

June 20, 2019

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy POWGRI JUNE Fut at ₹ 201.75-202.00	POWGRI	203.4	205.6	200.4	Intraday
Sell TVSMOT JUNE Fut at ₹ 440.00-441.00	TVSMOT	434.5	425.5	446.5	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
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 positive on the back of mixed global cues. Buy Nifty in the range of 11695-11715 Target: 11732-11759, Stop loss: 11678

Bank Nifty Future

- ❖ The Bank Nifty stayed volatile for yet another day and ended with a minor gain of 20 points. After making a high of 30660, it could not hold on to its early gains. However, a recovery was seen in leading private banks helping the index to recover 175 points from its day's low. On the weekly options it has significant OI at 30000 and 30200 Put and maximum Call OI at 30500. Thus, it may trade in the range of 30200-30500. Buy Bank Nifty in the range of 30300-30350, Target: 30450-30550, Stop loss: 30200

F&O Highlights

- ❖ After a gap up opening, the Nifty failed to surpass the 11800 Call base amid high volatility. Among sectorial indices, selling was witnessed in auto, finance and pharma stocks. Weekly option expiry may create some volatility as options data indicates highest Put OI at 11700 strike. If the Nifty manage to stay above 11700 then it will become support for the day. It may expire between 11690 and 11730

Stock Analysis

- ❖ **Long build-up/short covering:** Power Grid, United Breweries, Can Fin Homes, CESC, Hexaware and Infosys
- ❖ **Short build-up/profit booking:** BEML, L&T Finance, Raymond, UPL, TVS Motor, Jindal Steel & Power and Piramal Enterprises

FII & DII Action

- ❖ FIIs sold ₹ 97 crore while DIIs sold ₹ 105 crore in the cash segment. FIIs bought index futures worth ₹ 354 crore while in index options they bought ₹ 894 crore. In the stock futures segment, they sold ₹ 575 crore

❖ i) Power Grid Corp		ii) TVS Motors	
Buy POWGRI JUNE Fut at ₹ 201.75-202.00		Sell TVSMOT JUNE Fut at ₹ 440.00-441.00	
CMP: 200.45		CMP: 438	
Target 1: 203.4	Target 2: 205.6	Target 1: 434.5	Target 2: 425.5
Stop Loss: 200.4		Stop Loss: 446.5	

Note:

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

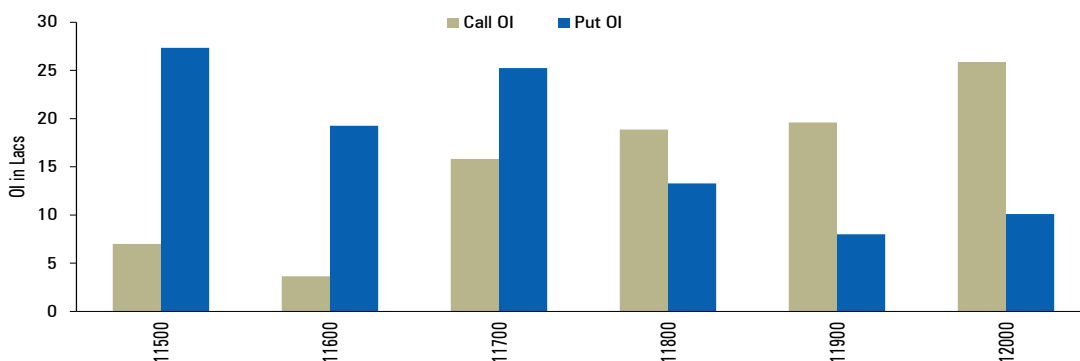
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11691	11708	17	21164775	1.14	1.11	14.73
Previous	11692	11700	8	20948175	1.13	1.11	14.60
Change (%)	-0.01%	0.07%	-	1.03%	-	-	0.88%

Pivot levels (June)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	11348	11533	11621	11718	11805	11902	12087
Bank Nifty future	29511	29960	30155	30409	30604	30858	31307

Nifty futures ended at a premium of 17 points with a rise in IVs by 0.88%

Monthly Nifty Options OI build-up



The highest Put base is at 11500 strike with almost 27 lakh shares while the highest Call base is at the 12000 strike with 25 lakh shares

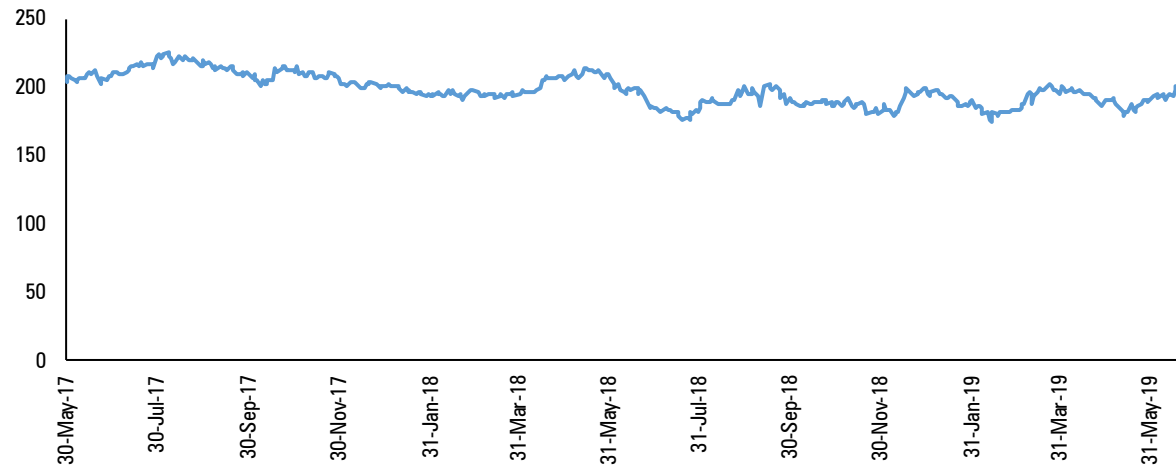
Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
19-Jun-19	SRF	Buy	Long Fut	3032.0	3044.0	3020.0	-6000	SL Triggered
19-Jun-19	BHAFOR	Sell	Short Fut	437.5	431.5	443.5	-	Not Initiated

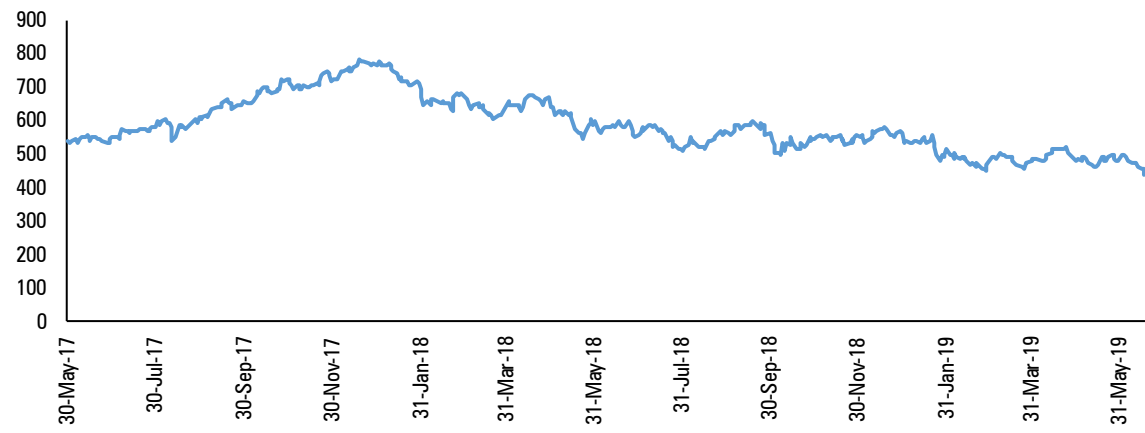
Note: The given index recommendation in this report is intraday recommendation and should not be linked with positional view & recommendations given in Derivatives Strategy report, which may have a different view

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Power Grid Corp



Tvs Motor



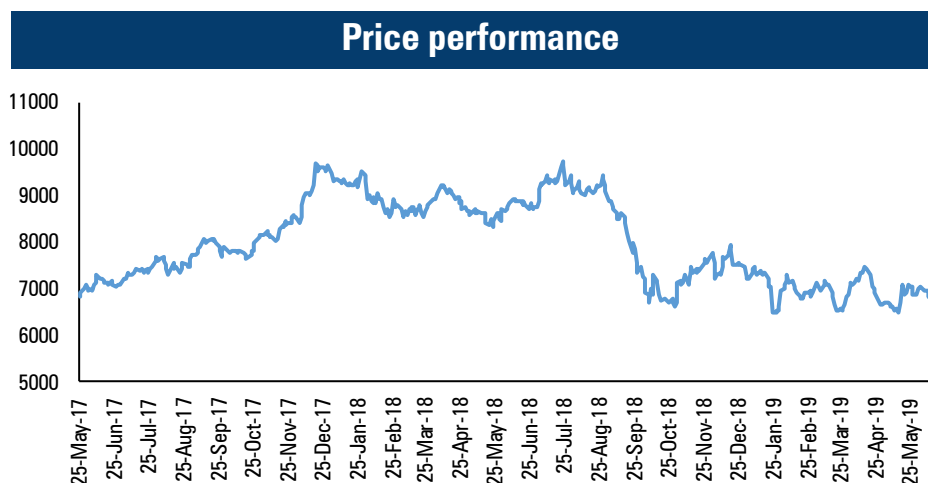
Source: NSE, Seediff, Bloomberg ICICI Direct Research
June 20, 2019

Weekly future recommendation

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

Rationale

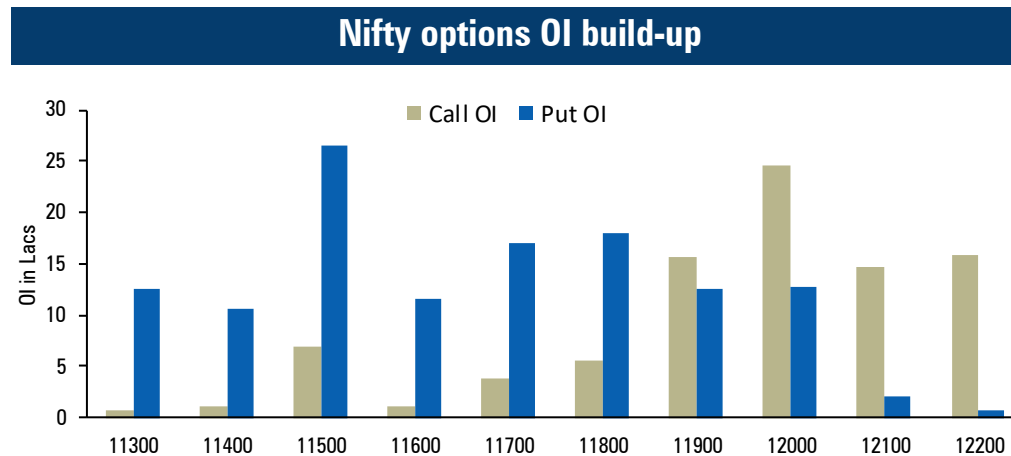
Shorts to the tune of 35% were added in Maruti in the last few series. The stock has been slowly declining with major Call writing seen at 7200 and 7000 Call strikes. We believe the stock will remain under pressure in the current series. A couple of announcements on production cuts have not gone well 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...

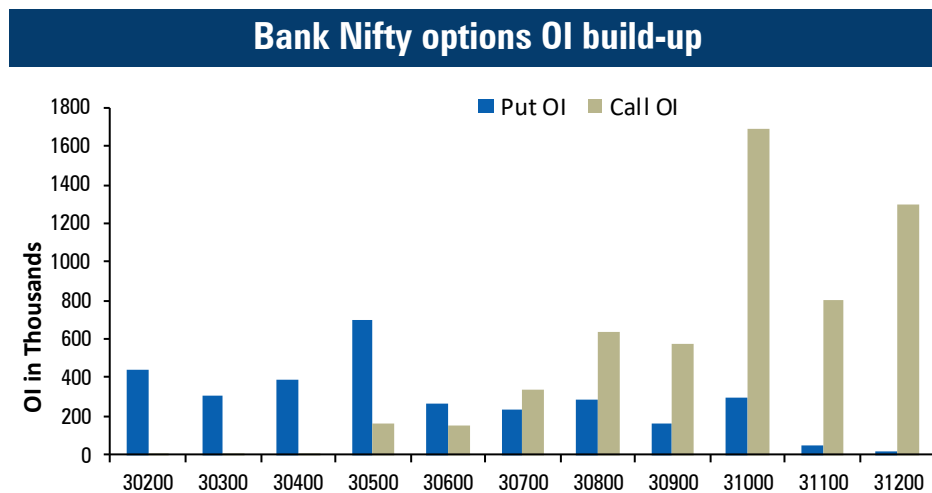
- The Nifty has been consolidating near 11800, the previous breakout level. We expect more consolidation around these levels amid subdued volatility. Nifty Put positions are placed at 11800 and 11500 strikes, which are noteworthy supports
- Call writers have been active at 12000 strike, which remains 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

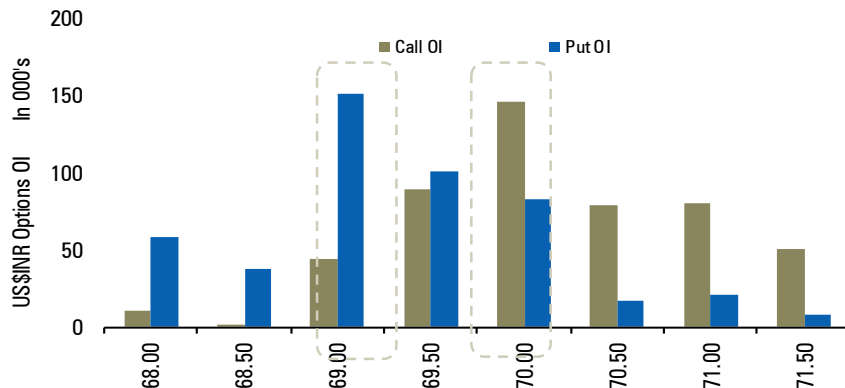
Source: Bloomberg, ICICI Direct Research

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

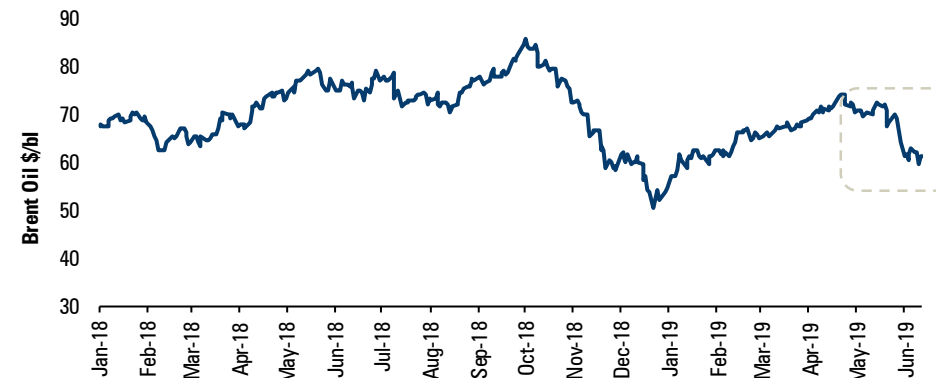
EM and DM currency vs. US\$...				
	cmp	pvs week	change %	Status
Dollar index	97.06	96.54	0.54	Appreciated
Euro €	1.1273	1.1334	-0.54	Depreciated
Japanese ¥	108.31	108.19	0.11	Depreciated
UK £	1.2673	1.2737	-0.50	Depreciated
Australian \$	0.6898	0.7001	-1.47	Depreciated
Canadian \$	1.3340	1.3267	0.55	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	Scrip	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)
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)
17-Jun-19	Axis Bank	Sell	Positional Option : Sell Axis Bank June 820 Call at 4.5-5.0, Target:0.1, Stop-loss: 8.8 (time frame: till June expiry)
17-Jun-19	Indusind Bank	Sell	Positional Option : Sell Indusind Bank June 1500 Call at 13-15, Target:1, Stop-loss: 27.5 (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	206	-8.4%	3 months
27-May-19	Chola Finance	Buy	299	352	269	284	-5.2%	3 months
30-May-19	CESC	Buy	725-735	860	660	755	2.7%	3 months
03-Jun-19	Bharti Airtel	Buy	345-352	412	312	341	-2.5%	3 months
04-Jun-19	Bank Baroda	Buy	129-134	155	117	116	-11.6%	3 months
12-Jun-19	Berger Paints	Buy	327-334	390	298	317	-4.7%	3 months

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Source: Bloomberg, ICICI Direct Research

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