

May 23, 2019

Derivatives View

[Intraday](#)

[Positional](#)

Other Product offerings

Derivatives Strategy

Nifty
Federal Bank

Duration : 1-2 months

[Click here to see open calls](#)

Quant (Derivatives) Pick

Underlying	Action
RBL Bank	Buy
Cummins India	Buy
State Bank of India	Buy

Duration : 1-3 months

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Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open on a flat to positive note on the back of mixed global cues.

Bank Nifty Future

- ❖ The Bank Nifty remained volatile ahead of the election outcome. India VIX rose 8% to 27.63, after hitting an intraday high of 30. Post result, we expect VIX to decline sharply from current levels and move lower. The ongoing positive trend in the index is expected to stay intact till it holds 30000. We feel the ongoing trend in private banks will continue whereas PSU banks which remained under pressure for the May series is likely to witness short covering trend and move higher in absence of any negative triggers

F&O Highlights

- ❖ The Nifty opened positive and traded in a broader range of 11682-11785. In the second half, the index witnessed a rally of 88 points from the low but was unable to hold its gain and finally settled at 11738 with modest gain of 28 points. As long as it trades above 11500, the index could continue its recovery towards 12000. On the F&O front, 12000 Call holds maximum OI. We feel the Nifty will consolidate near 12000 and more upside can be seen if the Nifty manages to end above 12000

Stock Analysis

- ❖ **Long build-up/short covering:** Just Dial, IndusInd Bank, Sun TV, SBI, L&T, DLF, Tata Power and HDFC Bank
- ❖ **Short build-up/profit booking:** Jindal Steel, Gail, TCS, Wipro, PVR, Ujjivan Financials and SRF

FII & DII Action

- ❖ FIIs sold ₹ 965 crore while DIIs sold ₹ 157 crore in the cash segment. FIIs bought index futures worth ₹ 136 crore while in index options they sold ₹ 2524 crore. In the stock futures segment, they sold ₹ 480 crore
- ❖ **Intraday Recommendations**

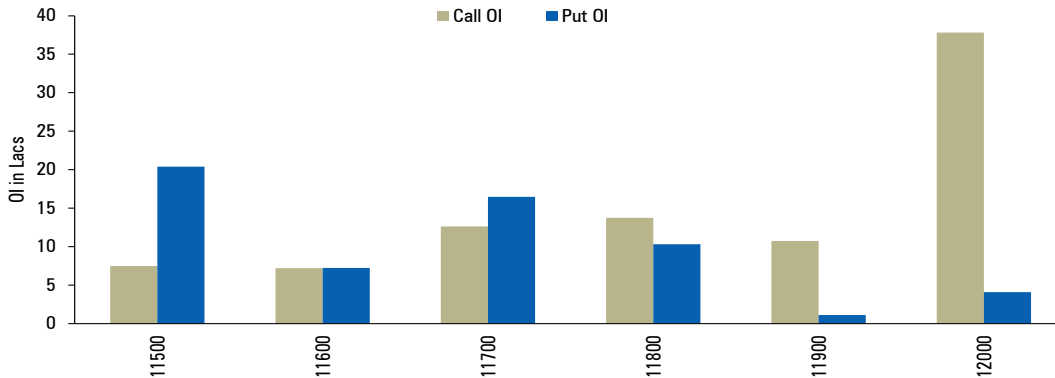
Note: Due to expected higher volatility on the back of election results, we are not recommending any pre market intraday strategy.

Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11738	11782	44	21642675	1.45	1.08	27.63
Previous	11709	11715	6	20199600	1.44	1.08	25.65
Change (%)	0.25%	0.57%	-	7.14%	-	-	7.17%
Pivot levels (MAY)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	11529	11652	11717	11775	11840	11898	12022
Bank Nifty future	29736	30155	30381	30575	30801	30995	31415

Nifty futures ended at a premium of 44 points with a rise in IVs by 7.17%

Monthly Nifty Options OI build-up



The highest Put base has remained at the 11000 strike with almost 39 lakh shares while the highest Call base is at the 12000 strike with 38 lakh shares

Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
22-May-19	KAJ CER	Buy	Long Fut	625.5	630.1	620.9	-	Not Initiated
22-May-19	CEAT	Sell	Short Fut	982.5	967.5	997.5	-	Not Initiated

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Source: NSE, Seediff, Bloomberg ICICI Direct Research

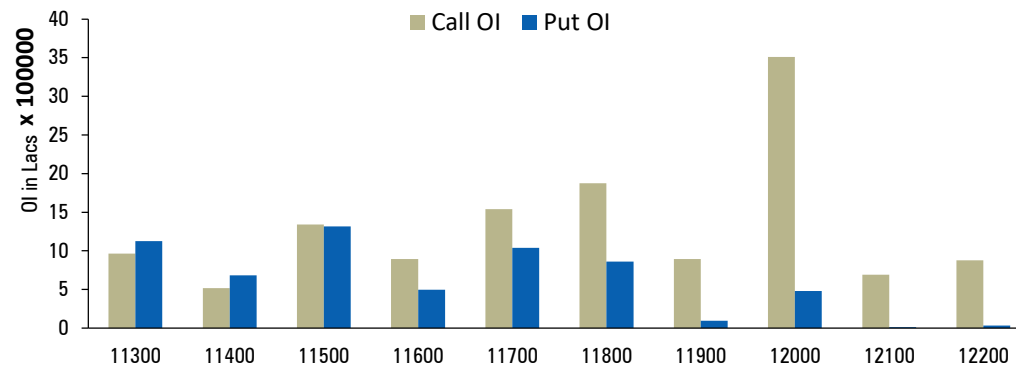
Note: Due to expected volatility on the back of election results, we will initiate Derivatives recommendation at opportune time

Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Century Textile	Bullish	Buy Futures	922	1010	870	-3000	Exit in loss

Source: Bloomberg, ICICI Direct Research

- After witnessing sell-off in the first half of the week, the Nifty witnessed some recovery before the exit poll announcement on May 19. Nifty futures have not witnessed any major short addition in the recent fall. Nifty Future open interest is still lower near two-year lows, which leaves room for addition of long positions if the favourable outcome comes in the coming week
- Volatility has continued to increase before the election outcome, which is more a hedging activity before the event. However, volatility is still lower at 29% than last election levels of 39%
- The major Put open interest additions in current series are seen at 11000 and 11200 strikes which should remain positional support. On the higher side the major Call positions are placed at 12000 strike which should eventually be met
- The Pharma and Metal spaces are under pressure however Nifty may find support from the performances expected from other sectors like Banking, IT, FMCG and Infrastructure space

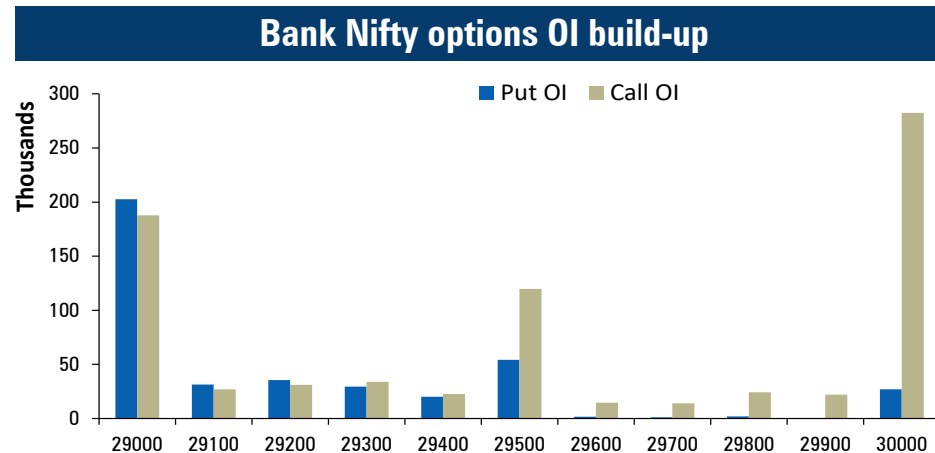
Nifty options OI build-up



Source: Bloomberg, ICICI Direct Research

Bank Nifty: Major support placed at 28500 strike...

- After witnessing a fall of over 1100 points last week, the Bank Nifty consolidated near 29000 for a major part of the week with 28500 acting as a support area last week
- For the first time in the current month, Bank Nifty futures saw long build-up towards the end of the week, which could mainly be attributed to the support of private banks
- Call OI blocks were seen at 29000 strike. As the index finally gave a close above these levels, we feel closure of this positions is likely to provide cushion. Call OI has shifted to higher strikes of 29500 and 30000. If in case there is no negative trigger from the election outcome next week, we feel Bank Nifty is likely to head towards sizeable Call base of 30000. G-sec yields have slipped below 7.40 levels and we feel this is likely to trigger some buying in the banking space which will provide required support to the index
- The current price ratio of Bank Nifty/Nifty had slipped towards its previous two-year high of 2.53. However, as there was a reversal in Bank Nifty from 28500 levels, the ratio has bounced towards 2.57. We feel outperformance in banks is likely to lead the index higher and the ratio can move towards 2.62 levels



Source: Bloomberg, ICICI Direct Research

Risk sentiment improves amid some soothing comments from US President on trade war with China...

- The S&P index managed to stage recovery from the lows as US President Trump tried to downplay the trade war concerns with China. Stronger US economic data as well as news that US treasury secretary Steve Mnuchin may soon visit Beijing and continue the trade talks supported equities. However, concerns continue to linger even as US president signed an executive order curbing the ability of Chinese giant Huawei technologies citing threat to national security
- EM equities across witnessed outflows this week. Taiwan and South Korea witnessed huge outflows of almost \$960 and \$995 million and India and Indonesia too witnessed outflows of \$560 million and \$196 million
- MSCI Emerging market index extended slide this week, spooked by US-China trade war escalation. It fell over 2% this week and is down by almost 9% from its 2019 highs.
- Brent oil prices have firmed up this week even as most of the risk assets have declined due to trade war concerns. Opec+ meeting this week could lead to discussion on declining supplies from Iran. Current Opec supply agreement is scheduled to run till June end.

(in \$ million)

Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
10-May	-185.1	51.7	-5.1	-177.5	150.9
13-May	-19.7	26.6	-129.7	-136.0	151.1
14-May	-100.2	58.5	-222.3	-279.4	320.3
15-May	39.4	44.6	-270.9	-149.6	96.0
16-May	-117.0	60.1	-287.2		135.4

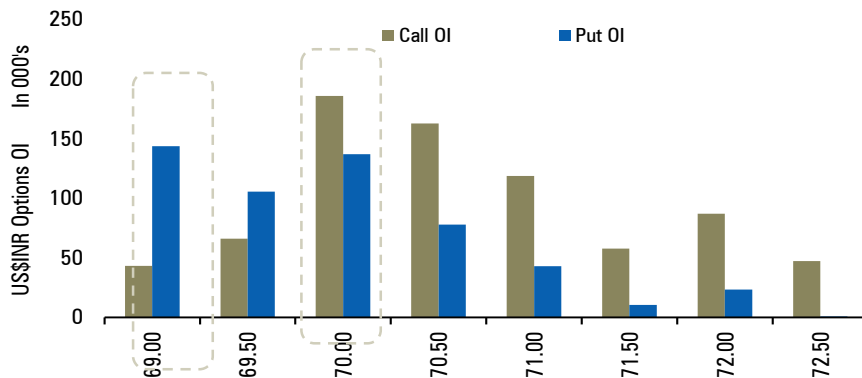
Source: Bloomberg, ICICI Direct Research

Weakening Chinese Yuan poses threat to EM currencies...

- The Dollar index is higher this week against major currencies as well as most of the EM currencies. Strong Housing starts data supported dollar. British Pound is weighed even as UK PM May is likely to present her Brexit vote in the first week of June. However, the bill is unlikely to get approved given the opposition Labour party is not backing it
- Chinese Yuan continued to depreciate this week declining by over 1%. It fell over 1.9% v/s US\$ and is approaching towards 7.0 levels
- Rupee has relatively remained calm compared to weakening seen in CNY. However it is likely to witness volatility coming week as general election outcome would be known. Concerns over a hung parliament of fractured mandate could lead to losses in rupee

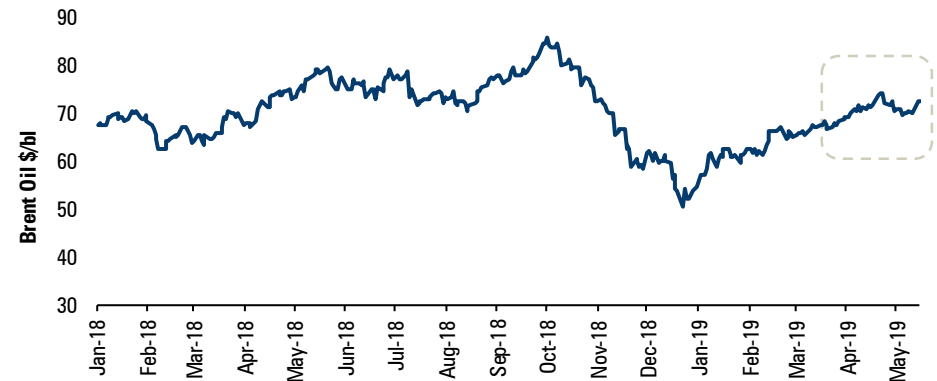
EM and DM currency vs. US\$...				
	cmp	pvs week	change %	Status
Dollar index	97.81	97.33	0.50	Appreciated
Euro €	1.1178	1.1233	-0.49	Depreciated
Japanese ¥	109.73	109.95	-0.20	Appreciated
UK £	1.2794	1.2998	-1.57	Depreciated
Australian \$	0.6886	0.7002	-1.66	Depreciated
Canadian \$	1.3469	1.3417	0.39	Depreciated
Swiss franc	1.0095	1.0118	-0.23	Appreciated
Emerging currencies v/s US\$				
Indian rupee	70.16	69.91	0.35	Depreciated
Chinese yuan	6.91	6.83	1.19	Depreciated
Brazilian real	4.05	3.96	2.28	Depreciated
Russian ruble	64.71	65.22	-0.80	Appreciated
South african rand	14.31	14.16	1.06	Depreciated
Indonesian rupee	14465	14327	0.96	Depreciated
S.korean won	1194	1177	1.42	Depreciated

US\$INR May Options Build up



Source: Bloomberg, ICICI Direct Research

Rising oil prices could create headwinds for Rupee



India:

- Quarterly Numbers

Japan:

- 20 May : GDP Data and Industrial Production, Capacity Utilization
- 22 May : Trade Balance and Core machine orders
- 23 May : Nikkei Japan PMI Mfg and Machine Tool Orders
- 24 May : Natl CPI

US:

- 21 May : Existing Home Sales
- 22 May: MBA Mortgage Applications, Initial Jobless Claims and Continuing Claims
- 23 May: Markit US Manufacturing, Services and Composite PMI, New home sales
- 24 May: Durable Goods Orders

Euro zone:

- 21 May : Consumer Confidence
- 23 May: Markit Eurozone Manufacturing, Services and Composite PMI

Source: Bloomberg, ICICI Direct Research

Date	Scrp	Action	Recommendation
17-May-19	Nifty	Buy	Long/Short Strategy : Buy 1 lot of Nifty May 11500 Call at 203-208 and Sell 1 lots of 12000 Call at 50-55, Target: 1200 (time frame: till May expiry)
22-May-19	Federal Bank	Buy	Positional Option : Buy Federal Bank May 105 Call at 2.5-3.0, Target:7 5, Stop-loss: 0.9 (time frame: till May expiry)

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Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
12-Mar-19	Cummins India	Buy	752-765	885	684	729	-4.1%	3 months
26-Mar-19	RBL Bank	Buy	678-688	795	619	667	-3.1%	3 months
16-Apr-19	L&T	Buy	1360-1380	1610	1240	1461	6.6%	3 months
20-May-19	State Bank of India	Buy	325-333	395	293	341	2.4%	3 months
Yearly Quant Picks								
12-Dec-18	Nestle	Buy	10550-10850	13550	9075	/A Requesting Dat	#VALUE!	12 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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