

August 16, 2018

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy CEAT AUG Fut at ₹ 1450.00-1452.00	CEAT	1467.1	1492.9	1432.9	Intraday
Sell VEDLIM AUG Fut at ₹ 212.00-212.40	VEDLIM	208.8	203.6	215.6	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
BPCL	Buy
India Cement	Buy
Federal Bank	Buy
Duration : 1-2 months	

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Quant (Derivatives) Pick

Underlying	Action
Berger Paints	Buy
M&M Finance	Buy
L&T	Buy
Duration : 1-3 months	

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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 11375-11385 for a target of 11405-11429, Stop loss:11353
- ❖ **Bank Nifty Future:** Despite the rupee move above 70 against US dollar, short covering trend continued in a few private sector banks. The index moved and ended well above 28000. However, writing was seen in 28200 Call strike for the major part of the day while covering was seen towards the end indicating, we may see consolidation at higher levels on the weekly expiry day. Buy Bank Nifty in the range of 27950-28000, Target: 28100-28200, Stop loss: 27850

F&O Highlights

- ❖ A smart comeback was seen by the Nifty where it managed to recover most of its previous losses and ended with gains of over 80 points. Put writing activity again picked up pace due to which the PCR ratio moved up higher. Reliance Industries, ITC, banking & financials along with IT helped the index to move above 11400

Stock Analysis

- ❖ **Long build-up/short covering:** DHFL, Reliance Industries, Sun Pharma, Ceat, UBL and Yes Bank
- ❖ **Short build-up/profit booking:** UPL, Indraprastha Gas, BPCL, Hindustan Petroleum, Vedanta and Srei Infra

FII & DII Action

- ❖ FIIs sold ₹ 379 crore while DIIs bought ₹ 392 crore in the cash segment. In the index futures segment, FIIs sold ₹ 711 crore. In the index options segment, they bought longs worth ₹ 1134 crore while in stock futures they created long positions worth ₹ 64 crore
- ❖ **Intraday Recommendations**

i) Ceat Ltd		ii) Vedanta Ltd	
Buy CEAT AUG Fut at ₹ 1450.00-1452.00		Sell VEDLIM AUG Fut at ₹ 212.00-212.40	
CMP: 1445		CMP: 215	
Target 1: 1467.1	Target 2: 1492.9	Target 1: 208.8	Target 2: 203.6
Stop Loss: 1432.9		Stop Loss: 215.6	

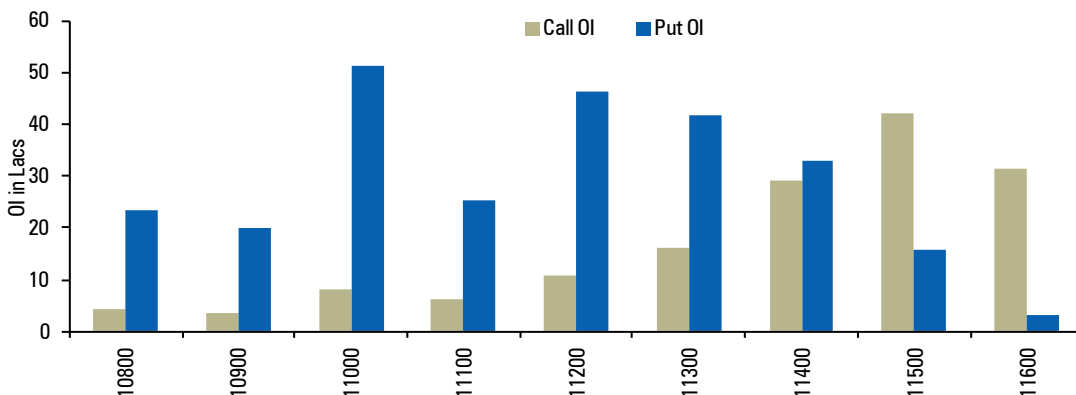
Note:
Call initiation message will be broadcast on iclick-2-gain

Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11435	11463	28	30226275	1.73	1.05	13.28
Previous	11356	11381	25	29666775	1.68	1.15	13.40
Change (%)	0.70%	0.72%	-	1.89%	-	-	-0.90%

Pivot levels (Aug)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	11268	11356	11409	11444	11497	11532	11620
Bank Nifty future	27635	27831	27955	28027	28151	28223	28419

Nifty Options OI build-up



Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
14-Aug-18	BRIIND	Buy	Long Fut	6481.00	6512.00	6452.00	4000	Profit Booked
14-Aug-18	YESBAN	Sell	Short Fut	365.80	362.40	369.20	-	Not Initiated

Nifty futures settled into a premium of 25 points with a rise in IVs by 4.1%

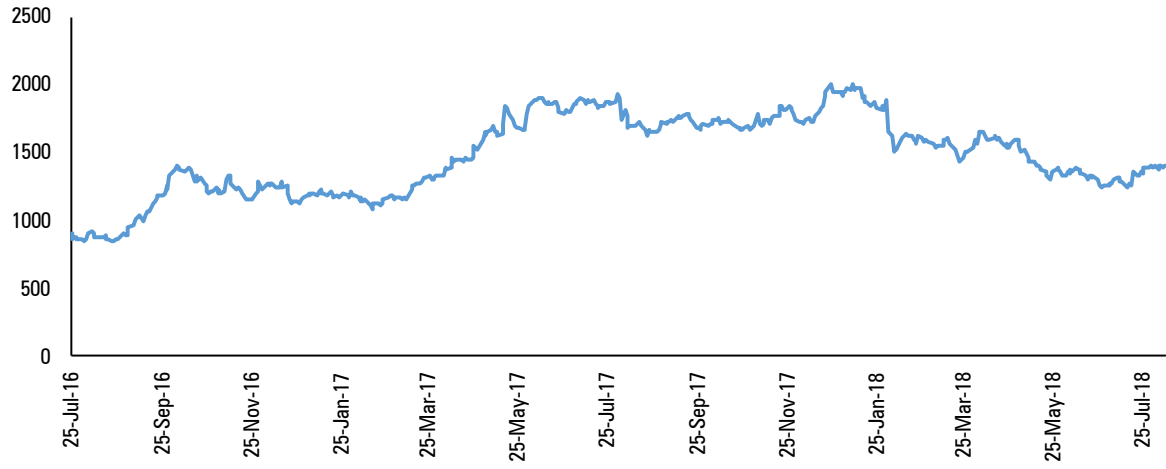
The highest Put base is at the 11000 strike with 51 lakh shares while the highest Call base is at the 11500 strike with 42 lakh shares

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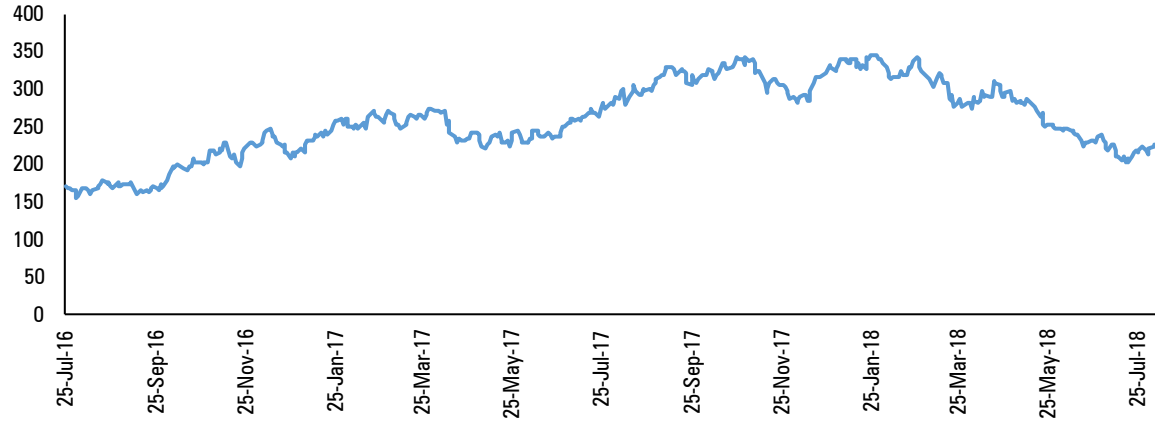
Recommended Stocks : Historical price performance...



Ceat Ltd



Vedanta Ltd



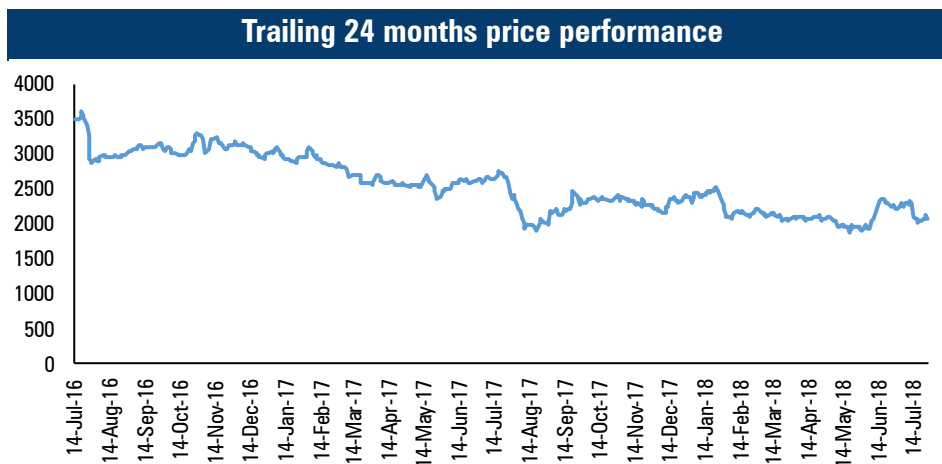
Source: NSE, Seediff, Bloomberg ICICI Direct Research
August 16, 2018

Carried forward from last week :

Buy Dr Reddy's (DRREDD) August Future in range of ₹ 2260-2270, Target: ₹ 2500, Stop Loss: ₹ 2140

Rationale:

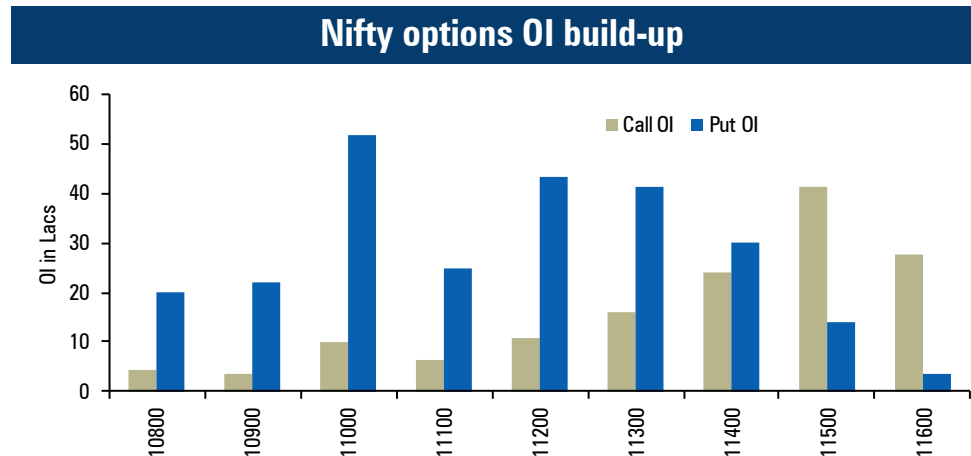
As the Nifty moves higher into uncharted territory, stocks from the underperforming sectors have been witnessing a good recovery. The pharma space has started witnessing a stock specific recovery since the July series. Dr Reddy's witnessed more than 18% closure of positions since the inception of the August series. Even among Call strikes, the highest Call base of 2300 has seen traces of closure along with 2200 strike. Additionally, positions are moving towards deep OTM 2500 strike, which should be an immediate target for the stock on the back of the ongoing short covering trend in select pharma stocks.



Source: Bloomberg, ICICI Direct Research

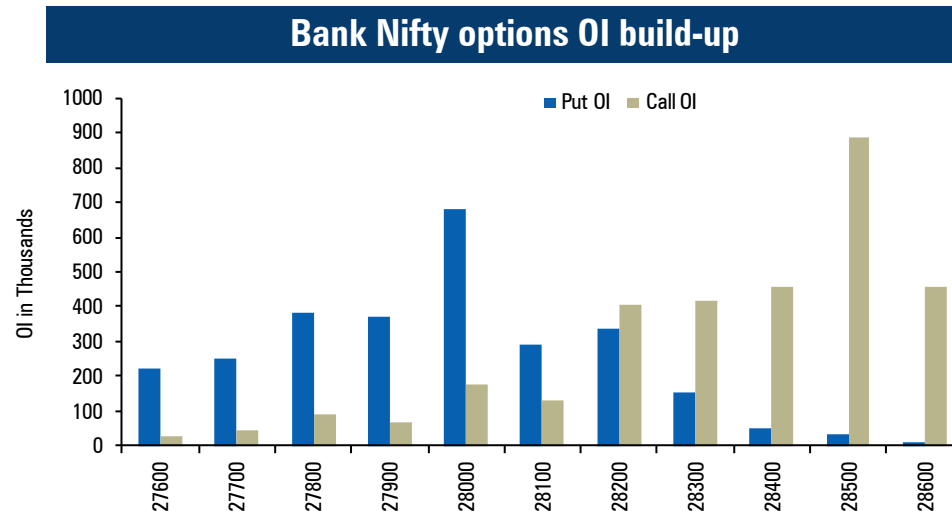
August 16, 2018

- The Nifty continued its upward bias and ended positive for a sixth consecutive week. During the week, it had almost tested its highest Call base of 11500, driven primarily by financial and energy heavyweights
- The Call base of 11500 remained almost unchanged despite the Nifty testing these levels. At the same time, significant additions were seen at Put strikes of 11200 and 11300 during the week. We believe 11300 is likely to act as immediate support for the Nifty in the ongoing momentum
- The PCR OI for the Nifty continues to rise in the current uptrend where no major profit booking took place as traders are getting more comfortable in writing Put options. At the same time, current Nifty futures open interest is highest since January 2018. With high PCR OI and high Nifty open interest, we believe consolidation is more likely than continued momentum. However, positive bias should be maintained till we see some sharp closure of positions
- On the currency front also, further depreciation in the rupee may also act as a dampener in the near term for equities. Any extended profit booking should be seen only if the Nifty moves below 11300. In such a scenario, technology heavyweights may rescue the index



Source: Bloomberg, ICICI Direct Research

- As the index remained firm above 27500, the up move in the Bank Nifty continued for a third week in a row. The index finally managed to end the week above the sizeable Call base of 28000. The short covering trend continued in the PSU pack. A muted performance was seen in Kotak Mahindra Bank and HDFC Bank but buying in other heavyweights made up the losses
- For the past few weeks, we saw a declining trend in OI. The rally was on the back of short covering. As the index moved above 28000, fresh buying interest was seen where there was a rise in OI by 30% during the series. We feel this fresh buying will push the index higher. Till the index remains above 28000, sentiments are likely to remain positive
- After the quarterly numbers of SBI, Call blocks were seen in 28500 strikes, which may attract consolidation around these levels. However, for the week, additions were seen in 28000 Put as well. This is likely to be the key support area. Until the index remains above these levels, the overall up trend is likely to continue
- The price ratio of the Bank Nifty/Nifty moved near 2.47 levels. We continue to feel that support can be seen near 2.42. As the outperformance in select banking stocks has already started, we feel the ratio is likely to move towards 2.52 in coming weeks



Source: Bloomberg, ICICI Direct Research

Escalating trade wars, surging dollar keeps EM recovery at bay

- Globally, risk sentiments continued to remain volatile. On the negative side, escalating US trade war with China, Russia & Turkey, and a stronger dollar continues to keep China and other EM markets weak. On the positive side, a strong recovery in key US equity indices and sub 3 handle on yield kept the DM complex in a risk-on mode
- During the week, the MSCI EM currency index continued to remain weak as the Russian rouble and Turkish lira declined over 5% & 10%, respectively, after a trade war escalation with the US. MSCI EM equity indices, as a result, failed to pose any meaningful recovery as they ended 0.6% higher
- As the MSCI EM equities remain lacklustre, FII flows remained muted as well. Inflows were seen in India (\$ 215 million), Thailand (\$214 million), Malaysia (\$129 million) and Taiwan (\$109 million)
- Going ahead, trade wars will remain at the centre stage. Also, a key variable to watch will be the resurgence in dollar strength. If the Dollar Index closes above 95.6 for the week, the up move in Dollar Index is likely to pick up. The index could hit 97.5 level. Such a move will be detrimental for EMs, which are in the middle of already brewing trade war and a narrowing rate differential worries that has pushed its EM Equity and FX almost double digit lower in 2018
- Hence, FII stance may remain muted in a trade war while dollar strength intensifies in the coming week

Fund Flow action remained muted					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
3-Aug	-70.0	-2.8	-129.3	13.2	12.7
6-Aug	-21.3	50.7	-283.7	63.0	31.7
7-Aug	19.1	-3.1	-243.4	17.4	-46.4
8-Aug	95.9	12.4	-92.1	133.6	4.4
9-Aug	-41.1	81.4	87.4	0.0	-12.5

Source: Bloomberg, ICICI Direct Research

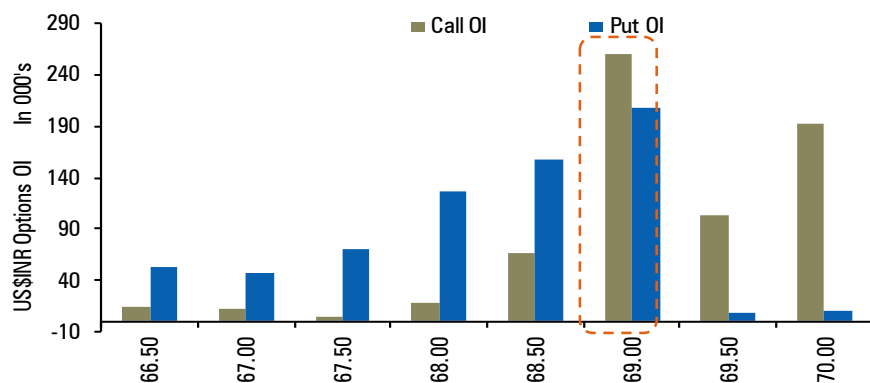
Dollar index tests over one-year highs as € tumbles below 1.15...

- The US\$ rose against major currencies as the Euro slumped below 1.15 levels over Turkey contagion fears. Dollar index is up almost 0.95% and has registered over a year's highs above 96.0 level. Euro tumbled due to ECB concerns over exposure of European banks to Turkey. Chinese Yuan continues to consolidate near 6.83 levels. Any further declines would weigh on EM currencies including rupee.
- Rupee has depreciated by almost 0.46% during the week, however this was modest as compared to rouble and rand depreciation. Concerns over talks of sanctions over Russia added to risk-off sentiment. US\$INR has been consolidating in a tight range of 69.10-68.30 for the past six weeks. The pair risks volatility on breaching the narrow range. On the higher side, it could rise till 69.50 while 68.30 would act as a support on declines

EM and DM currency v/s US\$...

Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	96.06	95.16	0.95	Appreciated
Euro €	1.1459	1.1568	-0.94	Depreciated
Japanese ¥	110.98	111.25	-0.24	Appreciated
UK £	1.2805	1.3001	-1.51	Depreciated
Australian \$	0.7329	0.7404	-1.01	Depreciated
Canadian \$	1.3085	1.2991	0.72	Depreciated
Swiss franc	0.9967	0.9941	0.26	Depreciated
Emerging currencies v/s US\$				
Indian rupee	68.93	68.62	0.46	Depreciated
Chinese yuan	6.85	6.83	0.40	Depreciated
Brazilian real	3.80	3.71	2.40	Depreciated
Russian ruble	66.88	63.35	5.57	Depreciated
South african rand	13.75	13.32	3.24	Depreciated
Indonesian rupee	14435	14498	-0.43	Appreciated
S.korean won	1128	1128	0.05	Depreciated

US\$INR August Options build up



Dollar index breaches hurdle at 96.0-level



India:

- 12 August : Trade Balance, Import and Export Data
- 13 August : CPI YoY
- 14 August : Wholesale Prices

Japan:

- 14 August : Industrial Production and Capacity Utilization
- 16 August : Trade Balance
- 17 August : Nationwide Dept Sales
- 17 August : Tokyo Dept Sales YoY

US:

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

Euro zone:

- 14 August : Industrial Production, GDP Data and Survey Expectations
- 17 August : CPI Data

Source: Bloomberg, ICICI Direct Research

Date	Scrp	Action	Recommendation
1-Aug-18	BPCL	Buy	Long/Short Strategy : Buy BPCL Aug 410 Call at 12-14 and Sell BPCL Aug 440 Call at 5-6. Target 440. Time frame : Till August expiry
3-Aug-18	India Cement	Buy	Long/Short Strategy : Buy India Cement Aug 120 Call at 6-6.5 and Sell India Cement Aug 130 Call at 2.5-3.0. Target 130.
3-Aug-18	Dr Reddy	Buy	Positional Future : Buy Dr Reddy's August Future in the range of 2260-2270, Target: 2500, Stop Loss: 2140
9-Aug-18	Federal Bank	Buy	Positional Option : Buy Federal Bank Aug 90 Call at 2.4-2.9. Target 6.5. SL 1.0. Time frame : till August expiry
13-Aug-18	Infosys	Buy	Positional Future : Buy Infosys August futures at 1402-1408; Target: 1495;Stoploss: 1351; Time Frame: Till Aug series

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Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
12-Jul-18	L&T	Buy	1280-1295	1480	1175	1253	-3.2%	3 months
24-Jul-18	Berger Paints	Buy	312-317	374	284	324	3.2%	3 months
26-Jul-18	M&M Financial	Buy	495-502	576	452	487	-2.9%	3 months
27-Jul-18	Godrej Industries	Buy	637-647	750	577	604	-6.7%	3 months
1-Aug-18	CEAT	Buy	1390-1410	1635	1270	1437	2.3%	3 months
8-Aug-18	Siemens	Buy	1005-1020	1195	914	1007	-0.8%	3 months
11-Aug-18	NIIT Tech	Buy	1295-1315	1530	1175	1337	2.1%	3 months
11-Aug-18	Sun Pharma	Buy	575-585	680	525	602	2.9%	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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