

April 19, 2018

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy LARTOU APR Fut at ₹ 1371.00-1372.00	LARTOU	1379	1391	1363	Intraday
Sell KOTMAH APR Fut at ₹ 1150.00-1151.00	KOTMAH	1144	1132	1159	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
Voltas	Buy
Colgate	Buy
ITC	Buy
Duration : 1 month	

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Quant (Derivatives) Pick

Scrip	Action
Bata India	Buy
Godrej Consumer	Buy
Marico	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 positive global cues. Buy Nifty in the range of 10540-10550 for a target of 10593, Stop loss: 10518
- ❖ **Bank Nifty Future:** Call writers of 25400 and 25500 dominated the day where for the first half, the index consolidated in a narrow range amid high volatility whereas a sharp sell-off was seen in banking stocks towards the later part of the day. Looking at the OI build-up in 25000 strike Puts, we feel that if the index manages to move below these levels then Put writing closures will drag the index lower. Buy Bank Nifty in the range of 25100-25150, Target: 25250-25350, Stop loss: 25000

F&O Highlights

- ❖ After gaining consecutively for the past nine days, the Nifty paused near 10600 and witnessed a leg of profit booking. Apart from ITC, NTPC, Hindustan Unilever and select metals, the overall market breadth of the market remained negative whereas selling was also visible in midcap and small cap stocks. After taking support near 14 levels, IVs have started moving up. We feel that if closure continues in ATM Puts strike then selling is likely to extend in coming days

Stock Analysis

- ❖ **Long build-up/short covering:** V-Guard, ITC, Hindustan Zinc, Sun TV, Zee Entertainment, L&T and KPIT
- ❖ **Short build-up/profit booking:** Balrampur Chini, Jet Airways, Kotak Mahindra Bank, Axis Bank, PNB and Yes Bank

FII Action

- ❖ FIIs sold ₹ 916 crore while DIIs bought ₹ 870 crore in the cash segment. FIIs bought ₹ 2320 crore in index futures and sold ₹ 504 crore in index options. In stock futures, they sold ₹ 189 crore

Intraday Recommendations

i) Larsen & Toubro	ii) Kotak Mahindra Bank
Buy LARTOU APR Fut at ₹ 1371.00-1372.00	Sell KOTMAH APR Fut at ₹ 1150.00-1151.00
CMP: 1364.5	CMP: 1157
Target 1: 1379 Target 2: 1391	Target 1: 1143.5 Target 2: 1132.3
Stop Loss: 1363	Stop Loss: 1158.5

Note:

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

Daily Nifty Snapshot

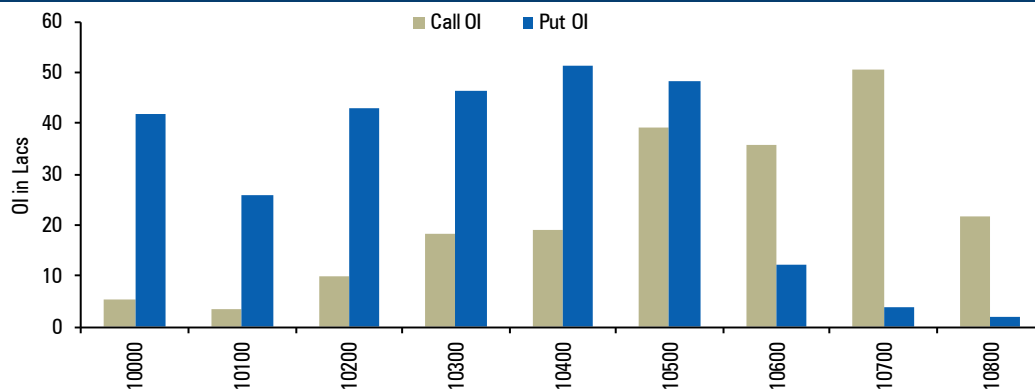
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	10526	10539	12.85	28701075	1.52	1.20	14.14
Previous	10549	10552	3.00	28137450	1.54	1.10	14.00
Change (%)	-0.22%	-0.12%	-	2.00%	-	-	0.99%

Pivot levels (APR)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10399	10476	10507	10552	10584	10628	10705
Bank Nifty future	24481	24849	24987	25218	25356	25586	25955

Nifty futures settled at a premium of 12 points with a rise in IVs by 1.0%

Nifty Options OI build-up



The highest Put base is at the 10400 strike with 51 lakh shares while the highest Call base is at the 10700 strike with 51 lakh shares

Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
18-Apr-18	HINZIN	Buy	Long Fut	320.80	325.30	318.80	14400	Tgt Achieved
18-Apr-18	YESBAN	Sell	Short Fut	312.50	308.80	315.70	3500	Profit Booked

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Source: NSE, Seediff, ICICIdirect.com Research

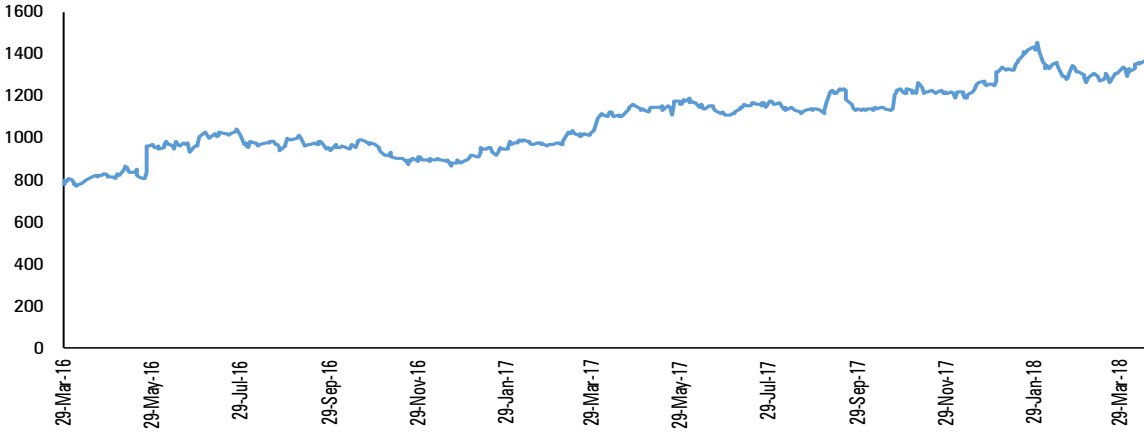
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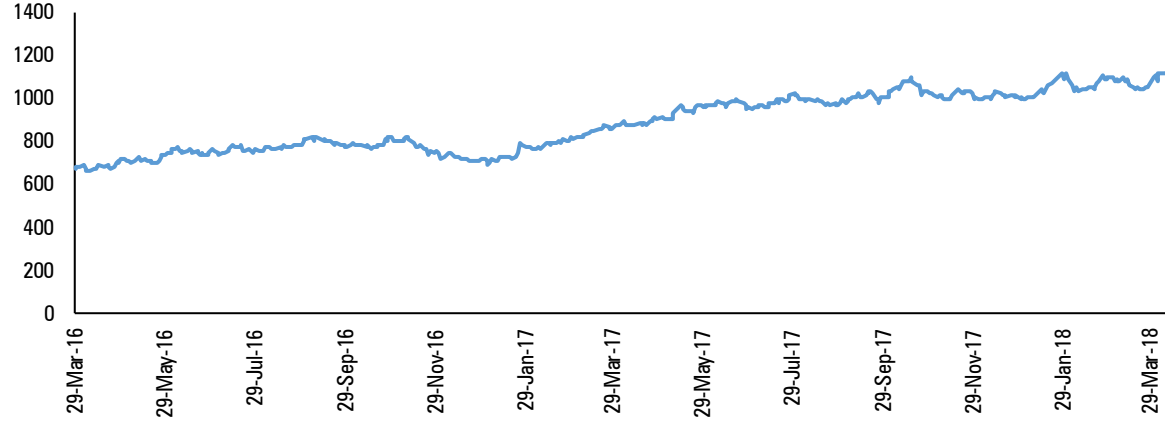
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Recommend Stocks : Historical price performance...

Larsen & Toubro



Kotak Mahindra Bank

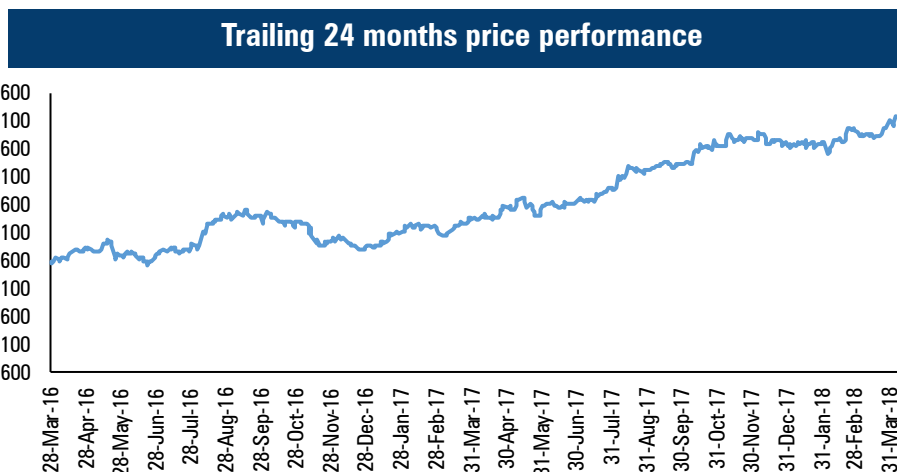


Positional Future Recommendation: Britannia Industries (BRIIND)

Buy Britannia Industries April Future in the range of ₹ 5180-5200, Target: ₹ 5470 Stop Loss: ₹ 5030

Rationale

The Nifty continues to build on its consolidation with a positive bias from the start of the April series. In the last couple of sessions, participation was seen from all sectors. Interestingly, FMCG stocks that did not see much weakness (even in the March decline of the Nifty) are building up on strong gains. Britannia is a key stock and continues to display a positive trend. Long positions that were created in the stock at the start of February series are still intact and suggest resilience in the stock. With the price performance picking up, fresh long additions are not ruled out as the leverage is still low. Delivery based support is visible in the stock around ₹ 5050 range.

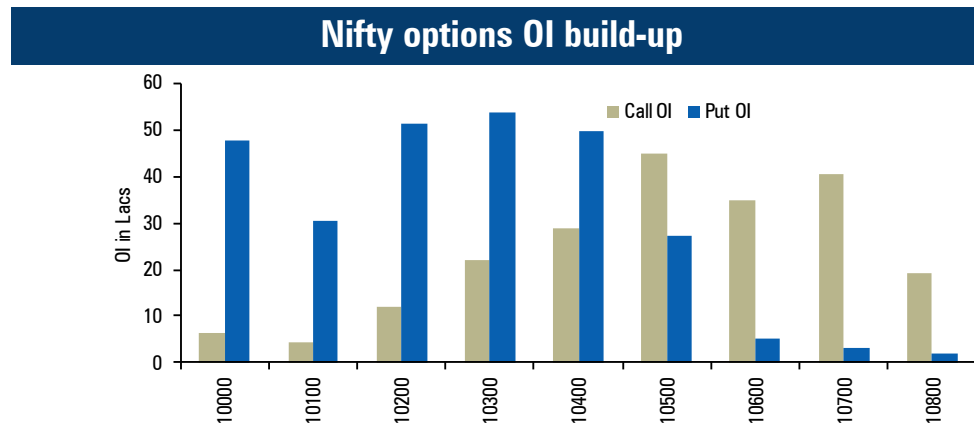


Recommendations follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
United Spirits	Bullish	Buy Future	3320	3580	3150	36250	Profits Booked

Source: NSE, Seediff, ICICIdirect.com Research

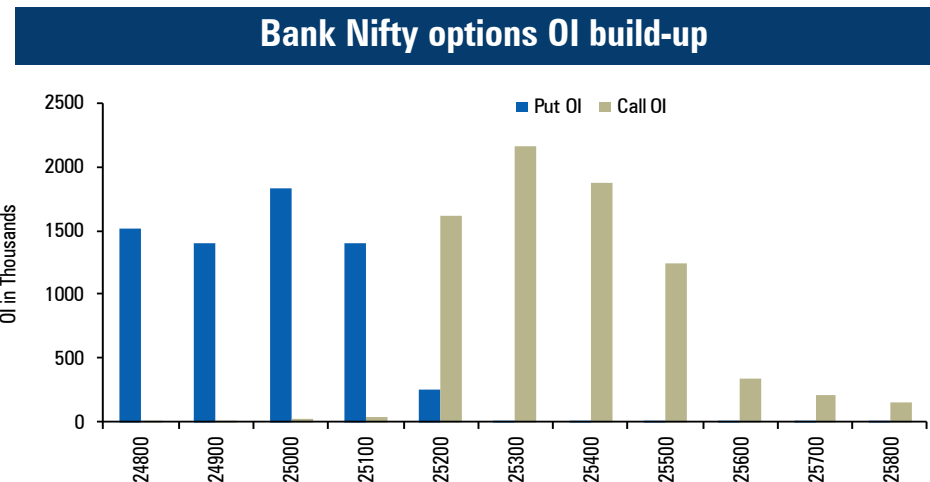
Nifty likely to find support near 10350...

- The Nifty is likely to consolidate above the important support of 10350. We have seen writing in 10300 and 10400 Put options. Hence, any decline in the Nifty should find immediate support above 10350 for some time
- As the Nifty has been absorbing global headwinds in the current up move, the upcoming quarterly results on the domestic front would be keenly watched. The technology pack has provided some momentum in the last few sessions. This space may have limited declines in coming days. Index heavyweights from capital goods, FMCG, auto and oil & gas are expected to support the index in case of any intermediate profit booking
- Open interest in the Nifty has increased with current upsides, which means longs are formed in the index. Also, the lower Nifty premiums do not justify the fact that market is getting overvalued in short-term. Positive bias should remain till the April expiry
- Better monsoon expectation is another trigger, which has led some pullback in rural specific stocks. Positional short traders seem to be exiting these stocks. Hence, they can see good upsides in days to come
- The surge in crude prices and geopolitical tensions in the Middle East may lead to market consolidation. Otherwise, adverse news flows from a trade war perspective from the US and China are getting absorbed by the Nifty



Bank Nifty: 25000 remains crucial level for up move to continue...

- Starting the week on an optimistic note, the index finally managed to end well above 25000, which was the previous week resistance. A short covering play was seen in a few banking stocks whereas private sector banks witnessed a fresh round of long additions in which IndusInd and Kotak Mahindra Bank made new life-time high levels whereas Axis Bank and HDFC Bank also supported the up move
- As the index moved above 25000, writing positions of 24700 and 24900 Put strike have shifted to the 25000 strike whereas open interest is well distributed in the 25300 to 25500 strike Calls, which has kept the index move in check near 25300
- IVs remained choppy for the week. This is likely to trigger some positive sentiments, going forward. We feel a close above 25300 is likely to take the index towards its sizeable Call base of 25500
- The current price ratio of Bank Nifty/Nifty continue to remain near 2.40 levels. Last week, the index added huge open interest on April 12. Thrice in the week, bears tried to dominate but levels of 25000 continued to act as a decent support. We feel that unless the index holds above 25000, the outperformance in banking stocks is likely to continue. Going forward, the ratio is likely to move towards 2.44



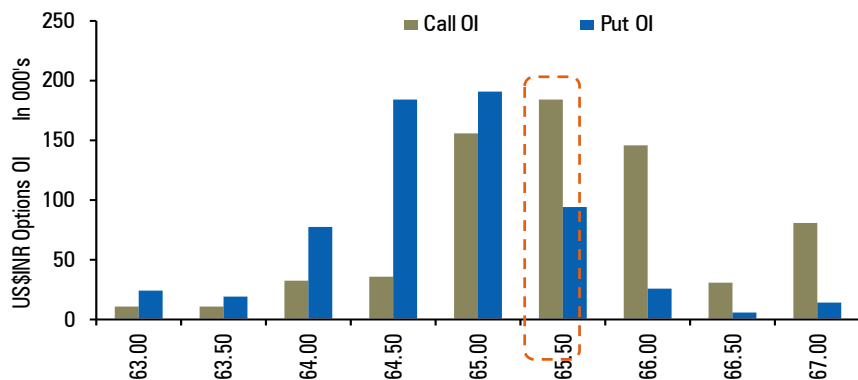
- Trade wars and geo-political tensions marred the week. However, towards the end of the week, the constant escalation/de-escalation rendered these news flows to mere rhetoric and risk sentiment stabilised to favour risk-on. In the last two sessions, the anticipated strong earnings season (in the US) took centre stage, especially after US President Donald Trump backtracked on his suggestion of an imminent missile attack on Syria. In another U-turn, Mr Trump asked to take a relook at re-joining the Trans Pacific Partnership, a multinational trade pact from which he withdrew the US in 2017
- During the week, FIIs continued to withdraw from the cash segment and took out US\$250 million from Indian equities (in April their tally is over US\$500 million till now). Outflows were also seen from other EMs with Taiwan seeing outflow of US\$320 million. Indonesia and Thailand also saw outflows in the vicinity of US\$90 million each. However, South Korea saw inflows of US\$595 million
- In the F&O set up, the cautious undertone continued. There was fresh short in index future to the tune of US\$245 million. Index option buying of over US\$750 million was also unusually large, suggesting caution among participants
- Markets continue to remain focused on trade wars & geo-political tensions escalation that is adversely impacting financial conditions and the global growth story. The key gauge for assessing risk sentiment revolves around S&P 500, which despite the risk of shocks continues to hold February lows of 2535. Going ahead, this will continue to be a key pivot point. If the index is able to move higher and end above 2675, it could trigger risk-on for other risk assets as well. This could very well reignite FIIs' fund flow action into EMs as other variables like bond yields and dollar seem well anchored

DII inflows back in market					
Date	FII				DII
	Index Fut	Stock Fut	Index Opt	Cash	Cash
6-Apr	-31.8	-9.0	144.2	-26.1	200.0
9-Apr	-35.5	-70.2	213.2	-197.0	55.2
10-Apr	171.7	75.7	190.6	-110.1	100.2
11-Apr	95.0	-30.8	84.5	66.8	17.2
12-Apr	48.3	37.5	117.4	0.0	-94.4

Spike in crude oil prices spooks rupee while lower inflation helps cap sharp losses..

- The dollar index is currently lower against major currencies as the US President's war rhetoric and warning to Russia weighed on risk appetite. Also, losses against the British Pound and Euro offset gains made against JPY
- The GBP rose sharply vs. the US\$ and was up 1% ahead of EU-UK Brexit negotiations over trade deals next week. Any positive outcome could see the GBP further rallying while negative news could derail current momentum in British Pound
- In options segment, 65.50 has highest Call OI while 65.0 and 64.5 have significant Put concentration. We hold the view that the pair would remain in a range. As such, further gains in the pair should be utilised to initiate short positions. We suggest selling US\$INR April futures near 65.45 for target at 65.10 and stop loss of 65.7

US\$INR has crucial resistance near 65.0 levels



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

Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	89.79	90.11	-0.35	Depreciated
Euro €	1.2330	1.2281	0.40	Appreciated
Japanese ¥	107.46	106.93	0.50	Depreciated
UK £	1.4233	1.4092	1.00	Appreciated
Australian \$	0.7777	0.7684	1.21	Appreciated
Canadian \$	1.2583	1.2782	-1.56	Appreciated
Swiss franc	0.9629	0.9591	0.40	Depreciated
Emerging currencies v/s US\$				
Indian rupee	65.22	64.98	0.38	Depreciated
Chinese yuan	6.29	6.30	-0.15	Appreciated
Brazilian real	3.41	3.37	1.04	Depreciated
Russian ruble	61.82	58.10	6.39	Depreciated
South african rand	12.04	12.03	0.10	Depreciated
Indonesian rupee	13756	13778	-0.16	Appreciated
S.korean won	1070	1070	0.05	Depreciated

Pound rises ahead of Brexit talks next week



S&P 500: Reducing volatility signals S&P to find support near 2600-2620

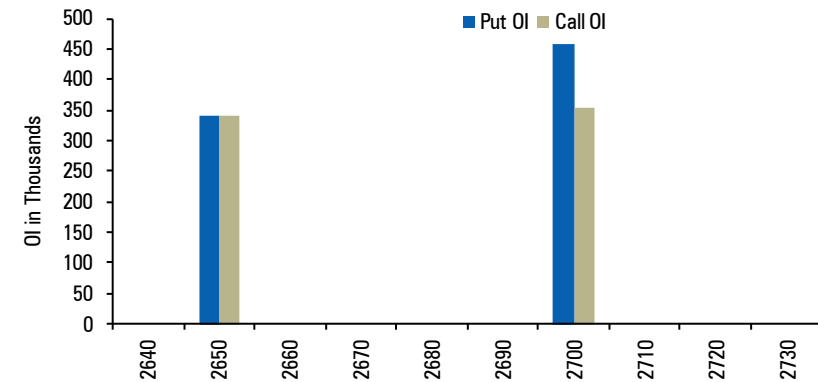
S&P 500: 2600 is key level to watch out

- The S&P has continued to trade within 2580-2680 for the last 14 sessions
- Negative news flows in the form of trade wars continue to keep a sustainable market recovery in check
- The US 10-year and 30-year bond yields have fallen. Trade war and a less hawkish Fed have kept bond markets calm. However, trade war driven volatility coupled with a tech sell-off continues to decide risk sentiment of equities
- VIX has declined towards 18 levels. Only a sustainable move below 16 is likely to reignite risk-on sentiment
- S&P 500 has taken support at 2580-2600 on multiple occasions since February 2018. Inability to hold this level may trigger a fresh round of decline

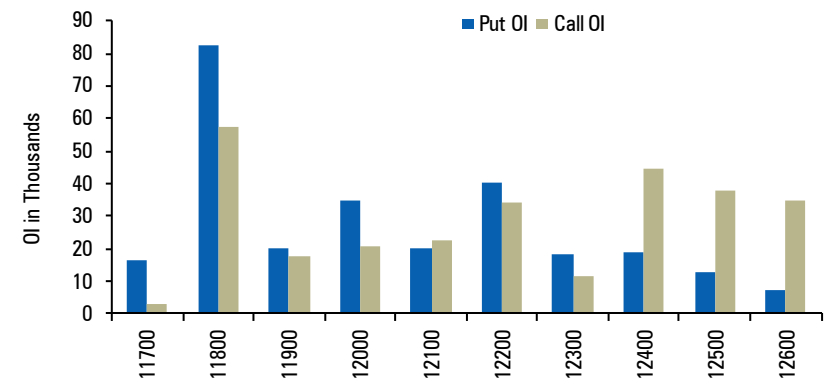
Dax: immediate support at 12000

- Dax is expected to consolidate near 12000 for some time. However, inability to hold this level may open downsides till 11500
- For Euro, the key level remains 1.25. Going by the current trend of weakness in Dollar Index, this could be a play in the short-term

S&P support : 2600



Dax: 12000 is immediate support



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
HDFC Ltd	35734	1837.2	9.50%	0.12%	BPCL	9136	414.85	51.11%	-4.50%
Muthoot Finance	1398	433.65	9.22%	1.15%	Marico	2734	317.95	48.75%	-1.36%
Power Grid	6933	197.1	4.98%	0.08%	CEAT	3881	1621.4	36.08%	-2.08%
JSW Steel	22562	312.45	2.56%	1.02%	Siemens	2384	1100.3	35.76%	-2.59%
Torrent Pharma	1271	1334.8	2.42%	0.73%	Enginners India	2288	161.1	21.57%	-2.30%

Open Interest Closure									
Long Closure					Short Closure				
Stock	Current OI	CMP	% Chg OI	% Chg price	Stock	Current OI	CMP	% Chg OI	% Chg price
Castrol	3853	204.5	-6.82%	-0.24%	Canara Bank	6557	287.3	-7.69%	0.10%
IB Housing Finance	30467	1343.9	-5.43%	-0.42%	PNB	16997	102.8	-5.17%	0.24%
Capital First	8871	651	-5.24%	-1.48%	Indian Bank	1689	324.1	-2.09%	0.93%
HDIL	2998	41.8	-4.98%	-0.12%	Suzlon	9190	12.1	-0.85%	0.41%
Hindustan Zinc	3513	312.9	-4.82%	-0.46%	Apollo Tyres	3871	298.6	-0.85%	1.00%

India:

- 16 April : Wholesale Prices

Japan:

- 17 April : Capacity Utilization and Industrial Production
- 18 April : Trade Balance and Imports and Exports Data
- 20 April : National CPI

US:

- 16 April : Empire Manufacturing and Retail Sales Data
- 17 April : Housing Starts, Industrial Production and Capacity Utilization
- 18 April : MBA Mortgage Applications
- 19 April : Initial Jobless Claims, Continuing Claims and Leading Index

Euro zone:

- 17 April : ZEW Survey Expectation
- 18 April : CPI Data
- 20 April : Consumer Confidence

Derivatives Strategies : Open recommendations

Date	Script	Action	Recommendation
5-Apr-18	Voltas	Buy	Long/Short Strategy : Buy Voltas Apr 640 Call at 18-19 and Sell Voltas Apr 680 Call at 7-8. Target 680. Time frame : Till April Expiry
5-Apr-18	Exide	Buy	Positional Option : Buy Exide Industries April 240 Call at 5-6, target: 12, stoploss: 2.0. Time Frame: till April expiry
6-Apr-18	ITC	Buy	Positional Future : Buy ITC April Future at 260-262; Target: 282; Stop loss: 249.9; Time Frame: Till April expiry
10-Apr-18	Tata Steel	Buy	Positional Option : Sell Tata Steel April 560 Put at 5.30-5.80; Target 0.05; Stoploss: 114.20; Time Frame: Till April Expiry
10-Apr-18	Motherson Sumi	Sell	Positional Option : Sell Motherson Sumi March 330 Call at 4.00-4.50; Target: 0.10; Stoploss: 8.20; Time Frame: Till March expiry
10-Apr-18	Ceat	Sell	Positional Option : Sell CEAT April 1750 Call at 14.50-16.50; Target 1.00; Stoploss: 29.50; Time Frame: Till April Expiry
10-Apr-18	Apollo Tyre	Buy	Positional Option : Sell Apollo Tyres April 270 Put at 2.00-2.20; Target 0.05; Stoploss: 4.30; Time Frame: Till April Expiry
11-Apr-18	Colgate	Buy	Positional Future : Buy Colgate April Future at 1095-1100.Target: 1182.Stop loss: 1052.Time Frame: Till April expiry

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Quant Picks : Open recommendations

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
17-Jan-18	V Guard	Buy	228-233	272	207	237	2.0%	3 months
23-Feb-18	Hind Zinc	Buy	312-318	372	283	311	-2.1%	3 months
26-Feb-18	L&T	Buy	1310-1330	1540	1196	1347	1.7%	3 months
6-Mar-18	Godrej Consumer	Buy	1075-1095	1270	980	1071	-1.3%	3 months
21-Mar-18	Marico Ltd	Buy	312-318	368	283	317	-0.4%	3 months
4-Apr-18	Bata India	Buy	752-762	890	685	771	1.2%	3 months
10-Apr-18	Bharat Forge	Buy	720-730	848	655	738	-3.2%	3 months
14-Dec-17	Engineers India	Buy	184-191	245	144	159	-16.2%	12 months
14-Dec-17	Havells	Buy	525-539	655	470	551	4.0%	12 months
14-Dec-17	Arvind	Buy	428-439	545	375	410	-5.5%	12 months
14-Dec-17	Adani Ports	Buy	396	495	345	443	11.9%	12 Months
14-Dec-17	GSFC	Buy	137	174	119	158	15.3%	12 Months

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