

November 6, 2020

Quant Pick – Bajaj Finserv

Quant Pick

Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Bajaj Finserv	Buy	6040-6140	7160	5500	3 Months

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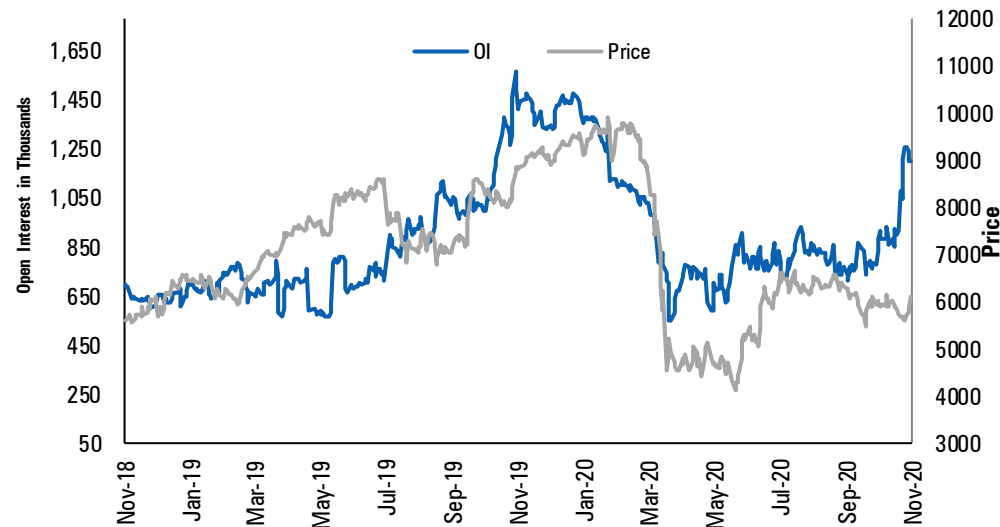
Buy Bajaj Finserv in range of ₹ 6040-6140, Target: ₹ 7160; Stop Loss: ₹ 5500; Time frame: Three months

Snapshot

Spot Price	6250.00
Beta	1.56
12M Avg Price (₹)	6342.0
3M Avg Roll (%)	93.0%
HV 30 Day (% Annualised)	49.00

Price vs. open interest pattern

Short covering likely to take stock higher



Source: NSE, Seediff, ICICI Direct Research

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- The NBFC space has remained largely range bound in the last five months with stocks like Bajaj Finserv underperforming its peers. We believe the stock has significant room for upsides. After remaining range bound for some time, the recent up move is likely to continue towards ₹ 7000 and above levels
- The open interest in the stock has increased sharply in the last two months. Current OI in the stock is at a six month's high. As the stock has failed to participate with a market move, short positions were formed in the stock. Last few sessions of the November series saw closure of open interest suggesting ongoing short covering. We believe the ongoing short covering will continue, which should take the stock higher in the coming trading sessions
- On the options front, after significant writing seen in 6500 Call, the highest Call OI base is at 7000 strike for November series. However, continued closer is visible at ATM Call strikes of 6100 and 6200 strikes. With initial sign of closure among Call writers, we expect the stock to be well placed to test its Call base of 7000. On the other hand, writing was seen in 5500 and 5600 Put strikes that should act as support on downsides
- The stock saw significantly high delivery based buying in June when it moved from ₹ 5500 to ₹ 6400. After a round of consolidation around these levels, we believe it is finally moving into a higher range. Furthermore, delivery volumes were seen in the last week of October. Hence, the stock is likely to continue its upward move amid positive consolidation
- The Delivery Z score reading in the cash segment indicates there is still room for further delivery pick-up in coming days. In due course, the up move should pan out in the stock
- **Note:** Call has been initiated on iClick2Gain on November 6, 2020

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Source: Bloomberg, ICICI Direct Research

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