

May 17, 2019

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy HINPET MAY Fut at ₹ 285.00-286.00	HINPET	288.4	292.6	282.6	Intraday
Sell GODIND MAY Fut at ₹ 438.00-439.00	GODIND	434.5	428.5	442.5	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
Duration : 1-2 months	
Click here to see open calls	

Quant (Derivatives) Pick

Underlying	Action
RBL Bank	Buy
Tata Global	Buy
Cummins India	Buy
Duration : 1-3 months	
Click here to see open calls	



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Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open on a flat to positive note on the back of mixed global cues. Buy Nifty in the range of 11245-11262, Target: 11278-11303, Stop loss: 11227

Bank Nifty Future

- ❖ Post a negative opening, early selling was seen in IndusInd Bank and Yes Bank as the Bank Nifty made a low of 28571. However, a recovery from lower level was triggered by buying in leading private banks, which led to a nearly 350-point rally in the Bank Nifty. Due to the upcoming event, no major OI base is visible near ATM strikes. However, immediate Call OI base is placed at 29000. From an intraday perspective, we expect the Bank Nifty to stabilise at current levels and stage a pullback up to 29000 to 29200. Buy Bank Nifty in the range of 28900-28950, Target: 29050-29200, Stop loss: 28825

F&O Highlights

- ❖ The Nifty opened positive and hovered in a narrow range for most of the trading session. Towards the end, it attracted short covering among sectors like banking, cement, metals and energy stocks. This pulled the market higher. Looking at the recent OI build up at 11300 Call strike, a move above these levels is important for a further recovery towards 11500

Stock Analysis

- ❖ **Long build-up/short covering:** HPCL, BPCL, Tata Chemicals, Tata Global Beverages and Just Dial
- ❖ **Short build-up/profit booking:** Petronet, Yes Bank, Gail, Ceat Ltd, Godrej Industries and Apollo Hospitals

FII & DII Action

- ❖ FIIs sold ₹ 953 crore while DIIs bought ₹ 948 crore in the cash segment. FIIs sold index futures worth ₹ 820 crore while in index options they sold ₹ 2012 crore. In the stock futures segment, they bought ₹ 421 crore

Intraday Recommendations

i) HPCL		ii) Godrej Industries	
Buy HINPET MAY Fut at ₹ 285.00-286.00		Sell GODIND MAY Fut at ₹ 438.00-439.00	
CMP: 282		CMP: 440	
Target 1: 288.4	Target 2: 292.6	Target 1: 434.5	Target 2: 428.5
Stop Loss: 282.6		Stop Loss: 442.5	

Note:

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

Source: NSE, Seediff, Bloomberg ICICI Direct Research

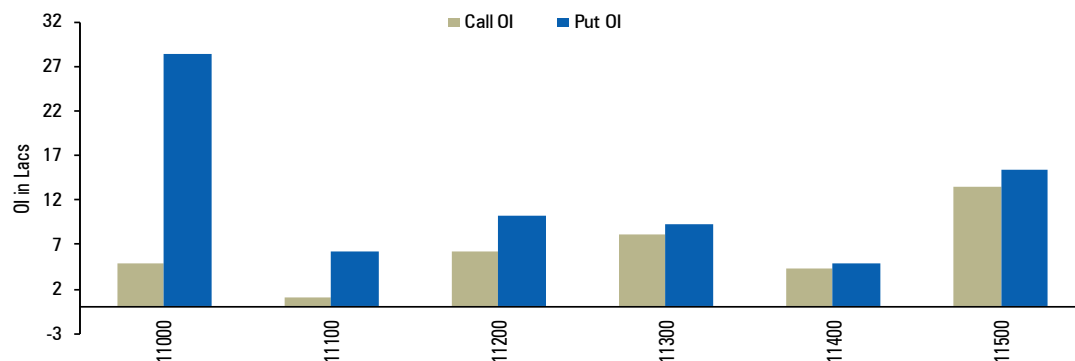
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11257	11285	28	17565900	1.40	1.02	28.37
Previous	11157	11177	20	17422650	1.39	1.01	28.65
Change (%)	0.90%	0.97%	-	0.82%	-	-	-0.99%

Pivot levels (MAY)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10934	11091	11188	11249	11346	11407	11564
Bank Nifty future	27902	28381	28671	28860	29150	29339	29818

Nifty futures ended at a premium of 28 points with a fall in IVs by 1%

Monthly Nifty Options OI build-up



The highest Put base has remained at the 11000 strike with almost 28 lakh shares while the highest Call base is at the 12000 strike with 30 lakh shares

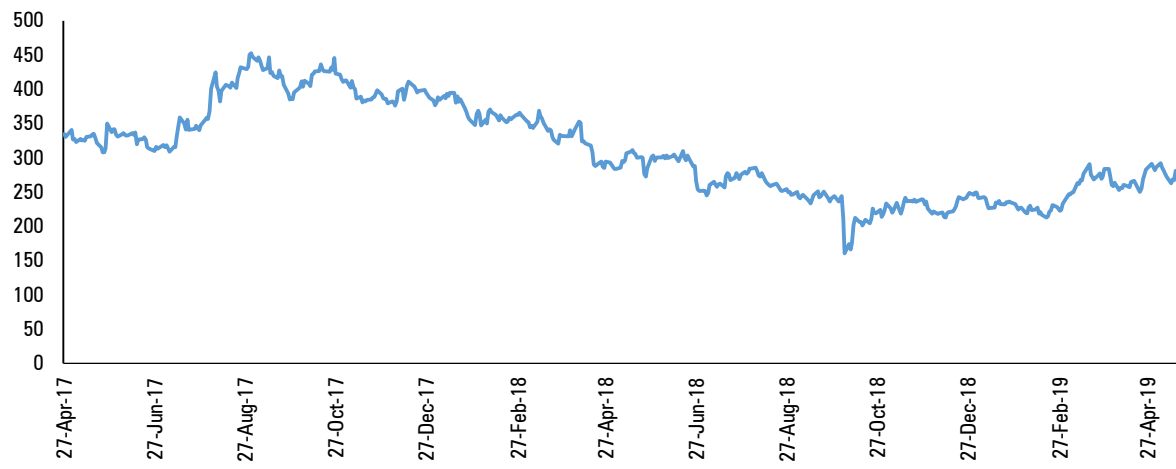
Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
16-May-19	TITIND	Buy	Long Fut	1168.5	1177.0	1161.0	-	Not Initiated
16-May-19	CEAT	Sell	Short Fut	954.5	786.5	802.0	5880	Target Achieved

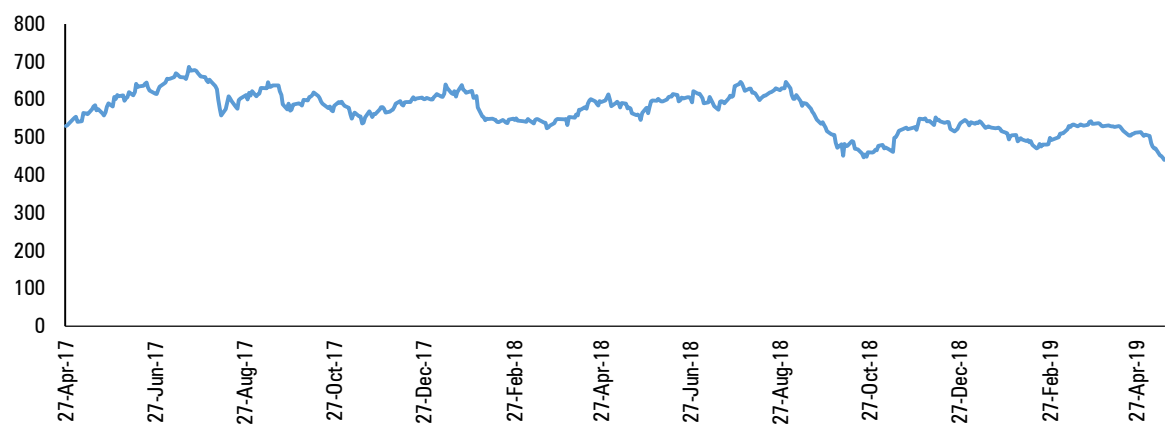
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

HPCL



Godrej Industries



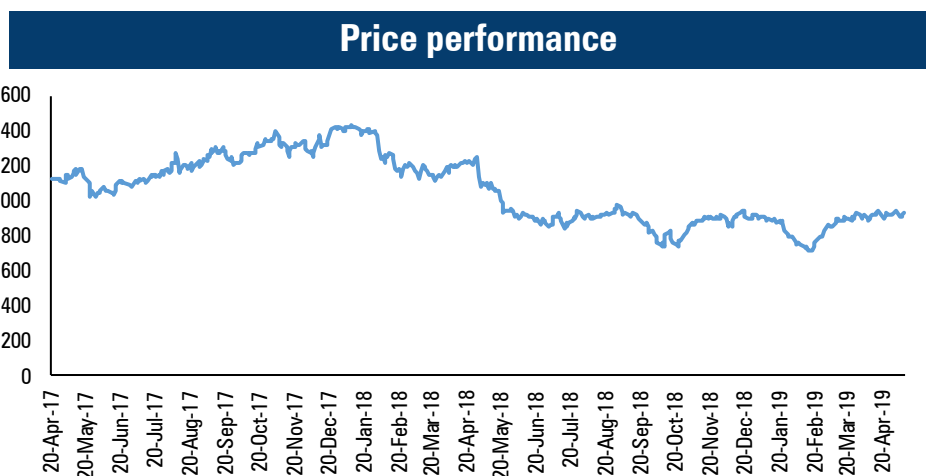
Source: NSE, Seediff, Bloomberg ICICI Direct Research
May 17, 2019

Weekly future recommendation

Buy Century Textiles (CENTEX) May future in range of ₹ 920-925. Target: ₹ 1010; Stop Loss: ₹ 870

Rationale

Cement stocks have shown relative outperformance in the recent decline in the market. After witnessing sharp upsides in sectoral heavyweight UltraTech Cement, midcaps like Century Textiles have also remained resilient. It witnessed one-year high volume based action on May 3. Since then, it has been hovering around these levels. At the same time, open interest has remained largely unchanged in the stock during the series against broader market weakness indicating lack of short bias. Major options activity is visible at 940 and 1000 Call strikes for May series. We expect the stock to move towards 1000 levels once it sustains above 940 levels.

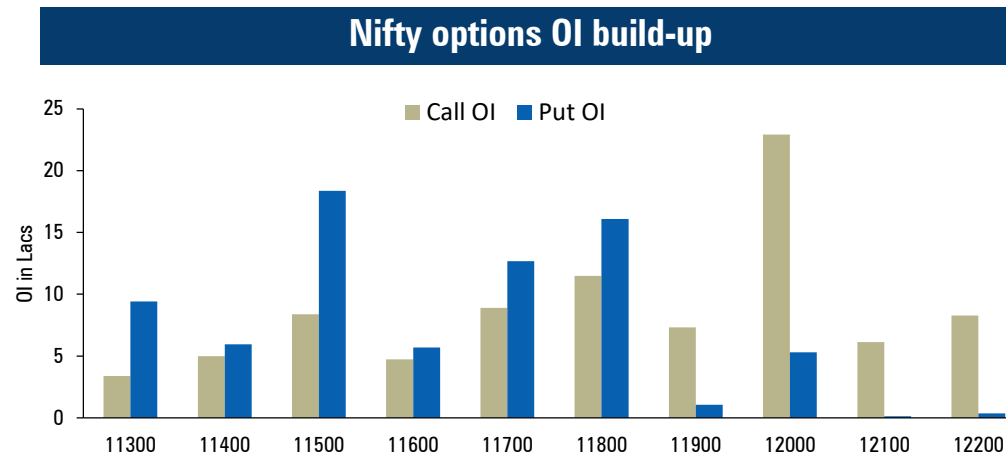


Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
JSW Steel	Bullish	Buy Futures	309	350	288	--	Not Initiated

Source: Bloomberg, ICICI Direct Research

Nifty: Consolidation may be seen in coming week

- The Nifty remained under selling pressure throughout the week and declined more than 400 points. Selling was seen in May16 option contracts but it was missing in Nifty Futures. This shows subdued sessions can be seen for some more time in Nifty and thereafter as it approaches the election outcome pullback may be seen in the index
- In 2014 elections, the Nifty started moving higher from the exit poll day when Nifty futures started seeing additions. This time exit polls will be announced on May 19. Till that time the index should keep on consolidating for sometime
- Most of the index heavyweights witnessed selling pressure during the week while the result announcements have also impacted the stock prices
- Volatility increased sharply when the US-China trade talks met an hurdle after the US President Trump statement. The volatility can increase further if the resolution to trade talks is halted.

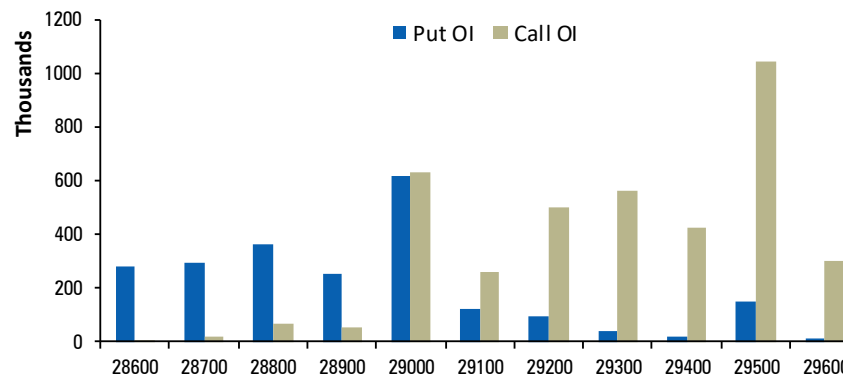


Source: Bloomberg, ICICI Direct Research

Bank Nifty: Major support placed at 28500 strike...

- The Bank Nifty fell nearly 1100 points last week, which was the fastest retracement for the week since October 2018. Most of the private banks gave up the gains, which kept the index move in check
- PSU banks continued to be laggards but positive sentiments were seen after the quarterly numbers of SBI, which moved above its sizeable Put base of 300 along with short covering. If the PSU banking heavyweight witnesses follow-up buying than short covering can be seen in other PSU banks we well
- Despite the Bank Nifty falling nearly 1100 points, we have not seen any fresh short addition and the recent fall was mainly on the back of long liquidation
- Option OI blocks were seen in 29000 and 29200 strike Calls, whereas major Put OI blocks were seen in 28500 strike. Majority of the additions were seen in weekly contracts and no major OI additions were seen in monthly contracts indicating short term volatility. We feel major support for the Bank Nifty is at 28500 strike and fresh buying interest can be seen if it manages to close above 29200 levels

Bank Nifty options OI build-up



Source: Bloomberg, ICICI Direct Research

Global markets on edge due to re-escalation of US-China trade rift...

- The S&P index has witnessed huge profit booking this week as US-China trade rift has weighed on risk sentiment. Index is down by almost 4% in line with sell off seen in other risk assets. This weekend will be crucial as any announcement on delay in increasing import tariffs to 25% from 10% on \$200 billion worth of Chinese imports into US could lead to relief rally next week
- India was a standout amongst Emerging markets witnessing equity inflows to the tune of \$340 million. Indonesia and South Korea witnessed outflows of \$149 million and \$ 191 million during the week.
- MSCI Emerging market index has dropped by almost 5% during the week spooked by the prospects of widening US-China trade rift. China has vowed to retaliate to US president's decision to increase tariffs on Chinese imports worth of \$200 from 10% to 25% from today. Global growth could come under cloud amidst trade war between world's two biggest economies
- Brent oil prices remain in focus even as prices have slumped during the week. Oil prices have declined from its 2019 highs of \$75/bl even as rising US oil inventories have come in focus

(in \$ million)					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
3-May	21.9	78.3	81.2	-17.2	8.1
6-May	-130.5	-80.6	186.6	-142.1	12.9
7-May	-66.4	3.3	-1.5	-61.3	117.1
8-May	-161.4	-136.7	-105.5	-96.1	33.3
9-May	-295.7	-136.1	292.6		96.9

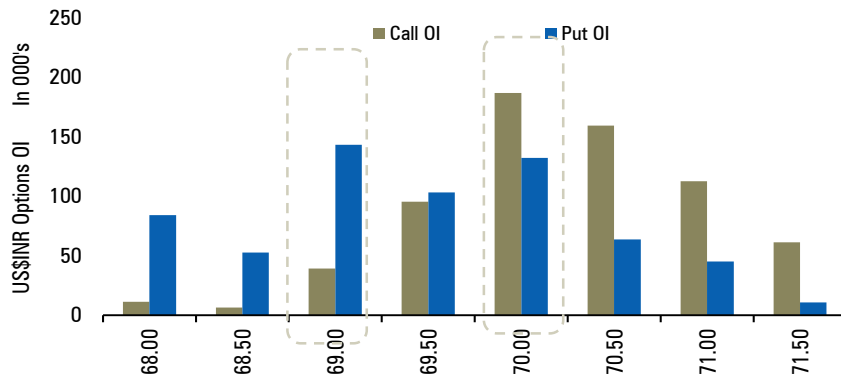
Source: Bloomberg, ICICI Direct Research

Rupee depreciates over 1% tracking moves in Chinese Yuan...

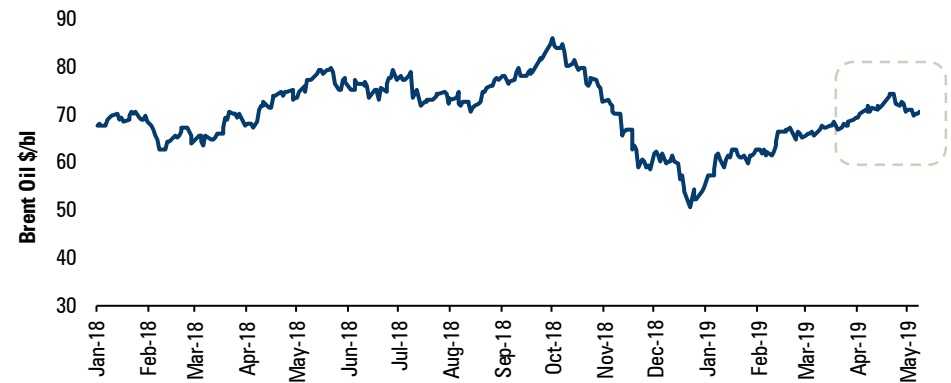
- The Dollar index is slightly lower this week even as major currencies traded on a mixed note. Euro and JPY gained while GBP witnessed losses v/s US\$. Currencies are likely to witness volatility ahead as US-China trade talks outcome would be keenly watched
- Chinese Yuan led the depreciation in EM currencies this week. It fell over 1.1% v/s US\$ with speculation rising that China may use currency weakening as a tool to counter US import tariffs.
- Rupee has declined by over 1.1% mirroring move in CNY. It is likely to remain on edge in backdrop of domestic general election outcome as well as the re-escalation in US-China trade friction. Rupee is likely to trade in the range of 70.40 – 69.50 in near term

EM and DM currency vs. US\$...				
	cmp	pvs week	change %	Status
Dollar index	97.37	97.52	-0.15	Depreciated
Euro €	1.1231	1.1198	0.29	Appreciated
Japanese ¥	109.82	111.10	-1.15	Appreciated
UK £	1.3016	1.3173	-1.19	Depreciated
Australian \$	0.6999	0.7018	-0.27	Depreciated
Canadian \$	1.3465	1.3420	0.34	Depreciated
Swiss franc	1.0147	1.0166	-0.19	Appreciated
Emerging currencies v/s US\$				
Indian rupee	69.99	69.22	1.11	Depreciated
Chinese yuan	6.81	6.74	1.11	Depreciated
Brazilian real	3.95	3.94	0.24	Depreciated
Russian ruble	65.20	65.09	0.18	Depreciated
South african rand	14.33	14.35	-0.17	Appreciated
Indonesian rupee	14362	14266	0.67	Depreciated
S.korean won	1178	1170	0.68	Depreciated

US\$INR May Options Build up



Crude oil prices remained steady this week near \$70/bl...



Source: Bloomberg, ICICI Direct Research

India:

- 13 May: CPI Data
- 14 May: Wholesale Price Index Data
- 15 May: Imports and Exports Data

Japan:

- 14 May : BoP Current Account Balance and Trade Balance
- 16 May : PPI Data
- 17 May : Dept Sales

US:

- 14 May : Import Price Index
- 15 May: MBA Mortgage Applications, Retail Sales, Empire Manufacturing, Retail Sales
- 15 May: Industrial Production and Capacity Utilization
- 16 May: Housing Starts, Initial Jobless Claims and Continuing Claims

Euro zone:

- 14 May : Industrial Production
- 15 May: GDP Data
- 17 May: CPI data

Source: Bloomberg, ICICI Direct Research

Quant Picks: Open recommendations

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
12-Mar-19	Cummins India	Buy	752-765	885	684	697	-8.3%	3 months
14-Mar-19	Tata Global	Buy	205-210	245	186	221	6.2%	3 months
26-Mar-19	RBL Bank	Buy	678-688	795	619	633	-8.0%	3 months
16-Apr-19	L&T	Buy	1360-1380	1610	1240	1337	-2.4%	3 months
Yearly Quant Picks								
12-Dec-18	Nestle	Buy	10550-10850	13550	9075	10281	-4.8%	12 Months

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Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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