

June 5, 2020

Other Product offerings

Derivatives Strategy

Underlying	Action
PNB	Buy

Duration : 1-2 months

Quant (Derivatives) Pick

Underlying	Action
United Spirits	Buy
Voltas	Buy

Duration : 1-3 months



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Derivatives View

[Daily view](#)

[Weekly view](#)

New recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy SUNPHA JUN Fut at ₹498.00-499.00	SUNPHA	504.0	512.1	493.0	Intraday
Sell ASIPAI JUN Fut at ₹ 1639.00-1640.00	ASIPAI	1620.0	1590.0	1660.0	Intraday
Buy ITC at ₹ 197.00-200.00	ITC	220	-	186	2-3 Weeks

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Index Outlook

- ❖ **Nifty Future:** The Nifty is expected to trade between 9800 and 10200 amid high volatility. Sell Nifty 10200 Call (June 11 expiry) in the range of ₹ 90-92 Target: ₹ 76-66, Stop loss : ₹ 106

Bank Nifty Future

- ❖ Despite witnessing buying during the day, the Bank Nifty failed to measure the momentum. However, a recovery was seen in PSU banks. Most midcap banks witnessed profit booking whereas late selling in leading private banks also added more pressure, leading to profit booking at the end of the day. Looking at the OI data, we feel the upside looks limited as major Call OI is at 21000 and 21500. These levels should act as hurdles on the upsides. Sell Bank Nifty in the range of 20500-20600 Target:20300-20100, Stop loss: 20725

F&O Highlights

- ❖ The Nifty snapped its six day winning streak amid high volatility. Sectorally, action was seen in technology, metal and telecom stocks whereas profit taking was seen BFSI and select consumption stocks. On the options front, additions were seen in ATM 10000 Call and Put strike. We feel consolidation move will take place before crossing the 10200 hurdle

Stock Analysis

Long build-up/short covering: Indigo, Idea, Tech Mahindra, Jindal Steel & Power, Lupin, SRF and Tata Consumer

Short build-up/profit booking: Bandhan Bank, RBL Bank, Ujjivan, Asian Paints, HDFC Ltd and Equitas

FII & DII Action

- ❖ FIIs bought ₹ 2905 crore while DIIs sold ₹ 847 crore in the cash segment. FIIs sold index futures worth ₹ 1266 crore while in index options they bought ₹ 1228 crore. In the stock futures segment, they bought ₹ 722 crore

Intraday Recommendations

i) Sun Pharmaceutical		ii) Asian Paints	
Buy SUNPHA JUN Fut at ₹498.00-499.00		Sell ASIPAI JUN Fut at ₹ 1639.00-1640.00	
CMP: 498		CMP: 1639	
Target 1: 504	Target 2: 512.1	Target 1: 1620	Target 2: 1590
Stop Loss: 493		Stop Loss: 1660	

Note:

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

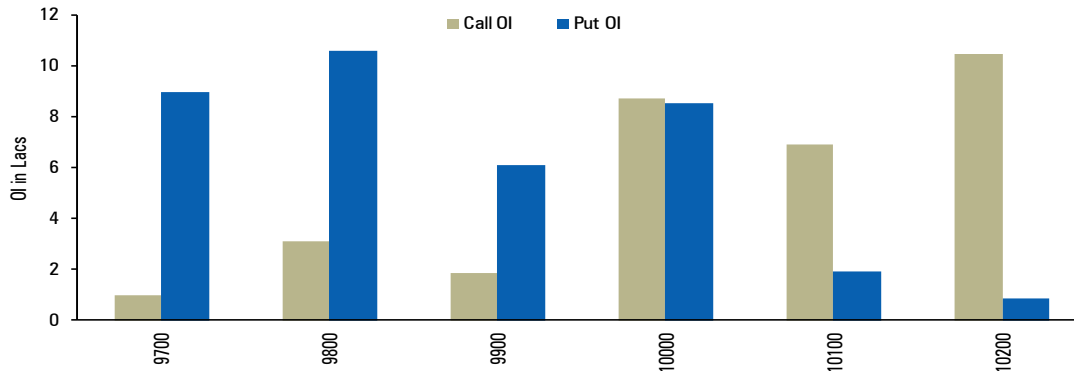
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	10029	10018	-11	11340675	1.49	1.14	29.69
Previous	10062	10072	10	11738700	1.57	0.98	30.04
Change (%)	-0.33%	-0.54%	-	-3.39%	-	-	-1.18%

	S3	S2	S1	Piv	R1	R2	R3
Nifty future	9786	9943	10008	10100	10165	10257	10414
Bank Nifty future	19333	20205	20544	21077	21416	21949	22821

Nifty futures ended at a discount of 11 points with a fall in IVs by 1%

Weekly Nifty Options OI build-up



The major Put base is at 9800 strike with almost 10 lakh shares while the major Call base is at the 10200 strike with almost 10 lakh shares

Strategy follow up

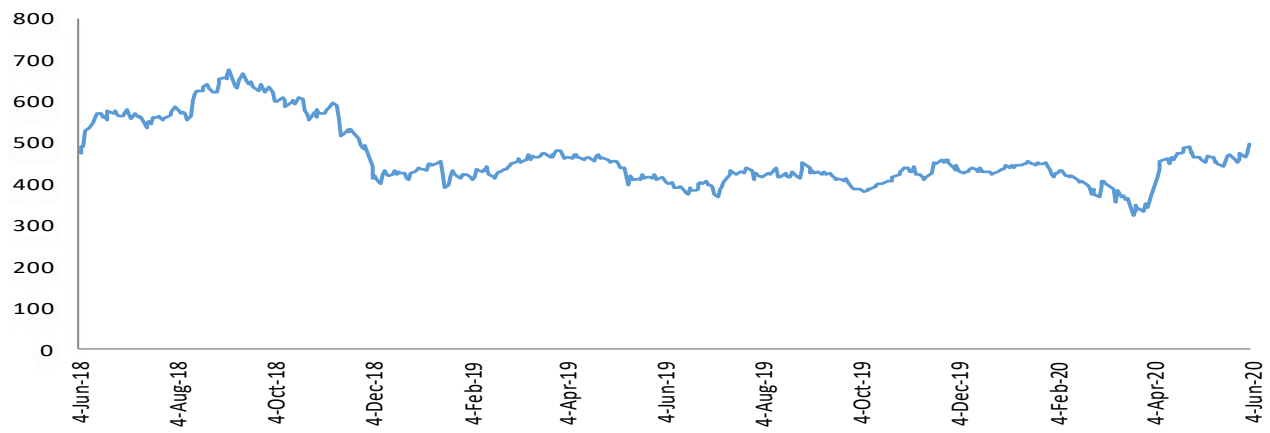
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
4-Jun-20	INDAVI	Buy	Long Fut	1019.0	1029.0	1009.0	-	Not Initiated
4-Jun-20	RAMCEM	Sell	Short Fut	632.0	624.5	639.5	-	Not Initiated

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.

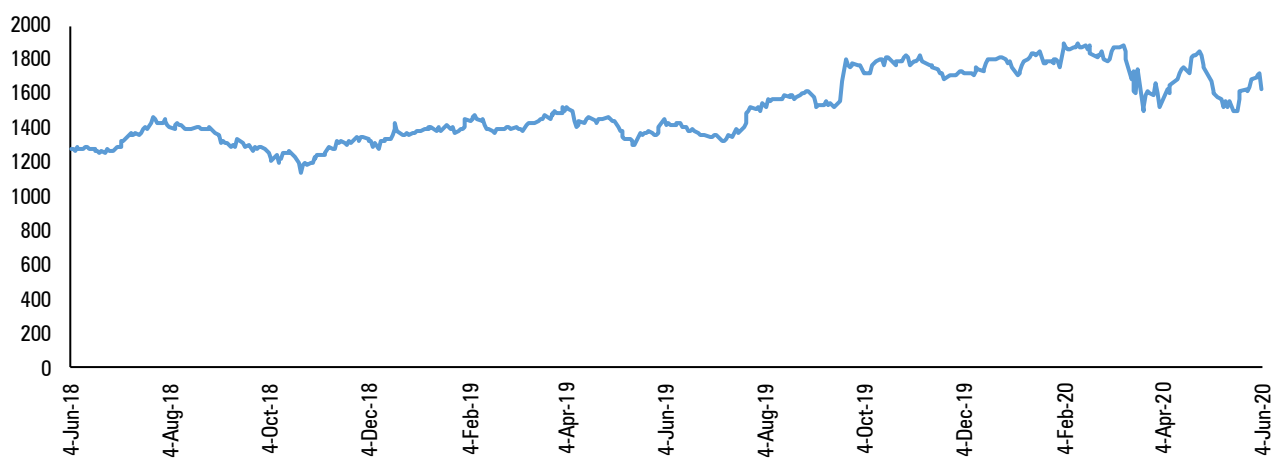
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

Sun Pharmaceutical



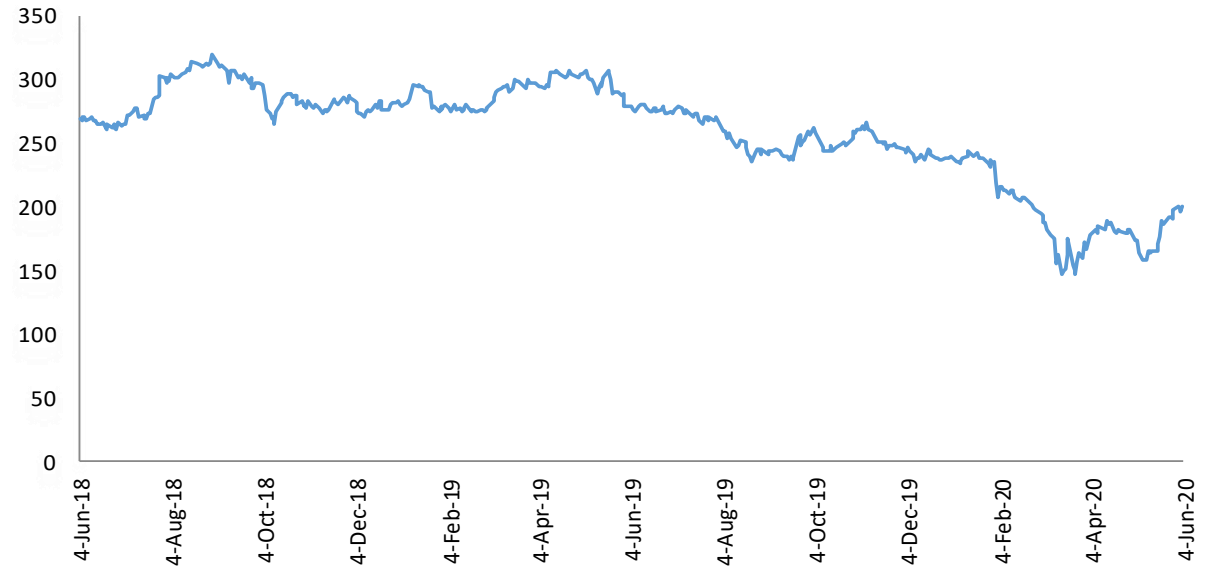
Asian Paints



Source: NSE, Seediff, Bloo
June 5, 2020

Scrip	Action	Initiation Range	Target	Stoploss	Time Frame
ITC	Buy	₹197.00 - 200.00	₹220	₹186	2-3 Weeks

ITC



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

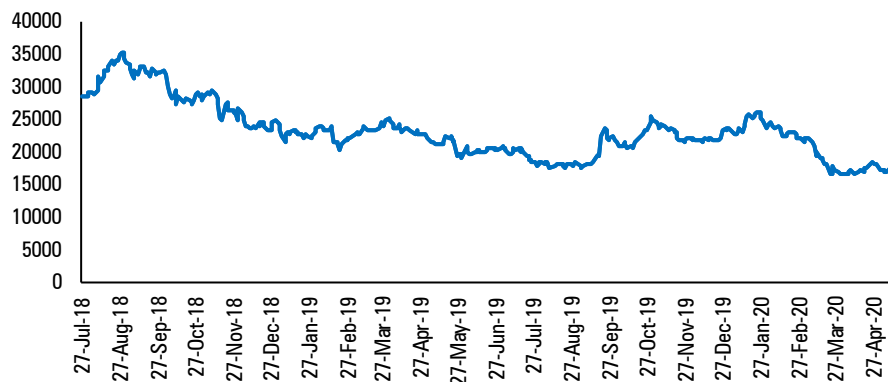
Weekly future recommendation:

Long Dr Reddy (DRREDD) June future in the range of ₹ 4010-4020. Target: ₹ 4240; Stop Loss: ₹ 3990

Rationale

Pharma stocks have out performed broader markets significantly and Pharma index has given return of almost 15% from its Jan levels while Nifty is still down by almost 23%. Dr. Reddy is approaching its life highs seen in 2015 and we believe stock should surpass it in the coming sessions. The open interest in the stock has seen continuous increase and June series has started with the highest OI seen since October 2019. The highest Call base for the stock is placed at ITM 4000 strike and closure of positions was seen in the last session as stock has surpassed these levels.. We expect the momentum to continue in it in the near term.

Price performance



Recommendation follow up

Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Page Industries	Bullish	Long Futures	18200	20500	16600	13000	Profit Booked

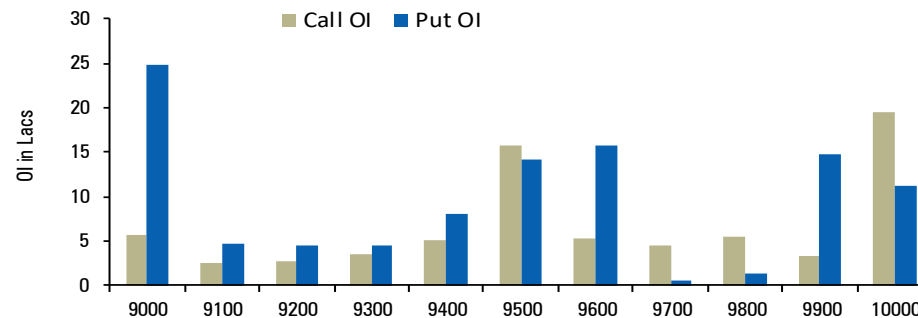
Source: Bloomberg, ICICI Direct Research

Note: Weekly view and recommendations are released on every Friday

Nifty move to extend towards 9850 after brief consolidation

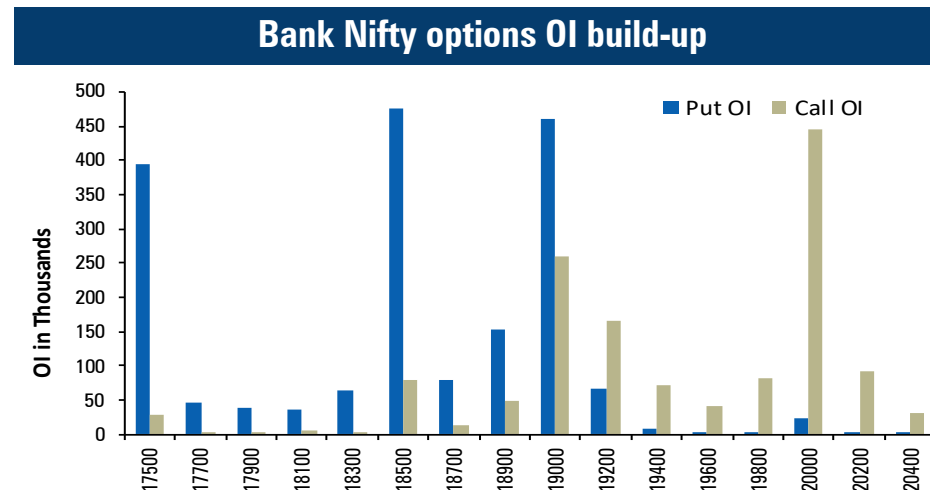
- Nifty has recovered from the major Put base of 9000 and ended higher towards the weekend. If it holds the crucial hurdle of 9500, then it will enter into new higher territory which should lead to good stock specific action. On the lower side, 9300 should extend support. The Put open interest has increased at 9200-9300 strikes.
- 9500 has remained the highest Call base so far and it is likely to be shifted to higher levels if nothing major negative comes out from global markets. The market is giving positive inclination towards opening of certain economies. The current discount of 98 points is almost life highs. This shows the skepticism among market participants at the beginning and after a sharp move from 9000-9500
- The volatility has declined sharply below 30% which is a sign of stable markets. This index performance should continue considering FIIs have not poured in money yet into Indian markets.
- The oversold sectors have started performing. Banking is a good example of this. Infact stocks from other sectors have also shown good recovery from oversold territory. This should pick up momentum even if the indices trade broadly in the range.
- The weakness in dollar is resulting in better performance from INR. This should attract some FII flows which should keep the momentum continued. However the risk factor for the market is any adverse news flow from US-China front and sharp rise in Corona infections.

Nifty options OI build-up



Source: Bloomberg, ICICI Direct Research

- A sharp recovery was seen in the banking and financial space as the Nifty ended the May series expiry on monthly high levels. Short covering was clearly visible in private banks whereas PSU banks also witnessed a bounce from their recent lows
- The Bank Nifty saw relatively higher rollovers in terms of OI whereas the June series turned into a discount of 150 points. The premium further rose as June series progressed and it has moved towards 200 points. We feel short rollover was seen for the June series and once index manages to close above 20000 levels, aggressive short covering can be seen.
- On the options front, huge Call OI base continued to form in 20000 strike, which is happening for the past few months. Put OI blocks were seen in 18500 and 18000 strikes, which remain the key support area. Looking at the OI data, we feel the Bank Nifty could find decent support near 18000 whereas a close above 20000 would open gates for higher targets.
- IVs have started declining. They slipped below 30 levels along with writing in OTM strikes. Dollar index reverted sharply and moved below 99 levels whereas USDINR pair also reverted from its sizeable Call base of 76. We feel strengthening INR will provide sentimental boost of BSFI.



Source: Bloomberg, ICICI Direct Research

India saw FII inflows amidst stock bulk deals...

- FIIs sell-off among emerging markets continued last week as well despite broader recovery seen in equities across the globe. The ongoing confrontation between China and US did not have any material impact in the major markets and globally equity markets have gained almost 3-5%. In India also, sharp recovery was seen during settlement week and Nifty closed the month at its highest level.
- Apart from India and Indonesia, emerging markets witnessed outflows across the board. Countries like South Korea and Taiwan saw outflows of almost \$467 million and \$330 million respectively. However, marginal inflows were seen among markets like Thailand and Indonesia. Due to couple of block deals and arbitrage unwinding during F&O expiry, India witnessed inflows of \$610 million in a shortened week.
- Markets witnessed sharp recovery as beaten down stocks witnessed strong recovery in the last week as stocks from metals, Auto and Banks saw sharp upsides taking Nifty above 9500 levels in just 4 sessions. Both FIIs and DIIs have turned positive last week which led the Nifty gains of more than 6% in the week.
- Brent has remained in the range of \$32-36 last week but no major directional move was seen. It was able to hold these levels on account of opening of some of the economies after long lockdown due to Covid-19. Going ahead also, we believe that upsides to be limited in the commodity.

FII/DII buying in equities (in \$million)

Date	FII				DII
	Index Fut	Stock Fut	Index Opt	Cash	Cash
22-May	-88.7	-45.6	243.1	-149.4	-45.5
26-May	25.0	-186.9	63.9	632.4	375.7
27-May	220.1	120.5	231.9	-22.0	318.4
28-May	-46.8	280.8	320.2	0.0	19.2

Source: Bloomberg, ICICI Direct Research

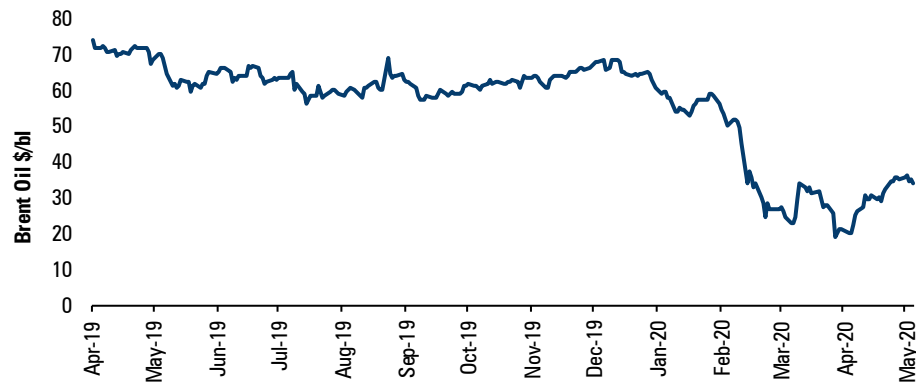
INR appreciation is on the cards considering weakness seeping in Dollar...

- INR has remained resilient and is responding positive to the weakening Dollar. Dollar has declined from 10.5 to 98 which seems to be bringing back the positivity in emerging market currencies. Dollar's pace of weakness has increased post the US Fed outcome which highlighted the sluggish economy for prolonged period.
- Euro has gained strength post the weakness seen in Dollar. The safe haven buying would trigger buying in Dollar again but for that to happen the US-China statements would play the lead role.
- The FII flows have not become positive yet on consistent basis however last week it turned out positive and the lowering volatility of equity markets can attract some flows in the coming days.
- The major outflow is seen from Debt market from year till date. This segment could be little attractive at some point of time as the yields across the developed market have come down.

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

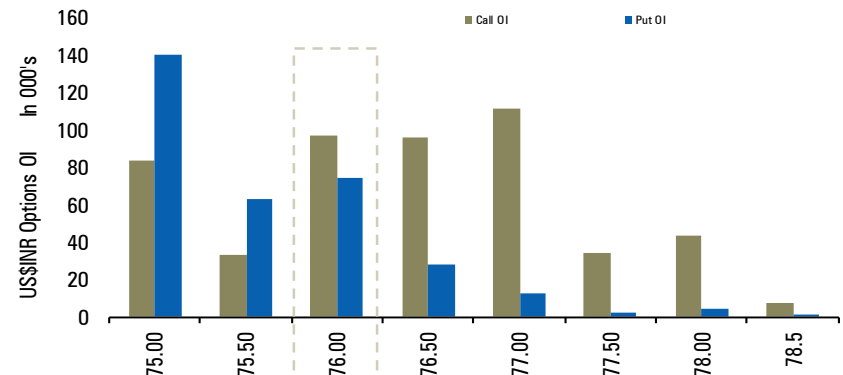
	cmp	pvs week	change %	Status
Dollar index	98.4	99.1	-0.75	Depreciated
Euro €	1.1	1.1	0.88	Appreciated
Japanese ¥	107.7	107.5	0.11	Depreciated
UK £	1.2	1.2	0.62	Appreciated
Australian \$	0.7	0.7	0.61	Appreciated
Canadian \$	1.4	1.4	-0.99	Appreciated
Swiss franc	1.0	1.0	-0.09	Appreciated
Emerging currencies v/s US\$				
Indian rupee	75.8	71.6	5.81	Depreciated
Chinese yuan	7.1	7.1	0.73	Depreciated
Brazilian real	5.4	5.7	-4.98	Appreciated
Russian rubble	70.5	71.1	-0.86	Appreciated
South african rand	17.5	17.9	-2.29	Appreciated
Indonesian rupee	14715.0	14710.0	0.03	Depreciated
S. korean won	1239.5	1230.3	0.75	Depreciated

Brent crude...



Source: Bloomberg, ICICI Direct Research

US\$INR options build-up



India:

- 02 June : Quarterly results from Motherson Sumi, Indigo, Britannia
- 03 June : Quarterly results from Auro Pharma
- 05 June : Quarterly results from L&T

Japan:

- 01 June : Vehicle Sales
- 05 June : Leading Index

US:

- 03 June : Factory Orders
- 04 June : Initial Jobless Claims
- 05 June : Unemployment Rate

Euro zone:

- 03 June: PPI Numbers
- 04 June: ECB Rate decision

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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