

December 6, 2018

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy TCS DEC Fut at ₹ 2008.00-2010.00	TCS	2032.0	2068.0	1984.0	Intraday
Sell KOTBAN DEC Fut at ₹ 1206.00-1207.00	KOTBAN	1199.5	1188.3	1214.5	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
Axis Bank	Buy
Nifty	Buy
Ajanta Pharma	Buy
Duration : 1-2 months	

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Quant (Derivatives) Pick

Underlying	Action
Ashok Leyland	Buy
Biocon	Buy
L&T	Buy
Duration : 1-3 months	

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Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open gap down on the back of weak global cues. Sell Nifty in the range of 10785-10800 for a target of 10767-10742, Stop loss: 10818

Bank Nifty Future:

- ❖ The uncertainty remained extremely high ahead of the RBI policy, which led market participants to buy OTM Puts. However, post the policy outcome, the index saw support near 26500. Towards the end, almost all Call and Put options ended near the day's low on the back of liquidation. We feel further downside can be expected only if the index ends below 26500. Buy Bank Nifty in the range of 26450-26500, Target: 26600-26750, Stop loss: 26350

F&O Highlights

- ❖ Post a gap down opening, the Nifty continued to remain under pressure throughout the day. Post the RBI policy outcome, selling intensified. However, it again witnessed support near 10800. Premiums rose and moved above 45 points indicating limited upside. Looking at the Call OI blocks, we feel 11000 is likely to act as a hurdle

Stock Analysis

- ❖ **Long build-up/short covering:** Reliance Industries, HDFC Bank, Tech Mahindra, Arvind, Hindustan Unilever and HDFC Ltd
- ❖ **Short build-up/profit booking:** DHFL, PFC, Axis Bank, Sun Pharma, Kotak Mahindra Bank, SBI and Bhel

FII & DII Action

- ❖ FIIs sold ₹ 358 crore while DIIs sold ₹ 792 crore in the cash segment. FIIs sold index futures worth ₹ 1165 crore while in index options they sold ₹ 915 crore. In the stock future segment, they sold ₹ 843 crore
- ❖ **Intraday Recommendations**

i) Tata Consultancy Services		ii) Kotak Mahindra Bank	
Buy TCS DEC Fut at ₹ 2008.00-2010.00		Sell KOTBAN DEC Fut at ₹ 1206.00-1207.00	
CMP: 2014		CMP: 1215	
Target 1: 2032	Target 2: 2068	Target 1: 1199.5	Target 2: 1188.3
Stop Loss: 1984		Stop Loss: 1214.5	

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

Source: NSE, Seediff, Bloomberg ICICI Direct Research

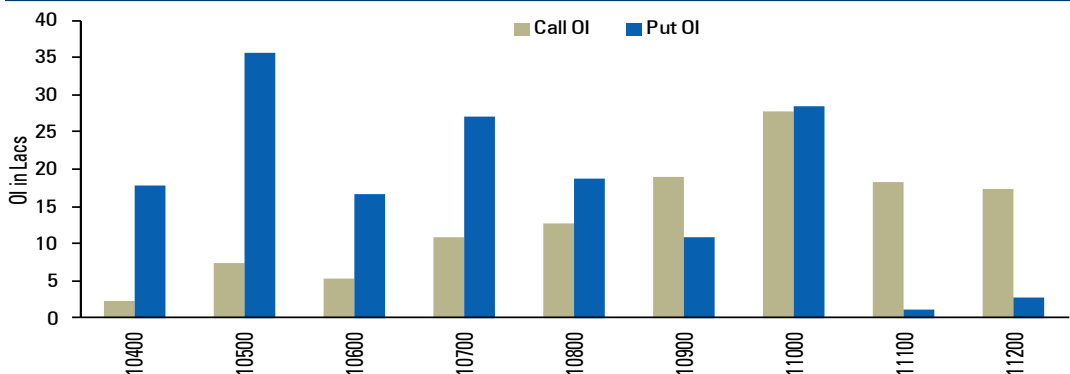
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	10783	10828	45	20899500	1.70	1.30	18.40
Previous	10869	10908	39	20560725	1.76	1.10	18.10
Change (%)	-0.79%	-0.73%	-	1.65%	-	-	1.63%

Pivot levels (Dec)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10666	10747	10787	10828	10868	10909	10990
Bank Nifty future	26283	26467	26558	26651	26742	26835	27019

Nifty futures settled at a premium of 45 points with a rise in IVs by 1.7%

Nifty Options OI build-up



The highest Put base is at the 10500 strike with 36 lakh shares while the highest Call base is at the 11000 strike with 28 lakh shares

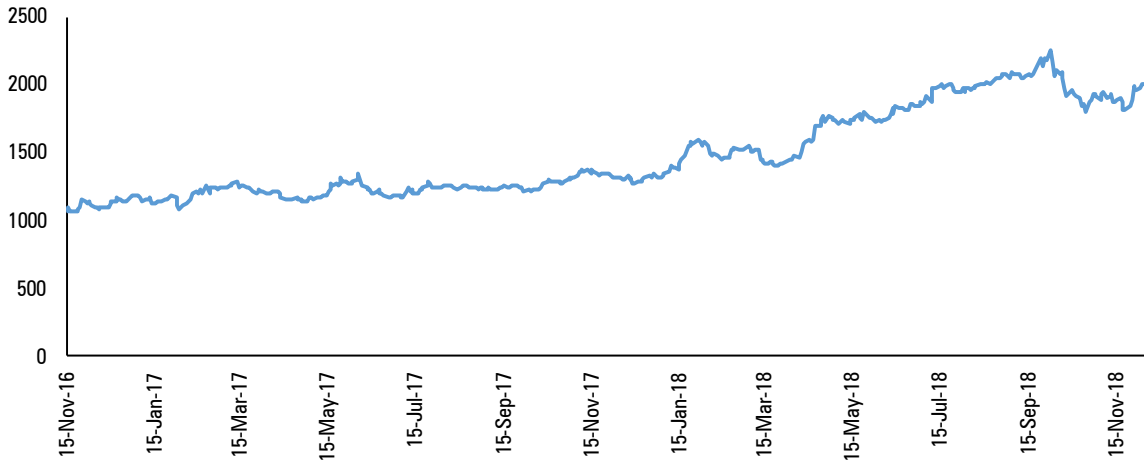
Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
5-Dec-18	NIITEC	Buy	Long Fut	1133.0	1142.0	1124.0	-	Not Initiated
5-Dec-18	HINDAL	Sell	Short Fut	224.0	222.3	225.7	-	Not Initiated

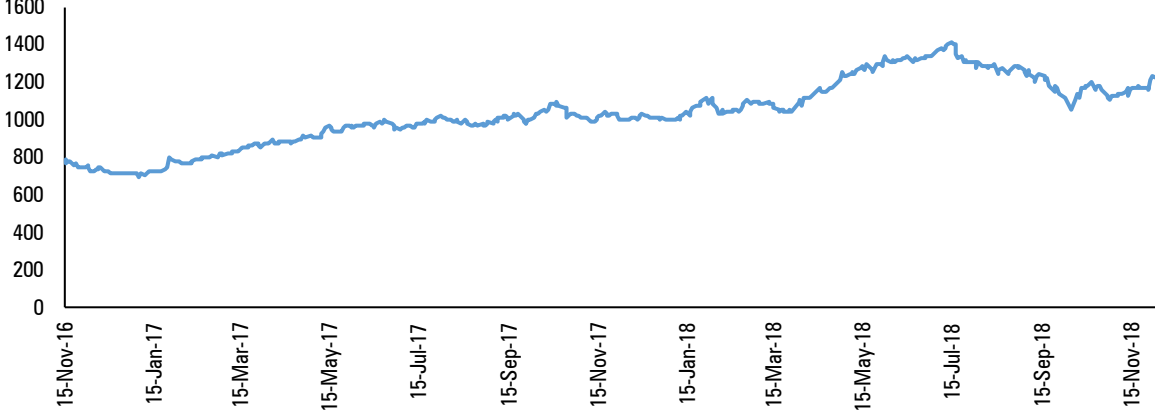
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

TCS



Kotak Mahindra Bank

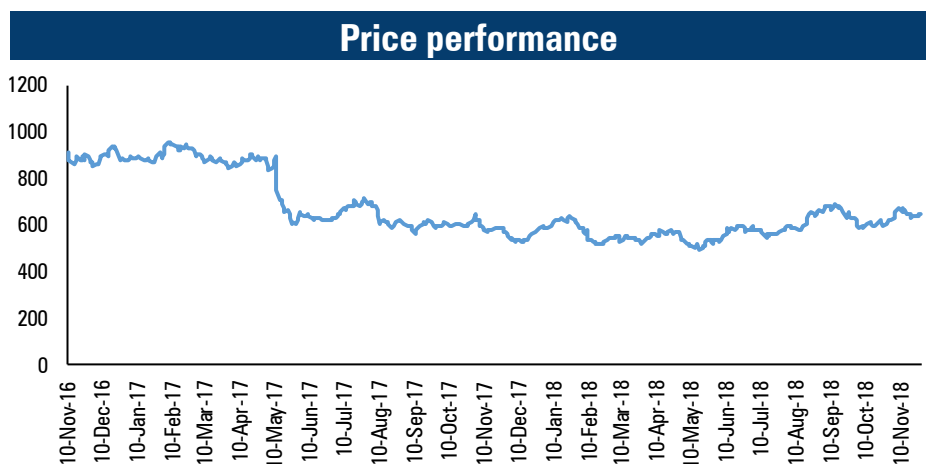


Source: NSE, Seediff, Bloomberg ICICI Direct Research

Weekly future recommendation

Buy Glenmark Pharma (GLEPHA) December future in range of ₹ 645-650. Target: ₹ 710. Stop Loss: ₹ 615
Rationale

At the inception of the December series, the Nifty continues to trade strong above 10800. This has infused risk-on sentiment in equity that is also partly visible from strong DIIs & FII inflows into the equity segment in the trailing two weeks. Looking at the price buoyancy in pharma stocks, we recommend Glenmark Pharma as the stock has scope to catch up with other pharma peers on the back of fresh long additions. The current OI in the stock of 4.32 million shares, is one of the lowest in over a year. With the stock reverting from key support levels around ₹ 620-630, the price traction is likely to induce longs in it. Stocks decline towards ₹ 620 levels has triggered delivery based buying and, hence, remains a crucial support in the current momentum.

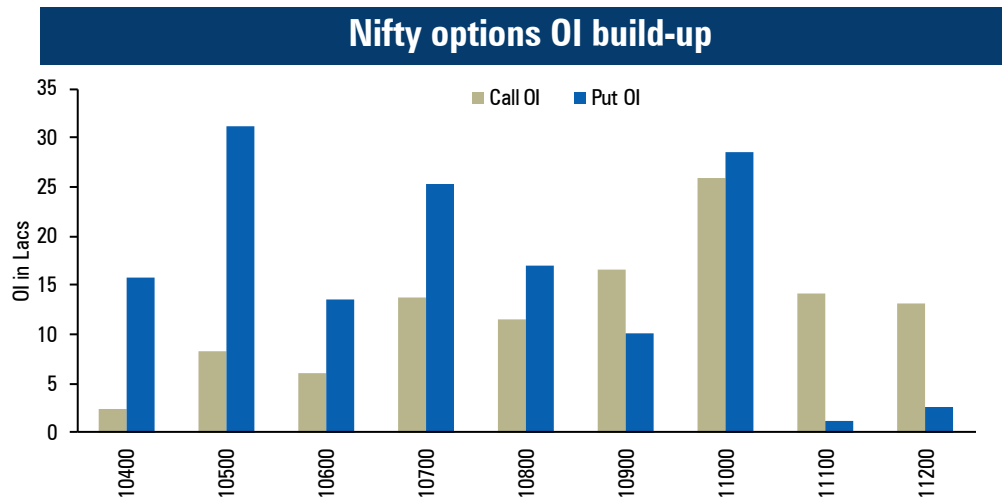


Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Eicher Motors	Bearish	Sell Future	24150	22000	25400	24500	Booked Profit

Source: Bloomberg, ICICI Direct Research

Nifty: To move towards 11050 with support at 10750

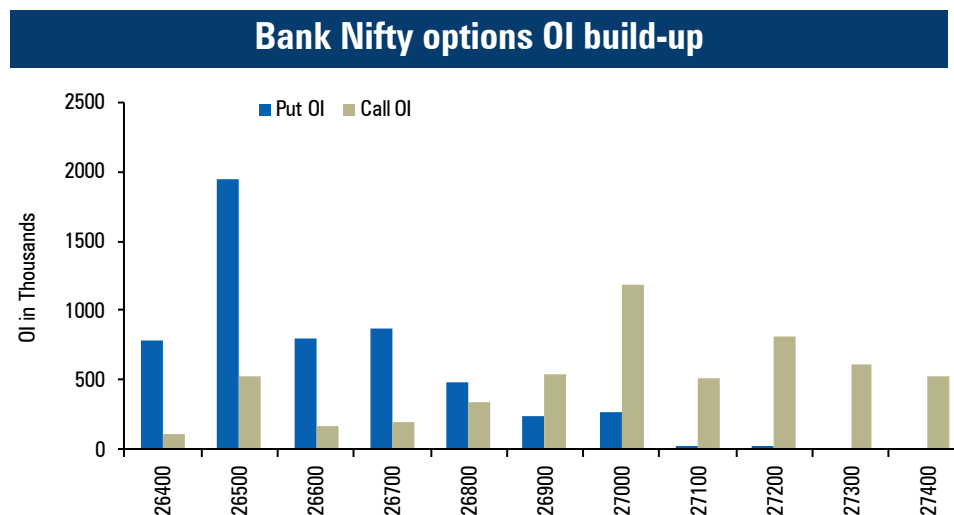
- The Nifty has been recovering on short covering before events. Nifty futures open interest at the start of December series is 10% lower than the open interest seen at the start of November series. This suggests the trend of closure of short positions, which may continue for a while. The immediate impact will be from the outcome of US-China discussion at the G-20 meeting
- The options build-up at 10500 Put is the highest in December series while Call writing positions are still not increasing, showing signs of resilience in the market
- Volatility has remained elevated near 19%. It can increase as we approach the state election outcome on December 11
- The Bank Nifty has performed better than the Nifty. One of the reasons is reducing bond yields. G-sec yields have come down on account of a decline in crude prices and dovish statement from the Fed chairman
- We expect the Nifty to have good support near 10750 on any intermediate decline. It should move above the 11000 Call base in coming days



Source: Bloomberg, ICICI Direct Research

Bank Nifty: Upside likely to continue till it holds above 26500...

- The Bank Nifty ended the November F&O expiry on an optimistic note and well above the previous hurdle of 26700. Participation was seen in both private and PSU banks with HDFC Bank the major contributor to the gain followed by other heavyweights
- G-sec yields cooled off to a multi-month low of 7.60%. Strengthening of the rupee below 70 levels triggered short covering in banking stocks. Rollover in the Bank Nifty was higher than average. Future premiums declined at the start of the December series indicating shorts are still high, which may be forced to cover if the Bank Nifty holds 26500
- As the index moved above 26500, Put writers shifted positions to ATM strikes while most additions last week were seen at 26500 Put, which is the key pivotal for the upside to continue. On the Call side, however, additions were seen in 27000 followed by 27500 strike. We feel a close above 27000 will trigger more upsides with support now pegged near 26500
- The current price ratio of Bank Nifty/Nifty remained near 2.47. We feel the ratio is likely to consolidate near these levels while the outperformance in banking stocks can be seen once the index manages to close above 27000



Source: Bloomberg, ICICI Direct Research

Less hawkish Fed remarks, stability in lower crude prices trigger EM recovery...

- After declining for seven consecutive weeks, crude stabilised near \$60/bl. This provided a lift to risk sentiments. However, the major thrust to risk sentiment came in from less hawkish remarks from the Fed Chair & vice-chair where markets build on a dovish rhetoric on “data dependent” & “closer to normal rate” remarks. MSCI EM & world both moved up over 3%. MSCI EM FX also recovered over 1% despite stability in the dollar at higher levels
- In the Indian equity segment, FII inflow again zoomed to US\$830 million. As opined earlier, the fund inflow may continue because of strength in rates and currency markets post a sharp cool-off in crude prices and US rate hike cycle repricing
- In EMs as well, FII money resumed in equity markets. Taiwan & South Korea saw outflows of \$202million & \$586 million, respectively. However, other EMs the likes of Malaysia & Thailand also saw outflows in the vicinity of \$50 million
- Crude remains the most important variable from here on. A decline towards \$40-45 on Brent triggers “doom loop” for corporate bond sell-off (including high yield & investment grade; it may be 2015-16 redux). However, a move above \$70-75 will rock the EM recovery apple cart with higher CAD & reserve accretion
- Event wise, the G-20 meet on December 30 and China-US discussion on trade are key monitorables, as rising crude and US rates, the other two headwinds for EMs, may be put to rest by the market in December. Hence, FIIs are likely to make inroads into EM equity as forex stabilises while bond market inflows are already making inroads into the crude decline beneficiary EMs

Fund flow action strongly improving					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
22-Nov	229.1	-41.3	229.7	242.3	7.0
26-Nov	-24.0	68.0	260.8	183.5	50.3
27-Nov	-100.9	-14.7	-95.4	96.9	4.4
28-Nov	152.8	-81.7	-13.7	176.3	-47.2
29-Nov	472.8	94.1	324.0	133.1	139.3

Source: Bloomberg, ICICI Direct Research

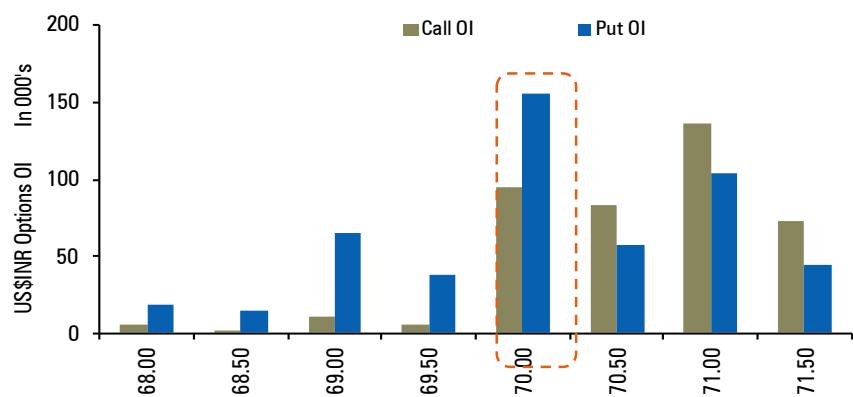
Rupee extends gains for third consecutive week, appreciates over 6.4% from life-time lows...

- The US\$ is lower against major currencies as gains over British Pound and Japanese Yen were countered by losses against the Euro. The dollar was also hit by dovish comments from Fed Chairman Jerome Powell regarding the neutral interest rate. A more clear trend in currencies shall emerge post the culmination of G-20 meeting over this weekend
- The rupee is higher for a third consecutive week supported by lower oil prices as well as a downtick in the US\$. The rupee is expected to remain supported in the backdrop of lower oil prices. A decline in dollar would be double bonanza for EM currencies including the rupee. It may test 69.10 levels in the near term if the dollar declines next week post the G-20 meeting

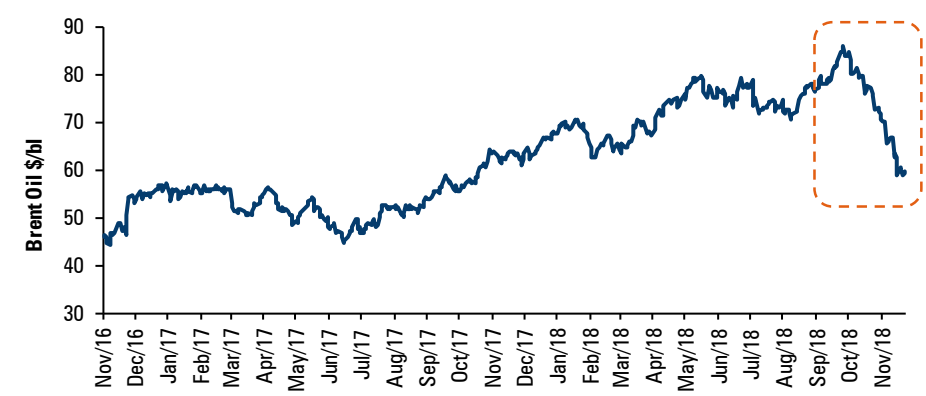
EM and DM currency vs. US\$...

Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	96.76	96.92	-0.16	Depreciated
Euro €	1.1394	1.1337	0.50	Appreciated
Japanese ¥	113.40	112.96	0.39	Depreciated
UK £	1.2778	1.2814	-0.28	Depreciated
Australian \$	0.7319	0.7233	1.19	Appreciated
Canadian \$	1.3285	1.3238	0.36	Depreciated
Swiss franc	0.9965	0.9974	-0.09	Appreciated
Emerging currencies v/s US\$				
Indian rupee	69.7063	70.6963	-1.40	Appreciated
Chinese yuan	6.9433	6.9485	-0.07	Appreciated
Brazilian real	3.8526	3.828	0.64	Depreciated
Russian ruble	66.1774	66.2092	-0.05	Appreciated
South african rand	13.6596	13.8608	-1.45	Appreciated
Indonesian rupee	14298	14544	-1.69	Appreciated
S.korean won	1119.3	1130.45	-0.99	Appreciated

US\$INR December options build-up



Crude oil price declines over 32% from highs



Source: Bloomberg, ICICI Direct Research

High Rollover	
Sector	Rollover %
Realty	90.77
Power	89.55
Technology	88.76
Banking	88.75
Finance	88.13

Low Rollover	
Sector	Rollover %
Capital_Goods	81.12
Oil_Gas	81.54
Telecom	83.08
Media	84.71
Infrastructure	86.39

High Rollover	
Stock	Rollover %
SIEMENS	99.21
CGPOWER	98.96
AJANTPHARM	98.65
GSFC	98.23
WOCKPHARMA	98.05

Low Rollover	
Stock	Rollover %
INDIGO	55.63
PCJEWELLER	66.30
ASIANPAINT	69.46
INFRATEL	70.10
CASTROLIND	70.17

Source: Bloomberg, ICICI Direct Research

India:

- 03 December : Nikkei India PMI Mfg
- 05 December : Nikkei India PMI Services and Composite
- 05 December : RBI Monetary Policy

Japan:

- 03 December : Nikkei Japan PMI Mfg and Vehicle Sales
- 04 December : Monetary Base
- 05 December : Nikkei Japan PMI Services and Composite
- 07 December : Leading Index

US:

- 03 December : Markit US Manufacturing PMI and Construction Spending
- 05 December : MBA Mortgage Applications and ADP Employment Change
- 06 December : Trade Balance
- 06 December : Initial Jobless Claims and Continuing Claims, Factory Orders and Unemployment Rate

Euro zone:

- 03 December : Markit Eurozone Manufacturing PMI
- 04 December : PPI Data
- 05 December : Markit Eurozone Services and Composite PMI, Retail Sales
- 07 December : GDP Data

Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Recommendation
27-Nov-18	Axis Bank	Buy	Positional Option : Buy Axis Bank December 640 Call at 20-22; Target: 45; Stoploss: 9 ; Time Frame: Till December Expiry
29-Nov-18	Nifty	Buy	Positional Option : Sell Nifty Dec 10500 Put at 85-90. Target 10. SL 170. (Time frame : till December Expiry)

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Source: Bloomberg, ICICI Direct Research

Quant Picks: Open recommendations

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
12-Oct-18	Ashok Leyland	Buy	113-117	137	102	112	-3.1%	3 months
30-Oct-18	Biocon	Buy	615-630	745	555	624	-0.1%	3 months
22-Nov-18	L&T	Buy	1365-1385	1595	1258	1433	3.8%	3 months
26-Nov-18	Godrej Consumer	Buy	732-738	860	665	750	1.7%	3 months

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Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

ANALYST CERTIFICATION

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