

July 3, 2020

Quant Pick – HDFC Ltd

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
HDFC Ltd	Buy	1835-1875	2140	1692	3 Months



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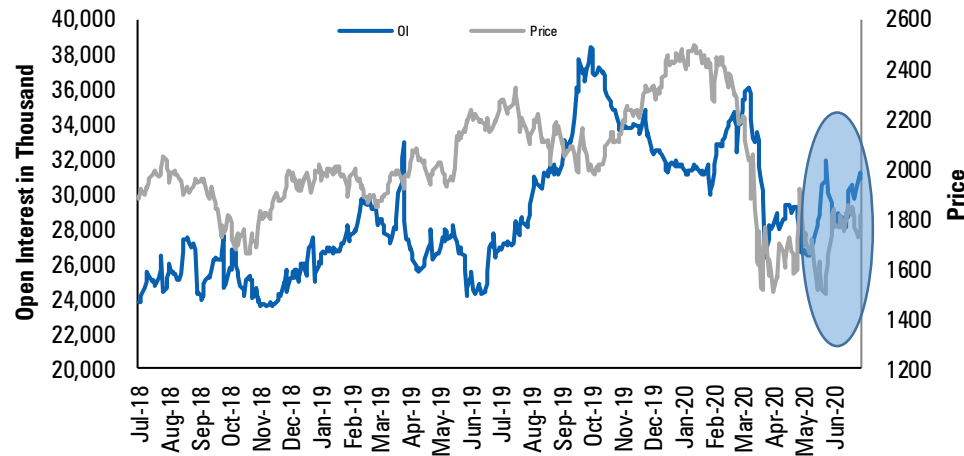
Buy HDFC Ltd in the range of ₹ 1835-1875, Target: ₹ 2140;
Stop Loss: ₹ 1692; Time frame: Three months

Snapshot

Spot Price	1875.00
Beta	1.18
12M Avg Price (₹)	2078
3M Avg Roll (%)	89.00%
HV 30 Day (% Annualised)	55.80

Price vs. open interest pattern

Intact long positions likely to continue momentum



Source: NSE, Seediff, ICICI Direct Research

- The NBFC space has remained under pressure and was unable to perform in line with the market recovery in the past. However, in the recent recovery, stocks from the NBFC space witnessed fresh upsides and were major drivers of the index up move. Among heavyweights, HDFC Ltd is likely to move out from its three month consolidation zone. It is likely to test its major breakdown levels of ₹ 2150 in the ongoing recovery
- Like most stocks, open interest in HDFC has also declined substantially. From near 35 million shares in February it declined to 28 million shares in March and declined further to 26 million shares in May suggesting no addition of OI despite market recovery. However, in the last month itself, significant fresh addition of open interest was observed in the stock. We believe lower levels were used to accumulate the stock. There is ample room for fresh addition. We expect fresh longs to take the stock further higher
- On the options front, the stock has significantly high Call option base at the 1900 strike. It has been finding resistance around it in the last three months. However, in the current up move, we have seen marginal closure of positions, which should keep the stock elevated. The gradual build-up of position at 1800 Put indicates immediate support at lower levels for the stock
- HDFC Ltd had seen significant volumes From March to May 2020 while the stock price remained in the range of ₹ 1550-1750. After exhaustion of selling pressure, it was able to move above the range in June and has been consolidating since then. It has started showing momentum again after testing ₹ 1750 levels. We expect the uptrend to continue in the coming weeks
- The stock tested its mean-2*sigma levels for the first time since 2008 and has started recovering. We believe it will move towards its mean levels placed around ₹ 2150 in the coming weeks before pausing

Note: Call has been initiated on iClick2Gain on July 02 2020

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Source: Bloomberg, ICICI Direct Research

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We /I, Amit Gupta B.E, MBA (Finance), Raj Deepak Singh BE, MBA (Finance), Nandish Patel BCOM, Dipesh Dedhia BCOM, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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