

September 15, 2020

Quant Pick – United Breweries

| Quant Pick | | | | | |
|------------------|--------|------------------|--------|-----------|------------|
| Stock | Action | Initiation Range | Target | Stop loss | Time Frame |
| United Breweries | Buy | 1050-1075 | 1270 | 955 | 3 Months |

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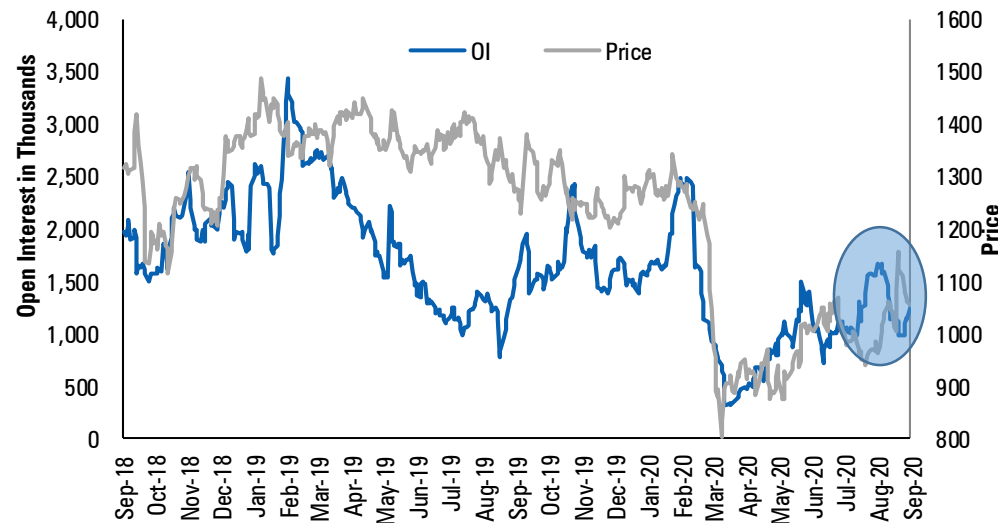
Buy United Breweries in the range of ₹ 1050-1075,
Target: ₹ 1270; Stop Loss: ₹ 955; Time frame: Three months

Snapshot

| | |
|--------------------------|---------|
| Spot Price | 1055.00 |
| Beta | 0.65 |
| 12M Avg Price (₹) | 1118.0 |
| 3M Avg Roll (%) | 87.0% |
| HV 30 Day (% Annualised) | 44.00 |

Price vs. open interest pattern

Gradual increase seen in open interest



Source: NSE, Seediff, ICICI Direct Research

- Broader markets continued to witness a recovery. Stocks from the midcap and small cap space are witnessing continued buying at every decline and outperforming major indices. We believe the ongoing participation from the midcap space should continue. We expect renewed buying in stocks like United Breweries that have corrected after a sharp up move was seen a couple of days back
- The open interest in the stock declined sharply in March and as long liquidation was observed across sectors. However, in the recent consolidation, the stock has seen a gradual build-up of positions. The current OI is the highest since March. We believe long positions have been formed. It is likely to see fresh upsides in the coming sessions
- United Breweries had major Call base at 1000 strike in the August series. After moving above these levels, it saw sudden closure of positions. Even the intermediate declines in the stocks was limited to ₹ 1000 levels only. The September series started with the Call base at 1100 strike, which was taken out in the early part of the series. We expect the recent declines in the stock to be a buying opportunity
- In the first week of September, UBL witnessed noteworthy delivery based activity near ₹ 950 levels. Since then, it has been trading with a positive bias above these levels. The recent delivery based buying seen near ₹ 1000 levels was almost a two-year high. We believe positive momentum would remain intact in the stock above these levels
- Long term mean levels for the stock have acted as trend reversal levels in the past. However, the stock has breached these levels and is currently in the process of moving towards it. At the same time, we believe mean-1*sigma levels should act as important support. It has shown a significant directional move after surpassing these levels. Currently, the mean levels of the stock are placed at ₹ 1250. The stock is likely to move towards these levels

Note: Call has been initiated on iClick2Gain on September 14, 2020

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Source: Bloomberg, ICICI Direct Research

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