

June 19, 2019

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

| Action | I-Direct Code | Target 1 | Target 2 | Stoploss | Time frame |
|---|---------------|----------|----------|----------|------------|
| Buy SRF JUNE Fut at ₹ 3031.00-3033.00 | SRF | 3044.0 | 3062.0 | 3020.0 | Intraday |
| Sell BHAFOR JUNE Fut at ₹ 437.00-438.00 | BHAFOR | 431.5 | 422.5 | 443.5 | Intraday |

Other Product offerings

Derivatives Strategy

| Underlying | Action |
|------------|--------|
| Infosys | Buy |
| DLF | Buy |

Duration : 1-2 months

[Click here to see open calls](#)

Quant (Derivatives) Pick

| Underlying | Action |
|---------------|--------|
| CESC | Buy |
| Ambuja Cement | Buy |

Duration : 1-3 months

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Index Outlook

- ❖ Nifty Future: The Nifty is likely to open gap up on the back of strong global cues. Buy Nifty in the range of 11705-11725 Target: 11740-11764, Stop loss: 11689

Bank Nifty Future

- ❖ Post a positive opening, the index made a high of 30584 but could not hold on to its gains. It finally ended at 30360. From the lower levels, buying was seen in SBI but rest of the leading banks remained sideways. On the weekly options front, it has significant OI at 30000 Put with additions seen in the strikes of 30500 and 30600 Calls. Thus, it may trade in the range of 30000-30600 for a couple of trading sessions. Buy Bank Nifty in the range of 30300-30350, Target: 30450-30550, Stop loss: 30200

F&O Highlights

- ❖ Intraday volatility remained high after a flat opening. The Nifty traded in the broader range of 11650 -11750 and finally closed at 11672 with marginal gain of 0.17%. Among sectorial indices, selling was witnessed in FMCG, pharma and auto stocks whereas buying was seen in cement and oil & gas stocks. OI addition remained high in 11700 Call. If the Nifty manages to sustain above these levels, then short covering can be seen towards 11800

Stock Analysis

- ❖ **Long build-up/short covering:** SRF, IGL, Hexaware, Power grid, REC Ltd and HCL Tech
- ❖ **Short build-up/profit booking:** PEL, Dabur, Bharat Forge, IRB Infra, Britannia, Asian Paint and Hindalco

FII's & DII Action

- ❖ FII's bought ₹ 32 crore while DII's bought ₹ 181 crore in the cash segment. FII's bought index futures worth ₹ 119 crore while in index options they bought ₹ 886 crore. In the stock futures segment, they bought ₹ 53 crore

Intraday Recommendations

| i) SRF | | ii) Bharat Forge | |
|---------------------------------------|----------------|---|-----------------|
| Buy SRF JUNE Fut at ₹ 3031.00-3033.00 | | Sell BHAFOR JUNE Fut at ₹ 437.00-438.00 | |
| CMP: 3006 | | 439 | |
| Target 1: 3044 | Target 2: 3062 | Target 1: 431.5 | Target 2: 422.5 |
| Stop Loss: 3020 | | Stop Loss: 443.5 | |

Note:

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

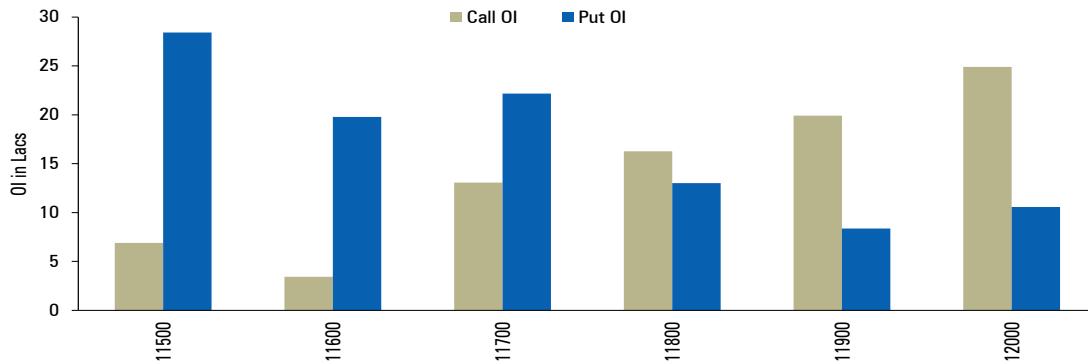
Highlights of the last session & Pivot Levels

| | Spot | Fut | Basis | Future OI | PCR OI | PCR Vol | ATM IV |
|-------------------|-------|-------|-------|-----------|--------|---------|--------|
| Current | 11692 | 11700 | 8 | 20948175 | 1.13 | 1.11 | 14.60 |
| Previous | 11672 | 11697 | 25 | 20921700 | 1.08 | 1.10 | 14.65 |
| Change (%) | 0.17% | 0.03% | - | 0.13% | - | - | -0.34% |

| Pivot levels (June) | S3 | S2 | S1 | Piv | R1 | R2 | R3 |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|
| Nifty future | 11513 | 11608 | 11654 | 11703 | 11749 | 11798 | 11893 |
| Bank Nifty future | 29604 | 29988 | 30159 | 30372 | 30543 | 30756 | 31140 |

Nifty futures ended at a premium of 8 points with a fall in IVs by 0.34%

Monthly Nifty Options OI build-up



The highest Put base is at 11500 strike with almost 28 lakh shares while the highest Call base is at the 12000 strike with 25 lakh shares

Strategy follow up

| Date | Stock | View | Strategy | Reco | Target | SL | P&L | Comment |
|-----------|--------|------|-----------|-------|--------|-------|-------|---------------|
| 18-Jun-19 | TATELX | Buy | Long Fut | 865.5 | 873.0 | 858.0 | - | Not Initiated |
| 18-Jun-19 | MAHMAH | Sell | Short Fut | 623.3 | 617.3 | 629.3 | -1000 | Exit in loss |

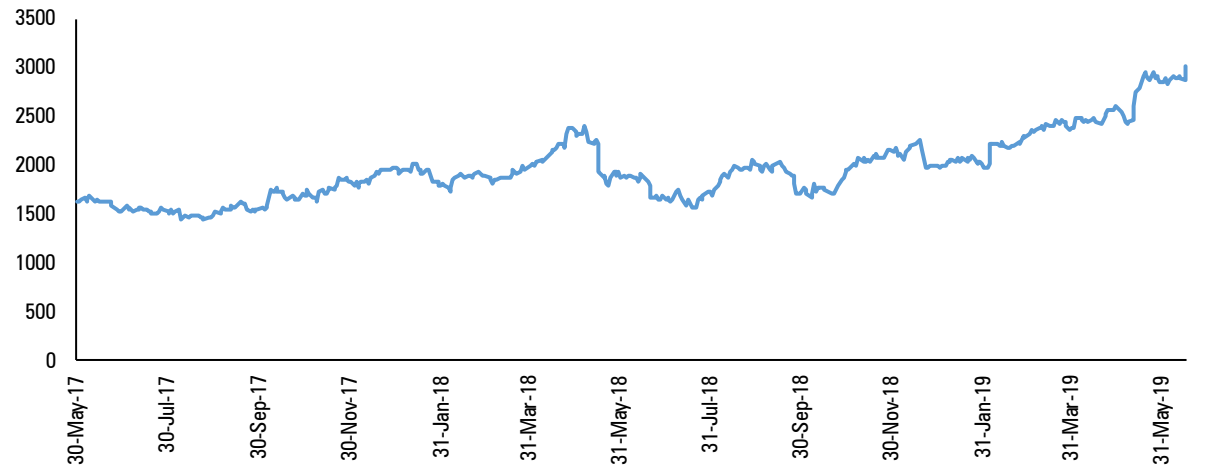
Note: The given index recommendation in this report is intraday recommendation and should not be linked with positional view & recommendations given in Derivatives Strategy report, which may have a different view

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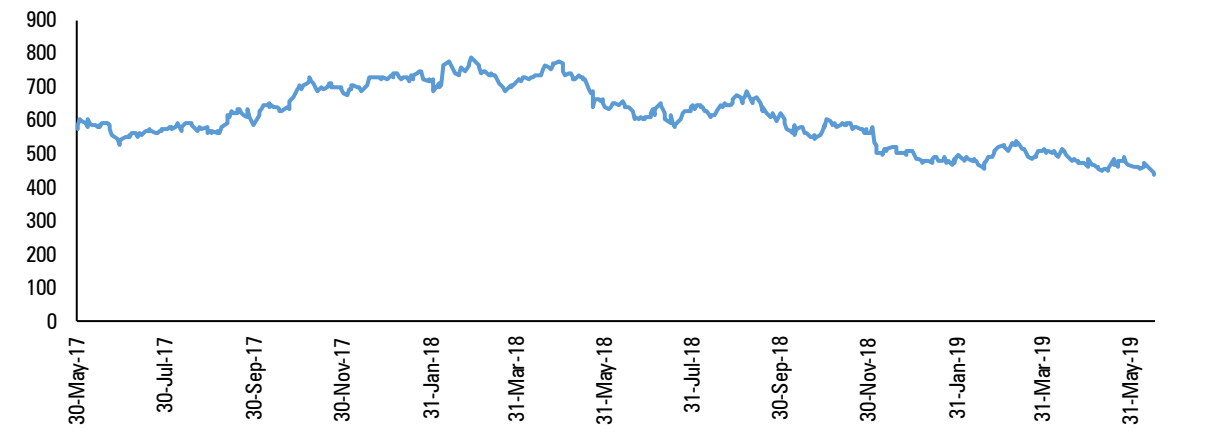
Recommended Stocks : Historical price performance...



SRF



Bharat Forge



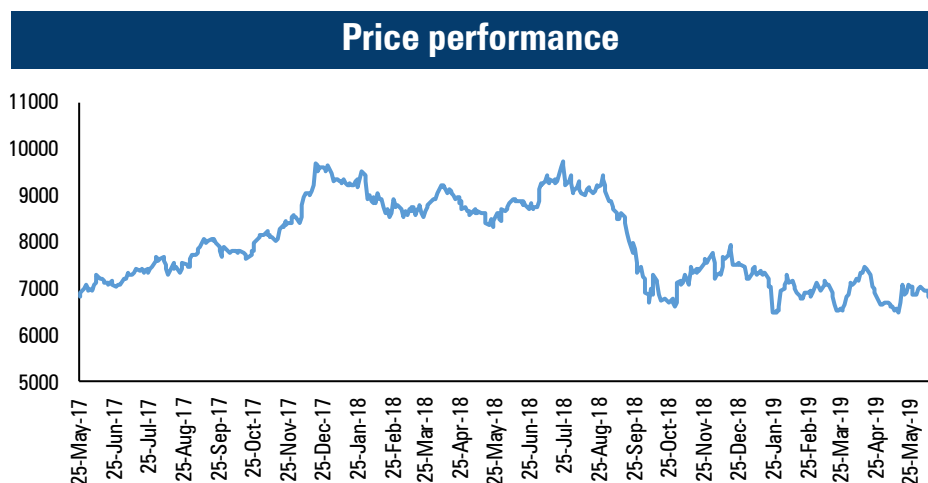
Source: NSE, Seediff, Bloomberg ICICI Direct Research

Weekly future recommendation

Sell Maruti (MARUTI) June future in range of ₹ 6760-6790. Target: ₹ 6150; Stop Loss: ₹ 7150

Rationale

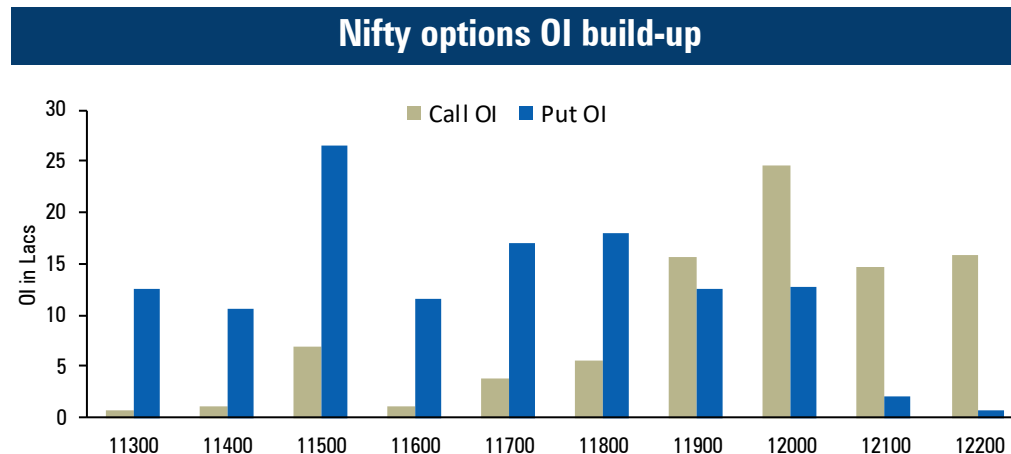
Shorts to the tune of 35% were added in Maruti in the last few series. The stock has been slowly declining with major Call writing seen at 7200 and 7000 Call strikes. We believe the stock will remain under pressure in the current series. A couple of announcements on production cuts have not gone well with the stock and led to gradual declines. The upsides seem to be limited in the near term with immediate hurdle placed at 6850.



Source: Bloomberg, ICICI Direct Research

Nifty: To slip towards 11650 if it fails to hold 11800...

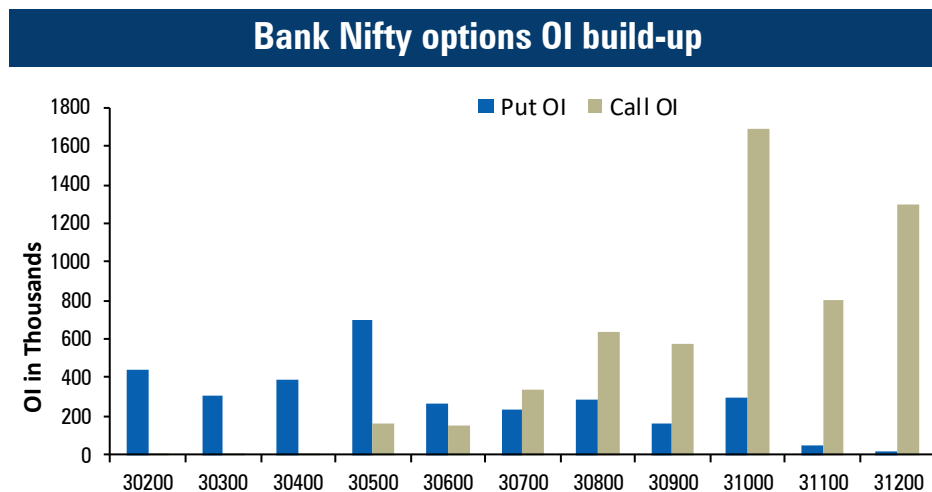
- The Nifty has been consolidating near 11800, the previous breakout level. We expect more consolidation around these levels amid subdued volatility. Nifty Put positions are placed at 11800 and 11500 strikes, which are noteworthy supports
- Call writers have been active at 12000 strike, which remains a hurdle for the series. Nifty premium has reduced indicating some long closure in the index. Certain index heavyweights have seen writing in near the money Call strikes suggesting limited upsides in the current series
- Volatility has declined for a major part of the last week, which has happened on account of Call options writing that may keep the markets subdued. Selling pressure may emerge below 11800 in the market, which will drag the Nifty towards 11650
- Friday's fall was seen primarily on the back of weakness seen in banking stocks. If the Bank Nifty slides below 30500, weakness may persist in the Nifty



Source: Bloomberg, ICICI Direct Research

Bank Nifty: Weakness likely to extend below 31000...

- The Bank Nifty continued to face a hurdle near 31200 and witnessed a sell-off for a major part of the week. However, on the weekly option expiry day, it managed to reclaim 31000 after late buying of 500 points from the bottom
- A few private banks witnessed a sharp sell-off on the last day of the week where Axis Bank was the major dragger and ended below its support of 800 along with continued selling in Yes Bank and IndusInd Bank. Long liquidation in most PSU banks is likely to trigger negative sentiments
- Call OI blocks are seen in 31000 and 31200 strikes, which can act as a key resistance this week. FOMC meet during the later part of the week is likely to provide some cues for banking and financial stocks. However, looking at the rising OI in Calls, we feel the upside in the index is limited. It could remain under pressure below 31000
- The current price ratio of Bank Nifty/Nifty has slipped towards 2.58. Looking at the high OI build-up in private banks, we feel the upside in the Bank Nifty is limited. The ratio can slide towards its two-year break-out level of 2.55



Source: Bloomberg, ICICI Direct Research

Fed June policy meeting in focus in backdrop of lower May employment data...

- The S&P index extended gains last week as market participants are pricing in that the Fed may become dovish in the June policy meeting. Lower US May employment data and subdued inflation could see Fed turning dovish in backdrop of rising trade war risks
- Last week saw muted FII flows. Indian equities saw mild outflows of \$3 million while Indonesia and Malaysia saw outflows of \$ 11 million and \$ 50 million. Thailand and Vietnam saw inflows of \$260 million and \$3.5 million
- MSCI Emerging equity market extended gains for a third consecutive week tracking improved risk sentiment as well as a decline in oil prices, which is positive for some importing EMs like India. Also, global yield cool off is positive for EM markets. MSCI EM currencies ended the week on a mixed note
- Brent oil is on course to end a fourth week of consecutive declines due to increasing risks of trade war, which could weigh on demand growth. It is down over 18.5% from its CY19 highs of over \$75.5/bl. Investors would be looking ahead of Opec+ meeting this month as a decision on the current supply agreement is likely to be taken in the meeting

| (in \$ million) | | | | | |
|------------------|-----------|-----------|-----------|--------|-------|
| Date | FII | | | DII | |
| | Index Fut | Stock Fut | Index Opt | Cash | Cash |
| 7-Jun | -41.3 | 44.2 | 65.0 | -49.1 | 25.9 |
| 10-Jun | -10.9 | 33.3 | 28.5 | 46.2 | 24.6 |
| 11-Jun | 136.6 | 81.0 | 123.5 | 43.9 | -21.7 |
| 12-Jun | -24.8 | -40.7 | 133.1 | -107.6 | 39.0 |

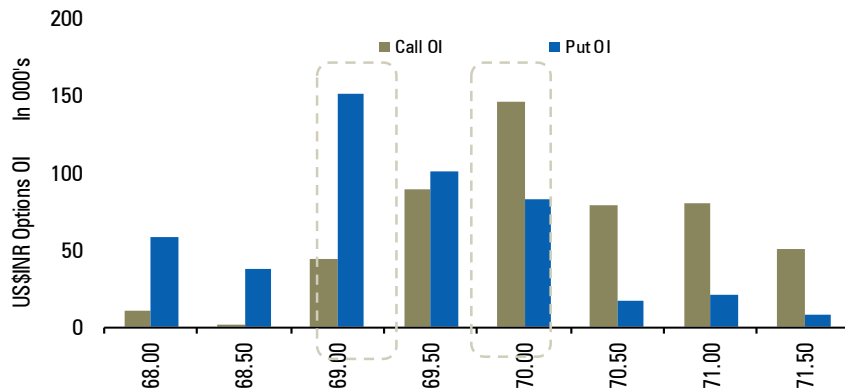
Source: Bloomberg, ICICI Direct Research

Domestic inflation rises to seven-month high at 3.05%....

- The dollar index was up over 0.50% last week as profit booking in major currencies supported the dollar, overlooking the cool-off in US yields. Investors would look ahead at the Fed monetary policy meeting this week. Any hints of dovish inclination would see further rising possibility of July interest rate cut
- Chinese Yuan has witnessed mild depreciation last week. It is currently trading at 6.92 vs. US\$
- The rupee has mildly depreciated vs. US\$ tracking weakness in Chinese Yuan as well as strength in dollar. US\$INR has near term support at 69.60 levels below which the pair could decline till 69.10 levels while on the higher side the pair is likely to face resistance near 70.20 level

| EM and DM currency vs. US\$... | | | | |
|--------------------------------|--------|----------|----------|-------------|
| | cmp | pvs week | change % | Status |
| Dollar index | 97.06 | 96.54 | 0.54 | Appreciated |
| Euro € | 1.1273 | 1.1334 | -0.54 | Depreciated |
| Japanese ¥ | 108.31 | 108.19 | 0.11 | Depreciated |
| UK £ | 1.2673 | 1.2737 | -0.50 | Depreciated |
| Australian \$ | 0.6898 | 0.7001 | -1.47 | Depreciated |
| Canadian \$ | 1.3340 | 1.3267 | 0.55 | Depreciated |
| Swiss franc | 0.9940 | 0.9877 | 0.64 | Depreciated |
| Emerging currencies v/s US\$ | | | | |
| Indian rupee | 69.54 | 69.47 | 0.10 | Depreciated |
| Chinese yuan | 6.92 | 6.91 | 0.09 | Depreciated |
| Brazilian real | 3.85 | 3.88 | -0.81 | Appreciated |
| Russian ruble | 64.55 | 64.79 | -0.37 | Appreciated |
| South african rand | 14.87 | 14.95 | -0.53 | Appreciated |
| Indonesian rupee | 14280 | 14269 | 0.00 | Depreciated |
| S.korean won | 1184 | 1181 | 0.24 | Depreciated |

US\$INR June options build-up



Source: Bloomberg, ICICI Direct Research

Slump in oil prices positive for rupee



India:

- 14 June : BoP Current Account Balance

Japan:

- 19 June : Trade Balance
- 20 June : All Industry Activity and Machine Tools Orders, BoJ Policy Rate
- 21 June : Markit Japan PMI Mfg

US:

- 17 June : Empire Manufacturing
- 18 June: Housing Starts
- 19 June: MBA Mortgage Applications, FOMC Rate decision
- 20 June: Initial Jobless Claims, Leading index and Continuing Claims

Euro zone:

- 18 June : CPI Data
- 20 June: Consumer Confidence

Source: Bloomberg, ICICI Direct Research

| Date | Scrp | Action | Recommendation |
|-----------|-------------------|--------|--|
| 28-May-19 | DLF Ltd | Buy | Long/Short Strategy : Buy DLF June 200 Call at 7.50-8.0 and Sell 220 Call at 6.50-7.0, Target: 325 (time frame: till June expiry) |
| 10-Jun-19 | Infosys | Buy | Positional Future : Buy Infosys June Future at 739-744, Target: 798 , Stoploss: 713 (time frame: till June expiry) |
| 13-Jun-19 | Ujjivan Financial | Sell | Positional Option : Buy Ujjivan Financial June 320 Put at 6.5-7.5, Target:15, Stop-loss: 2.5 (time frame: till June expiry) |
| 13-Jun-19 | Adani Ports | Sell | Positional Option : Sell Adani Ports June 410 Put at 4.2-4.8, Target:0.1, Stop-loss: 8.4 (time frame: till June expiry) |
| 13-Jun-19 | Bajaj Auto | Sell | Positional Option : Sell Bajaj Auto June 3050 Call at 25-27, Target:1, Stop-loss: 51 (time frame: till June expiry) |
| 13-Jun-19 | Dr Reddy | Sell | Positional Option : Sell Dr Reddy June 2700 Call at 23-25, Target:1, Stop-loss: 48 (time frame: till June expiry) |
| 13-Jun-19 | Apollo Hospital | Sell | Positional Option : Sell Apollo Hospital June 1300 Put at 8.5-9.5, Target:0.5, Stop-loss: 17.2 (time frame: till June expiry) |

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Source: Bloomberg, ICICI Direct Research

| Date | Scrip | Action | Buy Price | Target | SL | CMP | %Ret | Time Frame |
|-----------|---------------|--------|-----------|--------|-----|-----|-------|------------|
| 23-May-19 | Ambuja Cement | Buy | 223-228 | 265 | 203 | 210 | -6.9% | 3 months |
| 27-May-19 | Chola Finance | Buy | 299 | 352 | 269 | 290 | -3.0% | 3 months |
| 30-May-19 | CESC | Buy | 725-735 | 860 | 660 | 757 | 3.0% | 3 months |
| 3-Jun-19 | Bharti Airtel | Buy | 345-352 | 412 | 312 | 345 | -1.4% | 3 months |
| 12-Jun-19 | Berger Paints | Buy | 327-334 | 390 | 298 | 320 | -3.7% | 3 months |

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Source: Bloomberg, ICICI Direct Research

ANALYST CERTIFICATION

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