

September 28, 2020

Other Product offerings

Derivatives Strategy

Underlying	Action
Bajaj Finance	Sell

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 HCLTEC OCT Fut at ₹ 832.00-833.00	HCL Tech	838.9	848.6	826.1	Intraday
Sell HAVIND OCT Fut at ₹ 658.00-659.00	Havells India	649.5	636.0	667.5	Intraday
Sell TITIND OCT Fut at ₹ 1123.00-1127.00	Titan Company	1056.0	-	1160.0	Weekly

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Index Outlook

Nifty Future

- ❖ The Nifty is expected to trade between 10800 and 11300 amid high volatility. Sell Nifty 11200 Call (October 1 expiry) in the range of ₹ 38-40 Target: ₹ 24-14 Stop loss : ₹ 54

Bank Nifty Future

- ❖ Short covering was clearly visible in banking stocks, which led the Bank Nifty to reclaim 21000 levels. IndusInd Bank was the leader whereas most private as well as PSU banks witnessed large upsides. Looking at the addition in OTM and ATM Call strike, we feel upsides are likely to be limited. Once the index manages to sustain above its major Call base of 21500, further short covering can be seen. Until then, it is expected to trade in the broader range of 20000-21500 levels. Sell Bank Nifty in the range of 21150-21200 Target:21000-20800, Stop loss: 21300

F&O Highlights

- ❖ The Nifty recouped most of last trading session's losses due to hopes of more stimulus measures by the government. Looking at the open positions in 11000 Call and Put, we feel that in the coming sessions, consolidation can be seen around these levels

Stock Analysis

Long build-up/short covering: Ashok Leyland, Glenmark, Baja Finance, HCL Tech, IndusInd Bank, Voltas and Grasim

Short build-up/profit booking: BPCL, SBI Life, UPL, Havells, Siemens and HDFC Life

FII & DII Action

- ❖ FIIs sold ₹ 2080 crore while DIIs bought ₹ 2071 crore in the cash segment. FIIs bought index futures worth ₹ 1285 crore while in index options they bought ₹ 303 crore. In the stock futures segment, they bought ₹ 1538 crore

Intraday Recommendations

i) HCL Tech	ii) Havells
Buy HCLTEC OCT Fut at ₹ 832.00-833.00	Sell HAVIND OCT Fut at ₹ 658.00-659.00
CMP: 832	CMP: 660
Target 1: 838.9 Target 2: 848.6	Target 1: 649.5 Target 2: 636
Stop Loss: 826.1	Stop Loss: 667.5

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.

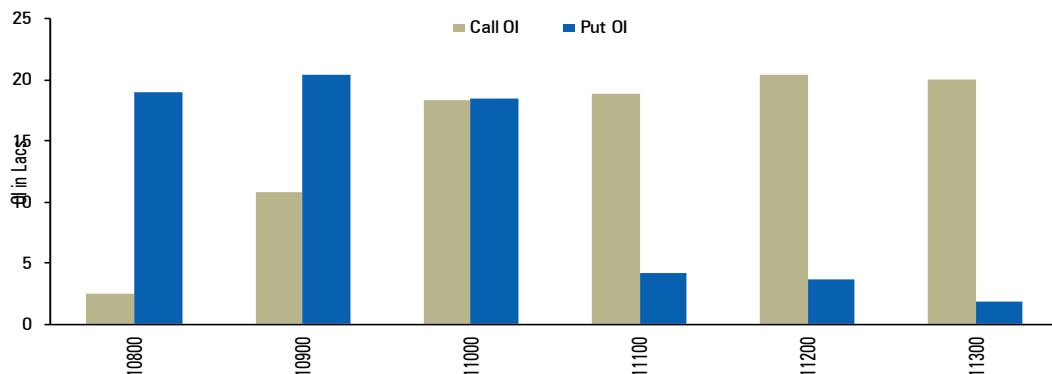
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11050	11042	-8	8328975	1.28	0.90	20.68
Previous	10806	10811	5	8394900	1.23	0.87	23.51
Change (%)	2.26%	2.14%	-	-0.79%	-	-	-13.68%

	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10552	10772	10907	10992	11127	11212	11432
Bank Nifty future	19517	20175	20577	20833	21235	21491	22149

Nifty futures ended at a discount of 8 points while IV fell 13%

Weekly Nifty Options OI build-up



The major Put base is at the 10900 strike with almost 20 lakh shares while the major Call base is at the 11200 strike with almost 20 lakh shares

Strategy follow up

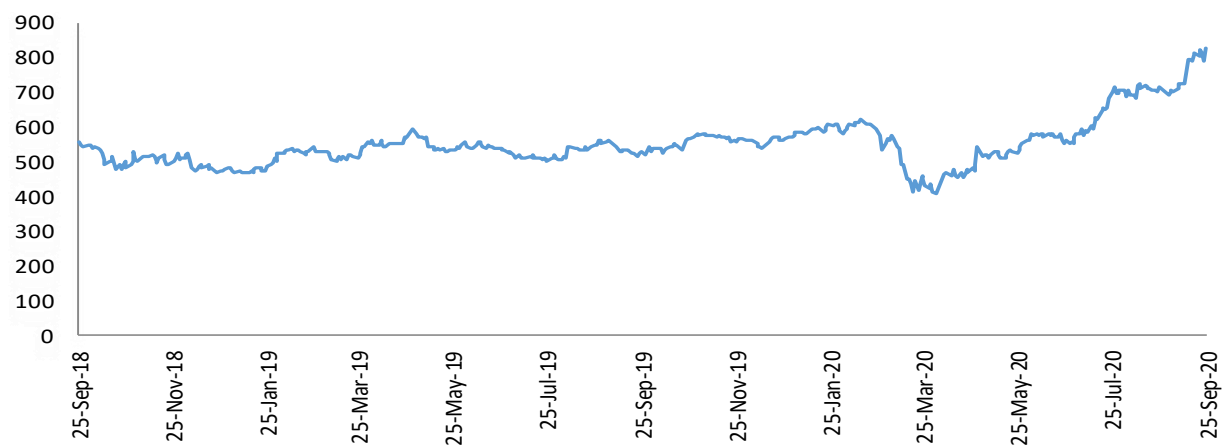
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
25-Sep-20	GODCP	Buy	Long Fut	694.5	703.5	685.5	-	Not initiated
25-Sep-20	ESCORT	Sell	Short Fut	1155.5	1147.3	1163.7	-	Not initiated

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.

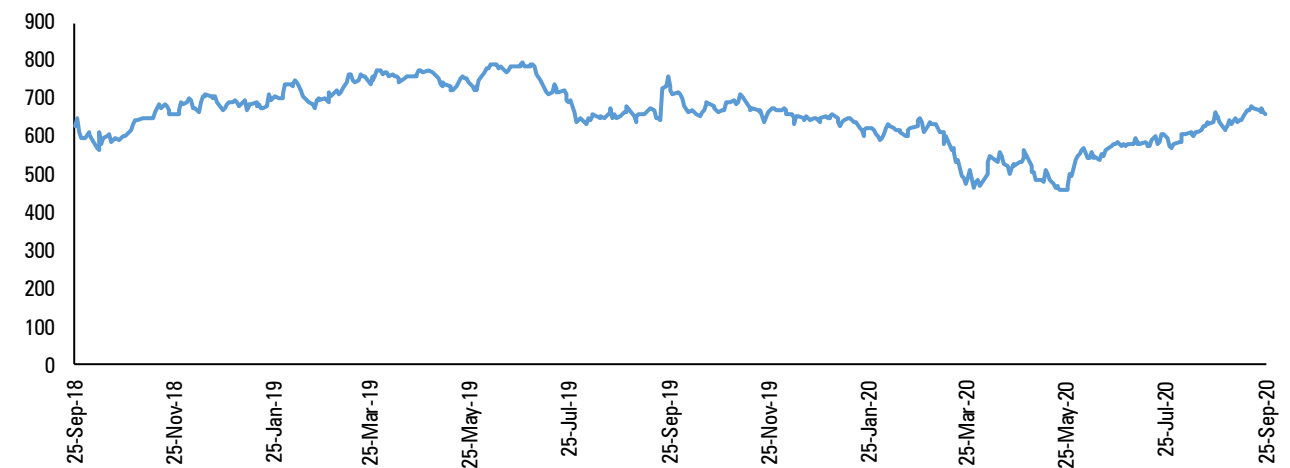
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

HCL Tech



Havells India



Source: NSE, Seediff, Blo
September 28, 2020

Positional Recommendation

Note: We will initiate Positional future recommendation at opportune time

Recommendation follow up

Date	Stock	View	Initiation Range	Target	Stoploss	Profit/ Loss	Comment
23-Sep-20	JSW Steel	Sell	₹ 266.00-268.00	₹ 245	₹ 278.2	18900	Profit booked
21-Sep-20	Britannia	Sell	₹ 3697-3715	₹ 3520	₹ 3820	14000	Profit booked

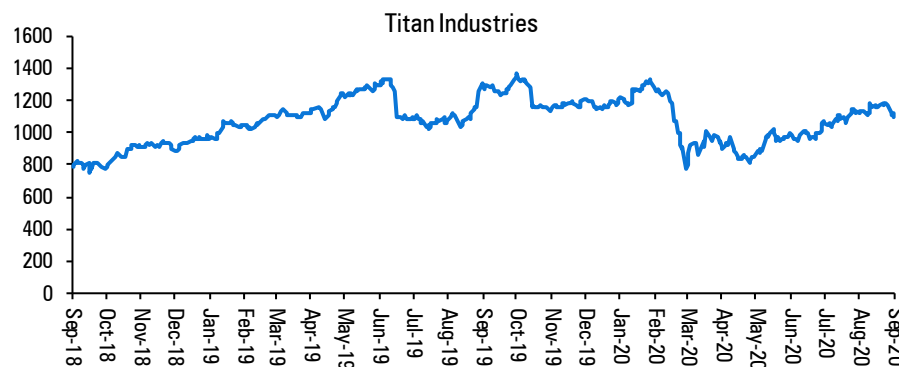
Weekly future recommendation:

Short Titan Company (TITIND) October future in the range of ₹ 1123-1127. Target: ₹ 1056; Stop Loss: ₹ 1160

Rationale

After a sharp move towards ₹ 1200, aggressive writing was seen in ATM Calls, which resulted in almost 6% correction from a high for Titan Company. As the new series started, Call writing positions are heavy and no major Put OI writing was seen in the stock. We feel this will keep the stock move in check and the stock could fall towards ₹ 1050 levels in the coming week. The current fall in precious metal like gold would also keep negative sentiments persistent in the stock. Hence, we feel Titan can be shorted with a stop loss of ₹ 1160.

Price performance



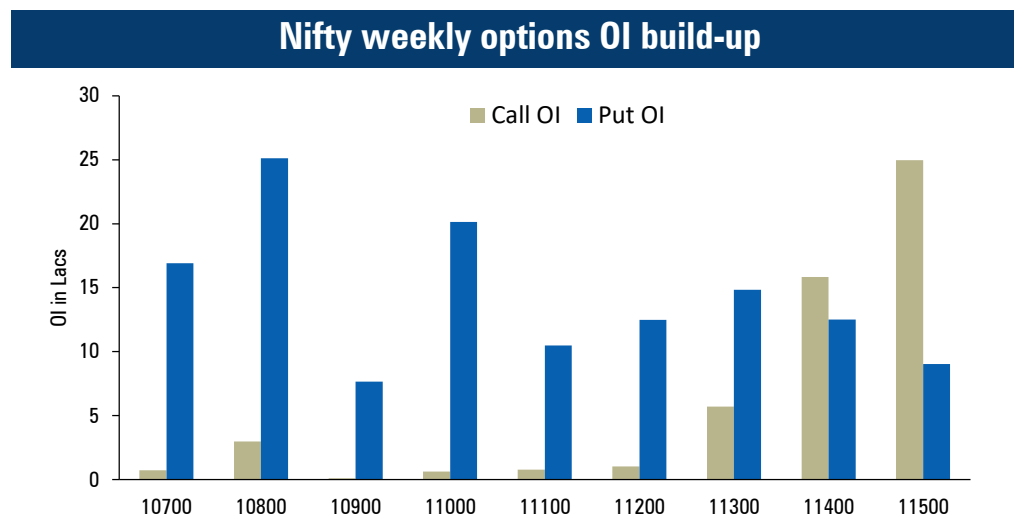
Recommendation follow up

Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Dabur India	Bullish	Buy Future	508	545	486	-26875	Not Initiated

Source: Bloomberg, ICICI Direct Research

Negative bias to prevail till Nifty trades below 11200...

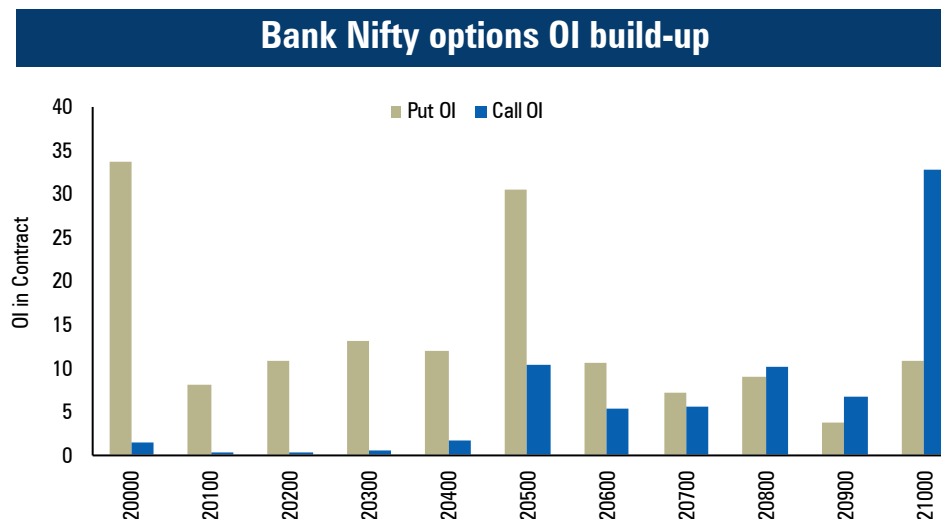
- The market became extremely volatile last week amid settlement trade while the Nifty ended the series near lows of the month, losing almost 6.5% during the series. However, a sharp recovery on Friday helped the Nifty to end above 11000 as short covering was experienced across sectors after a sharp fall. Going ahead, we expect the Nifty to remain under pressure while highs can be utilised for creating short positions
- The October series has started with just 85 lakh shares, which is one of the lowest open interest in the Nifty historically suggesting long liquidation. Sectorally also, we have seen most of the performer stocks have seen relatively low open interest coming into the October series. On the options front, the Nifty has a major Call base at the 11200 strike, which is likely to remain an immediate hurdle for the coming weekly settlement. We expect the Nifty to trade with a negative bias below these levels
- From a rollover point of view, stocks like ITC, Coal India and most PSU and private sector banking heavyweights are starting the new series with significant short open interest. Closure of positions among these stock may trigger a short covering rally in the October series
- Volatility has moved towards 23.5 levels towards settlement but witnessed a sharp decline below 21 levels as the market recovered and significant option writing was observed across strikes for the new series. However, we believe the volatility index may not move below 20 levels and witness an up leg from here onwards



Source: Bloomberg, ICICI Direct Research
September 28, 2020

Hurdle for Bank Nifty between 21000 and 21200

- The Bank Nifty ended the September expiry at monthly lows well below its major support of 21000. Private leaders like Kotak Mahindra Bank, Axis Bank and HDFC Bank along with SBI saw extensive profit booking
- Most private banks violated their highest Put base and closed below it. However, on the very first day of the new series, the Bank Nifty moved 2% higher and tested its sizeable Call base of 21000
- Despite the sudden move, there was no major closure in OI whereas ATM Call of 21000 added near 13000 contracts followed by 21500 Call, which saw addition of 5800 contracts. At the same time, no major ATM Put writing is visible. Major Put OI addition is at the 20500 strike, indicating a leg of retracement is due
- The dollar index moved above 94 on the back of selling in euro and GBP. We feel that for the coming week the rupee could depreciate and move towards 74 levels, which holds the sizeable OI. A depreciating rupee could trigger negative sentiments. We feel Bank Nifty has a supply zone between 21000 and 21200



Source: Bloomberg, ICICI Direct Research

FII turn negative amid global weakness...

- The Nifty witnessed a significant volatile week amid negative global cues and settlement trade where closure of positions led to sharp declines. Broader markets also witnessed selling pressure while midcap and small cap indices saw declines of more than 5% each. Global markets also remained volatile as profit booking was seen across asset classes. Continued and significant selling by FIIs in the equity segment led Indian indices to underperform last week. The Dollar Index has moved to its two month highs as risk on sentiments took a backseat
- FIIs turned significantly negative last week as volatility remain high in the global markets. They sold almost ₹ 5982 crore in Indian equities. Meanwhile, domestic institutions finally turned buyers after almost two months and bought close to ₹ 2078 crore in equities last week. Domestic institutions have been net sellers since mid July and have been selling continuously in the equity space. For September, net FII investment in equities have turned negative again. They have sold around ₹ 2350 crore in equities while they bought ₹ 3267 crore in the debt markets
- In the F&O space, activities were mixed on the FII front. While they sold worth ₹ 750 crore in index futures, they bought to the tune of ₹ 876 crore in the stock futures segment during the week. However, FIIs bought ₹ 5993 crore in index options during the week
- Nymex crude continued to find selling pressure at higher levels and largely hovered below \$40 last week. However, it absorbed the negativity of a sharp up move in the dollar index and remained largely range bound. However, we expect it to continue its weakness towards \$37 in the near term

FII/DII buying in equities (in ₹ crore)					
Date	FII				DII
	Index Fut	Stock Fut	Index Opt	Cash	Cash
18-Sep	1900.0	-1450.0	1122.0	1824.0	-101.0
21-Sep	432.0	-330.0	-788.0	-283.0	-518.0
22-Sep	-696.0	840.0	791.0	-1775.0	879.0
23-Sep	-587.0	1322.0	1959.0	-3862.0	1629.0
24-Sep	-1799.0	494.0	2909.0	-1886.0	189.0

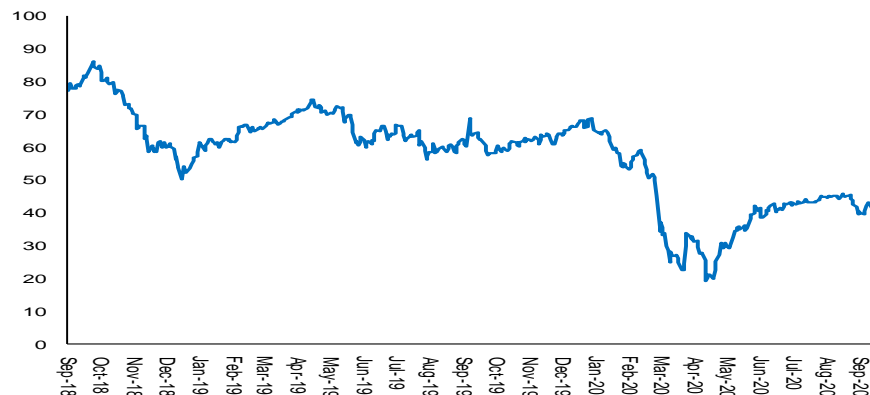
Source: Bloomberg, ICICI Direct Research

Rupee expected to appreciate towards 73.00 level

- US\$INR futures rose strongly in the earlier trading of the week as the dollar index bounced till 94.65 from its multi-year lows along with a sharp correction in domestic equities that contributed to the bounce in the pair. However, a late recovery in the equity markets capped gains
- The US dollar index traded at a two-month high as investors sought safety on concerns over economic recovery as Coronavirus cases surged in Europe. Oil prices were set for a weekly decline due to mounting worries about the impact on fuel demand of a widespread resurgence in Coronavirus infections, as well as some concern about the likely return of exports from Libya
- We expect the overall trend in the rupee to be on the appreciation side as broad based dollar weakening is likely to resume due to the US Fed's new inflation policy, which will keep interest rates lower for a longer term

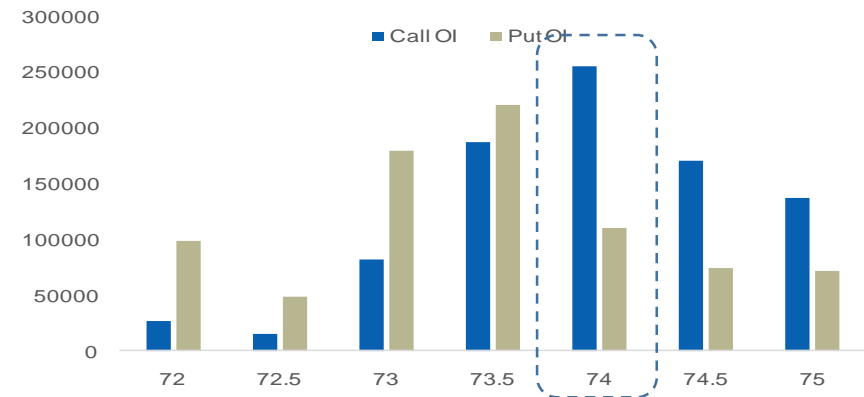
Weekly pivot levels					
Futures	S2	S1	Pivot	R1	R2
US\$INR (Sep)	72.97	73.30	73.64	73.97	74.31
US\$INR (Oct)	73.03	73.44	73.95	74.35	74.86
EURINR (Sep)	85.04	85.50	86.37	86.82	87.69
EURINR (Oct)	85.34	85.78	86.65	87.10	87.97
GBPINR (Sep)	92.26	93.19	94.27	95.20	96.28
GBPINR (Oct)	92.62	93.53	94.56	95.46	96.49
JPY INR (Sep)	69.25	69.55	70.13	70.43	71.02
JPY INR (Oct)	69.32	69.69	70.31	70.68	71.29

Brent crude



Source: Bloomberg, Reuters, ICICI Direct Research

US\$INR options build-up



Forthcoming Events...

Date & Time (IST)	Country	Data & Events
September 29, 2020		
7:30 PM	US	CB Consumer Confidence (Sep)
September 30, 2020		
11:30 AM	UK	GDP (YoY) (Q2)
11:30 AM	UK	GDP (QoQ) (Q2)
2:30 PM	Euro Zone	CPI (YoY) (Sep)
2:30 PM	Euro Zone	CPI (YoY)
5:45 PM	US	ADP Nonfarm Employment Change (Sep)
6:00 PM	US	GDP (QoQ) (Q2)
7:30 PM	US	Pending Home Sales (MoM) (Aug)
8:00 PM	US	Crude Oil Inventories
October 1, 2020		
5:20 AM	Japan	Tankan Large Manufacturers Index (Q3)
5:20 AM	Japan	Tankan Large Non-Manufacturers Index (Q3)
11:45 AM	India	Interest Rate Decision
2:00 PM	UK	Manufacturing PMI (Sep)
3:30 PM	Euro Zone	EU Leaders Summit
6:00 PM	US	Initial Jobless Claims
7:30 PM	US	ISM Manufacturing PMI (Sep)
October 2, 2020		
6:00 PM	US	Nonfarm Payrolls (Sep)
6:00 PM	US	Unemployment Rate (Sep)

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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