

February 8, 2019

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy AXIBAN FEB Fut at ₹ 735.00-736.00	AXIBAN	740.0	747.5	730.0	Intraday
Sell APOHOS FEB Fut at ₹ 1294.00-1295.00	APOHOS	1283.0	1265.0	1307.0	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
Nifty	Buy
Volta	Buy
HCL Technologies	Buy
Duration : 1-2 months	

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Quant (Derivatives) Pick

Underlying	Action
Wipro	Buy
Container Corporation	Buy
Infosys	Buy
Duration : 1-3 months	

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Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open negative on the back of weak global cues. Buy Nifty in the range of 11030-11045, Target: 11062-11087, Stop loss: 11011

Bank Nifty Future

- ❖ Volatility remained extremely high for the index where it saw swings on both sides. However, 27500 continued to act as a hurdle. On the back of selling towards the end, the index ended well below this level. Writers remained active in 27000 strike. We feel short covering can be seen once the index manages to end above 27500. Buy Bank Nifty in the range of 27200-27250, Target: 27350-27500, Stop loss: 27100

F&O Highlights

- ❖ The ongoing buying spree continued where the Nifty witnessed some volatility due to RBI's monetary policy but managed to end well near 11100. Reliance Industries witnessed profit booking but buying in other heavyweights provided a cushion. We feel the highest Call base is likely to shift higher, which will provide more headroom to the index

Stock Analysis

- ❖ **Long build-up/short covering:** Idea, Ashok Leyland, Sun Pharma, Biocon, Axis Bank and Jubilant Foodworks
- ❖ **Short build-up/profit booking:** Reliance Infra, SBI, Raymond, DHFL, Arvind, Apollo Hospital and Lupin

FII's & DII Action

- ❖ FIIs bought ₹ 418 crore while DIIs bought ₹ 294 crore in the cash segment. FIIs bought index futures worth ₹ 999 crore while in index options they bought ₹ 1174 crore. In the stock futures segment, they bought ₹ 474 crore

Intraday Recommendations

i) Axis Bank	ii) Apollo Hospitals
Buy AXIBAN FEB Fut at ₹ 735.00-736.00	Sell APOHOS FEB Fut at ₹ 1294.00-1295.00
CMP: 730	CMP: 1303
Target 1: 740 Target 2: 747.5	Target 1: 1283 Target 2: 1265
Stop Loss: 730	Stop Loss: 1307

Note:

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

Source: NSE, Seediff, Bloomberg ICICI Direct Research

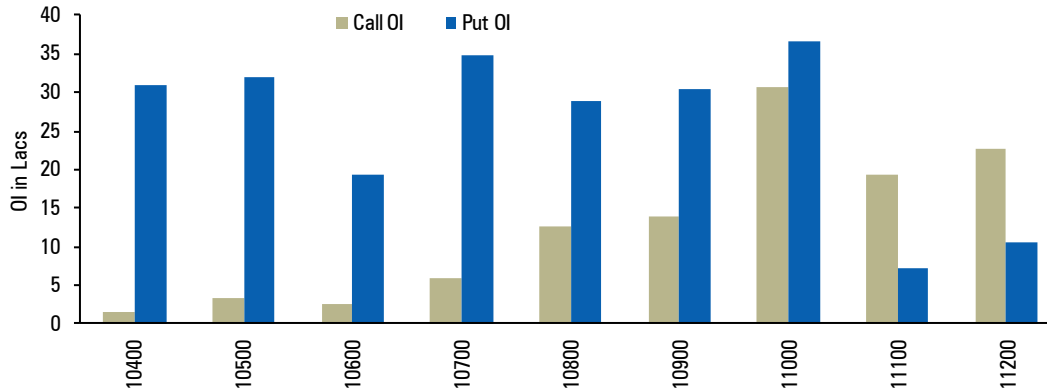
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11069	11094	25	23064750	1.70	1.10	15.40
Previous	11062	11090	28	22886625	1.75	1.20	15.60
Change (%)	0.06%	0.04%	-	0.78%	-	-	-1.30%

Pivot levels (FEB)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10932	11015	11053	11098	11135	11180	11263
Bank Nifty future	26761	27107	27262	27454	27609	27801	28148

Nifty futures settled at a premium of 25 points with a fall in IVs by 1.3%

Nifty Options OI build-up



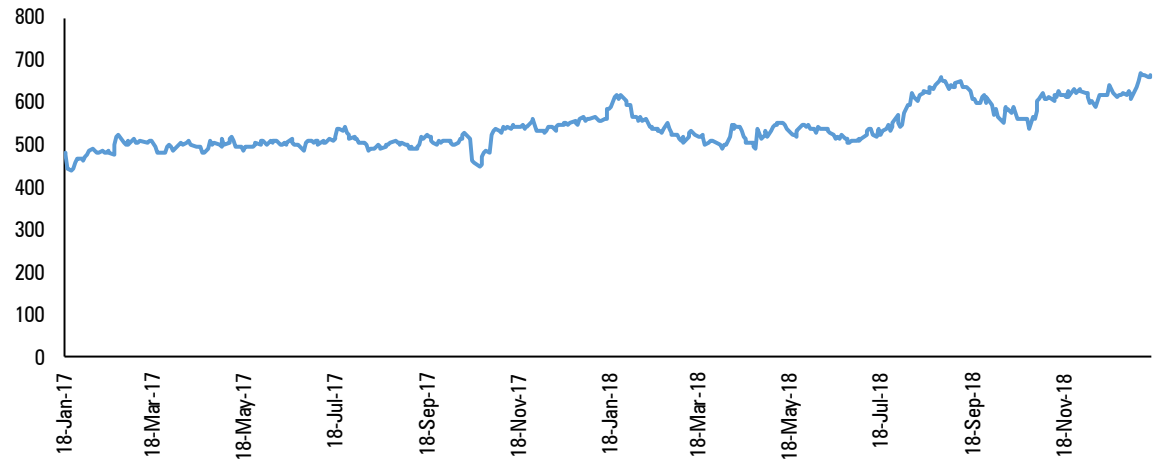
The noticeable Put base is at the 11000 strike with 37 lakh shares while the highest Call base is at the 11000 strike with 30 lakh shares

Strategy follow up

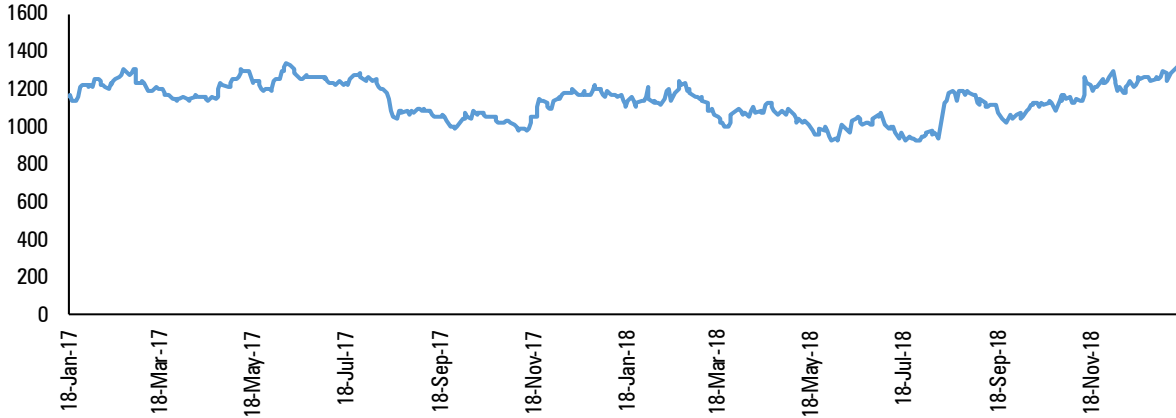
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
7-Feb-19	HCLTEC	Buy	Long Fut	1070.5	1091.4	1061.4	5950	Profit Booked
7-Feb-19	TVSMOT	Sell	Short Fut	482.5	477.0	489.0	-	Not Initiated

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Axis Bank



Apollo Hospital



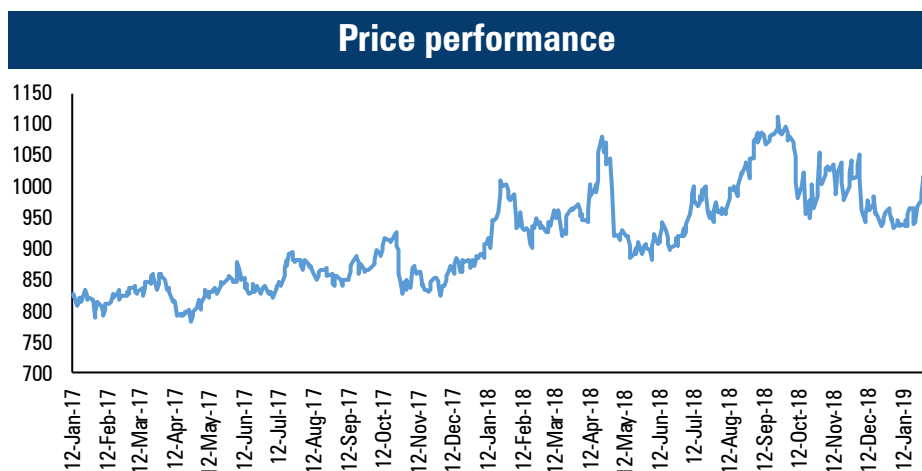
Source: NSE, Seediff, Bloomberg ICICI Direct Research

Weekly future recommendation

Buy HCL Technologies (HCLTEC) February future in the range of ₹ 1036-1043. Target: ₹ 1105 Stop Loss: ₹ 996

Rationale

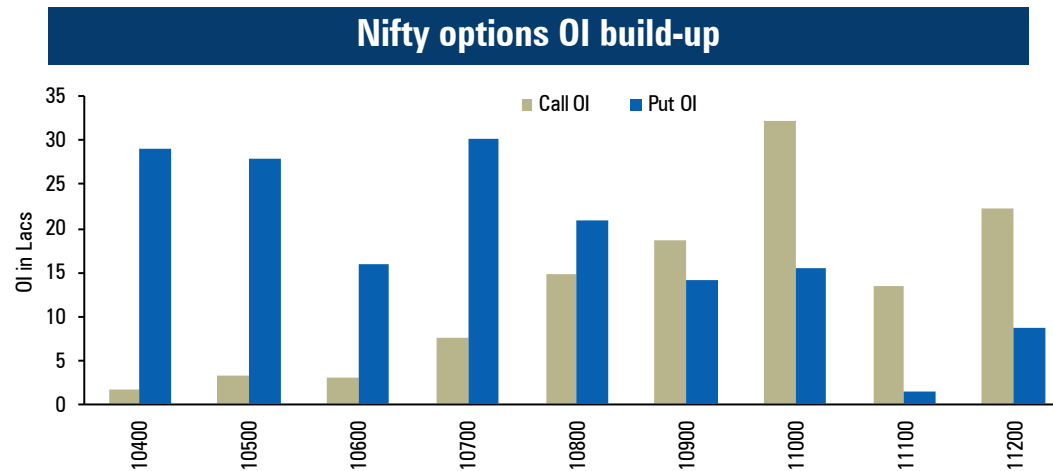
Stocks from the IT space continued to see delivery resilient performance. Nifty IT index has outperformed all major sectoral indices with 10% up move in January, which was mainly augmented by a steady set of numbers. We recommend HCL Tech as it is on the cusp of coming out of its three-month long range. January rolls suggest trend of resilient longs as stocks are gaining traction. Current OI of over 10 million shares still does not suggest any sign of abnormal leverage. Call Options that were seeing some build-up in strikes ranging from ₹ 1000-1040 have already seen strong closure. Hence, the stock is likely to move higher on the back of fresh longs.



Source: Bloomberg, ICICI Direct Research

Post budget, 10700 remains key support for Nifty...

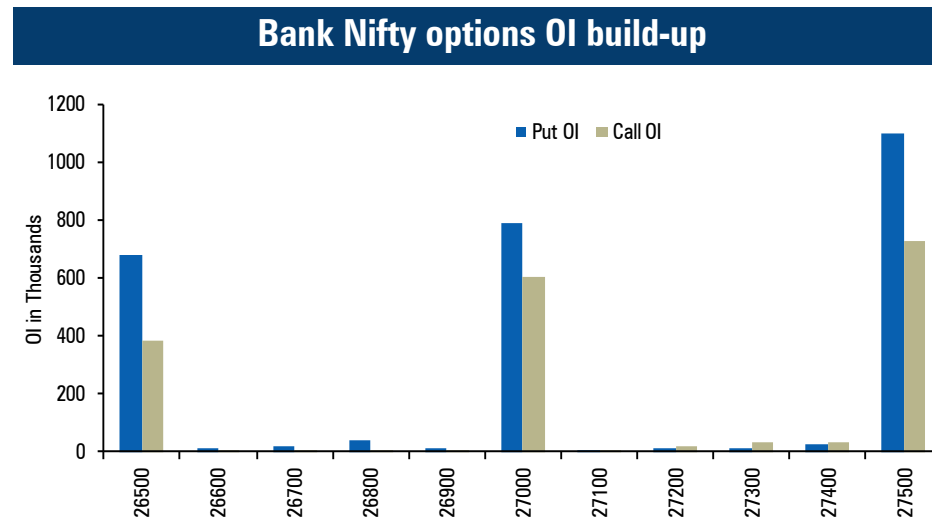
- The Nifty has been consolidating broadly between 10700 and 11000 for the last three series. The highest Put base for the February series is placed at 10700, which should remain an important support in the current series
- The fall of the previous week was immediately recovered in the current week with participation from IT and private banking heavyweights. The better quarterly earnings in these segments are pushing the stocks higher
- The dovish statements from US Fed have led to the decline in dollar. With sentiments getting better from US-China trade talks, the macro support may be provided to markets
- Volatility has come down from 19% to 15.5%. The markets should continue to trade with a positive bias at volatility levels below 16%
- Nifty rollovers from January to February series have been on the lower side. In the last three series, expiry is seen near 10800-10850. This time Nifty rollovers have been near 62%, which is lower than the last three-month average of 75%. Bias for many index stocks was on the short side and the possibility of short covering cannot be ruled out as the broader trend remains positive



Source: Bloomberg, ICICI Direct Research

Bank Nifty: 26700 remains for upside to continue...

- With all the volatility and choppiness, the Bank Nifty witnessed strong support near 26500. VWAP buying was seen on expiry day, which helped it to move well above 27200. Quarterly numbers of Axis Bank along with Kotak Mahindra Bank provided a sentimental boost, which led the index higher
- The rupee also remained volatile in the last series. As the dollar index corrected nearly 1% after the Fed meeting outcome, EM currencies became stronger, which gave more boost to the equity indices
- Volatility is likely to remain high as the RBI Monetary policy is lined up later this week. In the absence of any negativity, we feel upsides will continue. Once the index manages to close above 27500, a short covering trend can be seen
- As the index moved above 27000, Call OI shifted to 27500 strike whereas Put writers shifted their positions to 26700 strike, which can act as a key pivotal for upsides to continue
- The price ratio of Bank Nifty/Nifty remained near 2.48 levels. We feel the outperformance in banking stocks is likely to take place only if it closes above 2.51 levels



Source: Bloomberg, ICICI Direct Research

Patience by Fed further reinvigorates case for long EM assets...

- Key headline from the World Economic Forum in Davos to high frequency data coming from developed markets continues to point towards a synchronised global growth slowdown. Weakening economic data across key countries has further aggravated the case for a synchronised slowdown. The initial reaction of risk assets has been positive as it was reversing the US based “reflation trade” (of long US equity, long US\$ and short US sovereign bonds). However, in the medium term, continued weakness in economic data points could dent risk assets performance. This week, MSCI EM Equity moved 2% higher as MSCI EM forex strengthened over 1% buoyed by upbeat risk sentiment
- Fund flows continued to make inroads into most EMs. Inflows in the vicinity of US\$1.31 billion & US\$ 439 million were seen in South Korea and Taiwan, respectively. Marginal inflows (almost US\$100 million) were seen in Indonesia & Philippines. However, inflows totalled over US\$600 million in India but over 70% of this figure was on January expiry (VWAP buying). Hence, follow up buying by FIIs post the interim Budget holds the key
- In the last FOMC, US Fed reclaimed optionality for 2019 rate hikes. Fed Chair Powell sent a very clear message to the markets: “ The FOMC now believes that the Fed funds rate is appropriate! The January statement says: “The Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate” In other words, incoming data will decide if the Fed is at the end of its hiking cycle or if further rate hikes will be appropriate. This clearly brings out optionality back into the play as the Fed could now go in either direction on rates and balance sheet unwind. A risk-on rally will continue in EM currency and debt as the Dollar Index is likely to weaken to 93.5 levels

FIIs outflows continues from India				
Date	FII			
	Index Fut	Stock Fut	Index Opt	Cash
25-Jan	170.0	-41.4	61.1	107.6
28-Jan	58.7	-64.7	-102.4	-7.2
29-Jan	-65.6	-23.3	29.6	-34.1
30-Jan	-234.5	121.5	38.6	56.3
31-Jan	389.0	163.3	483.6	422.0

Source: Bloomberg, ICICI Direct Research

Dollar declines as Fed remains dovish in January's monetary policy meeting

- The US FOMC meeting witnessed a double setback for the US\$. The Fed not only drenched rate hike expectations, it also announced become flexible with respect to balance sheet unwinding programme. The Fed could reduce its monthly QE unwinding from the present run rate of \$50/billion per month
- The rupee traded volatile during the Budget presentation session. Restricting the fiscal deficit at 3.4% for 2018-19 provided support for the rupee while announcement of many welfare schemes could add to fiscal worries. The rupee could remain in a range of 71.30–70.50 ahead of RBI monetary policy meeting. In the options segment 71.0 strike has highest Put OI, which is a crucial level for the pair in the near term

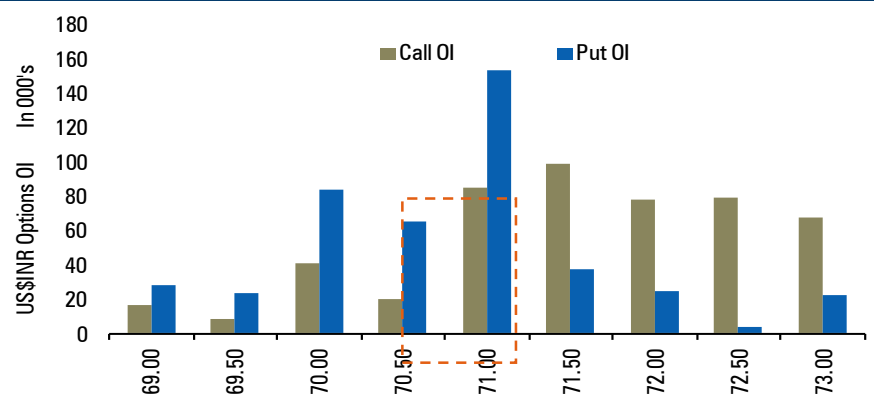
EM and DM currency vs. US\$...

	cmp	pvs week	change %	Status
Dollar index	95.60	95.79	-0.20	Depreciated
Euro €	1.1444	1.1406	0.33	Appreciated
Japanese ¥	108.88	109.55	-0.61	Appreciated
UK £	1.3097	1.3196	-0.75	Depreciated
Australian \$	0.7240	0.7179	0.85	Appreciated
Canadian \$	1.3145	1.3218	-0.55	Appreciated
Swiss franc	0.9944	0.9939	0.05	Depreciated

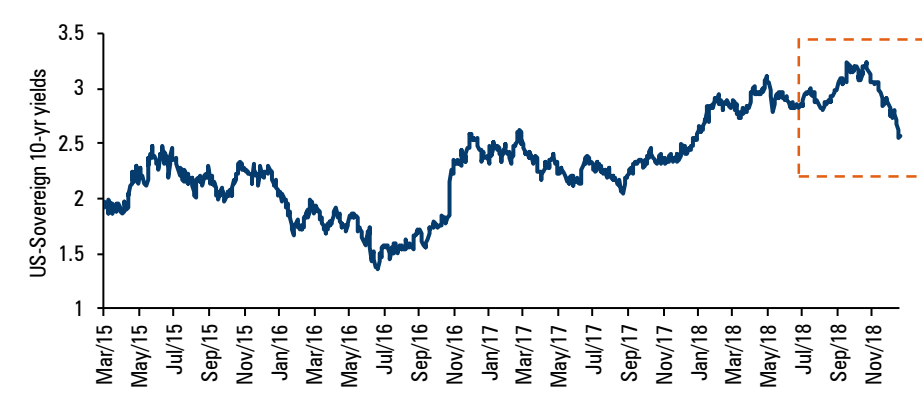
Emerging currencies v/s US\$

Indian rupee	71.1288	71.17	-0.06	Appreciated
Chinese yuan	6.7291	6.7483	-0.28	Appreciated
Brazilian real	3.6471	3.7709	-3.28	Appreciated
Russian ruble	65.5083	66.0074	-0.76	Appreciated
South african rand	13.2939	13.6192	-2.39	Appreciated
Indonesian rupee	13945	14093	-1.05	Appreciated
S.korean won	1118.2	1121.25	-0.27	Appreciated

US\$INR February Options build up



US 10-year yield declines sharply post FOMC monetary policy meeting



India:

- 04 February : Fiscal Deficit, Annual GDP
- 05 February: Nikkei India PMI Services and Composite
- 07 February: RBI Monetary Policy

Japan:

- 05 February : Nikkei Japan PMI Composite and Services
- 08 February : BoP Current Account Balance and Trade Balance

US:

- 04 February : Factory Orders, Durable Goods Orders, Personal Income & Spending, GDP Data
- 05 February: Markit US Services and Composite PMI
- 07 February: Initial Jobless Claims and Continuing Claims, Trade Balance

Euro zone:

- 04 February : PPI
- 05 February : Markit Eurozone Services and Composite
- 05 February : Retail Sales

Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Recommendation
5-Feb-19	Hero Motocorp	Buy	Positional Option : Buy Hero MotoCorp February 2800 Call at 75-79. Target: 160. Stop loss: 28. Time Frame: Till February Expiry
6-Feb-19	TCS	Buy	Long/Short Strategy : Long TCS Feb at 2070-2080 and Sell Nifty Feb at 1035-1045.Price ratio : 5.30, Tgt 4.77, SL 5.57. Time Frame : Feb expiry
6-Feb-19	Bank Nifty	Buy	Positional Option : Sell Bank Nifty 14 Feb 26900 Put at 90-95. Target 5, Stoploss 165 , Time frame : till 14 Feb expiry

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Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
13-Nov-18	L&T	Buy	1365-1385	1595	1258	1314	-4.8%	3 months
10-Jan-19	Auro Pharma	Buy	755-763	890	685	760	-0.4%	3 months
17-Jan-19	Container Corp	Buy	675-687	795	615	510	-25.7%	3 months
23-Jan-19	Infosys	Buy	730-740	860	665	763	3.1%	3 months
Yearly Quant Picks								
12-Dec-18	Ultratech Cement	Buy	3820-3900	4850	3320	3510	-10.0%	12 months
12-Dec-18	Nestle	Buy	10550-10850	13550	9075	11617	7.6%	12 Months
12-Dec-18	United Spirits	Buy	605-625	775	520	557	-10.1%	12 Months

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Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

February 8, 2019

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