

June 23, 2020

Quant Pick – IndusInd Bank

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Indusind Bank	Buy	482-498	585	438	3 Months



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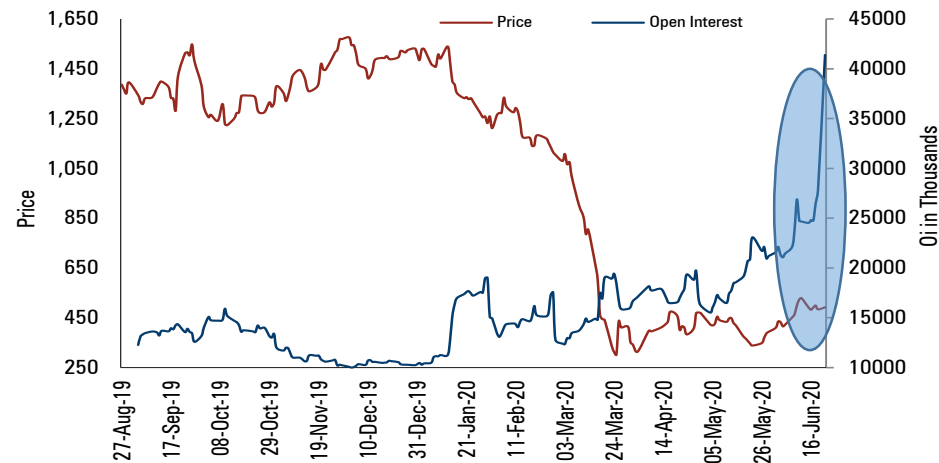
Buy IndusInd Bank in the range of ₹ 482-498, Target: ₹ 585;
Stop Loss: ₹ 438; Time frame: Three months

Snapshot

Spot Price	492.00
Beta	1.88
12M Avg Price (₹)	1109
12M Avg Volume (Shares)	12772080
3M Avg Roll (%)	94.42%
HV 30 Day (% Annualised)	69.18

**Price vs.
open interest
pattern**

Intact long positions likely to continue momentum



Source: NSE, Seediff, ICICI Direct Research

- The banking space has taken the lead in the recent up-move of the market. Heavily beaten down stocks from the sector have outperformed the rest of the pack. Stocks like IndusInd Bank and Bandhan Bank have seen significant reversal in the last one month. Also, considering the high open interest intact in the stock, further momentum due to short covering cannot be ruled out
- Unlike most stocks, open interest in IndusInd Bank remained high as it remained under pressure since 2018. The sell-off seen in March has been quite sharp as the stock moved to below ₹ 300 levels from highs of ₹ 1600 seen in January 2020. The significant sell-off in the stock has invited continued short build-up. Despite the recent recovery, open interest remained high and is at lifetime highs. We expect a round of short covering to be seen in the stock towards settlement, which should take it further high
- On the options front, the stock has significant Call option base at the 500 strike and stock was hovering below these levels for a couple of weeks. However, it has broken the prevailing range and option writers are already moving into higher strikes. Even in the July series, the highest Call base is placed at the ITM 500 Call strike. We believe stuck up Call writers will keep downsides limited in coming weeks
- IndusInd Bank has seen the highest ever volume activity in the first half of the June around current levels. After a brief consolidation, it has moved back towards these levels. We believe downsides should be limited and expect it to move further in the coming sessions
- The stock witnessed a significant divergence from its long term mean-2*sigma levels during the correction. It has gradually moved towards these levels. Currently, mean-2*sigma for the stock is placed near ₹ 490 levels while positive bias is likely to be seen, going forward

Note: Call has been initiated on iClick2Gain on June 22 2020

Source: NSE, Seediff, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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