ICICI direct Research

October 26, 2020

Derivatives View

Daily view Weekly view

Stock recommendations in report					
Action	Scrip	Target 1	Target 2	Stoploss	Time frame
Buy ITC OCT Fut at ₹ 171.00-171.50	ITC	174.1	178.3	168.4	Intraday
Sell BAFINS OCT Fut at ₹ 5830.00-5835.00	Bajaj Finserv	5760.5	5652.5	5904.5	Intraday
Buy INTAVI OCT Fut at ₹ 1358.00-1363.00	Interglobe Aviation	1455.0	-	1308.0	Weekly
Buy SHRTRA OCT Fut at ₹ 700.00-705.00	Shriram Transport Finance	760.0	-	668.0	1-2 weeks

Other Product offerings

Derivatives Strategy	
Underlying	Action
Bank Nifty	Buy
Duration : 1-2 months	

Quant (Derivatives) Pick	
Underlying	Action
Bata India	Buy
Bharti Airtel	Buy
Duration : 1-3 months	

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Intraday Outlook: Buy Bank Nifty in the range of 24250-24300

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Index Outlook

Nifty Future

- The Nifty is expected to trade between 11800 and 12000 amid high volatility. Sell Nifty 12100 Call (October 29 expiry) in the range of ₹ 36-38 Target: ₹ 23-13 Stop loss : ₹ 52

Bank Nifty Future

- Post a positive start, the Bank Nifty consolidated near 24500 for a major part of the day. During the day, select private banks and PSU banks witnessed selling pressure on upsides. On the options front, Call writing was seen in 25000 and 25500 strike that should be hurdle on upsides. We feel that only a close above 25000 will trigger short covering. Until then, the index is likely to consolidate with support now shifting to 24000. Buy Bank Nifty in the range of 24250-24300, Target: 24500-24700, Stop loss: 24150

F&O Highlights

- The Nifty lacked trading volumes and stayed lacklustre for a major part of the day. Post a positive start, the index witnessed some recovery but could not make sustainable gains. On the options front, additions were seen in 12000 Call and 11800 Put strike. We feel a consolidation move will take place before crossing the 12000 hurdle

Stock Analysis

Long build-up/short covering: Bharat Forge, Mahindra & Mahinda, Tata Steel, ITC, Adani Ports and Apollo Tyres

Short build-up/profit booking: Biocon, Shree Cement, Hindalco, Jindal Steel & Power, Grasim, Bajaj Finserv and Escorts

FIIs & DII Action

- FIIs bought ₹ 907 crore while DIIs sold ₹ 892 crore in the cash segment. FIIs sold index futures worth ₹ 601 crore while in index options they bought ₹ 36 crore. In the stock futures segment, they bought ₹ 315 crore
- **Intraday Recommendations**

i) ITC		ii) Bajaj Finserv	
Buy ITC OCT Fut at ₹ 171.00-171.50		**Sell BAFINS OCT Fut at ₹ 5830.00-5835.00**	
CMP: 171		CMP: 5835	
Target 1: 174.1	Target 2: 178.3	Target 1: 5760.5	Target 2: 5652.5
Stop Loss: 168.4		Stop Loss: 5904.5	

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.

Source: NSE, Seediff, Bloomberg ICICI Direct Research

Daily Nifty Snapshot

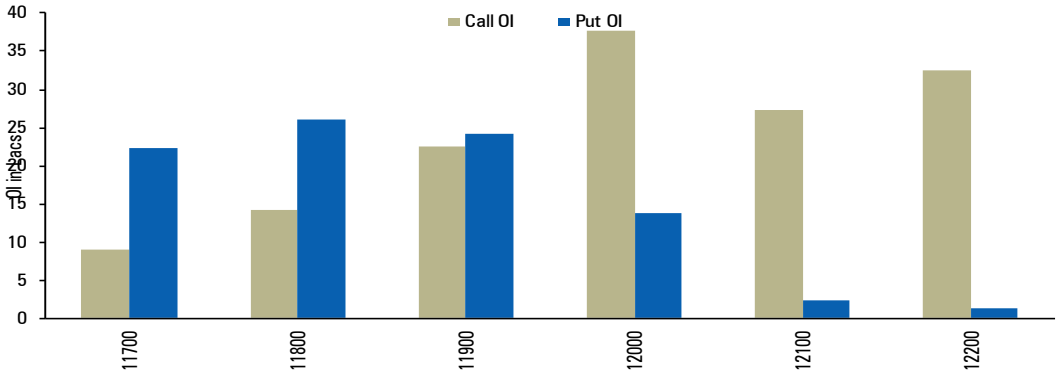
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11930	11934	4	13256175	1.10	0.89	21.83
Previous	11897	11899	2	12943800	1.26	1.09	22.64
Change (%)	0.28%	0.29%	-	2.41%	-	-	-3.71%

	S3	S2	S1	Piv	R1	R2	R3
Nifty future	11797	11869	11901	11941	11973	12013	12085
Bank Nifty future	23745	24155	24341	24565	24751	24975	25385

Nifty futures ended at a premium of 4 points while IV fell 3.7%

Weekly Nifty Options OI build-up



The major Put base is at 11800 strike with almost 26 lakh shares while the major Call base is at the 12000 strike with almost 38 lakh shares

Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
23-Oct-20	INDOIL	Buy	Long Fut	78.3	79.8	76.7	-	Not initiated
23-Oct-20	GODCP	Sell	Short Fut	675.5	666.5	684.5	-	Not initiated

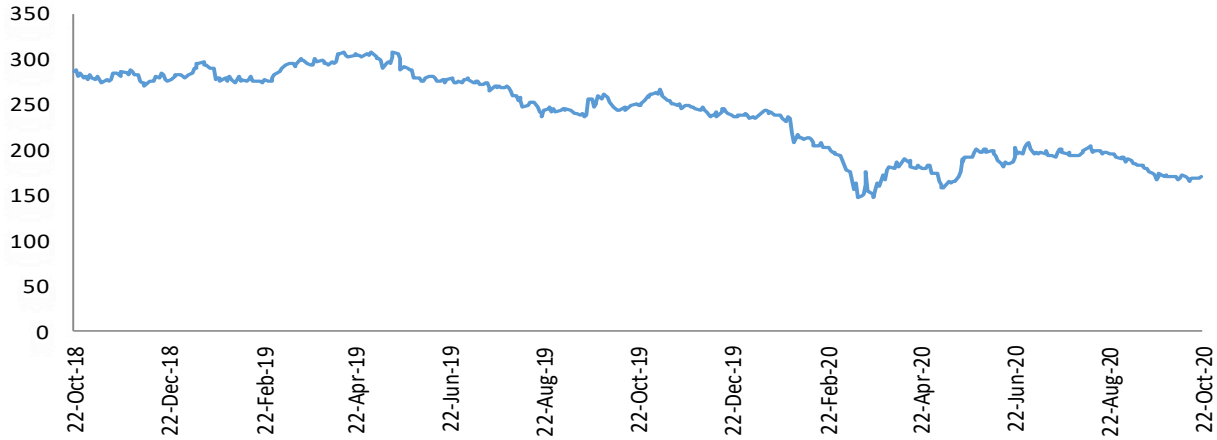
Source: NSE, Seediff, Bloomberg *ICICI Direct Research*

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.

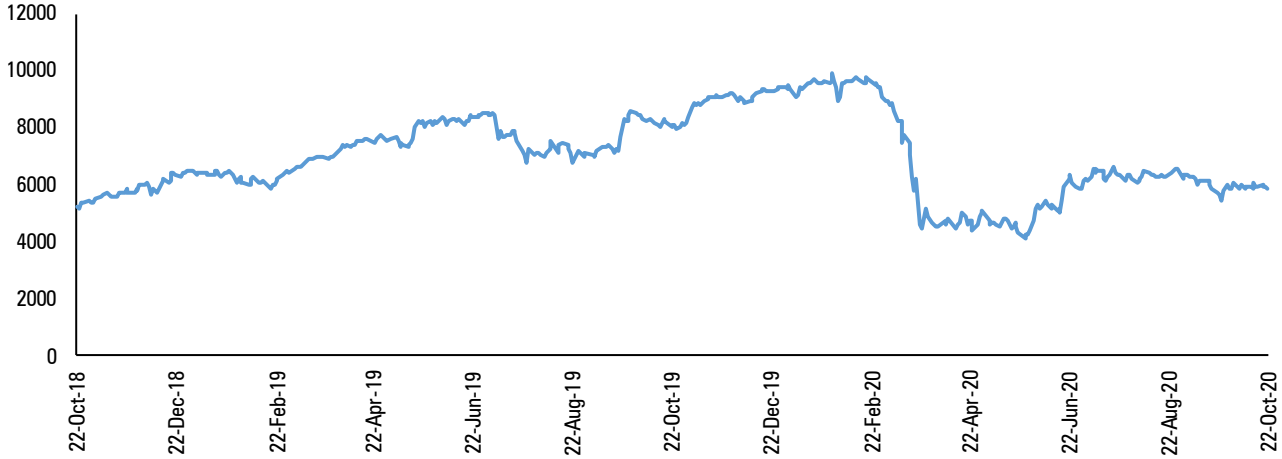
Back

Recommended Stocks : Historical price performance…

ITC



Bajaj Finserv

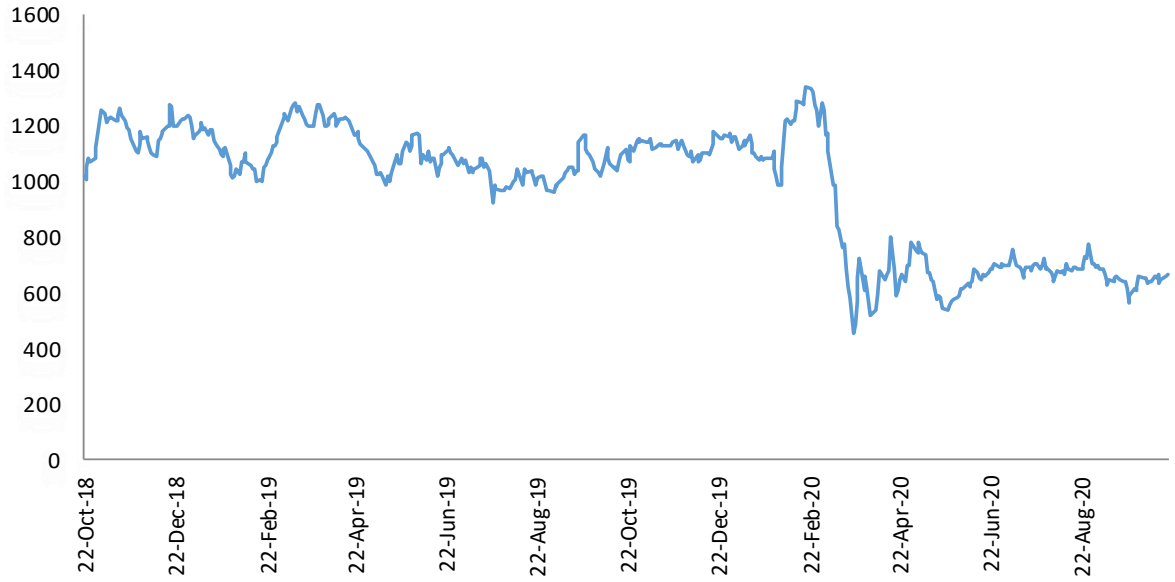


Source: NSE, Seediff, Bloc

Positional Recommendation

Date	Stock	View	Initiation Range	Target	Stoploss	Time Frame	Expiry
23-Oct-20	Shriram Transport Finance	Buy	₹ 700.00-705.00	₹ 760	₹ 668	1-2 weeks	October

Shriram Transport Finance



Recommendation follow up

Date	Stock	View	Initiation Range	Target	Stoploss	Profit/ Loss	Comment
14-Oct-20	Larsen & Toubro	Buy	₹ 910.00-916.00	₹ 970	₹ 880	12000	Profit booked

Source: NSE, Seediff, Bloomberg *ICICI Direct Research*

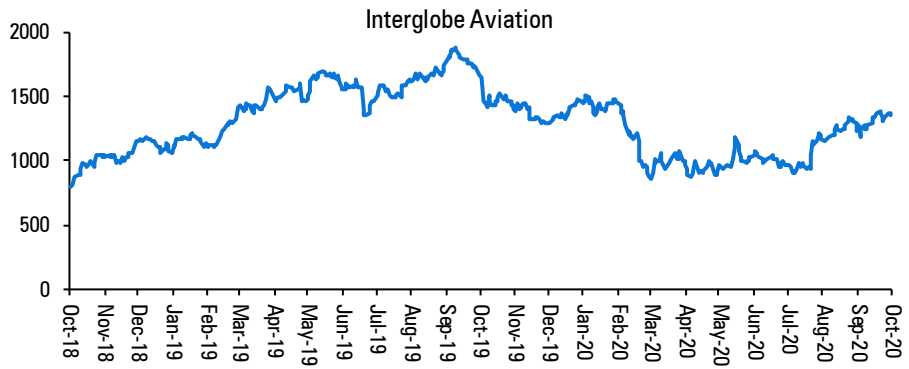
Weekly future recommendation:

Long Interglobe Aviation (INDAVI) October future in the range of ₹ 1358-1363. Target: ₹ 1455; Stop Loss: ₹ 1308

Rationale

After forming a support near ₹ 1300, Interglobe Aviation managed to move towards the higher band of the range. During the recent consolidation seen in the stock, continued closure of positons was seen. The stock is likely to move above its immediate hurdle near ₹ 1380. At the same time, initial signs of closure are visible at its highest Call base of 1400 strike. We expect the stock to find momentum in the short-term. Hence, we recommend buying Interglobe Aviation for a target of ₹ 1461, which has favourable risk: reward.

Price performance



Recommendation follow up

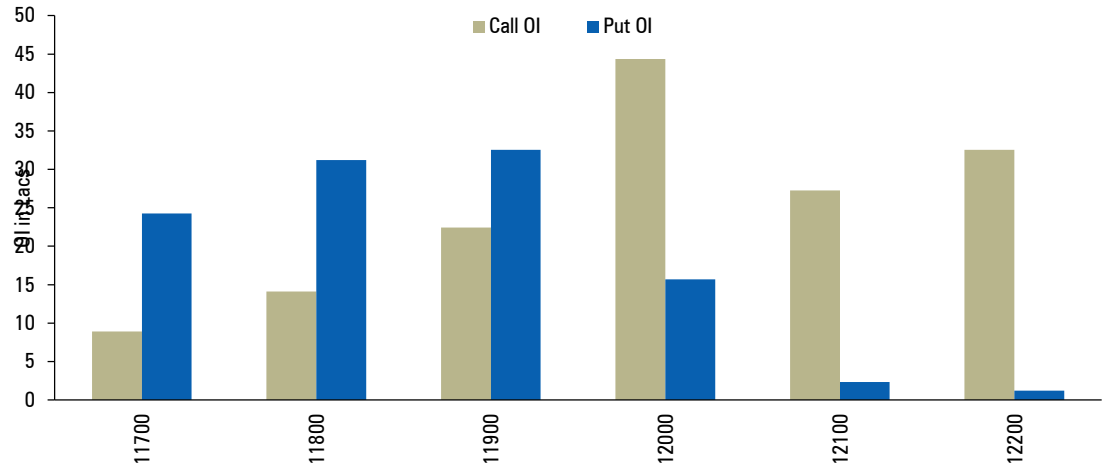
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
HDFC Bank	Bullish	Buy Future	1182-1188	1270	1135	-	Not Initiated

Source: Bloomberg, ICICI Direct Research

Positive bias in Nifty to remain intact above 11800...

- The Nifty remained quite volatile last week but stayed largely in the range of 11800-12000. Profit booking among index outperformers was compensated by fresh buying seen among BFSI, cement and metal stocks. For the week, the Nifty has gained almost 1% while the banking index was up close to 4%
- On the options front, major Call option concentration remained at 12000 Call strike for the monthly settlement. However, fresh activities were observed at deep OTM 12500 strikes as well suggesting expectations of fresh upward bias in the index in the settlement week. At the same time, Put options activities remained concentrated at the 11800 strike followed by 11500 strike. Hence, a move beyond the range of 11800-12000 may induce continued directional movement in either direction
- On the volatility front, India VIX has inched towards 23 levels as profit booking was experienced from psychological levels of 12000. Moreover, sharp moves seen in the last few weeks have kept the volatility index at higher levels in the settlement week. At the same time, approaching US elections are also keeping the volatility index higher. In turn, this is likely to keep the options premium elevated
- Considering the upcoming rollover week amid result season, we believe stock specific volatility will remain high and momentum may be seen among heavily beaten down stocks where significant short additions were seen. Stocks, especially from the PSU space, are susceptible to a short covering move during the settlement even if the Nifty remains range bound

Nifty weekly options OI build-up

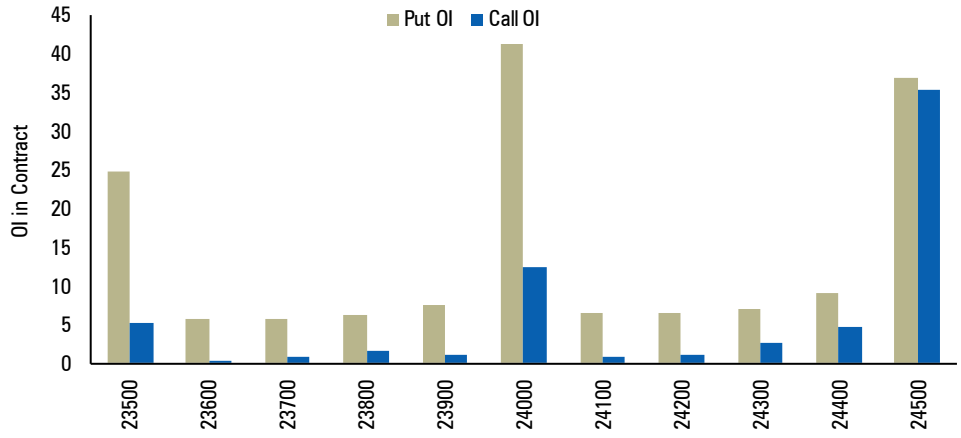


Source: Bloomberg, ICICI Direct Research

More upsides may be seen above 25000...

- After an initial up move, the Nifty consolidated near its sizeable Call base while the Bank Nifty was no exception and remained at the higher end of the range. However, compared to the Nifty, marginal outperformance was there in the Bank Nifty that kept the overall bias positive
- IVs continued to remain at elevated levels due to US elections. As the overall bias for the Bank Nifty remains positive, traders are shorting OTM Puts due to higher IVs, which is providing a cushion to the index
- Major Call OI base for the series is placed at 25000, above which more upsides could be seen whereas little OTM Put strike has huge OI indicating major support at 24000. OI addition in ATM Straddle strike indicates no major downsides in case of profit booking in the expiry week
- We feel the short covering rally could continue in banking stocks. Looking at the overall OI set-up we feel the index is well placed to move above its Call base of 25000 in the expiry week. Volatility would be higher due to rollover activity but looking at the structure of private banks we feel it is likely to cross its highest Call base in the expiry week

Bank Nifty options OI build-up



Source: Bloomberg, ICICI Direct Research

FIIs remain positive in volatile week...

- The Nifty continued its positive bias and tested the crucial 12000 level last week again, outperforming most global indices. However, volatility remained high amid the result season and stock specific large moves were observed. The Nifty ended the week at its highest levels since February 2020 with gains of almost 2% during the week. Ahead of US elections, global markets also remained volatile amid a stalemate over new US stimulus ahead of US elections

- FIIs remained net buyers once again on Indian equities last week as the Nifty moved towards 12000. They bought almost ₹ 7046 crore in equities. Domestic institutions remained sellers at higher levels and sold almost similar amount close to ₹ 7339 crore in equities during the week. Domestic institutions have turned net sellers once again as the Nifty moved towards 12000. For October, net FII investment in equities has remained positive. They have bought around ₹ 14416 crore in equities while they bought ₹ 1001 crore in the debt markets

- In the F&O space, activities were mixed on the FII front. While they sold worth ₹ 354 crore in index futures, they also sold to the tune of ₹ 800 crore in the stock futures segment during the week. Even FIIs have sold ₹ 375 crore in index options during the week

- Nymex crude stayed significantly range bound at 39.50-41.50 levels during the week. While fresh supply from Libya, high US inventory put pressure on oil, expectations of continued production cut post January kept downsides limited. Also, weakening of dollar vs. major currencies has failed to lead to any major move in the commodity suggesting range bound bias would continue

FII/DII buying in equities (in ₹ crore)

	FII				DII
Date	Index Fut	Stock Fut	Index Opt	Cash	Cash
16-Oct	-42.0	139.0	673.0	-9.0	-430.0
19-Oct	141.0	-645.0	-35.0	1991.0	-1622.0
20-Oct	-285.0	-401.0	-1067.0	1831.0	-1633.0
21-Oct	151.0	137.0	824.0	2115.0	-1634.0
22-Oct	-319.0	-30.0	-770.0	1118.0	-2020.0

Source: Bloomberg, ICICI Direct Research

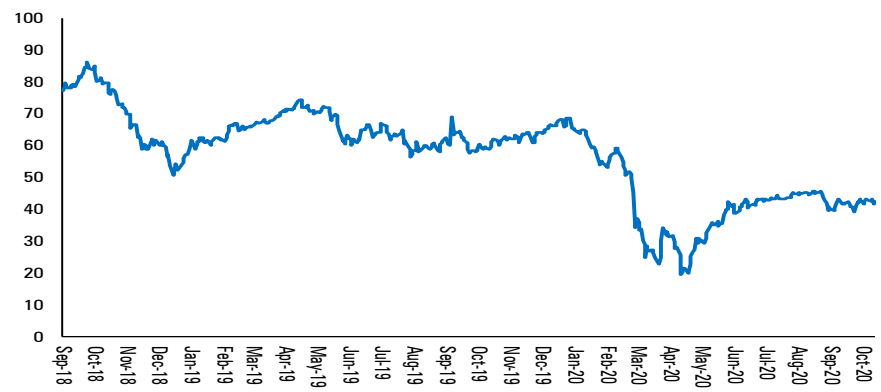
Rupee expected to appreciate towards 73.10 level

- US$INR futures rose strongly in the first half of the week till a high of 73.82. However, prices did not sustain at higher levels and fell sharply for the remaining week to close flat on a weekly basis
- The dollar index remained steady at the end of a tough week on Friday, having shed almost a cent against the euro and suffered its largest weekly drop against the yen in a month, as a measured US presidential debate left investors in a cautious mood
- The prospect of stimulus has supported investors' mood and a Joe Biden victory, which polls predict, is seen as more likely to drive further dollar weakness as he is expected to spend more on Coronavirus aid than Donald Trump
- Therefore, we expect the rupee to appreciate towards 73.10 level in the coming sessions

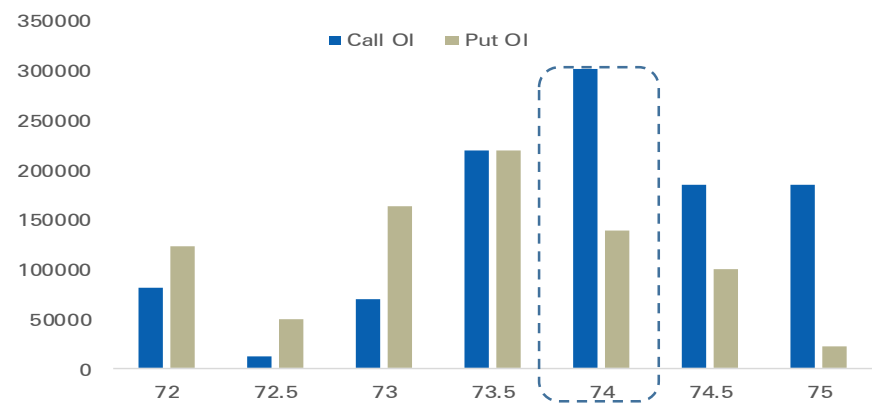
Weekly Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US$INR (Oct)	73.10	73.34	73.58	73.82	74.06
US$INR (Nov)	74.13	73.84	73.72	73.43	73.31
EURINR (Oct)	85.14	85.95	86.72	87.53	88.31
EURINR (Nov)	85.25	86.13	87.06	87.94	88.87
GBPINR (Oct)	93.88	94.97	95.92	97.00	97.95
GBPINR (Nov)	94.16	95.22	96.15	97.21	98.14
JPYINR (Oct)	69.10	69.68	70.07	70.65	71.05
JPYINR (Nov)	69.32	69.88	70.26	70.82	71.20

Brent Crude



US$INR Options Build-up



Source: Bloomberg, Reuters, ICICI Direct Research

Forthcoming Events…

Date & Time (IST)	Country	Data & Events
October 26, 2020		
7:30 PM	US	New Home Sales (Sep)
October 27, 2020		
6:00 PM	US	Core Durable Goods Orders (MoM) (Sep)
7:30 PM	US	CB Consumer Confidence (Oct)
October 28, 2020		
8:00 PM	US	Crude Oil Inventories
October 29, 2020		
Tentative	Japan	BoJ Monetary Policy Statement
6:00 PM	US	GDP (QoQ) (Q3)
6:00 PM	US	Initial Jobless Claims
6:15 PM	Euro Zone	ECB Monetary Policy Statement
7:00 PM	Euro Zone	ECB Press Conference
7:30 PM	US	Pending Home Sales (MoM) (Sep)
October 30, 2020		
3:30 PM	Euro Zone	CPI (YoY) (Oct)
Tentative	UK	Autumn Budget
October 31, 2020		
5:00 AM	Japan	Tankan Large Manufacturers Index
5:00 AM	Japan	Tankan Large Non-Manufacturers Index

Source: Bloomberg, ICICI Direct Research

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