

November 13, 2018

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy JUBFOO NOV Fut at ₹ 1115.00-1116.00	JUBFOO	1127.0	1145.0	1103.0	Intraday
Sell TATMOT NOV Fut at ₹ 184.00-184.40	TATMOT	180.4	174.4	188.4	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
Sun Pharma	Buy
Nifty	Range

Duration : 1-2 months

[Click here to see open calls](#)

Quant (Derivatives) Pick

Underlying	Action
Ashok Leyland	Buy
Biocon	Buy
United Breweries	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 gap down on the back of weak global cues. Sell Nifty in the range of 10480-10495 for a target of 10462-10437, Stop loss: 10512

Bank Nifty Future:

- ❖ Post a positive start, the index witnessed some follow-up buying and moved near 26000. However, on the back of selling in Axis Bank and HDFC Bank, negative sentiment trigger was seen. Later other PSU banks also fell significantly. Writers of 25500 Put closed their positions whereas fresh writing was seen in 26000 Call indicating major hurdle. Sell Bank Nifty in the range of 25650-25700, Target: 25500-25350, Stop loss: 25800

F&O Highlights

- ❖ Despite starting with a positive bias and well above 10600, the index witnessed a sharp reversal. Most heavyweights remained under pressure where Reliance Industries, ITC, Tata Motors, HPCL and Maruti acted as spoilsports. IVs rose nearly 10% with the Nifty ending below its support of 10500 indicating uncertainty is likely to increase, going ahead

Stock Analysis

- ❖ **Long build-up/short covering:** Wockhardt Ltd, Titan, DHFL, Tech Mahindra, Jubilant Foodworks, Tata Steel and NBCC
- ❖ **Short build-up/profit booking:** OMCs, Oriental Bank, India Cement, Jet Airways, Hindalco and Tata Motors

FII & DII Action

- ❖ FIIs bought ₹ 832 crore while DIIs sold ₹ 1074 crore in the cash segment. FIIs sold index futures worth ₹ 169 crore while in index options they sold ₹ 9 crore. In the stock future segment they sold ₹ 147 crore
- ❖ **Intraday Recommendations**

i) Jubilant Foodworks		ii) Tata Motors	
Buy JUBF00 NOV Fut at ₹ 1115.00-1116.00		Sell TATMOT NOV Fut at ₹ 184.00-184.40	
CMP: 1104		CMP: 187	
Target 1: 1127	Target 2: 1145	Target 1: 180.4	Target 2: 174.4
Stop Loss: 1103		Stop Loss: 188.4	

Note:

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

Source: NSE, Seediff, Bloomberg ICICI Direct Research

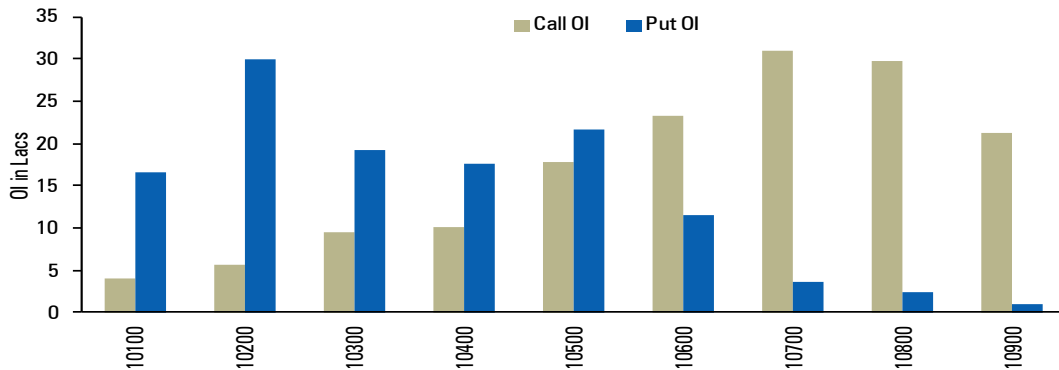
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	10482	10504	22	25376250	1.43	1.00	19.40
Previous	10530	10555	25	24624150	1.55	0.99	17.74
Change (%)	-0.46%	-0.48%	-	3.05%	-	-	8.56%

Pivot levels (OCT)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10203	10378	10441	10553	10616	10728	10903
Bank Nifty future	24890	25303	25451	25716	25864	26129	26542

Nifty futures settled at a premium of 22 points with a rise in IVs by 8.6%

Nifty Options OI build-up



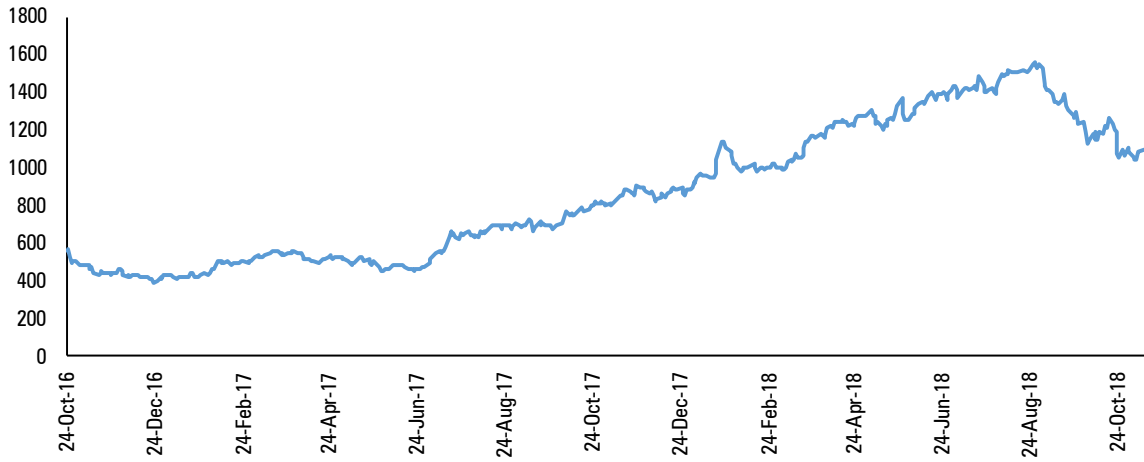
The highest Put base is at the 10000 strike with 48 lakh shares while the highest Call base is at the 11000 strike with 34 lakh shares

Strategy follow up

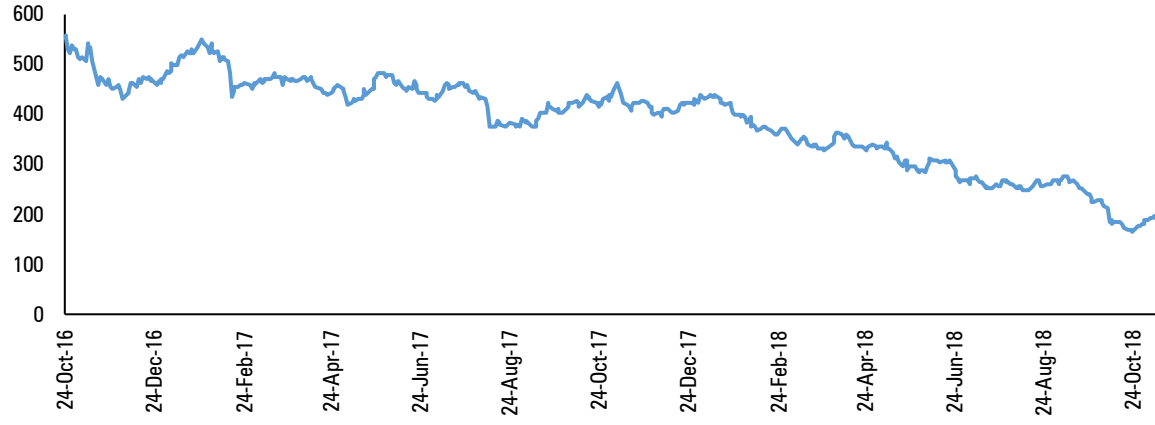
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
9-Nov-18	HERHON	Buy	Long Fut	2861.0	2900.0	2840.0	-	Not Initiated
9-Nov-18	AJAPHA	Sell	Short Fut	1040.0	1028.0	1052.0	-	Not Initiated

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Jubilant Foodworks Ltd



Tata Motors Ltd



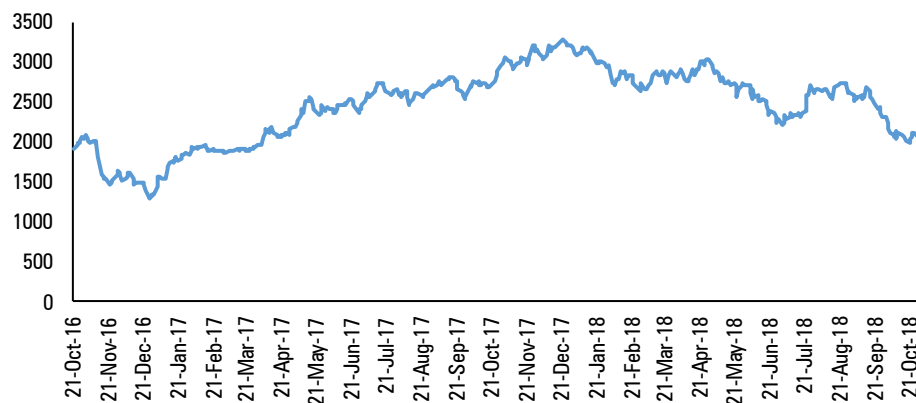
Source: NSE, Seediff, Bloomberg ICICI Direct Research

Weekly future recommendation (Carried forward from last week):

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

With the recovery in the Nifty, 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 fresh OI addition in the November series. We believe longs are formed in the stock. It is likely to continue its upward bias in coming sessions.

Dalmia Bharat Ltd Price performance



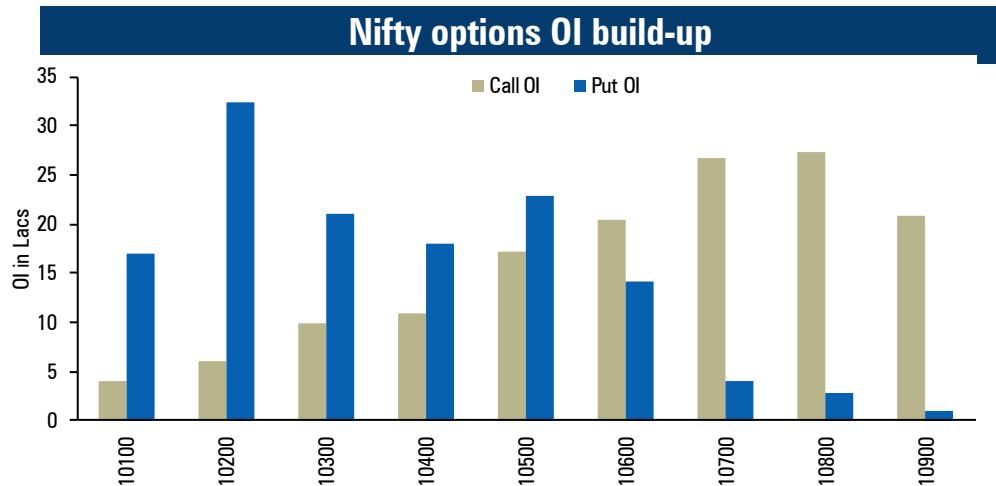
Recommendation follow up

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 10500 in ongoing recovery...

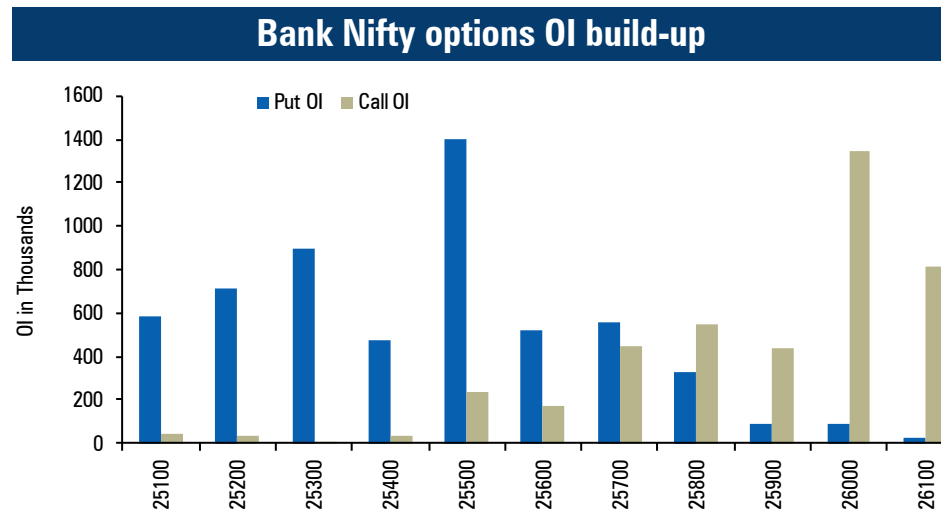
- Volatility has declined 3.5% post the outcome of US midterm elections and FOMC meeting. As no major events are lined up now and majority of the quarterly results have already been declared, volatility is expected to decline further while markets may enter into a consolidation phase
- We believe writing OTM options may be an apt strategy to use this consolidation to our benefits. Midcaps can start performing where results have been better than expectation. The decline in crude oil prices has halted the depreciating bias of the rupee, thus cooling off volatility in the markets. Positive consolidation in the Nifty may lead to outperformance in the midcap space
- In Nifty options, positions are high at 10200 Put and are building up at 10800 Call strike, which should ideally be the range for sometime. Immediate support may be seen at 10500 where some Put writing positions have been added after the recent pullback
- Heavyweights from the technology space are witnessing profit booking on account of appreciating bias in the rupee. However, certain banking and capital good heavyweights can lead the pullback



Source: Bloomberg, ICICI Direct Research

Bank Nifty: Consolidation expected near 26000

- The relatively better performance from PSU banks and select private banking stocks has led to resilience in Bank Nifty. The index has been consolidating below the noticeable Call base of 26000. A move above this level is expected to bring short covering towards 26500
- The open interest in Bank Nifty futures has come down by 10% since the start of the series due to closure of short positions
- As the index has moved above 25500, closure was seen in OTM Calls while OI concentration has shifted to higher strikes of 26000 and 26500 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 for a couple of weeks. We feel the outperformance in banking stocks is likely to continue unless any major Call writing block 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

- MSCI EM Equity index has been holding its previous week's gains supported by a recovery in currencies as well as benefit of lower oil prices. Stabilising currencies and improving sentiment could see funds flowing to EM assets in the near term. However, investors would gauge US-China trade direction ahead of December monetary policy meeting
- Fund flows in domestic markets are off to a positive start. India saw inflows of \$11 million in equity while debt flows were decent at \$46 million. October saw highest outflows since November 2016 at over \$5 billion combined from domestic equity, debt segments
- Even in other EM equity markets, flows were overall positive. Philippines saw inflows of \$597 million while Indonesia and Thailand saw inflows of almost \$ 260 million and \$ 121 million, respectively
- Markets and fund flows in EM assets should stabilise as two major events of US mid term elections and FOMC meeting have passed through relatively smooth. With improving factors like lower crude prices and indications that US and China may initiate trade talks, risk sentiment should improve towards EM assets especially EM currencies. As such we should see some further recovery in flows in EM assets. However, from India's perspective, investors would be watching the outcome of key state assembly elections ahead of general elections in 2019

Fund flow action continues negative

Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
2-Nov	189.1	61.1	305.8	-17.1	116.8
5-Nov	-65.9	-72.9	300.0	11.6	-85.1
6-Nov	60.3	-108.3	424.1	0.0	16.3

Source: Bloomberg, ICICI Direct Research

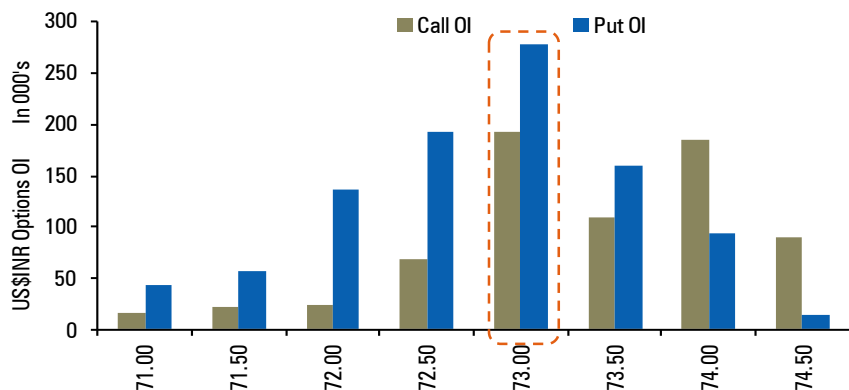
Brent oil down over 18% from its highs, could help further recovery in rupee...

- The US\$ is mildly higher against major currencies as the Fed reiterated its stance over gradual interest rate hikes. US midterm election outcome was mainly on expected lines. Democrats seized the House of Representatives while Republicans held the senate
- The rupee is poised to end the week slightly lower as a surge in US\$ against major currencies has weighed on. However, a sharp decline in crude oil prices is overall positive for rupee. As such the rupee would find support at lower levels. In the next few weeks, state assembly elections would continue to dominate the news ahead of Fed's December monetary policy meeting. However, the move in crude oil prices would remain in key focus as any sudden reversal in the same could weigh on the rupee

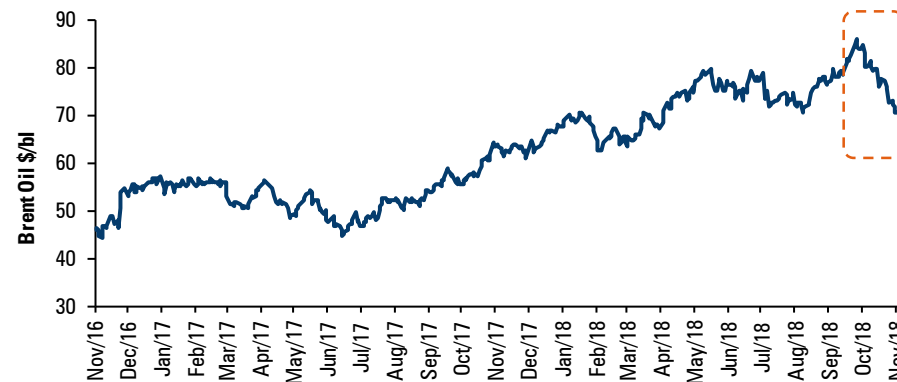
EM and DM currency vs. US\$...

Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	96.76	96.54	0.22	Appreciated
Euro €	1.1348	1.1388	-0.35	Depreciated
Japanese ¥	113.90	113.20	0.62	Depreciated
UK £	1.3047	1.2970	0.59	Appreciated
Australian \$	0.7243	0.7193	0.70	Appreciated
Canadian \$	1.3175	1.3110	0.50	Depreciated
Swiss franc	1.0071	1.0035	0.36	Depreciated
Emerging currencies v/s US\$				
Indian rupee	72.785	72.4375	0.48	Depreciated
Chinese yuan	6.9472	6.8907	0.82	Depreciated
Brazilian real	3.7606	3.7378	0.61	Depreciated
Russian ruble	66.9503	66.175	1.17	Depreciated
South african rand	14.1735	14.299	-0.88	Appreciated
Indonesian rupee	14678	14955	-1.85	Appreciated
S.korean won	1128.09	1121.97	0.55	Depreciated

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
Page Industries	5894	29094.65	36.97%	0.90%	Indian Bank	3681	228.1	91.02%	-8.28%
Apollo Tyres	2977	221.9	25.14%	0.14%	Cipla	11441	529.8	28.99%	-13.10%
Divis Lab	9816	1544	24.05%	2.73%	Voltas	7167	536.5	19.13%	-0.31%
Oriental Bank	1951	88.35	22.09%	11.55%	SUN TV	8026	622.2	18.05%	-6.45%
Dewan Housing	13032	232.8	20.70%	1.53%	EQUITAS	3705	107.2	15.67%	-4.54%

Open Interest Closure									
Long Closure					Short Closure				
Stock	Current OI	CMP	% Chg OI	% Chg price	Stock	Current OI	CMP	% Chg OI	% Chg price
Hindustan Zinc	1848	263.45	-12.75%	-0.75%	BEML	3138	728.05	-7.90%	5.35%
Federal Bank	7783	81.8	-6.60%	-1.03%	Mindtree	6266	853.55	-6.37%	5.87%
Axis Bank	30753	613.25	-6.19%	-0.07%	SRF	1273	2097.75	-6.33%	7.29%
IGL	1380	277	-5.09%	-1.96%	BATA	2967	1031.25	-6.17%	2.02%
MAX Financial	1879	408.05	-4.38%	-0.21%	OFSS	1444	3576.75	-5.44%	0.43%

India:

- 12 November : CPI and Industrial Production
- 14 November : Wholesale Prices
- 15 November : Trade Balance, Import and Export Data

Japan:

- 12 November : PPI
- 14 November : GDP Data, Industrial Production

US:

- 14 November : MBA Mortgage Applications, CPI Data
- 15 November : Retail Sales and Import Price Index
- 15 November : Initial Jobless Claims and Continuing Claims
- 16 November : Industrial Production and Capacity Utilization

Euro zone:

- 13 November : ZEW Survey Expectation
- 14 November : Industrial Production and GDP
- 16 November : CPI

Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Recommendation
31-Oct-18	Sun Pharma	Buy	Long/Short Strategy : Buy Sun Pharma November 580 Call at 18-20 and Sell November 620 Call at 7.50-8.50; Target: 620; Time Frame: Till November
1-Nov-18	Ambuja Cements	Buy	Positional Option : Buy Ambuja Cement November 205 Call option at 4.50-5.00; Target: 13; Stoploss: 1.90; Time Frame: Till November Expiry
2-Nov-18	Dalmia Bharat	Buy	Positional Future : Buy Dalmia Bharat Nov future in the range of 2160-2170. Target: 2350. Stop Loss: 2060 . (Time frame : till Nov Expiry)
6-Nov-18	Nifty	Sell	Sell Nifty Nov 10300 Put at ₹ 80-82 and 10800 Call at ₹ 72-74; Total premium ₹ 152-155; Target ₹ 10; Stop Loss ₹ 250;□

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Source: Bloomberg, ICICI Direct Research

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	118	1.9%	3 months
30-Oct-18	Biocon	Buy	615-630	745	555	641	2.5%	3 months

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Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

ANALYST CERTIFICATION

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