

October 20, 2020

Other Product offerings

Derivatives Strategy

Underlying	Action
Pidilite Industries	Buy

Duration : 1-2 months

Quant (Derivatives) Pick

Underlying	Action
Bata India	Buy
Bharti Airtel	Buy

Duration : 1-3 months



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Derivatives View

[Daily view](#)

[Weekly view](#)

Stock recommendations in report

Action	Scrip	Target 1	Target 2	Stoploss	Time frame
Buy INDBA OCT Fut at ₹ 626.00-627.00	IndusInd Bank	637.8	654.6	615.3	Intraday
Sell MAHMAH OCT Fut at ₹ 600.00-601.00	Mahindra & Mahindra	594.1	584.4	606.9	Intraday
Buy MARIND OCT Fut at ₹ 364.00-367.00	Marico	390.0	-	349.0	Weekly
Buy HDFBAN OCT Fut at ₹ 1182.00-1188.00	HDFC Bank	1270.0	-	1135.0	Weekly
Buy LARTOU OCT Fut at ₹ 910.00-916.00	Larsen & Toubro	970.0	-	880.0	2-3 Weeks

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Intraday Outlook: Buy Bank Nifty in the range of 24300-24400

Index Outlook

Nifty Future

- ❖ The Nifty is expected to trade between 11500 and 12000 amid high volatility. Sell Nifty 11700 Put (October 22 expiry) in the range of ₹ 30-32 Target: ₹ 16-6 Stop loss : ₹ 46

Bank Nifty Future

- ❖ The Bank Nifty opened higher and held firm above 24000. In the final hours, a sudden surge in leading private banks helped the Bank Nifty to end near its day's high. Looking at the options data, this current recovery may extend up to 25000 levels as it holds maximum Call OI. However, on downsides, 24000 and 23700 will act as support. Buy Bank Nifty in the range of 24300-24400, Target: 24550-24700, Stop loss: 24200

F&O Highlights

- ❖ The Nifty rallied over 100 points and settled above 11850 levels. Sectorally, action was seen in BFSI and energy stocks while profit taking was seen in pharma and auto stocks. Looking at the OI data, we feel the Nifty may consolidate between the range of 11800 and 12000 with stock specific action

Stock Analysis

Long build-up/short covering: Bank of Baroda, DLF, IndusInd Bank, SBI, Axis bank, Pidilite, Coal India and Gail

Short build-up/profit booking: Divis Lab, Glenmark, Torrent Pharma, Mahindra & Mahindra, Maruti and TVS Motor

FII's & DII Action

- ❖ FII's bought ₹ 1656 crore while DII's sold ₹ 1621 crore in the cash segment. FII's bought index futures worth ₹ 141 crore while in index options they sold ₹ 35 crore. In the stock futures segment, they sold ₹ 645 crore

Intraday Recommendations

i) IndusInd Bank		ii) Mahindra & Mahindra	
Buy INDBA OCT Fut at ₹ 626.00-627.00		Sell MAHMAH OCT Fut at ₹ 600.00-601.00	
CMP: 626.5		CMP: 600	
Target 1: 637.8	Target 2: 654.6	Target 1: 594.1	Target 2: 584.4
Stop Loss: 615.3		Stop Loss: 606.9	

Note:

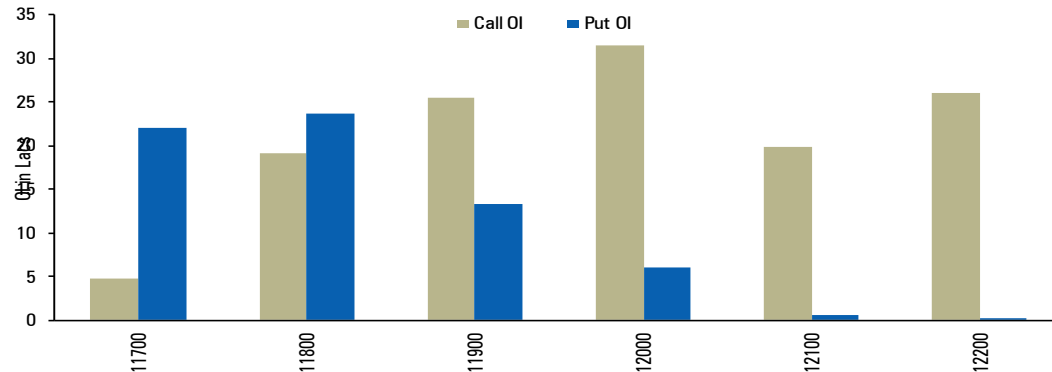
Note: Call initiation message will be broadcast on iclick-2-gain, if it is not initiated in opening session, then we might initiate with revise levels on iclick-2-gain.

Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	11873	11889	16	12386400	1.37	1.09	21.82
Previous	11762	11765	3	12352725	1.35	1.06	21.64
Change (%)	0.94%	1.05%	-	0.27%	-	-	0.82%
	S3	S2	S1	Piv	R1	R2	R3
Nifty future	11707	11788	11839	11869	11920	11950	12031
Bank Nifty future	22926	23549	23935	24172	24558	24795	25418

Nifty futures ended at a premium of 16 points while IV rose 1%

Weekly Nifty Options OI build-up



The major Put base is at 11800 strike with almost 23 lakh shares while the major Call base is at the 12000 strike with almost 31 lakh shares

Strategy follow up

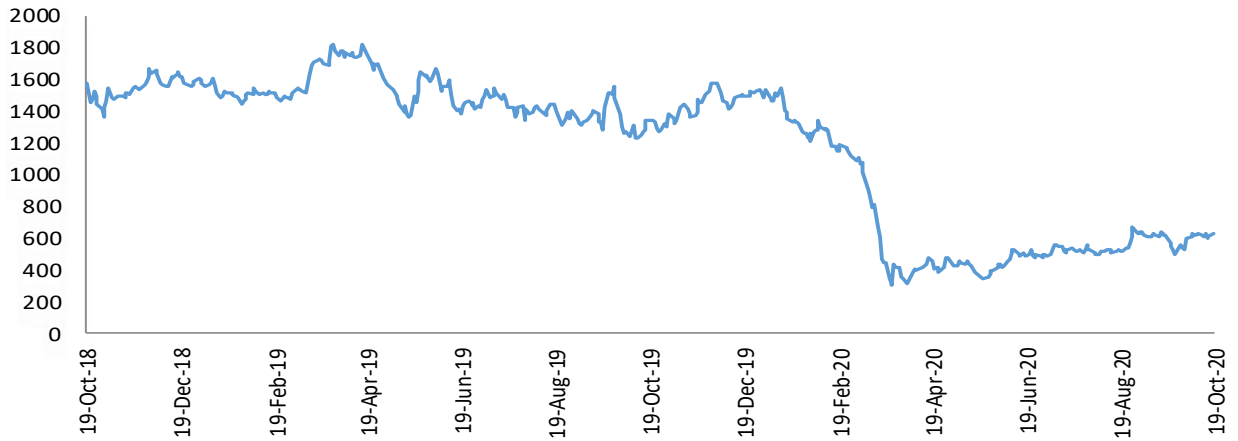
Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
19-Oct-20	TATSTE	Buy	Long Fut	395.5	400.8	390.2	1700	Profit booked
19-Oct-20	GODCP	Sell	Short Fut	678.5	669.5	687.5	-	Not initiated

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.

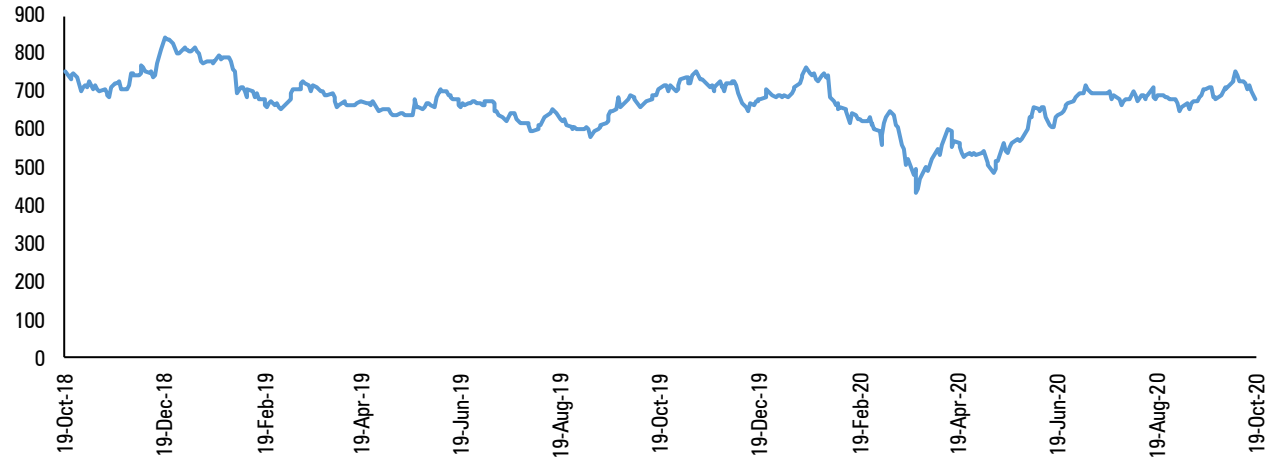
[Back](#)

Source: NSE, Seediff, Bloomberg ICICI Direct Research

IndusInd Bank



Mahindra & Mahindra

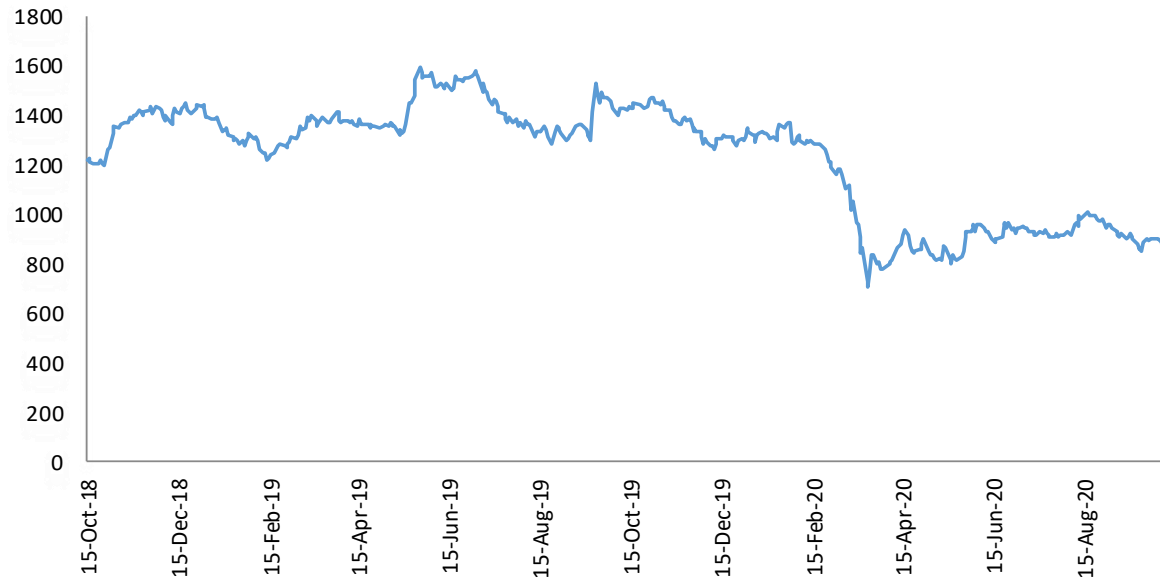


Source: NSE, Seediff, Blo
October 20, 2020

Positional Recommendation

Date	Stock	View	Initiation Range	Target	Stoploss	Time Frame	Expiry
14-Oct-20	Larsen & Toubro	Buy	₹ 910.00-916.00	₹ 970	₹ 880	2-3 weeks	October

Larsen & Toubro



Recommendation follow up

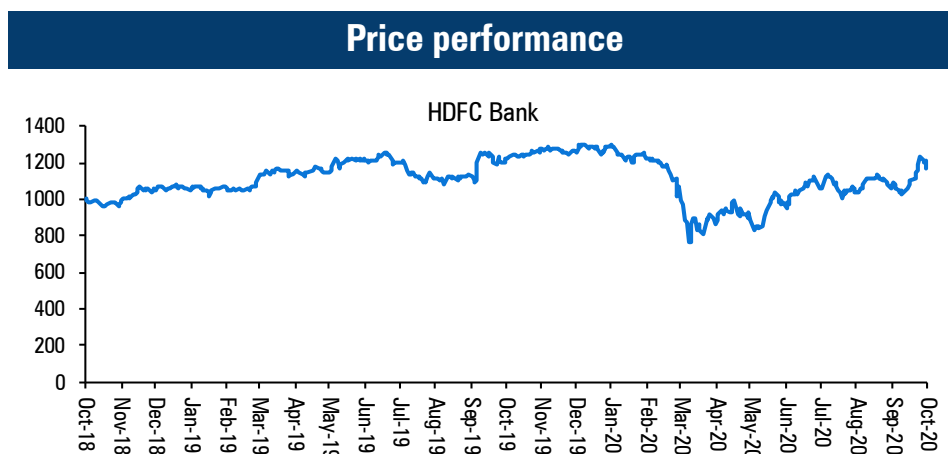
Date	Stock	View	Initiation Range	Target	Stoploss	Profit/ Loss	Comment
5-Oct-20	Glenmark Pharma	Buy	₹ 495.00-497.00	₹ 516	₹ 484	23000	Profit booked

Weekly future recommendation:

Long HDFC Bank (HDFBAN) October future in the range of ₹ 1182-1188. Target: ₹ 1270; Stop Loss: ₹ 1135

Rationale

After making a high of ₹ 1240, HDFC Bank retraced marginally as profit booking was seen in the Bank Nifty from 24000. However, a sharp reversal was seen in most private banks where HDFC Bank was the leader and managed to move above its sizeable Call base of 1200. We feel the leaders among the pack are likely to do well and once the Bank Nifty manages to move above 24000, aggressive short covering could be seen in private leaders. Hence, we feel HDFC Bank can be bought, which has the potential to move towards its Call base of ₹ 1300.

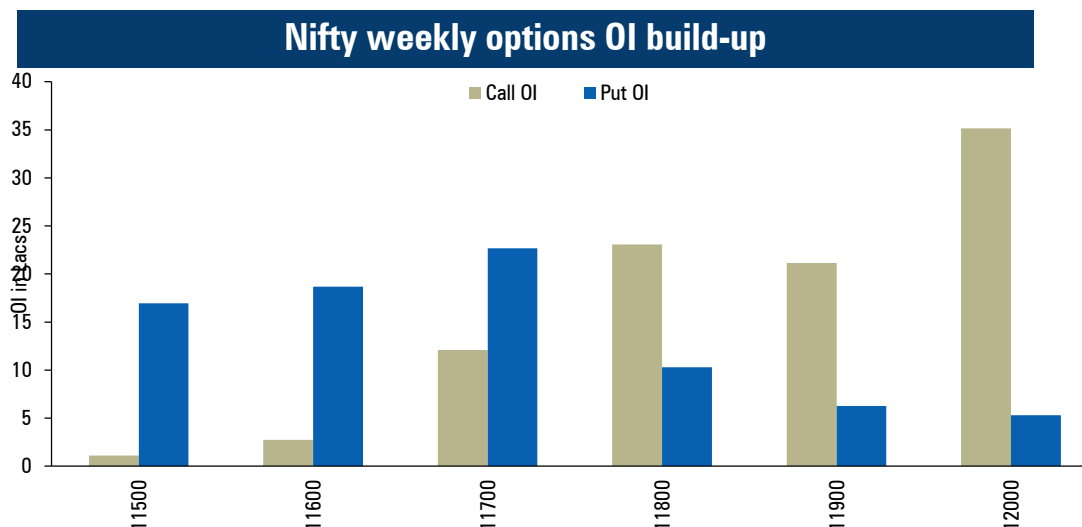


Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Marico	Bullish	Buy Future	364-367	390	349	-	Open

Source: Bloomberg, ICICI Direct Research

Positive consolidation to continue above immediate support of 11700

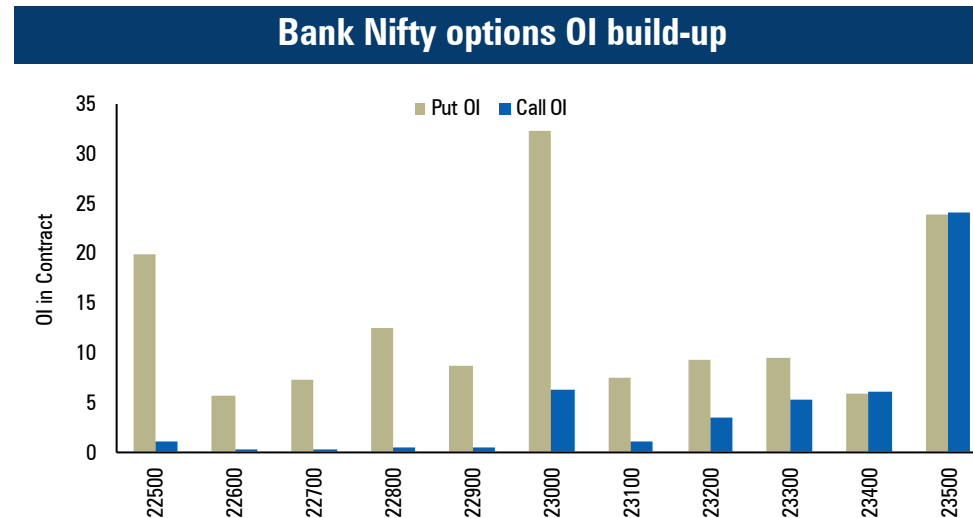
- The Nifty witnessed significant volatility last week. Despite trading with a positive bias for most of the week, it gave away all the gains during the weekly settlement. From the highest Call base of 12000 strike, it breached most of the Put bases and closed below 11700, declining almost 300 points in a session. Global weakness due to stalemate in fresh US stimulus and fears of renewed lockdown in Europe kept markets under pressure
- Technology space was the major driver along with banking stocks in the recent market up move, Volatility is expected as many heavyweight results are lined up this week. However, considering better-than-expected results and buyback announced by a few companies, we believe downsides should be limited while declines remain a buying opportunity. On the other hand, banking stocks remain underperformers. We may witness a fresh index move triggered by banking heavyweights where short positions are still intact
- For the coming weekly settlement, the Nifty has highest Put base at 11700 strike while Call base is placed at 12000 strike. Hence, the Nifty should find immediate support near current levels of 11700 below which a fresh round of weakness can be expected towards 11400. However, we expect the Nifty to consolidate above 11700 due to ongoing result season amid stock specific movements
- The volatility index has remained largely in the range of 20-22 levels in the last couple of weeks. We expect the same to continue. With the approaching US elections, volatility is likely to move gradually higher from current levels. However, we expect it to find resistance near 24 levels in the coming weeks



Source: Bloomberg, ICICI Direct Research
October 20, 2020

Bias remains positive till Bank Nifty trades above 23000

- After 10 days of positive closing, selling was seen in broader indices on the weekly expiry day where the Bank Nifty tested its highest Call base and Put base on the same day due to a sharp sell-off. However, last Friday, banking stocks, mainly from the private space, saw decent buying. Most leaders were positive, which led the index above 23500
- Despite all the whipsaws and sharp rise in IVs, it remained in a range of ₹ 20-22 for the past few weeks, which is not triggering towards any sharp decline
- Majority of OI addition was seen in 23000 strike Put followed by 22500, which remains a strong support area. However, ATM straddle of 23500 saw huge OI addition indicating possible consolidation with a positive bias
- The current price ratio spread of Bank Nifty/Nifty remained near the level of 2. We feel outperformance could be seen in the Bank Nifty as it saw decent support near its sizeable Put base of 23000. If the index manages to move above 24000, fresh up moves are expected while the ratio will move towards 2.05 levels



Source: Bloomberg, ICICI Direct Research

FII remain positive in volatile week...

- The Nifty continued its positive bias and tested the crucial 12000 level last week, outperforming most global indices. However, profit booking emerged on Thursday, which took the Nifty towards 11700 and ended the week with a loss of almost 2%. Negative global cues and profit booking in the technology space kept the Nifty under pressure. However, midcap and small cap indices also came under pressure and both declined almost 2% during the week
- FIIs remained net buyers once again on Indian equities last week as the Nifty moved towards 12000. Despite range bound global markets, the Nifty witnessed continued upsides. They bought almost ₹ 2932 crore in equities. Domestic institutions remained sellers at higher levels and sold close to ₹ 4600 crore in equities last week. Domestic institutions have been net buyers in recent declines seen since mid-September and provided support near 10800. For October, net FII investment in equities has remained positive. They have bought around ₹ 8782 crore in equities while they sold ₹ 878 crore in the debt markets
- In the F&O space, activities were mixed on the FII front. While they sold worth ₹ 842 crore in index futures, they also sold to the tune of ₹ 3327 crore in the stock futures segment during the week. However, FIIs bought ₹ 1414 crore in index options during the week
- Nymex crude remained largely above \$40 levels despite easing of supply constraints from Norway and the US. The compliance with production cut among Opec countries and expectations of harsh winters kept prices higher. However, due to fears of a fresh lockdown, we expect crude to remain under pressure in the coming weeks while upsides seem limited

FII/DII buying in equities (in ₹ crore)

Date	FII				DII
	Index Fut	Stock Fut	Index Opt	Cash	Cash
9-Oct	739.0	-1040.0	-1218.0	-1255.0	187.0
12-Oct	-701.0	-948.0	-1218.0	1766.0	-1029.0
13-Oct	-59.0	-931.0	55.0	1876.0	-1674.0
14-Oct	-714.0	-630.0	2470.0	1149.0	-1276.0
15-Oct	-107.0	222.0	1325.0	-604.0	-808.0

Source: Bloomberg, ICICI Direct Research

Rupee expected to remain in range of 73.00-73.70 levels

- US\$INR futures rose slightly in the week as the dollar index rose strongly till a high of 93.92 along with a sharp correction in domestic equities that also supported the pair
- The dollar index was headed for its best week of the month on Friday, as surging Coronavirus cases and stalled progress toward US stimulus had investors seeking safe assets. The US Midwest is also battling record surges in new cases just as data shows the US recovery losing steam and as stimulus plans bog down in a three-way negotiation between the White House, Senate Republicans and House Democrats
- We expect the overall trend in the rupee to be sideways as the short-term bounce in the dollar index along with a correction in equities is likely to support the US\$INR in the short-term

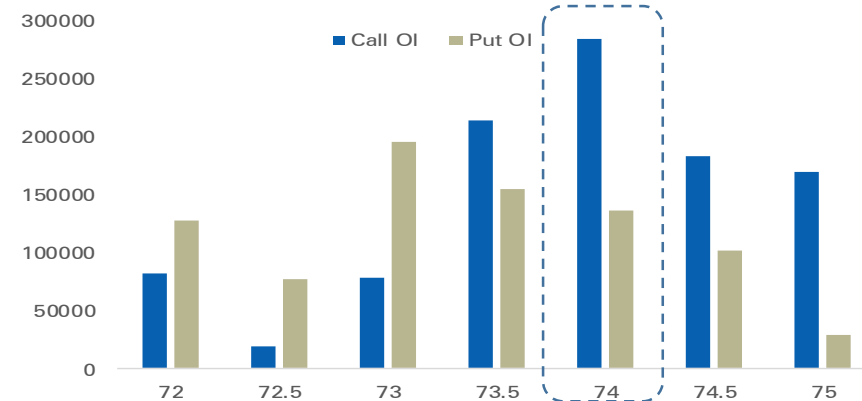
Weekly pivot levels					
Futures	S2	S1	Pivot	R1	R2
US\$INR (Oct)	72.96	73.19	73.37	73.60	73.77
US\$INR (Nov)	73.18	73.40	73.57	73.79	73.97
EURINR (Oct)	85.21	85.59	86.25	86.63	87.29
EURINR (Nov)	85.55	85.90	86.47	86.82	87.39
GBPINR (Oct)	93.82	94.43	95.16	95.77	96.50
GBPINR (Nov)	94.11	94.71	95.43	96.03	96.75
JPYINR (Oct)	68.98	69.38	69.67	70.06	70.36
JPYINR (Nov)	69.31	69.64	69.85	70.18	70.40

Brent crude



Source: Bloomberg, Reuters, ICICI Direct Research

US\$INR options build-up



Forthcoming Events...

Date & Time (IST)	Country	Data & Events
October 18, 2020		
6:35 PM	Euro Zone	ECB President Lagarde Speaks
October 20, 2020		
6:00 PM	US	Building Permits (Sep)
October 21, 2020		
11:30 AM	UK	CPI (YoY) (Sep)
8:00 PM	US	Crude Oil Inventories
October 22, 2020		
11:30 AM	UK	Retail Sales (MoM)
6:00 PM	US	Initial Jobless Claims
7:30 PM	US	Existing Home Sales (Sep)
October 23, 2020		
11:30 AM	UK	Retail Sales (MoM) (Sep)
2:00 PM	UK	Manufacturing PMI (Oct)
2:00 PM	UK	Services PMI (Oct)
Tentative	UK	Autumn Budget

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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