubble	65.75	65.60	0.23	Depreciated
South african rand	14.44	14.60	-1.12	Appreciated
Indonesian rupee	15098	15217	-0.78	Appreciated
S.korean won	1127	1142	-1.26	Appreciated

## US\$INR November options build up



## Crude oil price declines sharply



Open Interest Addition									
Long Build Up					Short Build Up				
Stock	Current OI	CMP	% Chg OI	% Chg price	Stock	Current OI	CMP	% Chg OI	% Chg price
Voltas	6321	534.85	81.48%	7.68%	HDFC Bank	68984	1956	28.01%	-0.64%
Ambuja Cement	7366	204.9	68.06%	7.11%	Godrej Consumers	8605	712	20.38%	-0.33%
Cummins India	1681	773.9	64.80%	14.50%	Kotak bank	16200	1133.25	18.72%	-2.37%
Justdial	2113	490.35	46.33%	12.63%	NTPC	9238	158.85	17.04%	-0.25%
Exide	3598	251.75	42.55%	0.12%	Lupin	13280	852	15.14%	-0.11%

Open Interest Closure									
Long Closure					Short Closure				
Stock	Current OI	CMP	% Chg OI	% Chg price	Stock	Current OI	CMP	% Chg OI	% Chg price
MCX	4752	710	-14.72%	-2.28%	CESC	3138	692.15	-42.54%	4.95%
KPIT	3454	210.1	-7.70%	-3.87%	Repco Home	604	404.2	-18.38%	21.62%
IDBI	3835	59.35	-0.60%	-0.59%	Indian Bank	2010	249.4	-15.44%	11.66%
					Tata Elxsi	3128	1052.85	-15.37%	8.76%
					Nestle	7558	10250	-15.33%	7.07%

## India:

- 05 November : Nikkei India PMI Services and Composite

## Japan:

- 05 November : Nikkei Japan Services and Composite
- 08 November : Core Machine Orders and BoP Current Account Balance
- 08 November : Trade Balance

## US:

- 05 November : Markit US Services and Composite PMI, Non Manufacturing Index
- 07 November : MBA Mortgage Applications
- 08 November : Initial Jobless Claims and Continuing Claims
- 09 November : FOMC Rate Decision
- 09 November : PPI Data

## Euro zone:

- 05 November : Markit Eurozone Services and Composite PMI
- 06 November : PPI Data
- 07 November : Retail Sales

*Source: Bloomberg, ICICI Direct Research*

Date	Scrip	Action	Recommendation
26-Oct-18	Jindal Steel & Power	Sell	<b>Positional Option</b> : Buy Jindal Steel Nov 150 Put at 8.00-8.50; Target: 18; Stoploss: 3.80. Time frame : till Nov Expiry

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*Source: Bloomberg, ICICI Direct Research*

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# Quant Picks: Open recommendations

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
12-Oct-18	Ashok Leyland	Buy	113-117	137	102	117	0.4%	3 months

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Source: Bloomberg, ICICI Direct Research

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*Source: Bloomberg, ICICI Direct Research*

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