

January 22, 2021

Quant Pick – Hero MotoCorp

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Hero MotoCorp	Buy	3320-3380	3950	3050	3 Months

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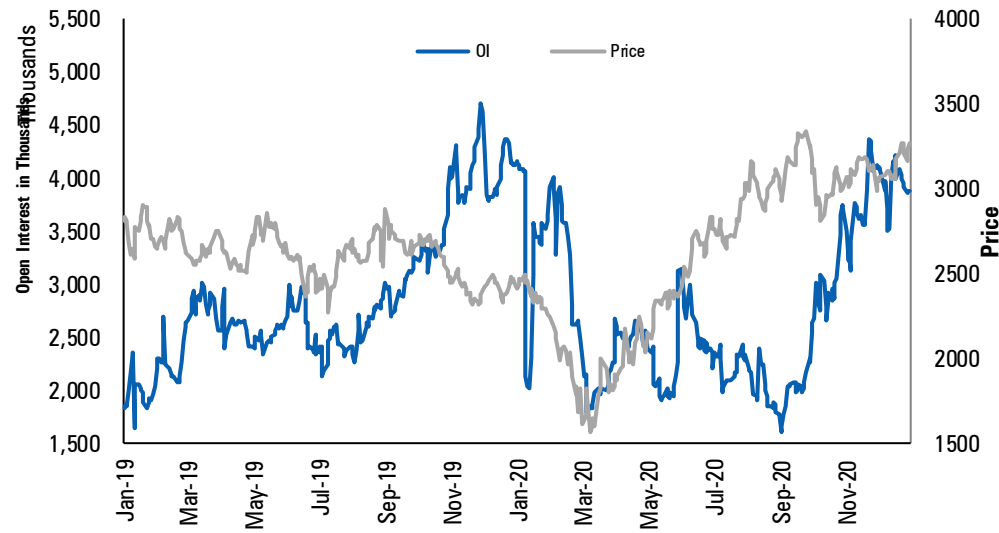
Buy Hero MotoCorp in range of ₹ 3320-3380, Target: ₹ 3950; Stop Loss: ₹ 3050; Time frame: Three months

Snapshot

Spot Price	3400.00
Beta	0.86
12M Avg Price (₹)	2871.0
3M Avg Roll (%)	97.0%
HV 30 Day (% Annualised)	54.00

Price vs. open interest pattern

Fresh accumulation seen at lower levels



Source: NSE, Seediff, ICICI Direct Research

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- Broader markets have started outperforming along with the Nifty. Select stocks from the auto sector may witness renewed momentum amid a sustained broader market recovery. Stock like Hero MotoCorp is likely to perform better in the coming trading sessions along with the ongoing recovery seen in sectoral peers like Bajaj Auto.
- The open interest in the stock has been on a declining trend since February 2020 to October 2020 while the uptrend in the stock remained intact suggesting short covering. Post that till now it has been consolidated and traded between the range of 2950-3350 levels along with significant OI addition, indicating fresh long accumulation.
- On the options front, the stock has the highest Call option base at the 3600 strike followed by 3500 strike. Near the money Call strike of 3400 and OTM 3500 in Hero MotoCorp has started to witness closure, which could offer much-needed momentum in the current expiry itself. At the same time, the Put open interest base is firming up at 3100 and 3300 Put strike from where the stock has seen a sharp reversal recently and is likely to act as strong support in the near term.
- The stock has taken support near ₹ 3000-3050 levels on multiple instances. Also, looking at the significant delivery volume activity in November 2020 and then in early January 2021, these levels seem very crucial. In such a scenario, the positive bias may continue in the stock till these levels are held
- Hero MotoCorp has been trading in a broader range of ₹ 2950 and ₹ 3350 for the last four months with the mid price of ₹ 3050, which remains a crucial support for the stock. The stock is finally attempting to surpassing the trading range. With the outperformance in auto sector, we can expect some recovery in it in near term.
- The delivery Z-Score has again started to move into the positive territory since October 2020 as the stock is witnessing fresh accumulation in the delivery segment.
- **Note:** Call has been initiated on iClick2Gain on January 22, 2021

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Source: Bloomberg, ICICI Direct Research

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