

September 16, 2020

Other Product offerings

Derivatives Strategy

Underlying	Action
Bajaj Finance	Buy

Duration : 1-2 months

Quant (Derivatives) Pick

Underlying	Action
Wipro	Buy
Grasim	Buy

Duration : 1-3 months



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Derivatives View

[Daily view](#)

[Weekly view](#)

Stock recommendations in the report

Action	Scrip	Target 1	Target 2	Stoploss	Time frame
Buy INDBA SEP Fut at ₹ 640.00-642.00	IndusInd Bank	652.3	669.1	629.8	Intraday
Sell MARUTI SEP Fut at ₹ 7095.00-7100.00	Maruti	7007.0	6872.0	7187.0	Intraday
Buy MAXFIN SEP Fut at ₹ 588.00-592.00	Max Financials	635.0	-	565.0	Weekly
Buy LUPIN SEP Fut at ₹ 998.00-1003.00	Lupin	1060.0	-	969.5	2-3 Weeks

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Index Outlook

Nifty Future

- ❖ The Nifty is expected to trade between 11300 and 11600 amid high volatility. Sell Nifty 11450 Put (September 17 expiry) in the range of ₹ 37-39 Target: ₹ 23-14 Stop loss : ₹ 53

Bank Nifty Future

- ❖ In the early hours, the Bank Nifty managed to hold the Put base of 21000 and reversed during the day. Axis Bank, Kotak Mahindra Bank and IndusInd Bank witnessed short covering, which helped the Bank Nifty to close above 21500 with a gain of 1.8%. The Bank Nifty is well placed to test its Call base of 22000 with immediate support level of 22500. Buy Bank Nifty in the range of 22500-22600, Target: 22800-22900, Stop loss: 22400

F&O Highlights

- ❖ For a major part of the day, the index consolidated with 11500 acting as a midpoint. Buying in banking and pharma led the index to end positive with a decent gain of 80 points. On the option front, additions were seen in ATM Call and Put strike. We feel a consolidation move will take place before crossing the 11600 hurdle

Stock Analysis

Long build-up/short covering: IndusInd Bank, IDFC First Bank, Lupin, Ashok Leyland, Cipla, Axis Bank and IGL

Short build-up/profit booking: PVR Ltd, Marico, Escorts, Titan Company, Maruti, Asian Paints and TVS Motor

FII & DII Action

- ❖ FIIs bought ₹ 1171 crore while DIIs sold ₹ 896 crore in the cash segment. FIIs bought index futures worth ₹ 84 crore while in index options they bought ₹ 508 crore. In the stock futures segment, they sold ₹ 301 crore

Intraday Recommendations

i) IndusInd Bank		ii) Maruti	
Buy INDBA SEP Fut at ₹ 640.00-642.00		Sell MARUTI SEP Fut at ₹ 7095.00-7100.00	
CMP: 640		CMP: 7077	
Target 1: 652.3	Target 2: 669.1	Target 1: 7007	Target 2: 6872
Stop Loss: 629.8		Stop Loss: 7187	

Note:

Note: Call initiation message will be broadcast on iclick-2-gain, if it is not initiated in opening session, then we might initiate with revise levels on iclick-2-gain.

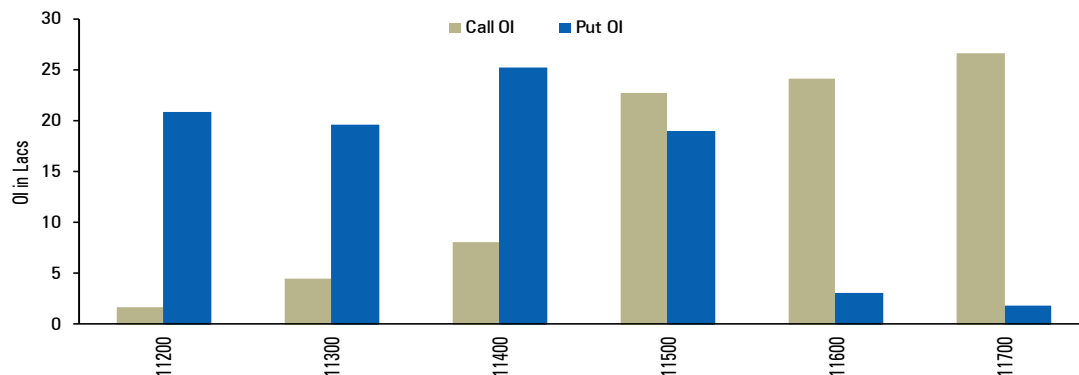
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11522	11527	5	12334950	1.35	1.00	20.60
Previous	11440	11452	12	12099150	1.41	1.26	21.19
Change (%)	0.72%	0.65%	-	1.95%	-	-	-2.86%

	S3	S2	S1	Piv	R1	R2	R3
Nifty future	11327	11417	11472	11507	11562	11597	11687
Bank Nifty future	21387	21900	22229	22413	22742	22926	23439

Nifty futures ended at a premium of 5 points while IV fell by 3%

Weekly Nifty Options OI build-up



The major Put base is at 11400 strike with almost 25 lakh shares while the major Call base is at the 11700 strike with almost 26 lakh shares

Strategy follow up

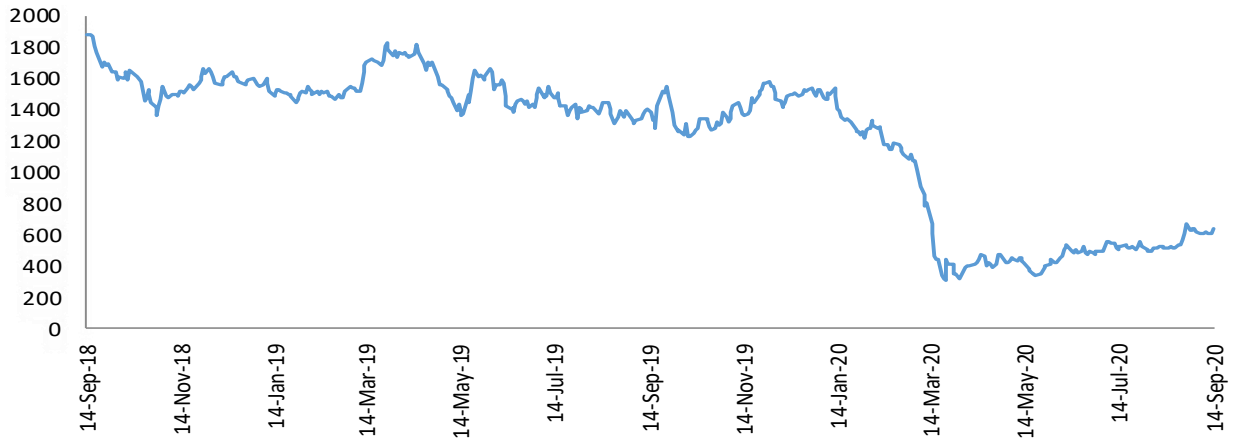
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
15-Sep-20	SRF	Buy	Long Fut	4347.0	4383.0	4311.0	-	Not initiated
15-Sep-20	TATSTE	Sell	Short Fut	404.8	399.7	410.3	-	Not initiated

Note: Index calls may be changed, if view differs during market hours and positional recommendations given in Derivatives Strategy should not be linked to intraday index calls.

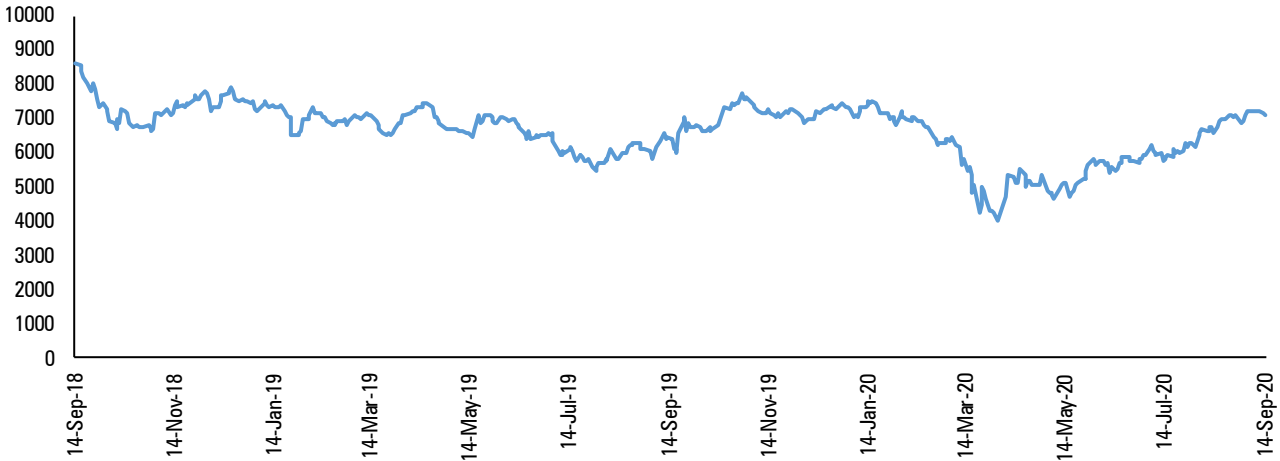
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

IndusInd Bank



Maruti

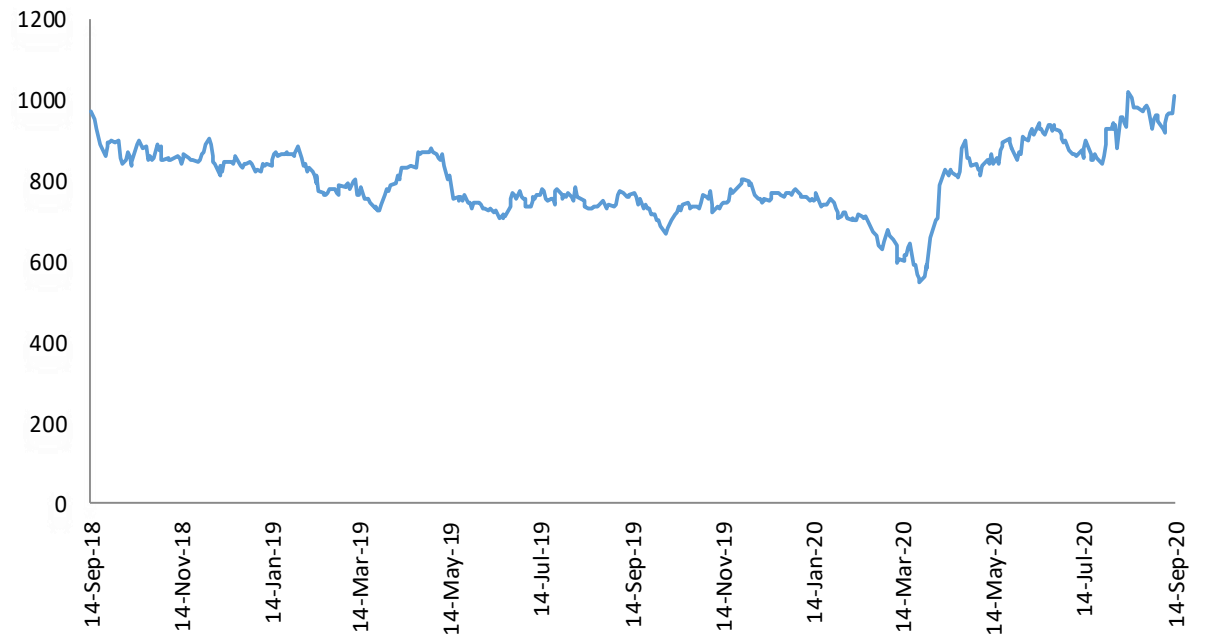


Source: NSE, Seediff, Blo
September 16, 2020

Positional Recommendation

Date	Stock	View	Initiation Range	Target	Stoploss	Time Frame	Expiry
15-Sep-20	Lupin	Buy	₹ 998.00-1003.00	₹ 1060	₹ 969.5	2-3 Weeks	September

Lupin



Source: NSE, Seediff, Bloomberg *ICICI Direct Research*
September 16, 2020

Note : Recommendation given on Iclick2gain on September 15, 2020

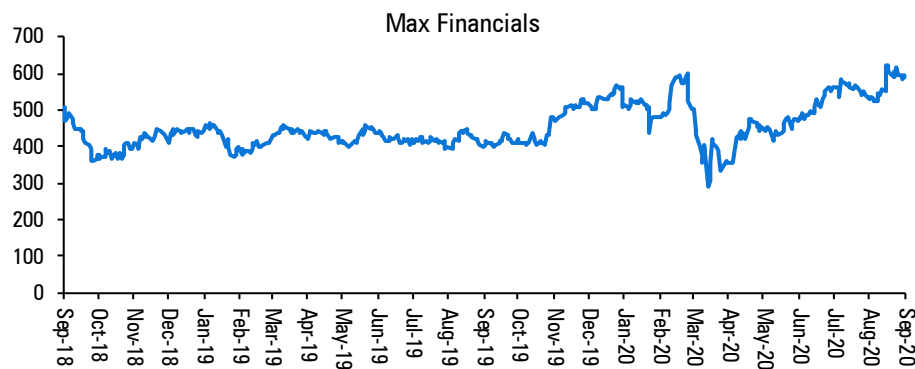
Weekly future recommendation:

Long Max Financials (MAXFIN) September future in the range of ₹ 588-592. Target: ₹ 635; Stop Loss: ₹ 565

Rationale

For the major part of the week, BFSI stocks remained under pressure due to continuous profit booking. However, stocks like Max Financials remained largely resilient and witnessed buying on every decline. The stock continued to consolidate near its February 2020 high with a lower OI base. The recent high delivery seen in the stock should limit downsides in the near term. We expect open interest to increase gradually for the September series. The stock is likely to surpass its major Call base of ₹ 600 and move towards ₹ 635 in the days to come.

Price performance



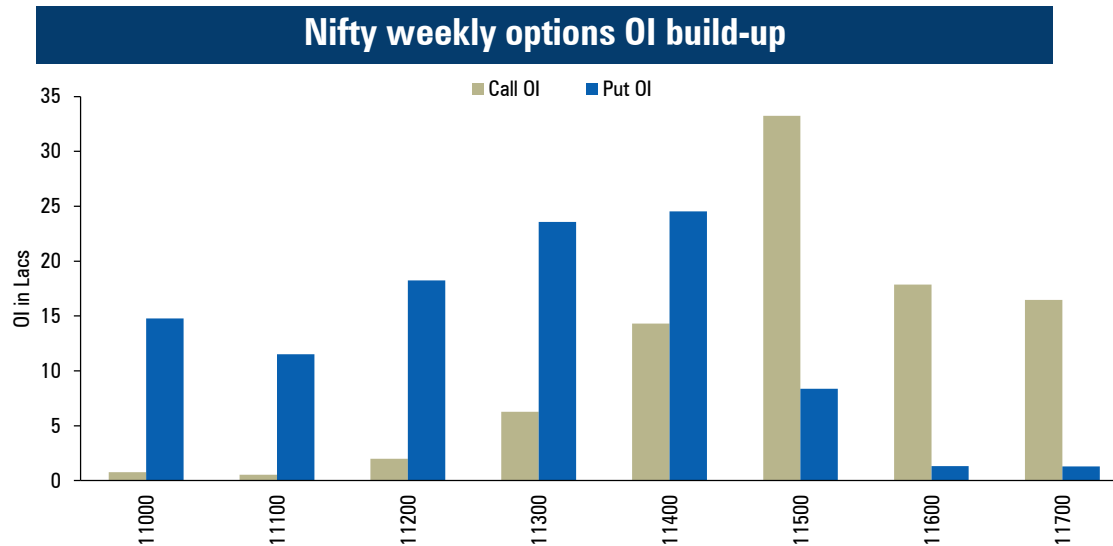
Recommendation follow up

Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Bajaj Auto	Bearish	Short Futures	2935	2720	3060	-	Not Initiated

Source: Bloomberg, ICICI Direct Research

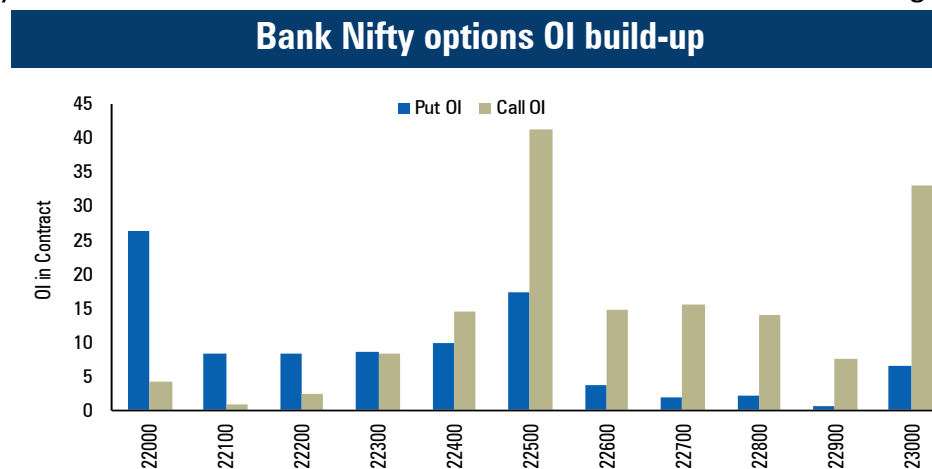
Sustainability of 11500 to push Nifty towards short covering

- The Nifty remained under pressure throughout the week. Despite a flat opening, it declined below its major Put base of 11300. However, it recovered primarily with the help of Reliance Industries and closed the week with almost 1% gain at 11464. The recent declines in the market were in line with profit taking in global markets. Both midcap and small cap indices closed the week negative. Moreover, escalation of border tensions between India and China may worsen sentiments further
- Sectorally, major participation was seen in technology and RIL whereas profit taking was seen in metal and banking stocks. Due to weak global sentiments, FII's turned net sellers for the week and sold almost ₹ 2900 crore during the week. However, the rupee appreciation trend is also going to be supportive
- On the options front, aggressive writing was seen in 11500, 11600 Call strike. It holds 33 and 17 lakh shares, respectively, which is likely to keep the index under pressure at higher levels. On the other side, the Nifty saw Put writing at 11300 strike. This may act as support on downsides. This option structure is suggesting a broader range of 200 points for the coming week. A fresh up move due to short covering is likely to be seen above 11500. Until then, it may consolidate above 11300



Source: Bloomberg, ICICI Direct Research
September 16, 2020

- The Bank Nifty continued to remain under pressure for a second week as it slipped below its important support of 23000. Most PSU bank stocks are in the F&O ban whereas OTM Call writing was seen in private banks
- During the week, an almost 25% jump was seen in OI along with a fall in price indicating formation of short positions. However, despite sell off there was no closure in OTM Puts of 22000 and 21500, which is a positive sign. We feel those writing positions would continue to provide support in case of further profit booking
- IVs continued to contract after the sharp uptick last week. Despite the index falling from those levels, IVs contracted and moved below 21% along with additions in OTM strike options, indicating possible consolidation in the coming days. The rupee remained volatile for the week with the US\$INR pair having the highest Call base at 74 levels, which is the hurdle zone. We feel the rupee would continue to appreciate, which will be positive for BFSI
- The current price ratio of Bank Nifty/Nifty has fallen from its recent high. However, last month, the support for the spread was seen near 1.96 levels, which is very much near. We feel the ratio would consolidate near this range



Source: Bloomberg, ICICI Direct Research

FII turn sellers in volatile week...

- The Nifty ended the week in the green with gains of almost 1%. However, broader markets remained weak and saw selling pressure at higher levels. Globally also, weakness was seen across the board while US indices witnessed significant high volatility in a shortened week. Brexit has also hit a roadblock after fresh confrontations between the European Union and the UK, which triggered a sharp decline in the GBP. On the other hand, the Dollar Index has been moving near 93.50, which is almost its two-month high
- In India, FIIs turned negative as global markets turned weak. They sold almost ₹ 2917 crore in Indian equities. Meanwhile, domestic institutions continued to exit at higher levels and sold another ₹ 1234 crore in equities last week. However, the quantum of selling has remained low. For September, net FII investment in equities has turned negative. They have sold around ₹ 4430 crore while they bought ₹ 1612 in the debt markets
- In the F&O space, activities were relatively low in the last week on the FII front. While they bought worth ₹ 51 crore in index futures, they also bought to the tune of ₹ 423 crore in the stock futures segment during the week. However, FIIs bought ₹ 6877 crore in index options during the week
- Brent continued to find selling pressure at higher levels and moved below \$40 levels, declining more than 12% during the month. Higher US inventory and continued subdued demand remained a dampener. Moreover, discount prices by Saudi for Asian buyers have triggered significant selling pressure. We continue to remain bearish on crude and do not expect it to surpass \$42 in near term

FII/DII buying in equities (in ₹ crore)					
Date	FII				DII
	Index Fut	Stock Fut	Index Opt	Cash	Cash
4-Sep	-696.0	-603.0	65.0	-2807.0	-457.0
7-Sep	653.0	-50.0	-333.0	169.0	-816.0
8-Sep	211.0	438.0	441.0	-157.0	620.0
9-Sep	-726.0	191.0	1414.0	-960.0	-264.0
10-Sep	609.0	447.0	5290.0	838.0	-317.0

Source: Bloomberg, ICICI Direct Research

Rupee expected to appreciate further towards 72.50

- US\$INR futures recovered till high of 74.06 in a highly volatile week as the dollar index rose from its multi-year lows along with FIIs selling in domestic equities provided support to the pair
- The dollar index was poised for its first back-to-back weekly gains since May as jitters in equity markets had investors sticking to safer assets, while the Sterling tracked toward its worst week since March on fears of a messy hard Brexit
- Crude prices have been falling sharply in the last two weeks as already oversupplied market continued to battle with subdued fuel demand
- Overall, we expect rupee appreciation to resume from current levels as a weaker trend of the dollar index along with positive domestic equities will put selling pressure on the pair

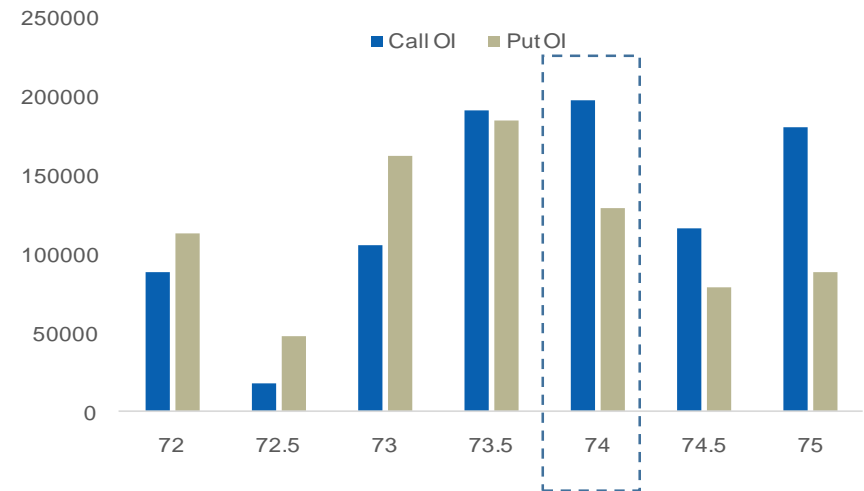
Weekly pivot levels					
Futures	S2	S1	Pivot	R1	R2
US\$INR (Sep)	72.69	73.16	73.62	74.09	74.54
US\$INR (0ct)	72.91	73.39	73.84	74.32	74.76
EURINR (Sep)	86.25	86.73	87.06	87.54	87.86
EURINR (0ct)	86.54	87.02	87.34	87.82	88.14
GBPINR (Sep)	92.33	93.44	95.39	96.50	98.46
GBPINR (0ct)	92.62	93.71	95.66	96.75	98.70
JPY INR (Sep)	68.39	68.89	69.41	69.91	70.43
JPY INR (0ct)	68.64	69.12	69.61	70.09	70.57

Brent crude...



Source: Bloomberg, Reuters, ICICI Direct Research

US\$INR options build-up



Forthcoming Events...

Date & Time (IST)	Country	Data & Events
September 15, 2020		
7:30	China	Industrial Production (Y oY) (Aug)
11:30	UK	Average Earnings Index +Bonus (Jul)
11:30	UK	Claimant Count Change (Aug)
September 16, 2020		
11:30	UK	CPI (Y oY) (Aug)
18:00	US	Core Retail Sales (MoM) (Aug)
18:00	US	Retail Sales (MoM) (Aug)
20:00	US	Crude Oil Inventories
23:30	US	FOMC Economic Projections
23:30	US	FOMC Statement
23:30	US	Fed Interest Rate Decision
September 17, 2020		
10:00	Japan	BoJ Monetary Policy Statement
12:30	Japan	BoJ Press Conference
14:30	Euro Zone	CPI (Y oY) (Aug)
16:30	UK	BoE Interest Rate Decision (Sep)
16:30	UK	BoE MPC Meeting Minutes
18:00	US	Building Permits (Aug)
18:00	US	Initial Jobless Claims
18:00	US	Philadelphia Fed Manufacturing Index (Sep)
September 18, 2020		
11:30	UK	Retail Sales (MoM) (Aug)

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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