

September 16, 2020

Quant Pick – IDFC First Bank

Quant Pick

Stock	Action	Initiation Range	Target	Stop loss	Time Frame
IDFC First Bank	Buy	31-32	38.5	28.4	3 Months

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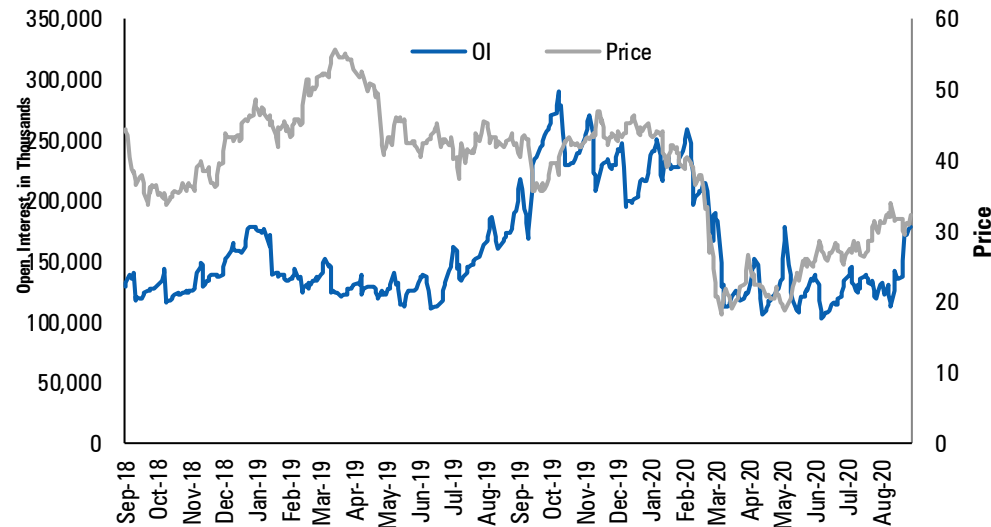
Buy IDFC First Bank in range of ₹ 31-32, Target: ₹ 38.5; Stop Loss: ₹ 28.4; Time frame: Three months

Snapshot

Spot Price	32.00
Beta	1.08
12M Avg Price (₹)	31.5
3M Avg Roll (%)	94.0%
HV 30 Day (% Annualised)	63.00

Price vs. open interest pattern

Long accumulation seen in recent consolidation



Source: NSE, Seediff, ICICI Direct Research

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- In the ongoing broader market recovery, stocks from the midcap and small cap space have found momentum but the financial space is still underperforming. However, apart from sectoral heavyweights, the select midcap banking space, especially IDFC First Bank, is witnessing buying interest at every decline. We expect IDFC First Bank to continue its positive momentum on the back of fresh long additions
- Open interest in IDFC First Bank has remained muted since March 2020 as it remained under pressure along with the market. The open interest seen in the May 2020 series was one of the lowest since November 2016. However, fresh longs were formed in the stock since the mid-June series along with a fresh up move. The OI has increased almost 25% in the last couple of months indicating buying interest in the stock
- On the options front, the stock has the highest Call option base placed at the 35 strike followed by 32 strike. As the stock has started trading above ₹ 32 levels, closure of positions is evident at these strikes while positions are shifting at higher OTM strikes. At the same time, Put open interest base is strengthening at the 30 Put strike from where the stock has seen a sharp reversal and is likely to act as strong support in the near term
- In the last two months, noteworthy delivery volumes increased in the stock at ₹ 29 levels. We expect levels around ₹ 29 to act as important supports for the stock in the short-term. In the initial part of the current series, it has already recovered from these levels. After a brief consolidation around these levels, fresh momentum was observed. We expect the positive bias to remain intact above the said support levels
- IDFC First Bank witnessed a sharp decline from its long term mean levels in March along with the market. We believe that in the ongoing recovery, it is likely to test its mean levels once again, which is placed near ₹ 38 levels

Note: Call has been initiated on iClick2Gain on September 15, 2020

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Source: Bloomberg, ICICI Direct Research

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