

May 17, 2022

Other Product offerings

Derivatives Strategy

Underlying	Action
Hindustan Unilever	Buy

Duration : 1-2 months

[Click here to see open calls](#)

Quant (Derivatives) Pick

Underlying	Action
IOCL	Buy

Duration : 1-3 months

[Click here to see open calls](#)

Quant Thematic

Three factor model for stocks filtration

Stock Picks

Stock	Action	Initiation Range	Target	Stop loss	Time Frame
TVS Motors	Buy	632-645	748	580	3 Months
BEL	Buy	220-226	260	202	3 Months

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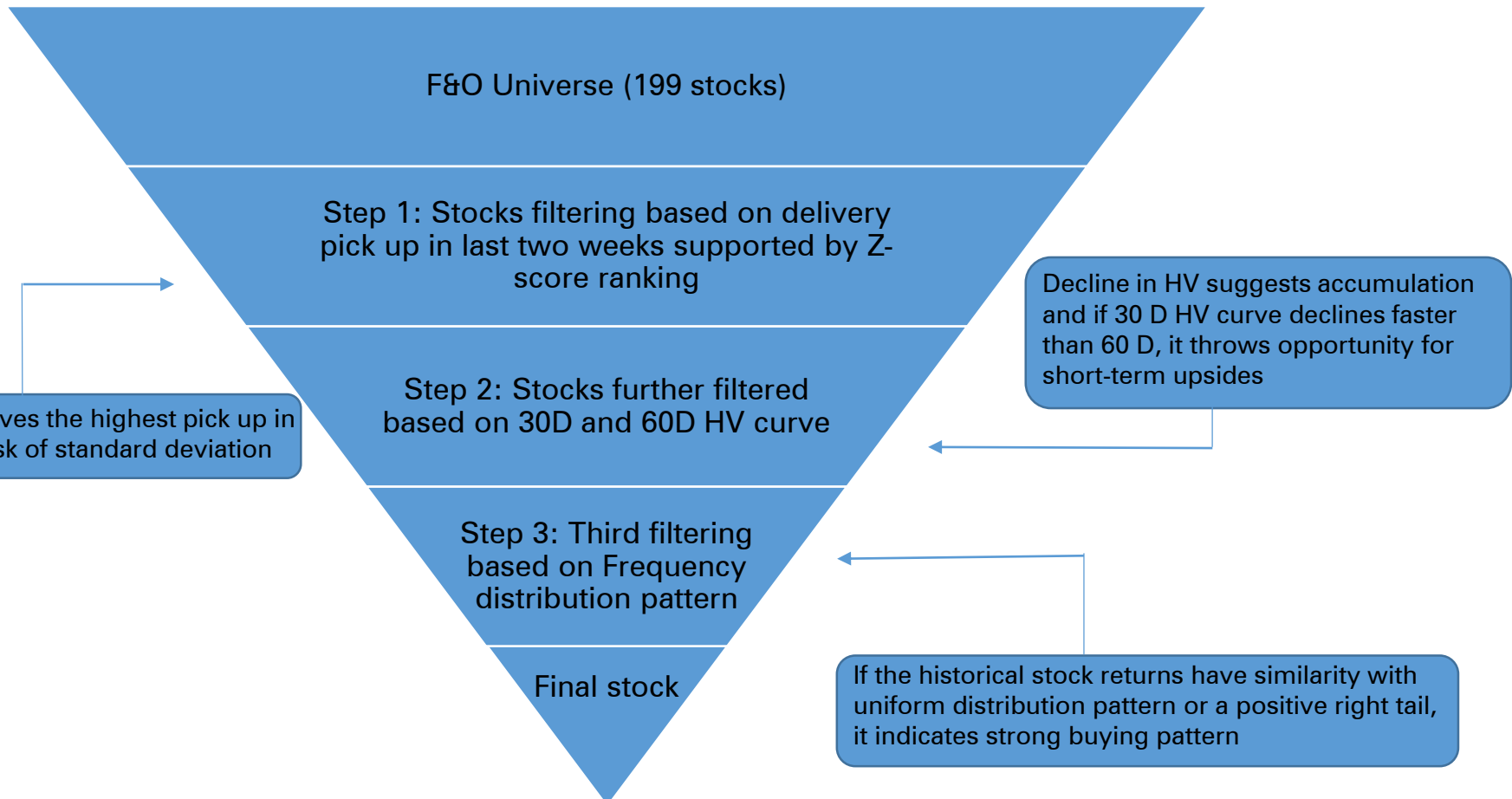
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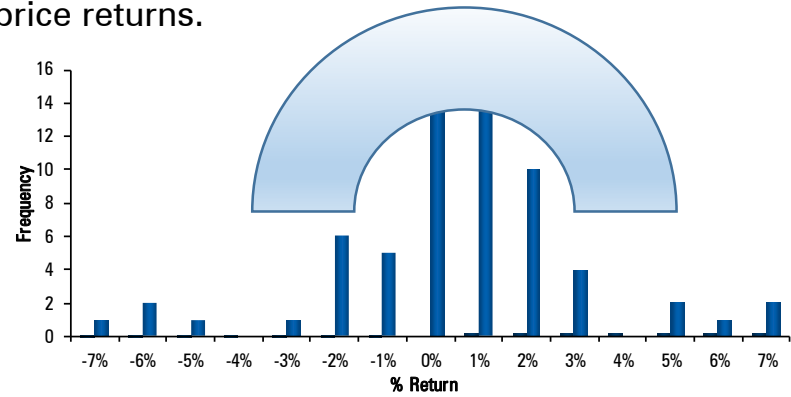
Three factor model for stocks filtration through Quantitative Analysis

We have tested the three step model for filtration of stocks, which has major essence of rise in delivery pick-up along with accumulation pattern



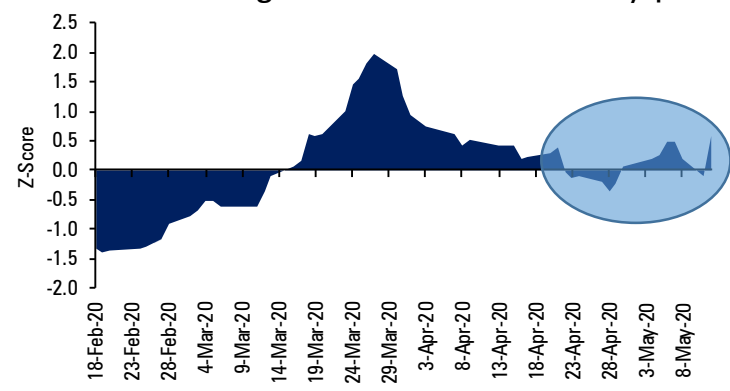
Frequency distribution of returns

When historical stock returns follow a uniformly distributed pattern that shows accumulation in the stock where the sharp stock downsides frequency is lower and it has been in a narrow range scenario for most of the time. Thus, the mean is concentrated more near the lower price returns.



Delivery Z-Score rising

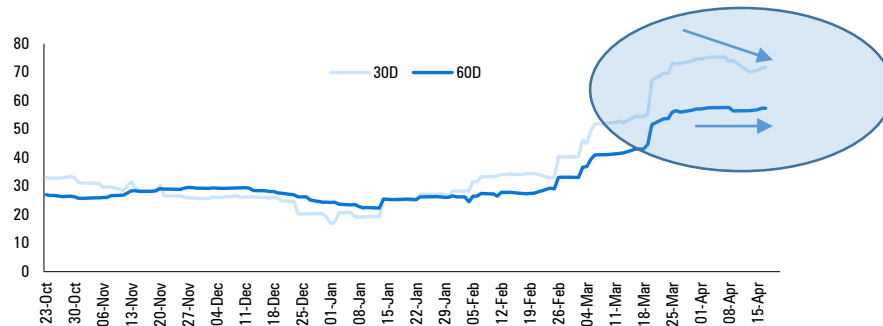
The two-week delivery pick up is compared with last three month's delivery pattern. The Z-score is calculated for each and they are ranked accordingly. The higher Z-score indicates higher increase in delivery per unit of risk.



Three factor model: Historical volatility curve

Historical Volatility

Historical volatility suggests the variation in returns. If the standard deviation comes lower, it suggests the lower pattern of historical volatility, which, in a way, suggests the accumulation in the stock. 30 D and 60 D volatility captures this feature and the decline in short term indicator vs. long term suggests the buying interest emerging in the stock.

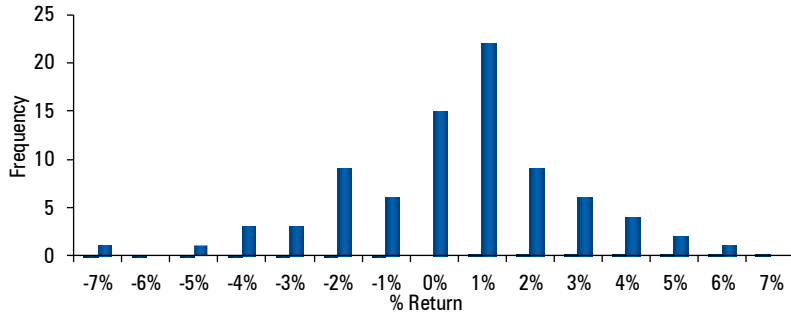


30 day Volatility has started cooling off towards 60D

Thus, combining with delivery Z-score, frequency distribution of the stock returns and the historical volatility pattern, we can filter stocks that can be given from a positional perspective and can be outperformers.

Buy TVS Motors in range of ₹ 632-645, Target: ₹ 748; Stop Loss: ₹ 580; Time frame: Three months...

Price distribution suggests ongoing accumulation



Rationale

Auto stocks have remained largely range bound in the last couple of weeks while other sectors witnessed sharp profit taking from higher levels. However, after a round of consolidation, a fresh up move is likely to be seen in auto stocks. Stocks like TVS Motors have reverted from their support level of ₹ 600. The price distribution is also suggesting limited downward movement in the stock.

From a delivery perspective, the stock saw strong delivery based action recently. After a round of cool-off, fresh delivery buying was evident. It seems there is ongoing accumulation in the stock at every level. The Z score has also been exhibiting high delivery activity that took place in April and May.

Since January 2022, the 30 day volatility continued to remain lower and despite recent market weakness it is still at par with 60 day volatility, indicating range bound move of the stock. Going ahead, we expect the 30 day volatility to decline further from current levels, which may provide fresh momentum

Delivery Z-Score rising



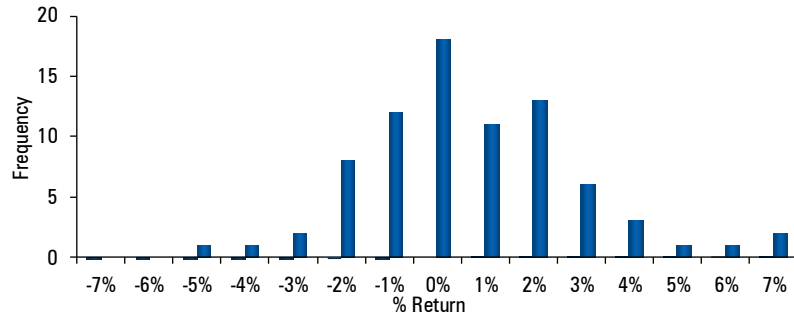
Historical volatility curve



30-Day Volatility likely to subside

Buy BEL in range of ₹ 220-226 Target: ₹ 260;
Stop Loss: ₹ 202; Time frame: Three months...

Price Distribution suggests Ongoing accumulation



Rationale

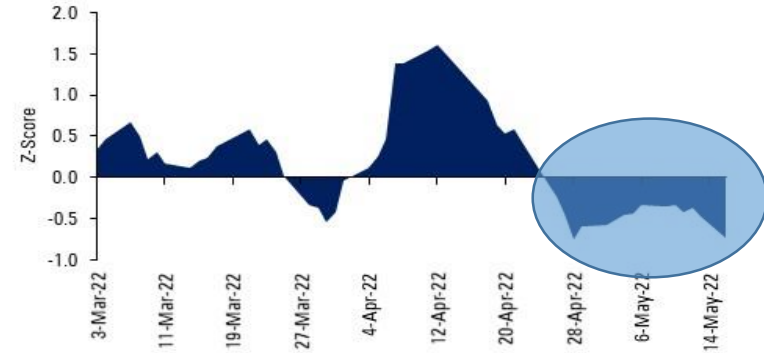
BEL has remained largely in broader range in the last three to four months. However, the stock has exhibited strong outperformance compared to its peers. The price distribution is also suggesting limited downside movement in the stock. The majority of the reading for the stock is in the 0-2% range. We believe it will resume its upward bias after the ongoing consolidation.

From a delivery perspective, the last couple of weeks saw below average delivery despite the selling pressure suggesting exiting of weak hands. It is near its support zone of ₹ 220. However, we believe the Z score has reached near its support. We expect the fresh delivery at the support zone.

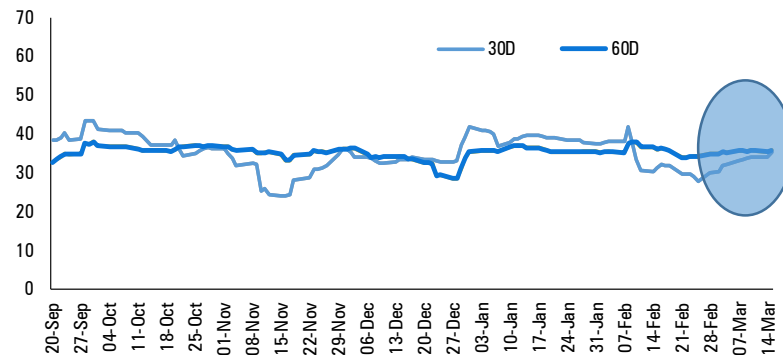
The 30 day volatility moved near to its 60 day volatility due to recent down move being seen in the stock. However, we believe it will subside in the days to come and ongoing momentum may continue in the stock.

Note: Call has been initiated on May 17, 2022

Delivery Z-Score rising

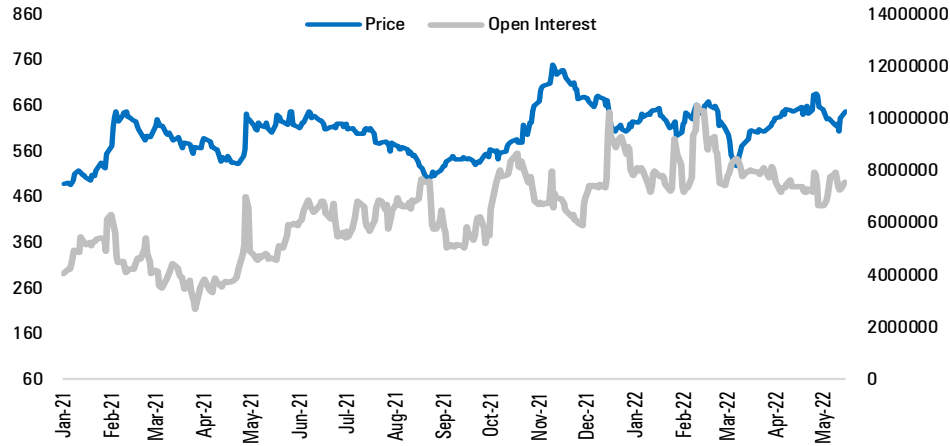


Historical volatility curve

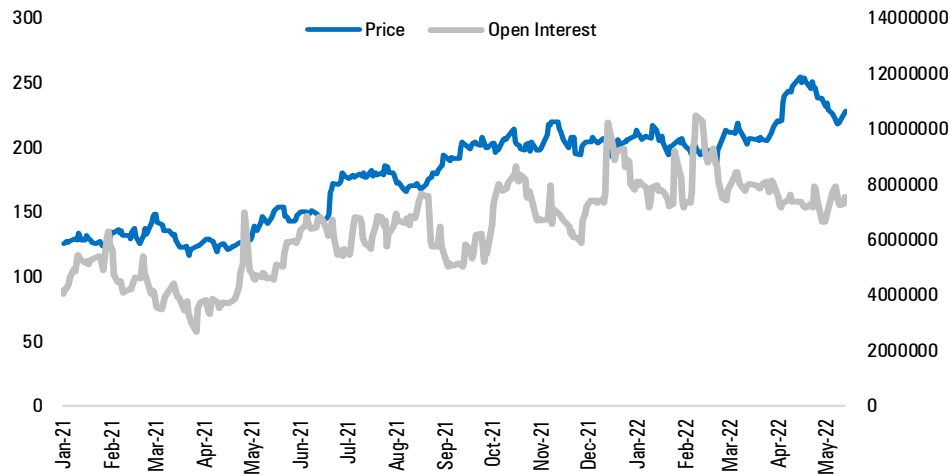


30-Day Volatility likely to subside

TVS Motors



BEL



Date	Scip	Action	Recommendation
13-May-22	SBI Cards	Sell	Positional Future :Sell SBICAR (SBI CARDS AND PAYMENT SERV LTD) MAY in the range of 728-738 Target 630.5 and StopLoss 789.5
13-May-22	Hindustan Unilever	Buy	Positional Future :Buy HINLEV (HINDUSTAN UNILEVER LIMITED) MAY in the range of 2186-2196 Target 2362 and StopLoss 2098.8
16-May-22	Kotak Mahindra Bank	Buy	Positional Future :Buy KOTMAH MAY in the range of 1803-1815 Target 1925 and StopLoss 1739

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Source: Bloomberg, ICICI Direct Research

Date	Scrip	Action	Price	Target	Stop Loss	Last close	Return at close	Time Frame
16-Mar-22	Navin Fluorine	Buy	3950-3985	4625	3610	3881	-2.6%	3 months
20-Apr-22	IOCL	Buy	130-134	155	118.5	122	-7.6%	3 months
16-May-22	TVS Motors	Buy	632-645	748	580	645	0.0%	3 months
16-May-22	BEL	Buy	220-226	260	202	226	0.0%	3 months

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Source: Bloomberg, ICICI Direct Research

May 17, 2022

ICICI Securities Ltd. | Retail Equity Research

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