

July 21, 2020

Quant Pick – Indian Oil Corporation

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Indian Oil Corporation	Buy	88-90	108	80.1	3 Months



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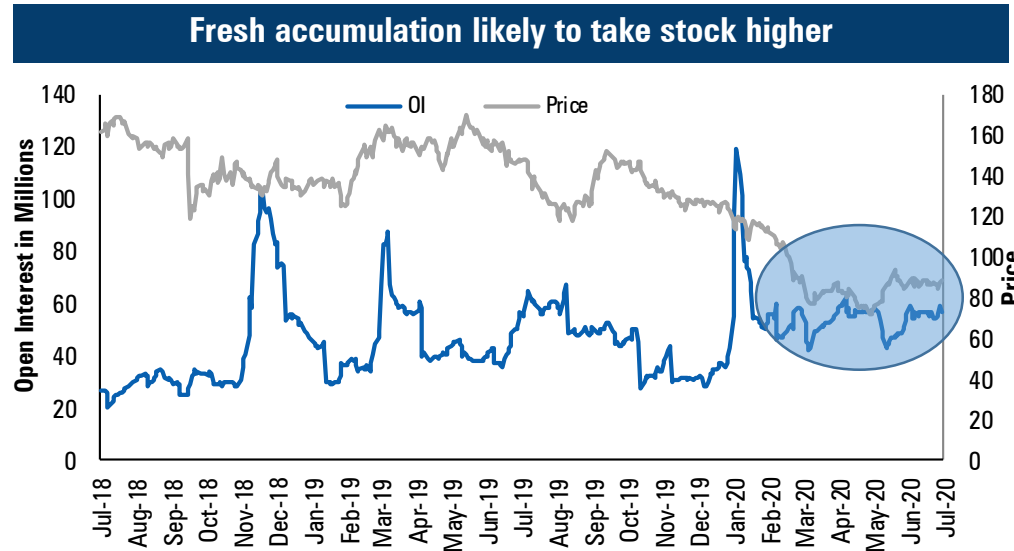
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Buy Indian Oil Corporation in the range of ₹ 88-90,
Target: ₹ 108; Stop Loss: ₹ 80.1 Time frame: Three months

Snapshot

Spot Price	91.00
Beta	0.80
12M Avg Price (₹)	111.0
3M Avg Roll (%)	86.00%
HV 30 Day (% Annualised)	44.00

Price vs. open interest pattern



Source: NSE, Seediff, ICICI Direct Research

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- The Nifty moved above its highest Call base of the series placed at the 11000 strike amid continued momentum in global equities. Sectoral heavyweights are the major beneficiary in the current up move. We expect underperforming sectors to witness some catch up exercise in the coming sessions. In the OMC space, BPCL has seen a sharp up move in the last few sessions. We expect Indian Oil Corporation to find fresh momentum. It has remained a laggard in the space while follow up momentum is likely to be seen
- On the F&O front, the open interest in the stock increased sharply in January and February, which are the major short additions. However, once the stock declined towards ₹ 85-90 levels, fresh short additions are not seen. The stock has remained in a range. With the stock moving above its prevailing three-month range, we expect short covering to take place, which should take it much higher
- On the options front, the highest Call base of the stock was placed at the 90 strike followed by 100 strike for the July series. As the stock has approached ₹ 90 levels, significant closure of positions was seen in the last session. We expect the same trend to continue in the coming sessions, which should take the stock above ₹ 100 in the short-term
- The stock has seen one of the highest delivery based activity of the last six-months near ₹ 83 levels on July 17, 2020. Since then, it has found the current momentum. We do not expect it to retest these levels. Any intermediate decline remains a buying opportunity for the stock
- In the recent market turmoil, IOCL has moved below its long term mean-2*sigma levels and is witnessing reversal. We believe the stock will test its mean-1*sigma levels in the current up move, which is placed near ₹ 105 levels. On the other hand, immediate support will remain at 2 sigma levels of ₹ 81

Note: Call has been initiated on iClick2Gain on July 21, 2020

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Source: Bloomberg, ICICI Direct Research

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