

May 17, 2021

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Derivatives Strategy

Underlying	Action
Bank Nifty	-

Duration : 1-2 months

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Underlying	Action
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SBI	Buy
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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 May Fut at ₹ 213.50-214.00	ITC	216.6	220.8	210.9	Intraday
Sell MAHMAH May Fut at ₹ 738.00-740.00	Mahindra & Mahindra	726.1	706.9	751.9	Intraday
Sell NIFFIN May Fut at ₹ 15550.00-15600.00	FINNIFTY	15400.0	15300.0	15650.0	Intraday
Buy RELIND APR Fut at ₹ 1920.00-1930.00	Reliance Industries	2020.0		1870.0	Weekly

## Research Analysts

**Raj Deepak Singh**

rajdeepak.singh@icicisecurities.com

**Nandish Patel**

nandish.patel@icicisecurities.com

**Dipesh Dedhia**

dipesh.dedhia@icicisecurities.com

**Siddhesh Jain**

siddhesh.jain@icicisecurities.com

# Intraday Outlook: Sell Bank Nifty in the range of 32450-32550

## Index Outlook

### Nifty Future

- ❖ The Nifty is expected to trade between 14400 and 14800 amid high volatility. Sell Nifty 14900 Call (May 20 expiry) in the range of ₹ 43-45 Target: ₹ 25-15 Stop loss : ₹ 55

### Bank Nifty Future

- ❖ The Bank Nifty continue to slip lower for a third consecutive trading session as it closed with a loss of more than 0.75%. Both private as well as PSU banks witnessed selling pressure. According to options data, healthy Call writing was seen at higher strikes, which indicates that upside would be limited. Sell Bank Nifty in the range of 32450-32550 Target: 32100-32000 Stop loss: 32650

### F&O Highlights

- ❖ On Friday, the Nifty witnessed a volatile session where it managed to close almost flat. Sectorally FMCG stocks witnessed healthy buying, helping the index to recover from lower levels. Looking at options data, 14800 and 14900 has substantial OI addition, which should cap upside gains

### Stock Analysis

**Long build-up/short covering:** ITC, Asian Paints, UPL, Berger Paints, Marico, Bata India, Tata Consumer and L&T

**Short build-up/profit booking:** Mahindra & Mahindra, NMDC, Adani Enterprise, Tata Steel, Gail and Grasim

### FII & DII Action

- ❖ FIIs sold ₹ 2608 crore while DIIs bought ₹ 613 crore in the cash segment. FIIs bought index futures worth ₹ 625 crore while in index options they bought ₹ 4644 crore. In the stock futures segment, they sold ₹ 902 crore

### Intraday Recommendations

i) ITC	ii) Mahindra & Mahindra
<b>Buy ITC May Fut at ₹ 213.50-214.00</b>	<b>Sell MAHMAH May Fut at ₹ 738.00-740.00</b>
CMP: 213.10	CMP: 744.55
Target 1: 216.6      Target 2: 220.8	Target 1: 726.1      Target 2: 706.9
Stop Loss: 210.9	Stop Loss: 751.9

#### Note:

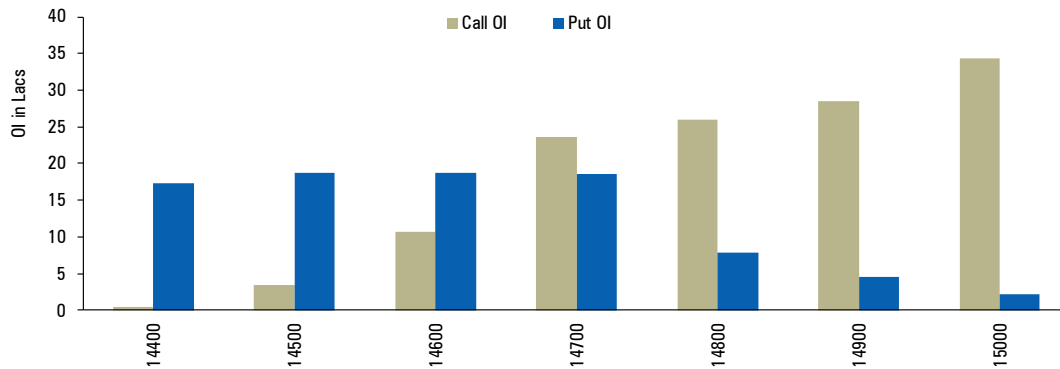
Note: Call initiation message will be broadcast on iclick-2-gain, if it is not initiated in opening session, then we might initiate with revise levels on iclick-2-gain.

## Highlights of the last session & Pivot Levels

	Spot	Fut	Basis	Future OI	PCR OI	PCR Vol	ATM IV
<b>Current</b>	14678	14715	37	12334100	1.52	1.00	20.27
<b>Previous</b>	14697	14710	14	13050400	1.53	1.06	20.08
<b>Change (%)</b>	-0.13%	0.03%	-	-5.49%	-	-	0.94%

	S3	S2	S1	Piv	R1	R2	R3
<b>Nifty future</b>	14527	14561	14638	14697	14774	14833	14867
<b>Bank Nifty future</b>	31739	31868	32067	32383	32581	32897	33026

## Weekly Nifty Options OI build-up



## Strategy follow up

Date	Stock	View	Strategy	Reco	Target	SL	P&L	Comment
14-May-21	LUPIN	Buy	Long Fut	1219.0	1229.6	1208.4	-	Not initiated
14-May-21	GODPRO	Sell	Short Fut	1240.0	1226.2	1253.8	-	Not initiated

Source: NSE, Seediff, Bloomberg ICICI Direct Research

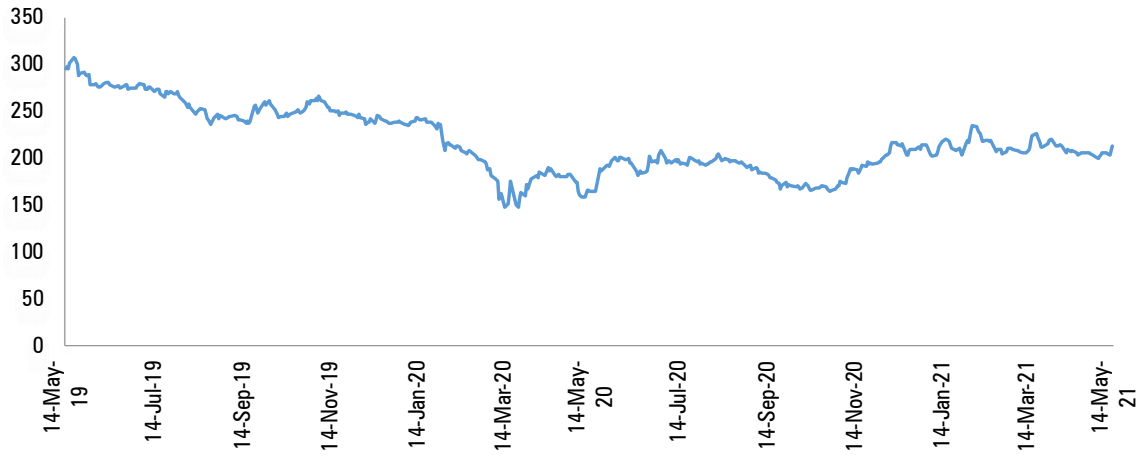
Nifty futures ended at a premium of 37 points while IV was up 0.94%

The major Put base is at 14500 strike with 18 lakh shares while the major Call base is at the 15000 strike with 34 lakh shares

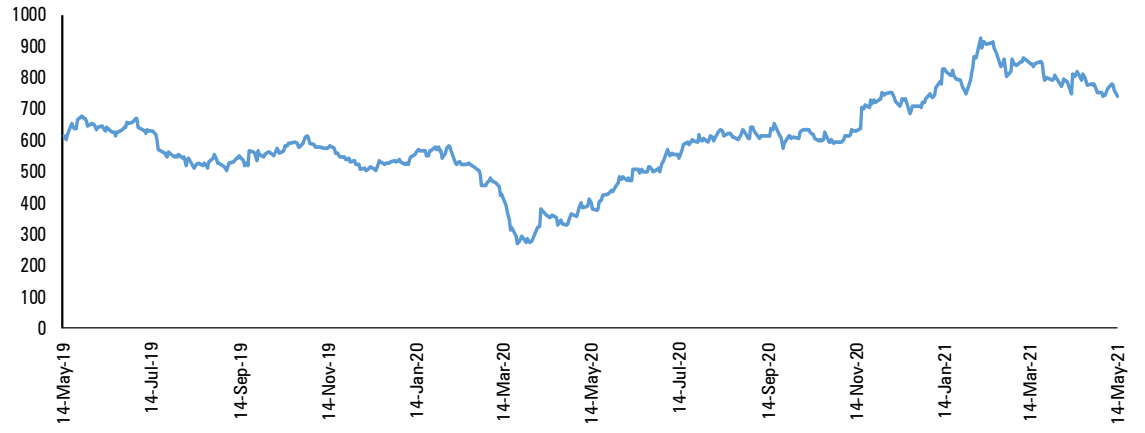
**Note:** Index/ Stocks calls may be changed, if view differs during market hours and positional recommendations given in Derivatives Strategy should not be linked to intraday index/stock calls.

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## ITC



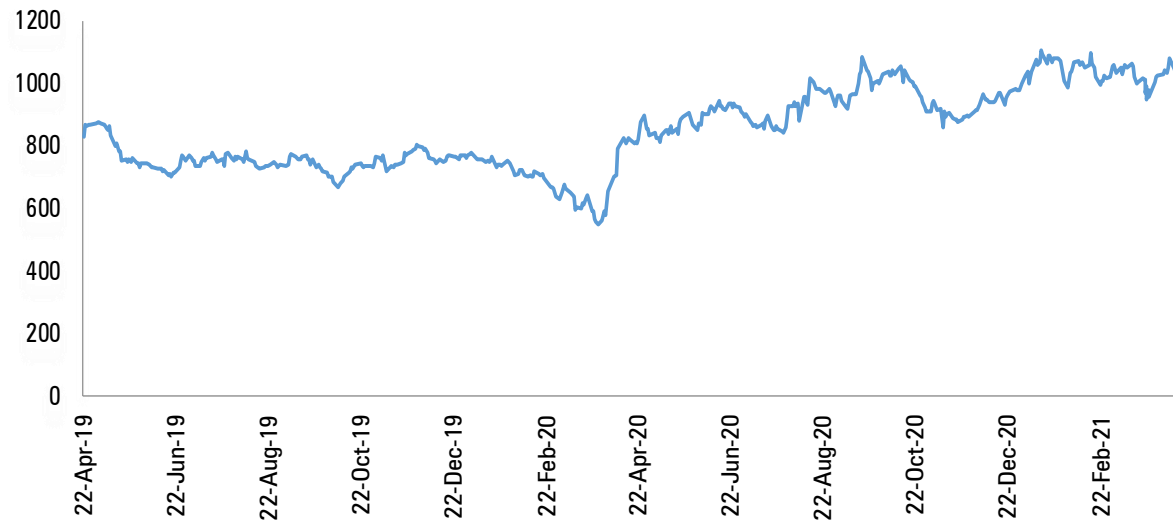
## Mahindra & Mahindra



Source: NSE, Seediff, Bloomberg *ICICI Direct Research*  
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Date	Stock	View	Initiation Range	Target	Stoploss	Time Frame
13-May-21	Amara Raja Batteries	Buy	₹ 810.00-815.00	₹ 880	₹ 780	1-2 Weeks

## Amara Raja Batteries



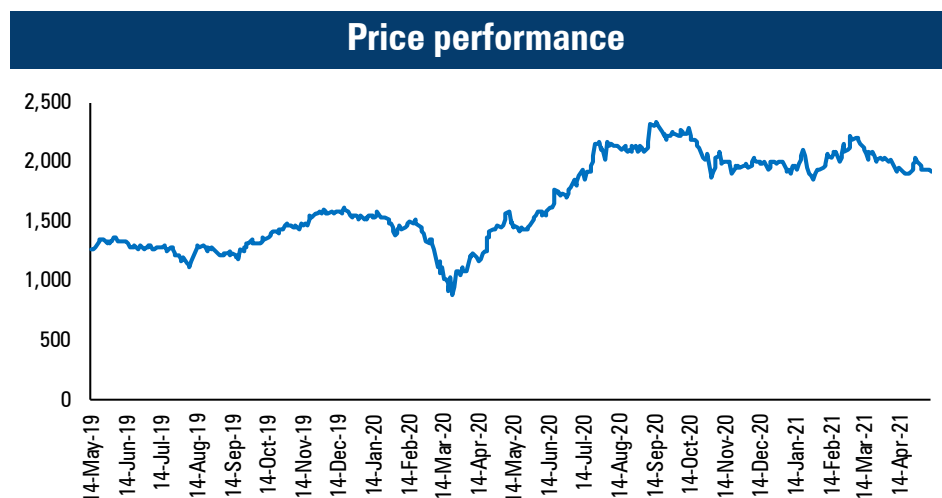
Date	Stock	View	Reco	Target	Stoploss	Comment
13-May-21	Amara Raja Batteries	Buy	814.0	880.0	780.0	SI triggered

## Weekly future recommendation :

Long Reliance Industries (RELIND) May future in range of ₹ 1920-1930; Target: ₹ 2020; Stop Loss: ₹ 1870

### Rationale

Only few stock among the Nifty basket remained in a range post their quarterly numbers. Reliance industries was one such stock. The stock has managed to sustain above its sizeable Put base of 1900 despite market volatility. Continued Call writing was experienced in the stock at ATM strikes and 1940 strike is the second highest Call base for the stock. As the stock has closed near these levels, closure among Call strikes is expected, which should take it higher towards its highest Call base of ₹ 2000 in the near term.

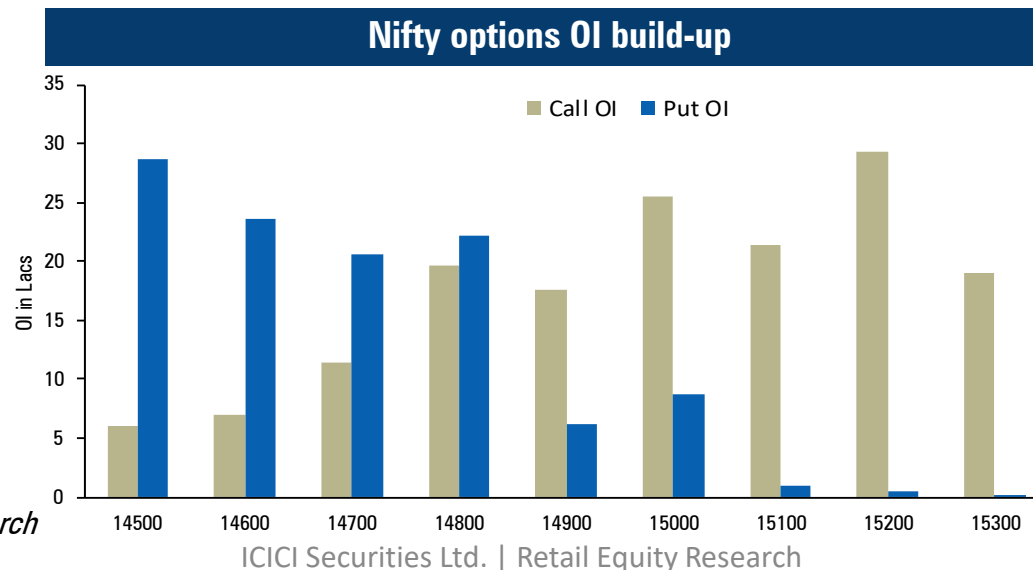


Recommendation follow up							
Underlying	View	Strategy	Reco	Target	Stoploss	Profit/Loss	Comment
Tech Mahindra	Bearish	Sell Futures	972.5	905.0	1015.5	11200	Profit Booked

Source: Bloomberg, ICICI Direct Research

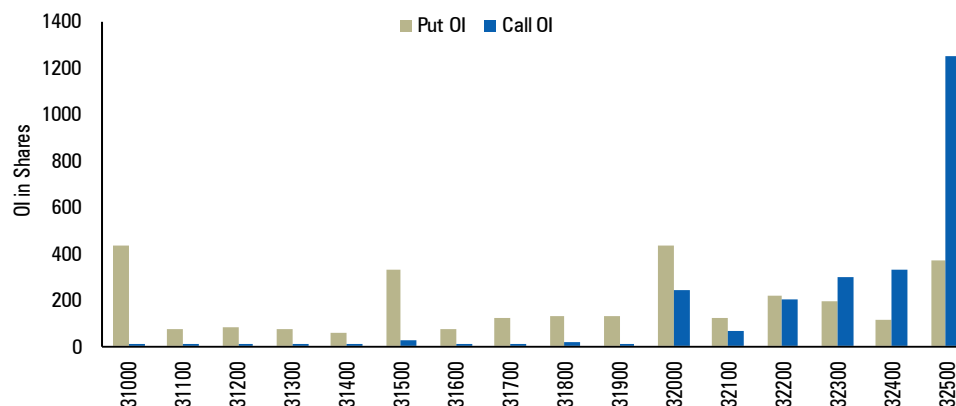
# Nifty: Sustainability of 14700 crucial for uptrend to resume

- The Nifty failed to sustain above 15000 and moved towards 14700 once again in the truncated last week amid global weakness. In the last couple of months, the Nifty has been largely in a broader range while stock specific movements were observed amid result season. Even midcap and small cap stocks have experienced some profit taking in the last couple of sessions and both indices lost almost 3% from highs. We believe the Nifty may continue its range bound bias with intermediate pivot levels of 14700 levels
- Going ahead, sustainability of 14700 seems crucial for fresh positive bias from a trading perspective. Even from the options perspective, continued writing was experienced at ATM Call and Put strikes suggesting range bound bias to continue with significant activities seen at OTM Call strikes. Hence, sustainability above 14700 may trigger closure among Call writers, which may pull the Nifty towards higher band of the consolidation. On downsides, we expect levels near 14500 to provide support to the index
- Sectorally, while banking and technology stocks were the major draggers of the markets and ended the week near lows. Metal space also saw some cool-off after a sharp surge was seen in the last couple of months. However, heavyweights like Reliance Industries and FMCG stocks came to the rescue as the Nifty was able to close in the vicinity of 14700. We expect the banking space to take the lead for the Nifty movement towards 15000 in coming sessions



- For a fourth week in a row, the Bank Nifty traded in a range with stock specific action. Short Strangle strategies continues to make money, which is pointing towards further consolidation being possible
- Private banks like Axis Bank and Kotak Mahindra Bank are trading near their Put bases and sustainability below Put base should trigger some more selling in this banks. However, PSU banks along with midcap private banks are positive. We feel other PSU banks should provide cushion to the index
- Last week the Bank Nifty saw liquidation of positions as 9% closure was observed in open interest. Lack of formation of short positions is indicating limited downsides
- IVs remained choppy on a weekly basis due to which option premiums has declined sharply. We feel that unless we do not see any major spike in IVs, the current leg of consolidation in the Bank Nifty should continue. Major support for the index is placed at 31000 whereas on upsides, last week's high should act as a supply zone. Hence, we feel short Strangle of 1000 points OTM strikes could be the strategy for the week

## Bank Nifty weekly options OI build-up



Source: Bloomberg, ICICI Direct Research



- Risk assets turned volatile last week amid resurfaced concerns related to inflation and elevated commodity prices. US equities declined sharply by almost 4% from their highs before recovering marginally in the last session. Even fresh concerns about Covid cases in Taiwanese markets triggered a sharp sell-off and they lost near 8% during the week. Some cool-off was even experienced in the commodity space where industrial metals saw some profit booking last week. However, Indian equities have relatively outperformed and lost close to 1% in the last week whereas midcap and small cap space continue to do well
- FIIs' participation remained muted last week as well and they were net sellers in equities last week as well. They sold more than ₹ 577 crore. Major action was experienced in the midcap and small cap space and some profit booking was seen in the metal and select pharma stocks post results. Domestic institutions have also turned net sellers and sold more than ₹ 389 crore during the week
- In the F&O space, FII action was primarily seen in the stock futures and index options segment. While they were net sellers in the index futures segment worth ₹ 2696 crore, they also sold stock futures to the tune of ₹ 5530 crore during the week. At the same time, FIIs bought index options worth ₹ 7352 crore
- Nymex crude failed to sustain the highs and witnessed sharp selling pressure after decade high inflation figure. However, crude managed to hold our stated levels of \$64 on a closing basis. Retesting of these lows below \$63.50 should be considered negative. However, any escalation in the ongoing Middle East crisis may kept prices elevated for the time being

FII/DII buying in equities (in ₹ crore)					
Date	FII			DII	
	Index Fut	Stock Fut	Index Opt	Cash	Cash
7-May	402	-286	-2283	-1201	1468
10-May	-322	-1674	2622	1169	-476
11-May	-2220	-1090	-3240	716	-677
12-May	-556	-2480	10253	-1261	-704

Source: Bloomberg, ICICI Direct Research

# Rupee: Appreciation likely to halt near 73 level..

- The rupee appreciated slightly further in the last week and largely remained flat as a rebound in the dollar index and a correction in domestic equities provided some support to the pair
- The dollar index took a breather from its strong rebound but looked set to post weekly gains against a basket of currencies as investors weighed the risk of US inflation rising faster than expected and prodding the Federal Reserve to hike interest rates sooner
- A strong reading on US wholesale prices and jobless claims failed to spark a renewed uptick in Treasury yields, which some traders put down to the market already pricing in a degree of inflation worries
- Overall, we expect the rupee appreciation to halt near 73 level as fresh inflation worries in the US are likely to provide some support to the dollar in the near term

## Weekly Pivot Levels

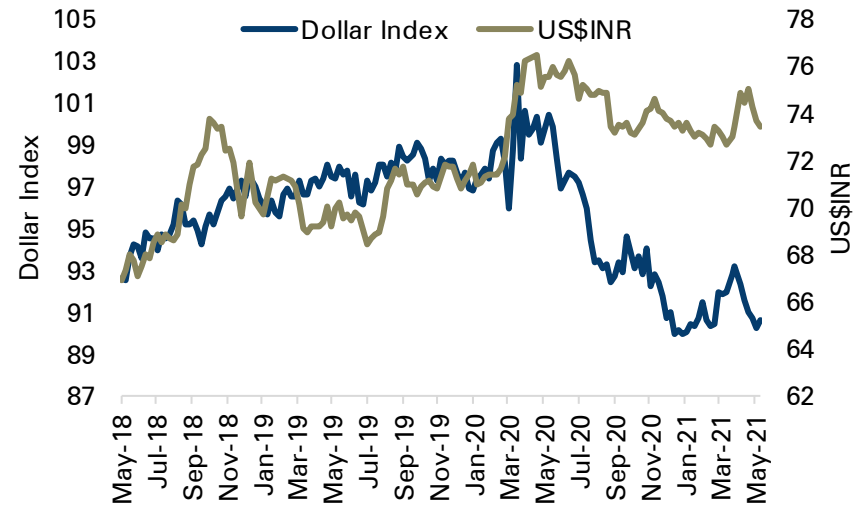
Futures	S2	S1	Pivot	R1	R2
US\$INR (May)	73.26	73.36	73.55	73.64	73.84
US\$INR (Jun)	73.65	73.75	73.93	74.03	74.21
EURINR (May)	88.36	88.66	89.14	89.44	89.91
EURINR (Jun)	88.86	89.15	89.63	89.92	90.39
GBPINR (May)	102.10	102.71	103.48	104.09	104.86
GBPINR (Jun)	102.72	103.28	103.96	104.52	105.20
JPYINR (May)	66.72	66.95	67.35	67.59	67.98
JPYINR (Jun)	67.10	67.32	67.73	67.95	68.36

Source: Bloomberg, Reuters, ICICI Direct Research

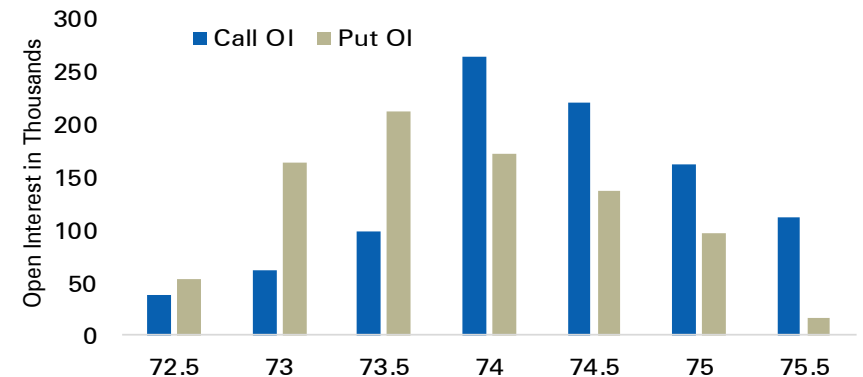
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## Dollar Index vs. US\$INR



## US\$INR Options Build-up



Date & Time (IST)	Country	Data & Events
Tuesday, May 18, 2021		
5:20 AM	Japan	GDP (QoQ) (Q1)
11:30 AM	UK	Average Earnings Index + Bonus (Mar)
11:30 AM	UK	Claimant Count Change (Apr)
6:00 PM	US	Building Permits (Apr)
Wednesday, May 19, 2021		
11:30 AM	UK	CPI (YoY) (Apr)
2:30 PM	Euro Zone	CPI (YoY) (Apr)
8:00 PM	US	Crude Oil Inventories
11:30 PM	US	FOMC Meeting Minutes
Thursday, May 20, 2021		
6:00 PM	US	Philadelphia Fed Manufacturing Index (May)
Friday, May 21, 2021		
11:30 AM	UK	Retail Sales (MoM) (Apr)
7:30 PM	US	Existing Home Sales (Apr)

Source: Bloomberg, ICICI Direct Research

Date	Scrp	Action	Recommendation
14-May-21	Bank Nifty	Sell	<b>Long/Short Strategy</b> : Sell Bank Nifty 20 May 31200 Put at 105-125 & sell 33200 Call at 115-135, Premium inflow: 220-260, Target: 5, Stop-loss: 481, Time-frame: till 12 May

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*Source: Bloomberg, ICICI Direct Research*

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Date	Scrip	Action	Buy Price	Target	SL	CMP	%Ret	Time Frame
07-Apr-21	SBI	Buy	353-359	410	324	360	1.5%	3 months
06-May-21	Axis Bank	Buy	700-717	840	635	685	-4.2%	3 months
10-May-21	HDFC	Buy	2525-2565	2950	2348	2422	-4.6%	3 months
10-May-21	Federal Bank	Buy	78-80	92	71	80	0.8%	3 months

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SYMBOL	COMPANY NAME	PURPOSE	MEETING DATE
FEDERALBNK	The Federal Bank Limited	Financial Results/Dividend	17-May-21
COLPAL	Colgate Palmolive (India) Limited	Financial Results	17-May-21
BHARTIARTL	Bharti Airtel Limited	Financial Results	17-May-21
TORNTPHARM	Torrent Pharmaceuticals Limited	Financial Results/Dividend/Fund Raising	18-May-21
TATAMOTORS	Tata Motors Limited	Financial Results	18-May-21
PIIND	PI Industries Limited	Financial Results/Dividend	18-May-21
MANAPPURAM	Manappuram Finance Limited	Financial Results/Dividend/Other business matters	18-May-21
AARTIIND	Aarti Industries Limited	Fund Raising	18-May-21
CANBK	Canara Bank	Financial Results	18-May-21
IBULHSGFIN	Indiabulls Housing Finance Limited	Financial Results/Dividend/Other business matters	19-May-21
ZEEL	Zee Entertainment Enterprises Limited	Financial Results/Dividend	20-May-21
TORNTPOWER	Torrent Power Limited	Financial Results/Dividend/Fund Raising	20-May-21
HINDPETRO	Hindustan Petroleum Corporation Limited	Financial Results/Dividend	20-May-21
HAVELLS	Havells India Limited	Financial Results/Dividend	20-May-21
HINDALCO	Hindalco Industries Limited	Financial Results/Dividend	21-May-21
SHREECEM	SHREE CEMENT LIMITED	Financial Results/Dividend	21-May-21
MCDOWELL-N	United Spirits Limited	Financial Results	21-May-21
LALPATHLAB	Dr. Lal Path Labs Ltd.	Financial Results/Dividend	21-May-21

Source: Bloomberg, ICICI Direct Research

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1<sup>st</sup> Floor, Akruvi Trade Centre,  
Road no.7, MIDC  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com



Source: Bloomberg, ICICI Direct Research

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