

July 10, 2020

Derivatives Weekly View

Consolidation expected with support at 10600

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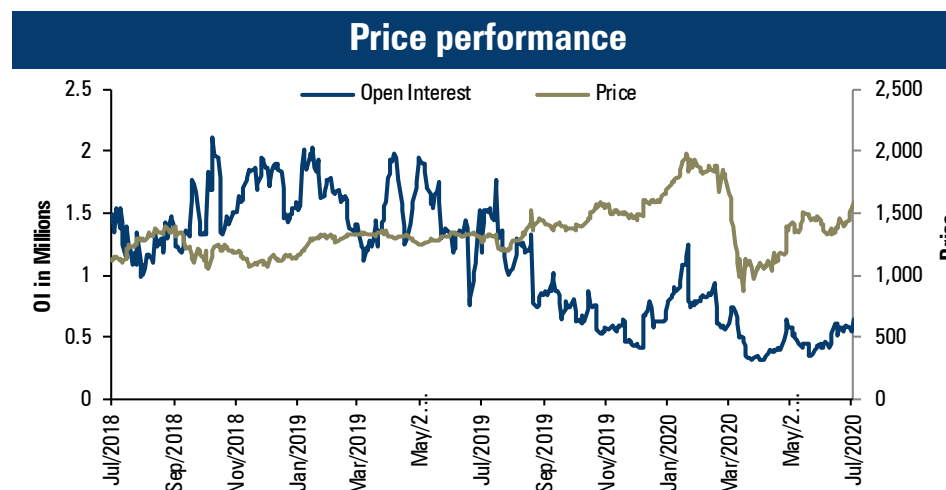
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Weekly future recommendation:

Long NIIT Tech (NIITEC) July future in the range of ₹ 1555-1575. Target: ₹ 1725; Stop Loss: ₹ 1485

Rationale

In the midcap IT space, NIIT Tech continues to outperform and has moved towards its sizeable Call base of ₹ 1600 along with the rise in OI, indicating long formation. The Dollar index remained muted below 97 whereas the rupee depreciated and moved towards 75.3 levels from 74.6. It has immediate hurdle at 75.50. Closure is seen in ATM strike Call whereas the Call OI has moved higher to 1700 strike indicating more upsides. We feel NIIT Tech is well placed to move towards ₹ 1700 in days to come.

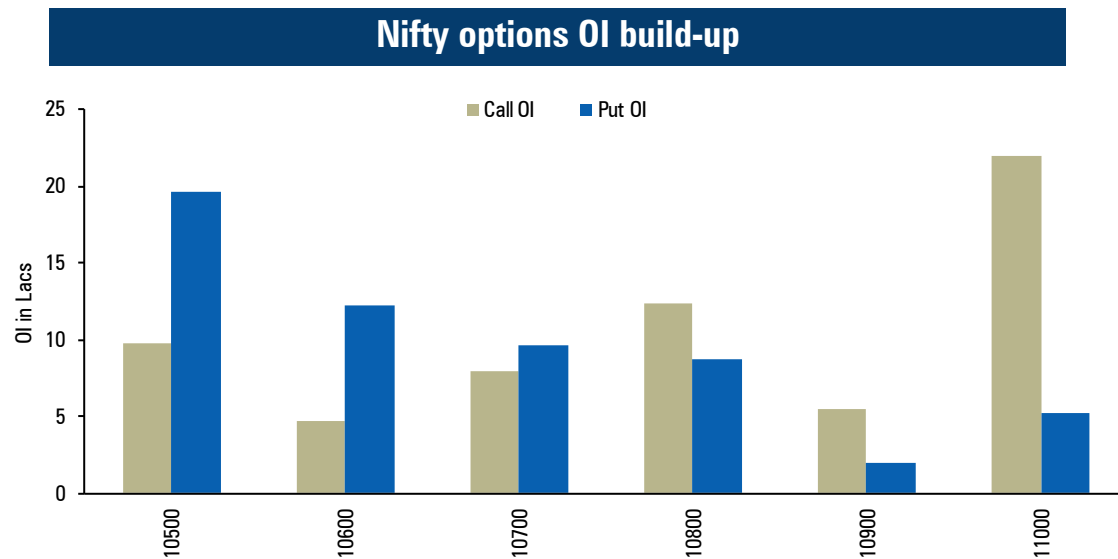


Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Cummins	Bullish	Long Futures	407	448	382	0	Not Initiated

Source: Bloomberg, ICICI Direct Research

Nifty: Consolidation expected with support at 10600...

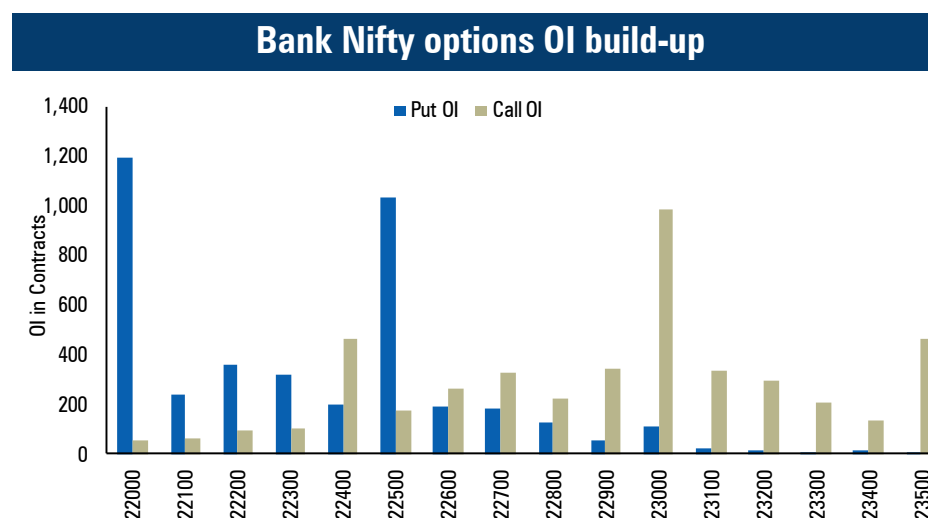
- After reaching the important level of 10800, the Nifty has shown tendency to consolidate as indicated by declining volatility and, thus, reducing option premiums
- India VIX declined below 25 levels after spending the maximum time near 30 in the last series. The OTM Call and Put option premiums have declined, which means the option writers are active and the market may remain range bound next week
- The index heavyweights from FMCG, telecom and banking are likely to support the market. The market may remain more stock specific among midcaps where the underperforming stocks should start performing
- The Nifty futures discount has declined indicating short covering in the index. Further closure of short positions should keep the index above 10600
- The writing is seen in 10900 Call strike of next series, which should check upsides in the coming week. On the lower side, the noticeable Put base is placed at 10700 and 10500 strikes. Hence, support should be seen at 10600



Source: Bloomberg, ICICI Direct Rese
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Bank Nifty: Close above 23000 to open gates for higher targets...

- Bank Nifty relatively underperformed in this current leg of Nifty from 10200 to 10800 whereas stock specific activity continued in the banking stocks. However, as Nifty paused its pace near 10800 levels focus was turned to BFSI. Short covering rally was seen in private as well as PSU banks along with sharp up-move in NBFC
- The index managed to move above 23000 but Call writers of OTM strike dominated at higher levels. IVs, however, remained muted despite all the volatility with writing seen in OTM strikes
- Despite huge OI in ATM Calls in private banks, most leaders witnessed a decent rally from lower levels whereas midcap banking stocks also saw short covering
- The recent fall in the Dollar index below 97 levels will help the rupee to strengthen. We feel the ongoing short covering would continue in the NBFC space. We feel OTM Put writers would provide a cushion and limit downsides in case of a reversal. However, a close above 23000 would open the gates for new targets



Source: Bloomberg, ICICI Direct Research

Outflow witnessed in volatile week...

- Indian markets continued their move despite range bound global markets and uninterrupted FII and DII selling. The most significant development seems to concern the breakout in precious metals given the ongoing US dollar weakness at a time when yields also remain weak. The Nasdaq is trading at yet another new record level whereas the S&P 500 and Dow are witnessing selling pressure at higher levels
- In India, FIIs have remained on the sidelines and sold equities despite continued momentum last week also and sold almost ₹ 1618 crores in the Indian equities while domestic institutions also used the higher levels to exit some positions. DIIs have sold ₹ 1706 crore in equities as the Nifty hovered around 10800
- In the F&O space, buying was witnessed in the index futures and options segment. FIIs bought over ₹ 1801 crore in index futures and ₹ 2902 crore in options. Liquidation to the tune of ₹ 1367 crore was seen in the stock futures segment during the week
- Brent witnessed selling pressure from higher levels as rising US crude inventories and an increase in US Coronavirus infections put the brakes on a price recovery. However, a weak dollar also help crude to remain firm above \$38 levels. We believe that move below \$38 may trigger fresh downsides for the commodity and negative bias should be formed below this level

FII/DII buying in equities (in ₹ Crore)					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
3-Jul	504.0	39.0	639.0	631.0	-332.0
6-Jul	704.0	408.0	806.0	476.0	263.0
7-Jul	-409.0	-638.0	435.0	-1666.0	-784.0
8-Jul	1002.0	-1176.0	922.0	-1059.0	-853.0
9-Jul	1331.0	-751.0	1199.0	213.0	-803.0

Source: Bloomberg, ICICI Direct Research

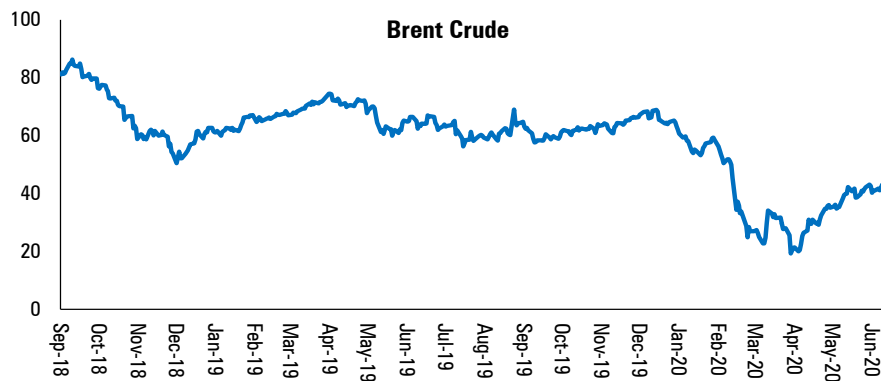
Rupee: Immediate hurdle at 75.5...

- The rupee has moved above 75 levels and has an immediate resistance at 75.50. The recent money flow had led to appreciation in the currency. It seems if the US\$INR declines again, the appreciation may extend towards 74.0
- FII outflows have continued, which has led to depreciation in the currency in the last couple of days. However, the appreciating bias is likely to continue in the currency pair
- The dollar weakness is the major trigger for the currency appreciation. This appreciation trend is seen in other EM currencies also. The expectation is that a stimulus may be announced in the US again, which can lead to more appreciation in EM currencies

Weekly pivot levels

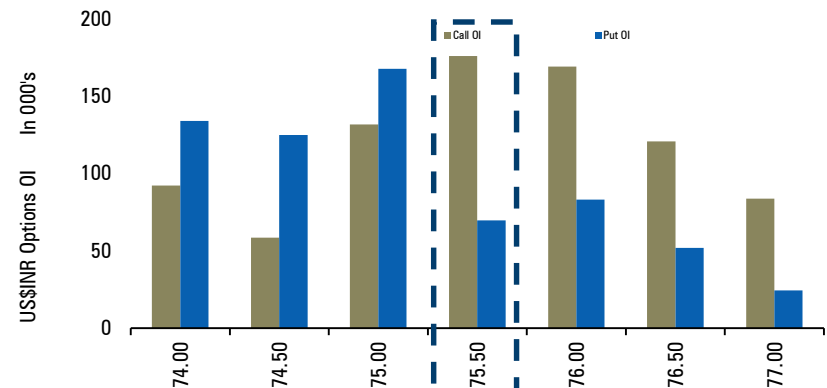
Futures	S2	S1	Pivot	R1	R2
US\$INR (Jul)	74.21	74.72	75.11	75.62	76.01
US\$INR (Aug)	74.31	74.82	75.21	75.72	76.11
EURINR (Jul)	83.30	84.20	84.80	85.70	86.30
EURINR (Aug)	83.40	84.30	84.90	85.80	86.40
GBPINR (Jul)	92.53	93.77	94.48	95.72	96.43
GBPINR (Aug)	92.50	93.80	94.55	95.85	96.60
JPYINR (Jul)	68.73	69.47	70.04	70.78	71.35
JPYINR (Aug)	68.97	69.63	70.17	70.83	71.37

Brent crude...



Source: Bloomberg, ICICI Direct Research

US\$INR options build-up



Result update:

- 10 July : Sail
- 14 July : Century Textiles, Mind Tree & Wipro
- 15 July : Infosys, Bandhan Bank and Federal Bank
- 16 July : L&T Finance
- 17 July : HCL Tech

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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