

January 19, 2021

Other Product offerings

Derivatives Strategy

Underlying	Action
Adani Ports	Buy

Duration : 1-2 months

Quant (Derivatives) Pick

Underlying	Action
Glenmark Pharma	Buy
Muthoot Finance	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 ITC JAN Fut at ₹ 220.00-220.50	ITC	223.1	227.3	217.5	Intraday
Sell INDBA JAN Fut at ₹ 930.00-931.00	Indusind Bank	920.0	905.0	940.0	Intraday
Buy AURPHA JAN Fut at ₹ 920.00-926.00	Aurobindo Pharma	1000.0	-	882.0	Weekly

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Index Outlook

Nifty Future

- ❖ The Nifty is expected to trade between 14200 and 14500 amid high volatility. Sell Nifty 14500 Call (January 21 expiry) in the range of ₹ 42-44 Target: ₹ 28-18 Stop loss : ₹ 58

Bank Nifty Future

- ❖ After consolidating for a major part of the day with stock specific activity, the index fell sharply and moved below its major Put base of 32000. Closure was also seen in ATM strikes, which provided more force to the down move. We feel that if the index manages to sustain below 31800, then another 500-800 points of down move can be seen during the week. Sell Bank Nifty in the range of 31750-31850, Target: 31500-31400, Stop loss: 32000

F&O Highlights

- ❖ Markets tumble sharply lower and ended below 150 points amid weak global cues. Throughout the day, it remained negative as consistent selling was seen in banking, metal and auto stocks. If the Nifty is unable to hold 14200, which also commands significant OI, then more downsides can be seen in coming days.

Stock Analysis

Long build-up/short covering: UPL, PVR Limited, Titan Company, ITC, HDFC Bank and Siemens

Short build-up/profit booking: Petronet LNG, Tata Steel, ONGC, RBL Bank, Bandhan Bank and IndusInd Bank

FII & DII Action

- ❖ FIIs bought ₹ 651 crore while DIIs sold ₹ 43 crore in the cash segment. FIIs sold index futures worth ₹ 267 crore while in index options they bought ₹ 1109 crore. In the stock futures segment, they bought ₹ 1327 crore.

Intraday Recommendations

i) ITC		ii) Indusind Bank	
Buy ITC JAN Fut at ₹ 220.00-220.50		Sell INDBA JAN Fut at ₹ 930.00-931.00	
CMP: 219.5		CMP: 930	
Target 1: 223.1	Target 2: 227.3	Target 1: 920	Target 2: 905
Stop Loss: 217.5		Stop Loss: 940	

Note:

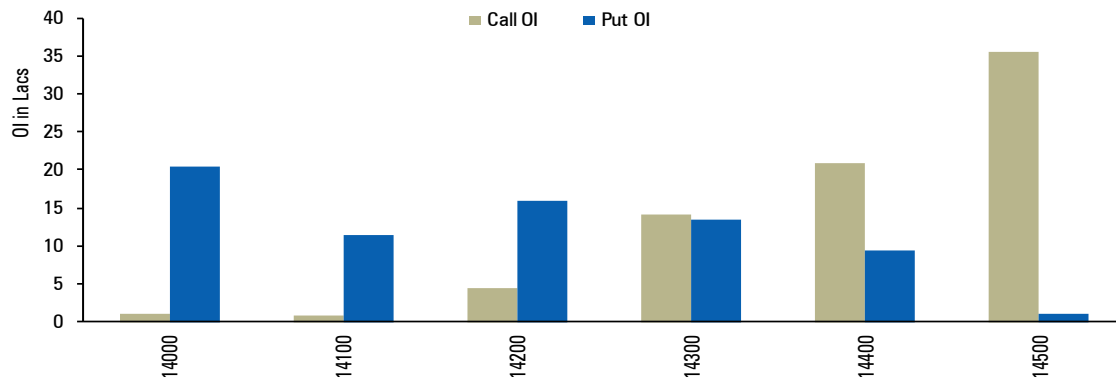
Note: Call initiation message will be broadcast on iclick-2-gain, if it is not initiated in opening session, then we might initiate with revise levels on iclick-2-gain.

Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
Current	14281	14287	6	13830600	1.43	1.16	24.40
Previous	14433	14459	26	14272275	1.49	1.27	24.01
Change (%)	-1.05%	-1.19%	-	-3.09%	-	-	1.60%
	S3	S2	S1	Piv	R1	R2	R3
Nifty future	14024	14084	14182	14321	14419	14558	14617
Bank Nifty future	31021	31215	31515	31991	32291	32767	32961

Nifty futures ended at a premium of 6 points while IV rose by 1.5%

Weekly Nifty Options OI build-up



The major Put base is at 14000 strike with almost 20 lakh shares while the major Call base is at the 14500 strike with almost 39 lakh shares

Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
18-Jan-21	APOHOS	Buy	Long Fut	2601.0	2619.0	2583.0	-	Not initiated
18-Jan-21	BERPAL	Sell	Short Fut	781.0	772.8	789.2	-	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.

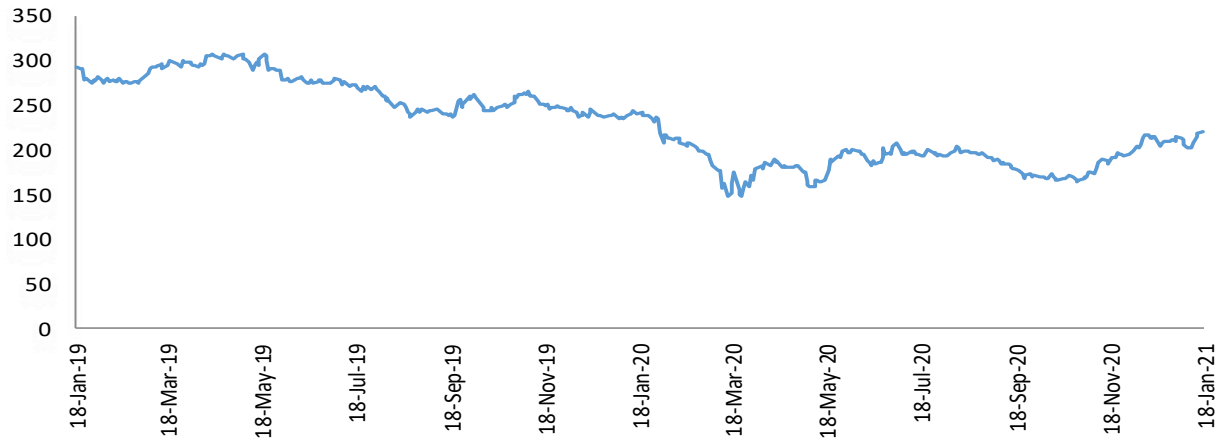
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Source: NSE, Seediff, Bloomberg ICICI Direct Research

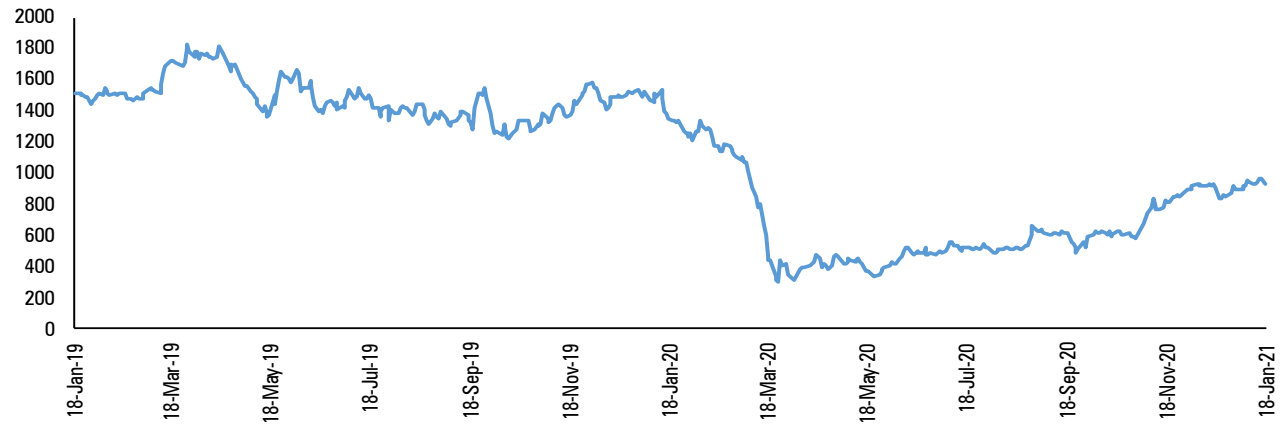
Recommended Stocks : Historical price performance...



ITC



Indusind Bank



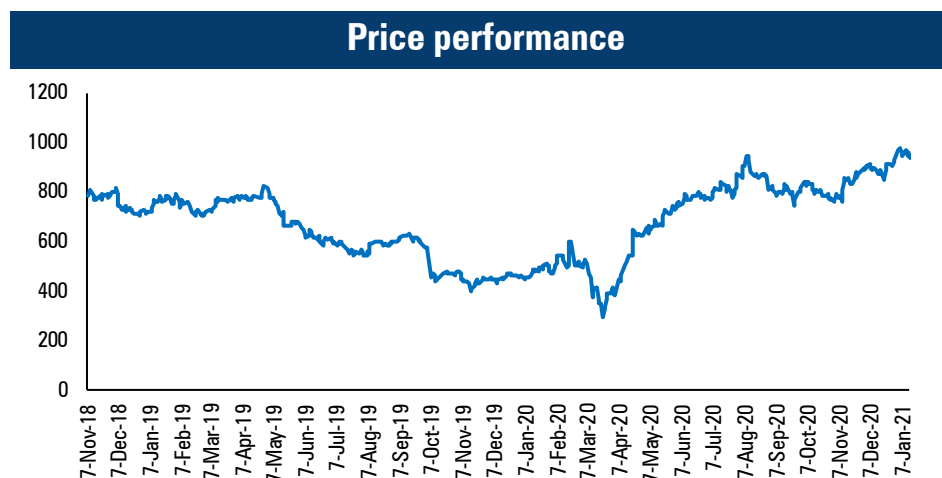
Source: NSE, Seediff, Bloomberg ICICI Direct Research

Weekly future recommendation:

Long Aurobindo Pharma (AURPHA) January future in range of ₹ 920-926; Target: ₹ 1000; Stop Loss: ₹ 882

Rationale

Select Pharma stocks remained in focus as Nifty rallied towards 14600 levels. On the weekly basis Pharma index ended almost flat but stock like Apollo hospital, Sun Pharma and Lupin did well. Among other, Aurobindo Pharma has managed to sustain above its Put base of 900. Short covering is visible in the stock since 800 levels and going forward we feel on the back of continues short covering the stock would re-test its highest Call base of 1000.



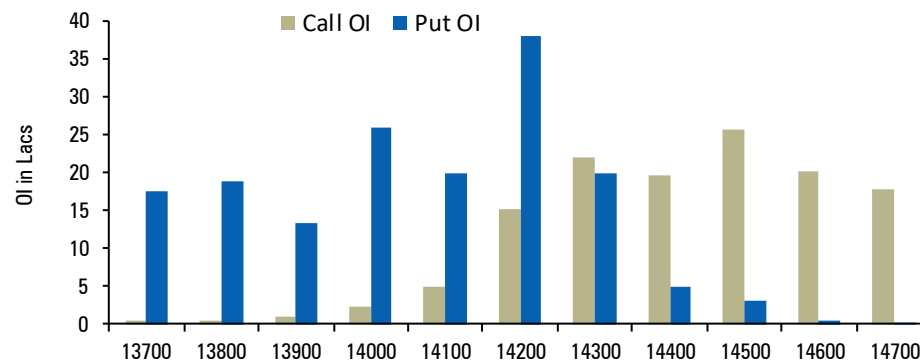
Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Escorts	Bullish	Long Futures	1339	1425	1288	18700	Profit Booked

Source: Bloomberg, ICICI Direct Research

Uptrend to resume if Nifty sustains above 14500 levels...

- The Nifty extended its gains in the first couple of sessions towards 14650 but witnessed profit booking towards the end of the week. At the same time, broader markets also came under pressure last week as market breadth has remained largely negative. During the week, while Nifty closed positive but midcap and small cap indices lost some momentum and closed the week in the negative territory.
- From the options space, 14600 Call strike holds the highest Call base which is also the last week high for the index. We believe that these levels should remain intermediate hurdle for index. On downsides, ATM 14500 strike still holds noteworthy open interest despite Nifty trading below these levels. Sustainability below 14500 might push the index towards 14200 in the coming sessions.
- The volatility index has closed above 23 levels which is the highest seen in more than 2 months. While approaching budget can be attributed to the rising volatility but sustainability at current levels can be considered as a sign of caution.
- Sectorally, banking stocks should be in focus as heavyweights from the sector will be announcing results next week. Moreover, FII activity should also be kept under watch as the buying figure has reduced gradually in the last couple of weeks. We believe some consolidation might be seen in the ongoing result season.

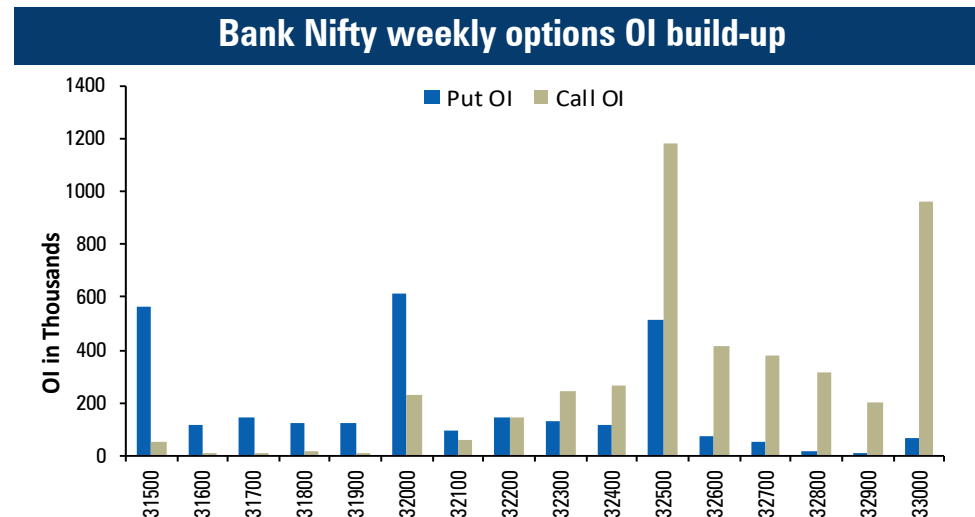
Nifty options OI build-up



Source: Bloomberg, ICICI Direct Research
January 19, 2021

Bank Nifty: The index is likely to test its Call base of 33000...

- After making a high above 32800 levels, Bank Nifty reverted sharply and approached its sizeable Put base of 32000. For the week, participation was there in Axis bank which acted as a leader along with HDFC bank. Late buying in PSU bank stocks kept the market breadth positive where PSU bank index was up by 7%.
- IV's continued to rise along with rise in Nifty ahead of the Union Budget 2021. On the back of this activity, 800 points OTM option is commanding a premium of 150 points which is 25% higher than normal days. This would give opportunity to option writers and as the week will progress, more writing could be seen in OTM strike Puts.
- Since couple of sessions, Bank Nifty saw closure in OI however, as it approached its Put base of 32000, fresh buying interest are seen and last Friday index reverted sharply in 2nd half from the lower levels.
- Looking at the overall option structure, we feel index is likely to head towards its Call base of 33000 however, intermediate support for the index is placed at 32000 which saw highest Put addition during the week.



Source: Bloomberg, ICICI Direct Research

FII buying keeps momentum intact...

- FII flows continued in the new year as well albeit at a reduced pace and buying seen across risk assets. Emerging market equities continued their positive run. However, some sell-off was seen after the announcement of stimulus from the new US president. US 10 year bond yields have moved to their highest levels since March as Inflation worries have resurfaced.
- FII remained net buyers last week as well and poured another ₹ 12036 crore in equities. Out of it more than ₹ 6000 crore came on last Friday on the account of MSCI rebalancing. The major moves were seen in the Technology stocks ahead of their results. On the other hand, domestic institutions remained net sellers and sold almost ₹ 8687 crore in equities during the week
- In the F&O space, FIIs remained net buyers but activities have declined considerably. While they sold ₹ 2407 crore in index futures, they also sold to the tune of ₹ 208 crore in the stock futures segment during the week. At the same time, FIIs bought index options worth ₹ 6100 crore during the week
- The risk on rally also seen in the commodity space paused last week as dollar index moved above 90 levels. Nymex crude reverted back towards 52 levels after almost testing \$54 on higher side. On the other hand, Gold has consolidated around \$ 1850 levels.

FII/DII buying in equities (in ₹ crore)					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
8-Jan	1133	685	-2	6039	-2373
11-Jan	-1357	697	1514	2873	-2610
12-Jan	-1206	-304	-1372	953	-1335
13-Jan	-976	-1285	5960	2170	-2370
14-Jan	9	-569	1113		-188

Source: Bloomberg, ICICI Direct Research

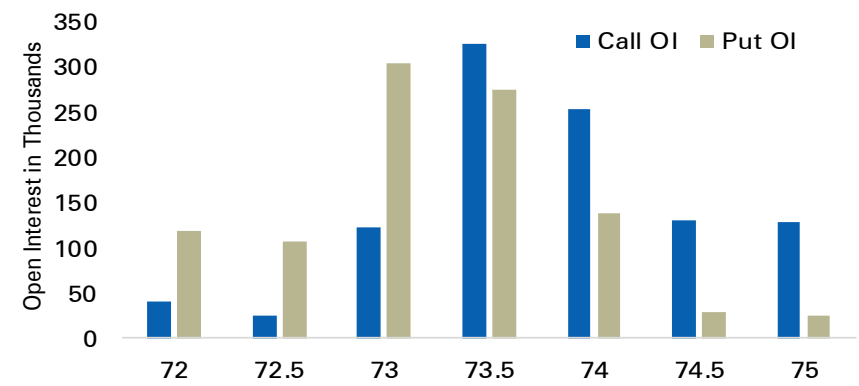
Rupee to appreciate further towards 72.70 level..

- US\$INR futures fell gradually for most of the week as positive domestic equities kept pressure on the pair. However, rebound in dollar index provided some support.
- The dollar index rose and riskier currencies fell in the last week, as President-elect Joe Biden rolled out a \$1.9 trillion stimulus plan that was offset by fresh U.S.-China tensions and a rise in COVID-19 infections in China. The outgoing Trump administration ramped up tensions with China, imposing sanctions on Chinese officials and companies, including an investment ban on nine additional companies - moves China said it firmly opposes.
- Overall, we expect the rupee to appreciate further towards 72.70 level as positive domestic equities along with weakening trend of the dollar index may put further pressure on the pair.

Dollar Index vs. US\$INR



US\$INR Options Build-up



Weekly Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Jan)	72.70	72.95	73.30	73.55	73.90
US\$INR (Feb)	72.94	73.18	73.51	73.75	74.08
EURINR (Jan)	88.13	88.48	89.09	89.44	90.05
EURINR (Feb)	88.44	88.78	89.37	89.71	90.29
GBPINR (Jan)	98.64	99.25	99.81	100.42	100.98
GBPINR (Feb)	98.92	99.54	100.08	100.70	101.24
JPYINR (Jan)	70.04	70.32	70.56	70.84	71.08
JPYINR (Feb)	70.28	70.54	70.77	71.03	71.25

Source: Bloomberg, Reuters, ICICI Direct Research

Date & Time (IST)	Country	Data & Events
Wednesday, January 20, 2021		
12:30 PM	UK	CPI (YoY) (Dec)
3:30 PM	Euro Zone	CPI (YoY) (Dec)
Thursday, January 21, 2021		
Tentative	Japan	BoJ Monetary Policy Statement
6:15 PM	Euro Zone	ECB Interest Rate Decision (Jan)
7:00 PM	US	Building Permits (Dec)
7:00 PM	US	Philadelphia Fed Manufacturing Index (Jan)
Friday, January 22, 2021		
12:30 PM	UK	Retail Sales (MoM) (Dec)
3:00 PM	UK	Manufacturing PMI (Jan)
3:00 PM	UK	Services PMI (Jan)
8:30 PM	US	Existing Home Sales (Dec)

Source: Bloomberg, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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