

May 26, 2020

Quant Pick – United Spirits

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
United Spirits	Buy	560-580	680	502	3 Months



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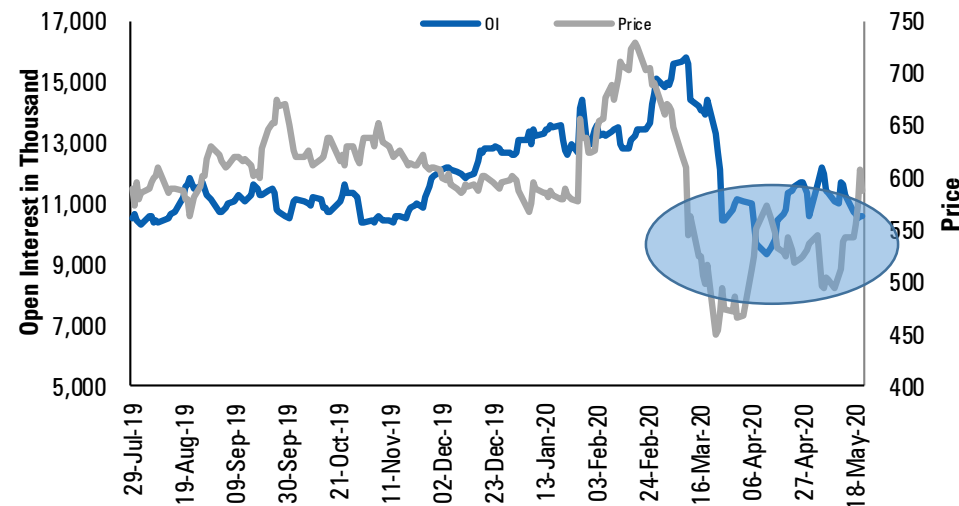
Buy United Spirits in the range of ₹ 560-580, Target: ₹ 680;
Stop Loss: ₹ 502; Time frame: Three months

Snapshot

Spot Price	582.00
Beta	1.10
12M Avg Price (₹)	590
3M Avg Roll (%)	88.00%
HV 60 Day (% Annualised)	67.00

Price vs. open interest pattern

Low leverage likely to help stock gain momentum



Source: NSE, Seediff, ICICI Direct Research

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- Consumption stocks have shown a relative weakness in the recent market consolidation. However, stocks like United Spirits remained significantly immune to the market volatility and witnessed buying interest at every decline. The stock has moved to its highest levels seen since mid-March while the Nifty is still struggling around 9000 primarily due to underperformance from the banking space. We believe United Spirits is likely to move further higher in the coming weeks on the back of fresh long additions
- The open interest in the stock declined sharply in the last couple of months, indicating closure of positions amid market weakness. However, despite the recovery in stock prices, open interest remained low. We believe the ongoing outperformance of the stock will attract fresh positions in it. Long addition is likely to provide momentum in the stock
- From the options space, even in the June series, the stock witnessed writing at ATM and OTM Put strikes indicating expectation of limited downsides. At the same time, highest Call base is placed at the 600 strike in June series. Hence sharp covering towards ₹ 700 levels can be seen if the stock moves above ₹ 600
- The stock saw significantly high delivery based buying on May 14 when it moved from ₹ 500 to ₹ 560 levels. After a round of consolidation around these levels, we believe the stock is finally moving into a higher trajectory. Moreover, promoters have bought some stake around ₹ 590 levels a couple of months back. Hence, the stock is likely to continue its upward move amid consolidation
- Mean-1*sigma levels for United Spirits has acted as strong reversal levels in the past. After testing these levels in the recent market volatility, the stock has shown a sharp reversal and is currently trading near its long term mean levels. We believe positive bias in the stock should be maintained till it is above its mean-1*sigma placed near ₹ 520 levels

Note: Call has been initiated on iClick2Gain on May 26, 2020

Source: NSE, Seediff, ICICI Direct Research

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Source: Bloomberg, ICICI Direct Research

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