

Technical & Alternative Research

Neeraj Agarwal

neeraj.agarwal@jmfll.com | Tel: (+91 22) 66303067

Ratio Trade: ICICI Bank (ICICIBC) to outperform Kotak Mahindra Bank (KMB)

Current Ratio: 0.6321

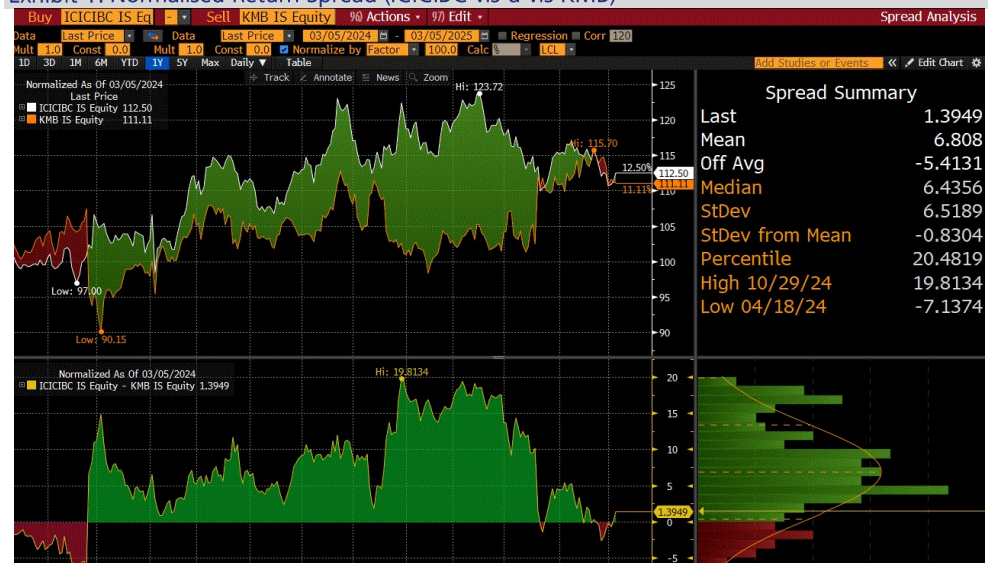
Ratio Target: 0.6953

Ratio Stop-loss: Below 0.6005 levels on a closing basis.

Rationale

- In last one year, ICICIBC has moved up by around 12% while KMB has increased by around 11%, resulting into a positive normalised return spread of around 1%.
- Earlier, the pair has shown convergence at the spread of around -7% to 2% on multiple occasions. We expect a similar occurrence.
- The pair has already started converging in favour of ICICIBC as indicated by an increase in spread to 1% from a low of -2%.
- On a 1-year data window, the normalized return spread is trading at 0.8 standard deviation below the mean levels of 6.808. It is currently at its 20 percentiles.
- Quarter to date, ICICIBC has declined by ~5% while KMB has moved up by ~7%.
- Technically, ICICIBC has started bouncing up from its key support zone and is now above its 8-day EMA and 200-day EMA. KMB has a large gap area in the range of 1805-1866 levels which has a probability to get filled.

Exhibit 1. Normalised Return Spread (ICICIBC vis-à-vis KMB)



APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Energy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.comGrievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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