

July 16, 2018

Derivatives View

[Intraday](#)

[Positional](#)

Recommendations in the report

Action	I-Direct Code	Target 1	Target 2	Stoploss	Time frame
Buy BAAUTO JUL Fut at ₹ 3108.00-3112.00	BAAUTO	3156	3228	3060	Intraday
Sell BIOCON JUL Fut at ₹ 594.00-595.00	BIOCON	588	578	601	Intraday

Other Product offerings

Derivatives Strategy

Underlying	Action
Arvind	Buy
CEAT	Buy

Duration : 1 month

[Click here to see open calls](#)

Quant (Derivatives) Pick

Scrip	Action
Dabur	Buy
Ambuja Cement	Buy
L&T	Buy

Duration: 1-3 months

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Index Outlook

- ❖ **Nifty Future:** The Nifty is likely to open flat on the back of mixed global cues. Buy Nifty in the range of 10990-11000 for a target of 11020-11045, Stop loss: 10968
- ❖ **Bank Nifty Future:** After closing above 27000 on the weekly expiry day, the index slipped below 27000 and remained under pressure throughout the day. Mixed bag of activity was seen in private banks whereas PSUs continued to face hurdles. Looking at the options data, we feel a close above 27000 is likely to trigger short covering. Buy Bank Nifty in the range of 26850-26900, Target: 27000-27100, Stop loss: 26750

F&O Highlights

- ❖ The Nifty continued to remain above 11000 for a second day. However, the index lacked momentum and pace due to which selling was clearly visible in a few heavyweights. Apart from IT, all major indices ended in the red where media was the worst performer. We feel the index is likely to consolidate in coming days with 10900 being the support area for the week

Stock Analysis

- ❖ **Long build-up/short covering:** Titan Company, BPCL, Infosys, Reliance Industries, Bajaj Auto and Escorts
- ❖ **Short build-up/profit booking:** PVR, NCC, Engineers India, IFCI, Lupin and Biocon

FII & DII Action

- ❖ FIIs sold ₹ 1105 crore while DIIs bought ₹ 873 crore in the cash segment. In the index futures segment, there was long build-up of ₹ 1459 crore. In the index options segment they sold ₹ 1194 crore while in the stock future segment they created long positions of ₹ 517 crore

Intraday Recommendations

i) Bajaj Auto	ii) Biocon Ltd
Buy BAAUTO JUL Fut at ₹ 3108.00-3112.00	Sell BIOCON JUL Fut at ₹ 594.00-595.00
CMP: 3130	CMP: 601
Target 1: 3156 Target 2: 3228	Target 1: 587.8 Target 2: 577.8
Stop Loss: 3060	Stop Loss: 601.2

Note:

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

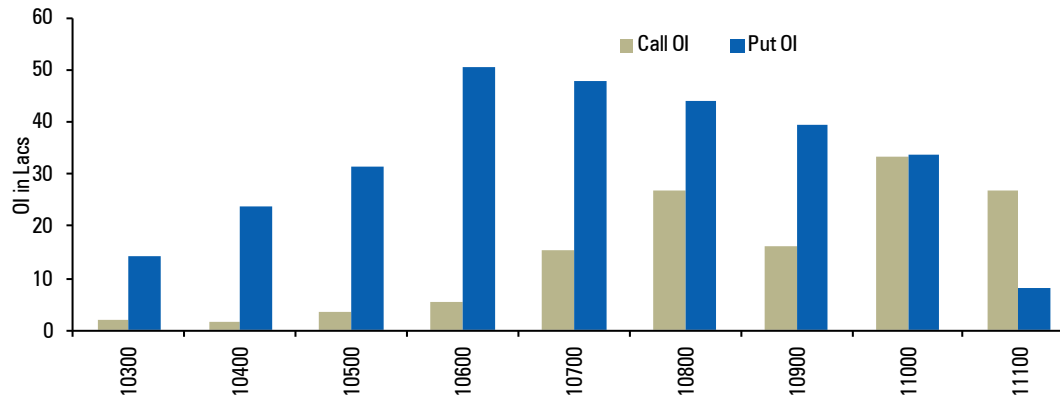
Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11019	11020	1.00	26795325	1.60	1.20	12.30
Previous	11023	11016	-7.00	26661825	1.63	1.25	12.50
Change (%)	-0.04%	0.04%	-	0.50%	-	-	-1.63%

Pivot levels (July)	S3	S2	S1	Piv	R1	R2	R3
Nifty future	10895	10959	10990	11023	11054	11087	11151
Bank Nifty future	26684	26834	26899	26984	27049	27134	27284

Nifty futures settled into a premium of 1 points with a fall in IVs by 1.6%

Nifty Options OI build-up



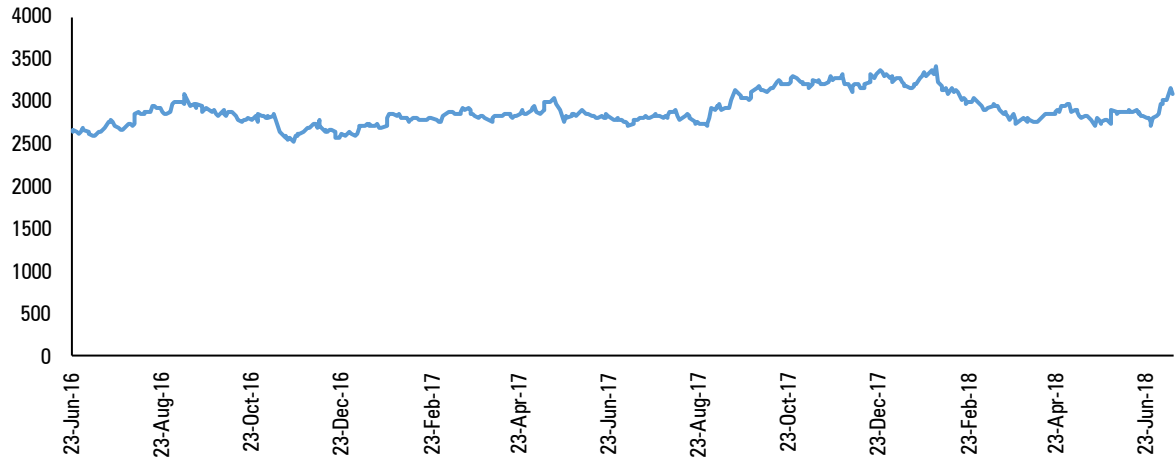
The highest Put base is at the 10600 strike with 50 lakh shares while the highest Call base is at the 11000 strike with 33 lakh shares

Strategy follow up

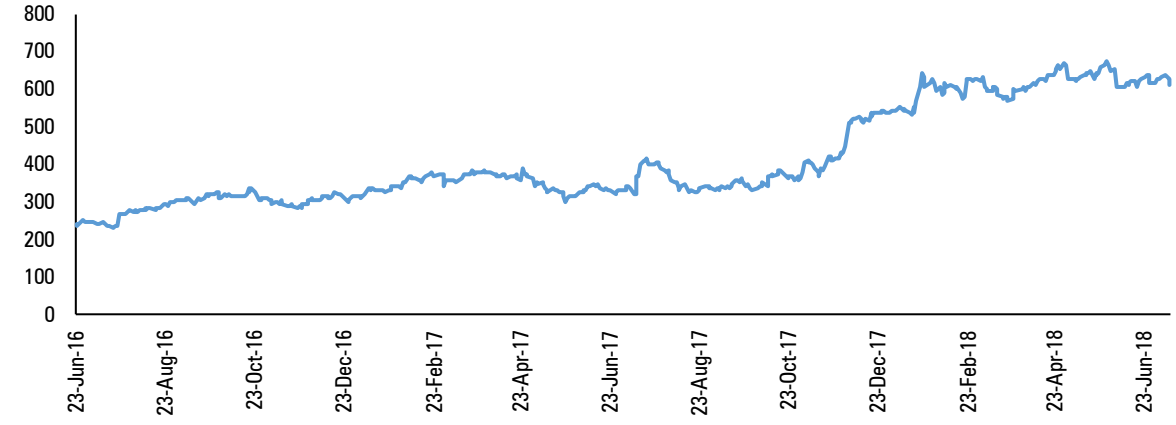
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
13-Jul-18	ARVLM	Buy	Long Fut	422.20	425.20	419.20	-	Not Initiated
13-Jul-18	LUPIN	Sell	Short Fut	879.00	859.60	889.60	8400	Profit Booked

[Back](#)

Bajaj Auto



Biocon Ltd



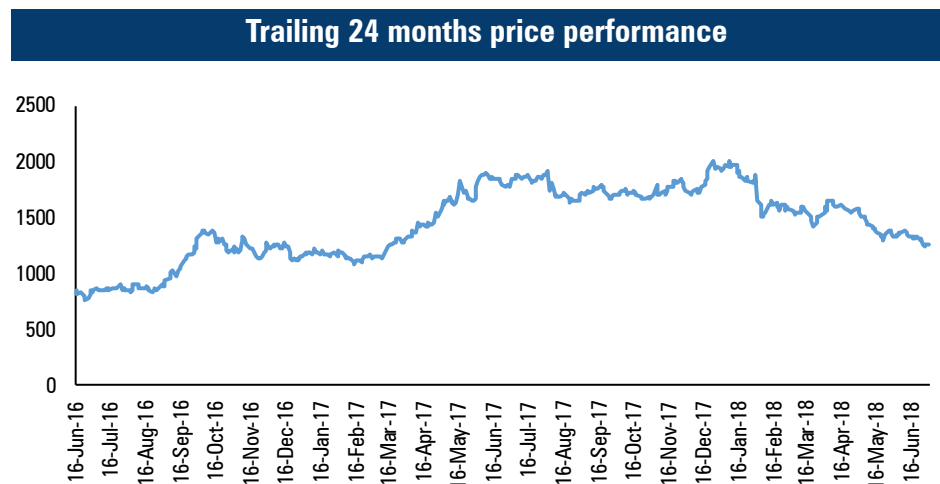
Source: NSE, Seediff, Bloomberg ICICI Direct Research

Note: We are continuing with the last week long CEAT future recommendation. Those who want to initiate fresh long in the stock, please maintain the same stoploss and target

Buy Ceat July Future in the range of ₹ 1285-1295, Target: ₹ 1440, Stop Loss: ₹ 1205

Rationale:

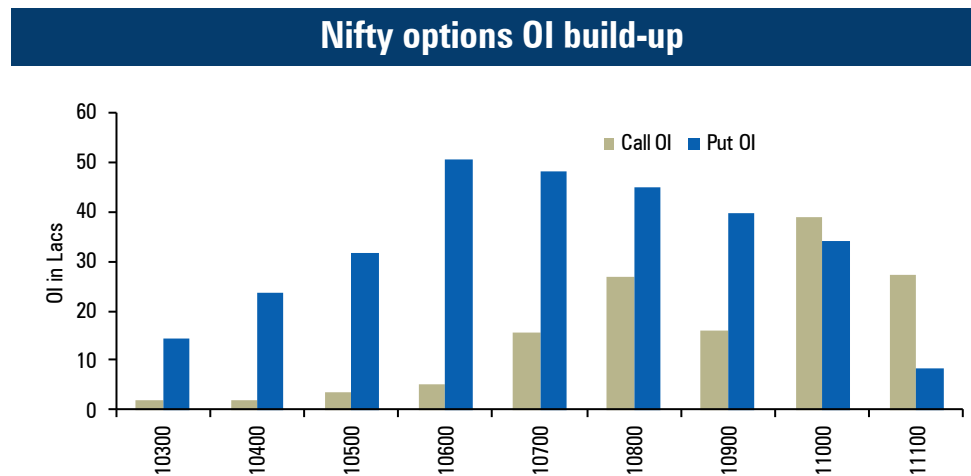
Most auto stocks have seen a sharp reversal this week. Ceat has seen continuous short additions in the last couple of months as it corrected almost 35% from its highs while the open interest increased almost 70% till June series. However, in the recent declines, no major fresh short positions were added in the stock. Considering the resilience shown by stock near 1300 levels, we believe the immediate up move due to short covering can be seen.



Source: Bloomberg, ICICI Direct Research

Nifty: Level of 10900 immediate support for coming week

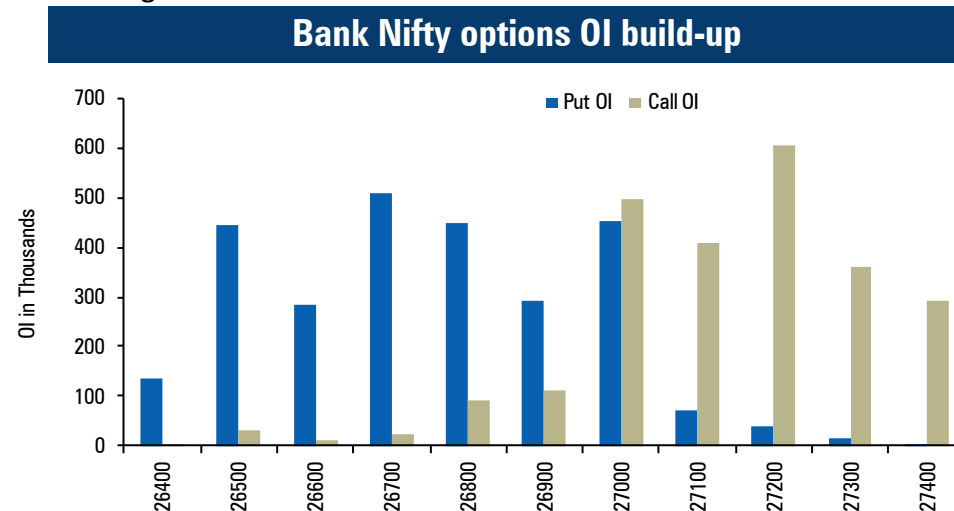
- Nifty has recovered from 10800 to 11000 levels during the week on the back of strength exhibited by select Nifty heavyweights.
- The volatility has remained lower despite the newly surfaced trade war tensions between US and China. IndiaVIX has remained near 12.5% after declining from the crucial resistance of 14%. This shows the positive bias in Nifty should continue in coming week.
- The way the Put writers have become active at 11000 strike, it may keep Nifty in some consolidation mode near this level for sometime.
- The midcap and small cap spaces have still remained under pressure despite the recent upmove in Nifty. If Nifty is able to hold 10900 levels, short covering from midcap space may eventually be seen. The better than expected quarterly results in coming quarters would also decide the stock's trend.



Source: Bloomberg, ICICI Direct Research

Bank Nifty: Major Put writing is seen in 26700 and 26800 strikes which will be the likely support...

- Despite the trade war fear intensified after the US proposal to impose additional tariffs on 200bn Chinese imports, the Indian benchmark indices continued to out-perform global markets. The Bank Nifty managed to move above the sizeable Call base of 27000 on the weekly expiry day.
- Private sector banks continued to roar whereas short covering trend was also seen in few PSU banks in the first half. FII's continued to buy in the index option segment and created long positions to the tune of INR 3500 crore on the weekly expiry day. Major OI build-up was seen in the Call strikes of 27000 to 27200.
- As the IV's remained muted, positions were seen forming in 26700 to 26500 Puts. Call writers remained active in 27200 strike whereas for the week the overall additions were observed in Puts indicating the upside is likely to continue. We feel the index is well placed to move towards 27200 levels and if it manages to close above these levels than a short covering trend can also be seen.
- The price ratio of Bank Nifty/Nifty remained near 2.44 levels. Multiple times support was seen near 2.42 levels in the past which is also indicating that the downside can be limited in the index from the current levels and once the index closes above 27200 levels, outperformance can be seen in banking stocks.



Source: Bloomberg, ICICI Direct Research

Emerging markets gain even as US\$ continues to consolidate....

- Emerging markets (EM) is poised to end this week on a positive note even as Emerging market index may cap four-week losing streak. US administration has announced to impose tariffs on additional Chinese imports worth of \$200 bn, which could come into effect after 30th August 2018. However sharp decline in crude oil prices, hit by trade war sentiment as well as expectation of increase in Libyan output is positive for oil importers like India
- Emerging markets saw mixed flows in equities during the week. Malaysia (\$117 million), Philippines (\$29 million) and Thailand (\$159 million) witnessed outflows, while India (\$63 million), South Korea (\$ 239) and Indonesia (\$15 million) witnessed inflows. India and Indonesia saw inflows in debt too during the week which was to the extent of (\$54 million) and (258 million) respectively
- In the upcoming week, market participants would continue to track trade rift between US and its major trading partners especially China as its trade surplus with US hit record highs in June at \$41.6 bn

DII buying continues					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
6-Jul	102.8	81.8	10899.8	43.3	215.9
9-Jul	22.7	70.0	10.4	-151.6	108.0
10-Jul	126.8	-13.2	146.9	-74.7	42.9
11-Jul	258.3	43.0	-85.6	12.9	2.2
12-Jul	103.3	111.8	-91.7	0.0	53.4

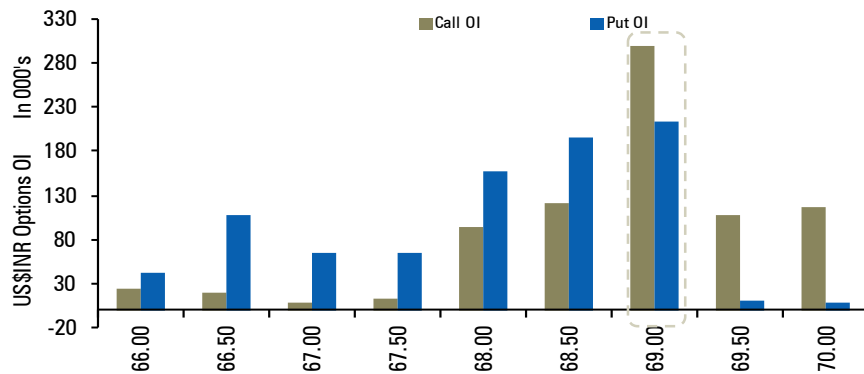
Source: Bloomberg, ICICI Direct Research

Rupee sustains sharp gains as reversal in oil prices provides respite from widening deficit concerns

- The US\$ is likely to cap three-week losses this week with Dollar index higher by almost 0.96% supported by sharp gains against JPY. US administration has warned to impose tariffs on additional Chinese imports worth \$ 200 billion which could come into effect after 30th August.
- Rupee is higher by almost 0.72% against US\$ this week. It has also registered gains against other major currencies like Euro and GBP. Domestic June retail inflation rose to almost five-months highs at 5%. Trend in US\$ and crude oil to remain in focus in near term. Any sign of negotiations by China could be US\$ positive while further declines in crude oil prices could see rupee gaining strength

EM and DM currency v/s US\$...				
Major currencies v/s US \$	cmp	pvs week	change %	Status
Dollar index	94.86	93.96	0.96	Appreciated
Euro €	1.1662	1.1746	-0.72	Depreciated
Japanese ¥	112.66	110.47	1.98	Depreciated
UK £	1.3179	1.3283	-0.78	Depreciated
Australian \$	0.7414	0.7430	-0.22	Depreciated
Canadian \$	1.3164	1.3084	0.61	Depreciated
Swiss franc	1.0021	0.9893	1.29	Depreciated
Emerging currencies v/s US\$				
Indian rupee	68.38	68.88	-0.72	Appreciated
Chinese yuan	6.67	6.64	0.44	Depreciated
Brazilian real	3.88	3.86	1.01	Depreciated
Russian ruble	62.27	62.99	-1.14	Appreciated
South african rand	13.29	13.47	-1.33	Appreciated
Indonesian rupee	14365	14375	-0.07	Appreciated
S.korean won	1125	1116	0.78	Depreciated

US\$INR July Options build up



Dollar index continues to struggle near 95.0 level



Open Interest Addition									
Long Build Up					Short Build Up				
Stock	Current OI	CMP	% Chg OI	% Chg price	Stock	Current OI	CMP	% Chg OI	% Chg price
Marico India	2140	357	27.53%	2.75%	PVR Ltd	3474	1225	56.06%	-11.13%
Adani Ent	5896	19.8	23.12%	18.56%	Zee Ent	8670	511.4	33.14%	-5.09%
Tata Elxsi	2016	1424	19.29%	4.75%	UPL Ltd	14341	571.4	27.23%	-8.50%
DCB Bank	1863	180	17.02%	6.13%	Ambuja Cement	6763	197.9	26.01%	-5.06%
KPIT	1333	298.9	14.62%	10.91%	Strides	6173	373.5	25.11%	-8.11%

Open Interest Closure									
Long Closure					Short Closure				
Stock	Current OI	CMP	% Chg OI	% Chg price	Stock	Current OI	CMP	% Chg OI	% Chg price
Muthoot Fin	858	392.35	-6.74%	-3.47%	IDBI Bank	5632	57	-19.24%	17.77%
Ujjivan	2529	379.55	-6.09%	-0.14%	MAX Fin	2314	449	-13.85%	7.17%
Sun TV	6493	780.9	-5.67%	-1.90%	Torrent Pharma	1290	1446.95	-12.78%	1.50%
ONGC	9777	155.2	-5.62%	-0.58%	Sriram Transport	10420	1247.5	-11.66%	12.23%
HCC	2097	11.45	-4.16%	-0.87%	Torrent Power	600	226	-11.37%	0.07%

India:

- 13 July : Exports and Import Data
- 16 July : Wholesale Prices

Japan:

- 19 July : Trade Balance
- 19 July : Machine Tools Order
- 20 July : National CPI and All Industry Activity

US:

- 16 July : Empire Manufacturing and Retail Sales Data
- 17 July : Industrial Production MoM and Capacity Utilization
- 18 July : MBA Mortgage Applications and Housing Starts, Building Permits
- 19 July : Initial Jobless Claims and Continuing Claims, Leading Index

Euro zone:

- 17 July : New Car Registration
- 18 July : CPI Data

Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Recommendation
3-Jul-18	Dr Reddy	Buy	Long /Short Strategy : Buy Dr Reddy July 2300 Call at 70-73 and Sell July 2500 Call 19-22; Target: 2500; Time Frame: Till July Expiry.
10-Jul-18	Colgate	Buy	Positional Future : Buy Colgate July futures at 1168; Target: 1255; Stoploss: 1120; Time Frame: Till July Expiry
12-Jul-18	Arvind	Buy	Positional Option : Buy Arvind July 420 Call at 6.7; Target: 15; Stoploss: 2.6; Time Frame: Till July Expiry

[Back](#)

Source: Bloomberg, ICICI Direct Research

Quant Picks: Open recommendations

Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
30-May-18	United Spirits	Buy	3370-3390	790	613	608	-10.1%	3 months
25-Jun-18	Ambuja Cement	Buy	204-208	243	735	197	-5.3%	3 months
9-Jul-18	Exide Industries	Buy	261-265	305	238	265	0.0%	3 months
11-Jul-18	Dabur	Buy	373-379	435	345	376	-0.8%	3 months
11-Jul-18	L&T	Buy	1280-1295	1480	1175	1298	0.3%	3 months

Yearly Quant Picks

14-Dec-17	Havells	Buy	525-539	655	470	560	5.7%	12 months
14-Dec-17	Arvind	Buy	428-439	545	375	411	-5.3%	12 months

[Back](#)

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

ANALYST CERTIFICATION

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