

Trading Calls
TATAMOTORS Long/Buy 9th October 2018

Double top on weekly scale with good volume. Despite of weak trend it has recovered more than 8% from days low at 150% target of larger double top. Since 10/11/17 it is falling in impulse and it seems it has completed one complete falling impulse at 170. On weekly scale we can see stochastic is showing sign of strength. Hence we advise our client to buy TATAMOTORS in the range of 185-180 and on decline towards 172-165 for the price targets of 202 and 230 with 149 as SL on closing basis.

NICKEL Long/Buy 8th October 2018

We believe Nickel prices may continue to remain supported at current levels on lower inventories, structural deficit market along with hopes of robust demand from stainless steel sector and electric vehicle sector. LME Nickel are expected to trade higher and test \$14500-\$15000 per tonne in the coming quarter of 2018 and in MCX, Nickel prices are expected to reach Rs 1050-1130 per kg by the end of the year 2018.

GODREJAGRO Long/Buy 3rd October 2018

Since 23rd Apr 2018 stocks is in complex correction. It seems it has formed wave B on 1st Oct 2018 at 492.55 and further we expect that wave C may help it to move on upper side. During entire fall of wave B, volume was low which is technically good. Momentum oscillator Stochastics is also supporting this pattern. Hence we recommend buy in the range of 544-535 and on decline towards 520-515 for the price targets of 585 and 601 with 490 as SL.

GRANULES Long/Buy 1st October 2018

It has taken support around 61.8% retracement level of rally between 5th June 2018 to 10th Sep 2018 with impressive volume. It seems that stocks has completed its wave 4 correction at 90 and finally managed to close above 100 SMA. Momentum Oscillator Stochastics is also trying to find support at over sold zone. Hence we recommend Buy in GRANULES in the range of 94-97 and on dip towards 88-84 for the price targets of 114 and 126 with 76 as SL on closing basis.

NMDC Long/Buy 26th September 2018

Since 19th July 2018 stock is moving in impulse. Last few couple of days it was spending time in wave 4. As wave 2 was vertical fall so we expect that wave 4 should not damage price more. We are trying to incash the moment of wave 5 so we advise our client to buy in the range of 114.50-112 and on dip towards 109-105 for the price target of 126 and 133 with 95.90 as SL on closing basis.

TATASTEEL Long/Buy 29th August 2018

Formation of multi bullish candle above rising trend line showing that demand is going to generate from bulls side. Golden crossover is seen on daily chart where 50 DMA has crossed 100 DMA while going on upside. Both daily and weekly strength indicator RSI along with the momentum indicator Stochastic are in bullish territory and sustaining above their reference lines which signal strength and upward momentum in price. Thus, taking consideration the above factors, maximum upside can be expected to 700 and 750 marks.

Market	Value	% Change
SGX Nifty	10310.50	0.30%

Nifty Key Levels

Support	S1 : 10100	S2 : 9950
Resistance	R1 : 10335	R2 : 10370

Market Outlook

Bears back with a bang after yesterday's relief rally, Index ended with six months low. Market breadth improved but still in favor of declines. Although Indices getting extremely oversold on all parameter but more round of selling likely down the line. Only intermarket divergence can become a trigger for the positive move. Now resistance slip lower at 10335 followed by 10370 levels while on downside, Support lies at 10100 followed by 9950 levels.

Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
11-Oct-18	4,936	7,806	(2,869)
Oct-18	44,370	60,905	(16,535)
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
11-Oct-18	5,168	3,280	1,888
Oct-18	41,927	27,713	14,214

Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(1.75)	(2.83)	(13.82)	(11.44)
Automobiles	(2.38)	(5.09)	(18.92)	(20.95)
Chemicals	(0.73)	(1.71)	(9.96)	(5.79)
Construction & Engineering	(2.41)	(2.80)	(12.07)	(10.42)
Construction Materials	(2.47)	(5.67)	(11.75)	(20.59)
Diversified Financial Services	(3.69)	(4.12)	(16.81)	(15.65)
Electrical Equipment	(1.39)	(1.71)	(9.05)	(9.76)
Energy	1.11	(5.75)	(11.36)	(3.08)
Financials	(2.85)	(1.97)	(12.08)	(7.50)
Health Care	(2.14)	(1.43)	(9.72)	3.48
Household Durables	(0.36)	0.53	(12.82)	(9.73)
Household & Personal Products	0.21	(2.59)	(7.35)	14.25
Information Technology	(3.06)	(4.65)	(6.33)	38.84
Metals/Mining/Minerals	(2.87)	(5.61)	(8.33)	(9.72)
Telecom	(2.27)	(4.21)	(19.30)	(33.21)
Utilities	(1.25)	(1.11)	(7.30)	(14.75)

Participant wise Open Interest In Equities Derivative (no. of contracts)

Long Position				
	DII	FII	Pro	Other
Future Index	85036	94073	22235	134571
Future Stock	24600	808440	149738	746374
Option Index Call	30578	236797	161595	535190
Option Index Put	110429	367850	153633	396272
Option Stock Call	0	33059	55098	277856
Option Stock Put	0	28497	57708	109809

Short Position				
	DII	FII	Pro	Other
Future Index	26074	190973	34249	84619
Future Stock	964767	488716	92223	183446
Option Index Call	0	192458	283757	487945
Option Index Put	0	157176	223389	647619
Option Stock Call	0	33631	133704	198678
Option Stock Put	0	25379	64658	105977

High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
530001	GUJALKALI	2.0
500800	TATAGLOBAL	1.7
506285	BAYERCROP	0.8
532509	SUPRAJIT	-0.4
524804	AUROPHARMA	-0.9
523367	DCMSHRIRAM	-2.6
531768	POLYMED	-3.0
532555	NTPC	-3.3
500830	COLPAL	-3.6
513375	CARBORUNIV	-3.7

High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
532268	ACCELYA	-0.7
505537	ZEEL	-1.1
517385	SYMPHONY	-6.2
505355	NESCO	-6.3
533248	GPPL	-6.7
500049	BEL	-7.3
500870	CASTROLIND	-8.4
500710	AKZOINDIA	-8.5
532733	SUNTV	-9.1
500182	HEROMOTOCO	-9.3

Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
500111	RELCAPITAL	(47.68)
514034	JBFIND	(37.95)
532134	BANKBARODA	(35.64)
532922	EDELWEISS	(34.50)
500570	TATAMOTORS	(32.30)
538562	SKIPPER	(30.36)
532617	JETAIRWAYS	(30.33)
523204	ABAN	(29.95)
532915	RELIGARE	(29.79)
500645	DEEPAKFERT	(26.51)

Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
532638	SHOPERSTOP	(26.07)
500302	PEL	(26.03)
532482	GRANULES	(25.56)
500215	ATFL	(25.32)
502865	FORBESGOK	(24.64)
524404	MARKSANS	(24.61)
505192	SMLISUZU	(24.45)
509820	PAPERPROD	(24.07)
502165	OCL	(24.06)
500288	MOREPENLAB	(23.23)

* ES- Earning Score is average of EM (Earning Momentum defined as relative performance in terms of operating profit growth) and EQ (Earning Quality defined as relative balance sheet strength in terms of debt and working capital)

* PS- Price Score is of a company is relative price performance in multiple time-frame

Analysis shown here is only for companies with market cap more than Rs 1,000 Cr.

STDC / R25 Open Calls for 12-Oct-2018 (7)
R25 (1)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	16-Aug-18	R25	BUY	SBIN	292.5	272.5	255	340	380

STDC (6)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	09-Oct-18	STDC	BUY	TATAMOTORS	182.5	168.5	149	202	230
2	01-Oct-18	STDC	BUY	GODREJAGRO	539.5	517.5	491	585	601
3	01-Oct-18	STDC	BUY	GRANULES	95.5	86	76	114	126
4	26-Sep-18	STDC	BUY	NMDC	113.25	106.5	95.9	126	133
5	29-Aug-18	STDC	BUY	TATASTEEL	597.5	577.5	540	700	750
6	19-Jun-18	STDC	BUY	POWERGRID	197	188	173	225	235

VIEW

Market became a house of mayhem as currently all technical factors of bounce back feeling helpless in front of weak Macro economic factors. Due to this reason, domestic market has been seeing multiple headwinds which trigger a massive sell off on the D-street from last five weeks. Tumbling indian rupee, soaring crude oil prices, excise duty on OMC, trade war between US & China, sanction against Iran and rising bond yields along with the concerns around liquidity tightening had dampened investor sentiments. Market volatility is set to continue as we moving towards september quarter earnings in the coming week.

NIFTY-

- Nifty has corrected nearly 1500 points from the top of 11170, that is 12.7% so far and formed a low of 10261 which is below the monumental psychological support of 10500 levels.
- India VIX surged around 16% this week and hit a high of 20.48 which suggest tight Bear grip on the market
- Length of losing streak is continuously extending weak by weak
- Negative crossover in MACD and sustainability below all important moving averages are giving cues of further selling
- Till the index sustains below 10500 levels, an immediate resistance, it may remain in selling pressure towards 10200 and 10000 levels
- However, rising trend line may become its support where it can find base in coming week.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	NIFTY LEVEL	JUSTIFICATION
Resistance 2	10755	Previous swing high
Resistance 1	10500	Immediate Resistance
Close	10316	
Support 1	10260	Current swing low
Support 2	10200	Previous base

Banknifty Weekly

8-Oct-18

VIEW

After opening with a green session, Banknifty rose to make a weekly high of 25470 on Wednesday last week. However selling pressure was witnessed from next day and the index continuously fell to make a weekly low of 24250.65 on Friday. At the end of the week Banknifty closed at 24443.45. It had a net loss of 2.69% over previous close.

OBSERVATIONS:

1) According to the monthly chart, Banknifty has retrenched around 50% of its breakout gain which was started on March 2017 from 20423. The next crucial support of the index is at 23466 (it is 61.8% retracement level of the said breakout gain).

2) The comparative study between Nifty and Banknifty is showing that Banknifty was relatively stronger than Nifty during the last week (Nifty has fallen 5.62% where as Banknifty has fallen just 2.69% during last week)

According to the above observations it can be said that Banknifty is looking more stronger than Nifty and it can play a crucial role to lift the market. On the downward path 24185-23466 zone would act as crucial support zone of Banknifty.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	25760
Resistance 1	25050
Close	24443
Support 1	24185
Support 2	23466

VIEW

USDINR pair continues to be on firm ground as Rupee sank below 74 marks, showing no clue for the strength in an Indian currency. Despite impending rate hike where RBI changed its stance from "neutral to calibrated tightening" which surprised whole domestic market as it is expecting hike of 25 basis point. Huge churning in NBFC and banking sectors will take its toll on the domestic liquidity in the shorter term and will keep liquidity tight.

TECHNICAL FACTORS-

- a) Pair almost touched our second target of 75 which we had predicted in our quarterly report and previous weekly reports on the formation of Pole and Flag pattern
- b) Formation of spinning top showing indecisiveness in coming sessions and breach of high & low of spinning top will decide its further course of action.
- c) Negative divergence in RSI suggest some halt in this on going up move
- d) However, as long as it holds above 72.50 mark bias will remain positive as pair formed bullish belt hold candlestick pattern on weekly chart.

CHART

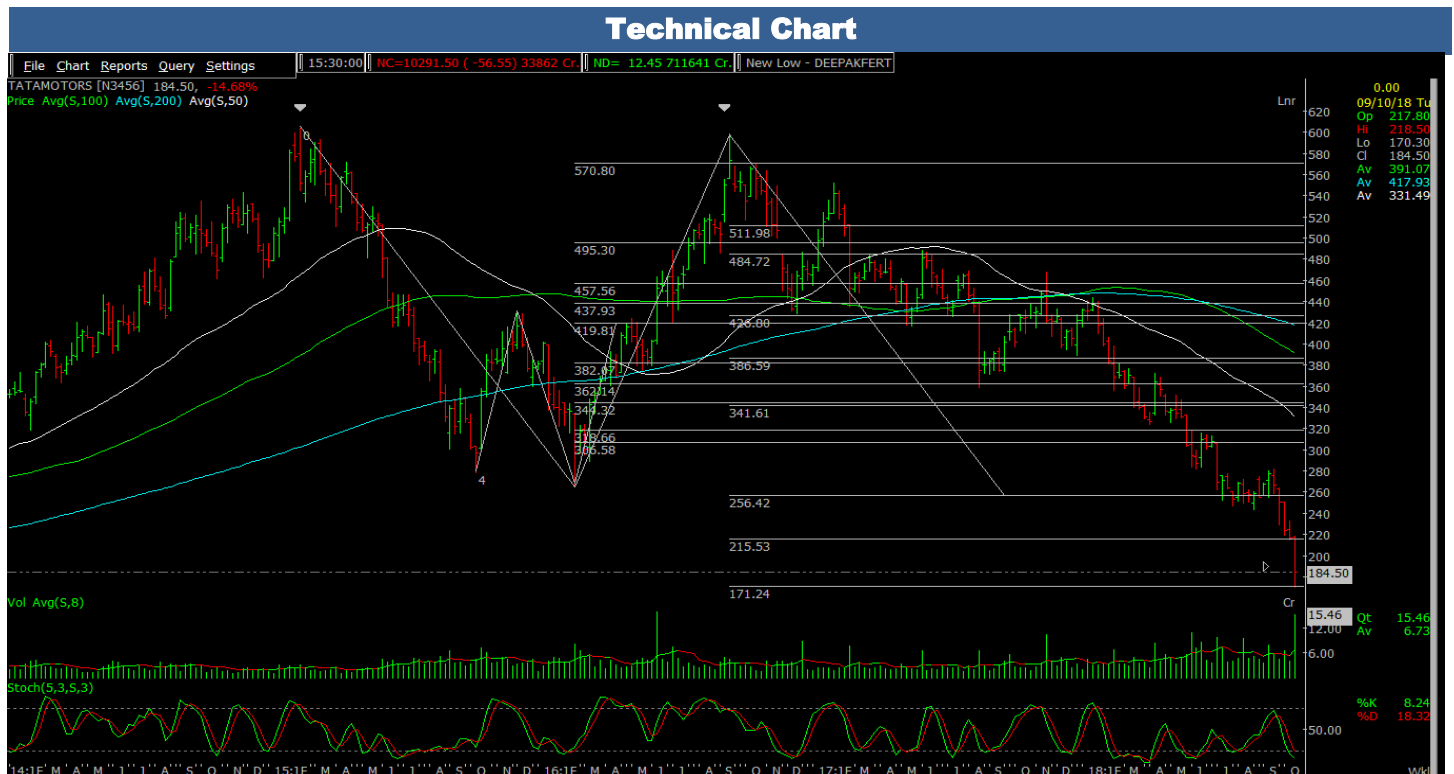


STDC : Long / BUY

9-Oct-18

BSE Code	505570
NSE Symbol	TATAMOTORS
52wk Range H/L	466.95/170.65
Mkt Capital (Rs Cr)	53,271.00
Av.Cash Volume(,000)	34093
Open Interest	

Buy Price	182.5
Stop Loss	149
Target Price1	202
Target Price2	230
Upside in Tgt1	11%
Upside in Tgt2	26%



STDC- BUY TATAMOTORS @ 185-180 AND ON DIP TOWARDS 172-165 SL- 149 (CLOSING BASIS) TGT-202, 230

After achieving 200% target of internal bottom at 571(high 598.40), It has achieved today 150% target of larger double top on weekly scale with good volume. Despite of weak trend it has recovered more than 8% from days low at 150% target of larger double top. Since 10/11/17 it is falling in impulse and it seems it has completed one complete falling impulse at 170. On weekly scale we can see stochastic is showing sign of strength. Hence we advise our client to buy TATAMOTORS in the range of 185-180 and on decline towards 172-165 for the price targets of 202 and 230 with 149 as SL on closing basis.

STDC : Long / BUY

3-Oct-18

BSE Code	540743
NSE Symbol	GODREJAGRO
52wk Range H/L	736.80/492.70
Mkt Capital (Rs Cr)	10,494.00
Av.Cash Volume(,000)	1679
Open Interest	

Buy Price	540
Stop Loss	491
Target Price1	585
Target Price2	601
Upside in Tgt1	8%
Upside in Tgt2	11%



STDC- BUY GODREJAGRO @ 544-535 AND ON DIP TOWARDS 520-515 SL- 490 (CLOSING BASIS) TGT-585, 601

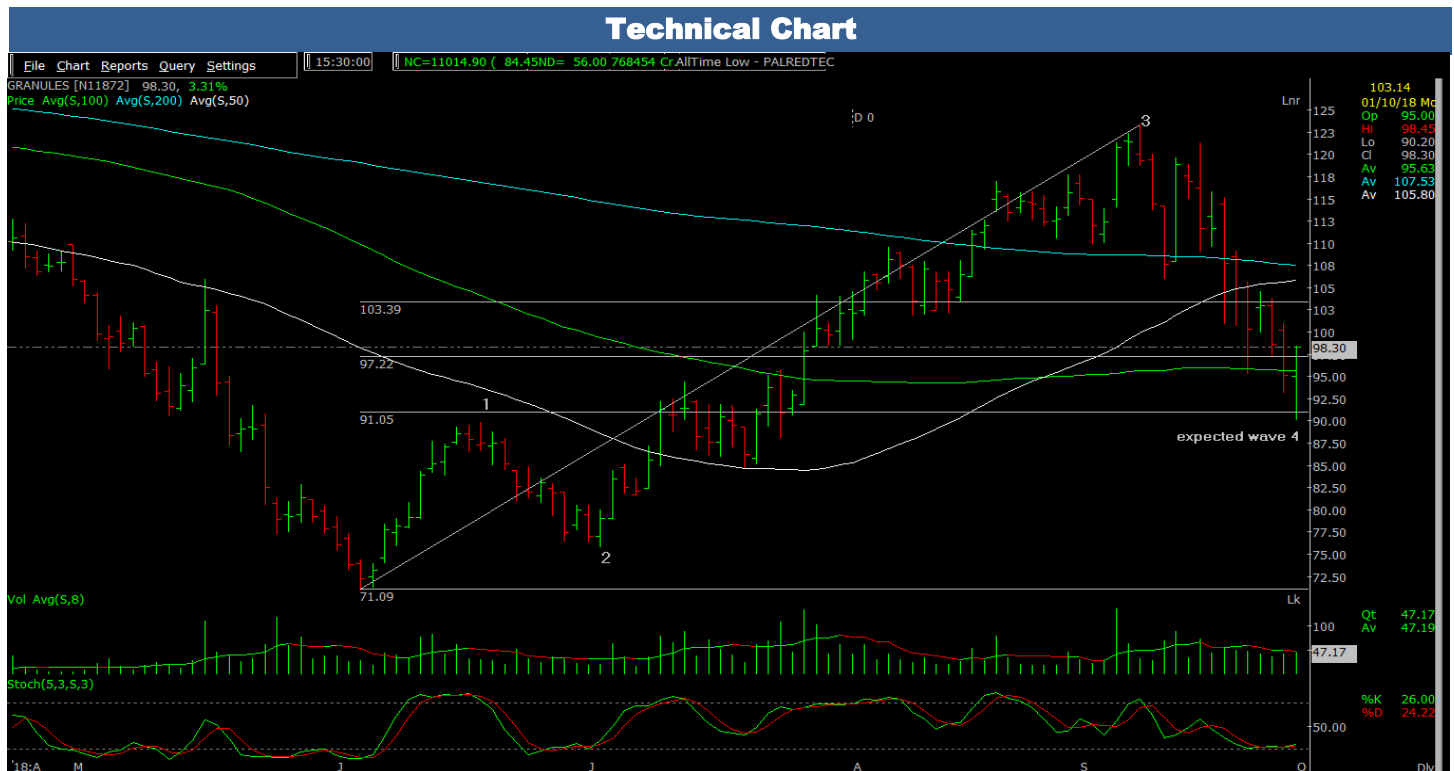
Since 23rd Apr 2018 stocks is in complex correction. It seems it has formed wave B on 1st Oct 2018 at 492.55 and further we expect that wave C may help it to move on upper side. During entire fall of wave B, volume was low which is technically good. Momentum oscillator Stochastics is also supporting this pattern. Hence we recommend buy in the range of 544-535 and on decline towards 520-515 for the price targets of 585 and 601 with 490 as SL.

STDC : Long / BUY

1-Oct-18

BSE Code	532482
NSE Symbol	GRANULES
52wk Range H/L	150.50/71.75
Mkt Capital (Rs Cr)	2,471.00
Av.Cash Volume(,000)	1359
Open Interest	

Buy Price	95.5
Stop Loss	76
Target Price1	114
Target Price2	126
Upside in Tgt1	19%
Upside in Tgt2	32%



STDC- BUY GRANULES @ 97-94 AND ON DIP TOWARDS 88-84 SL- 76 (CLOSING BASIS) TGT-114, 126

Today it has taken support around 61.8% retracement level of rally between 5th June 2018 to 10th Sep 2018 with impressive volume. It seems that stocks has completed its wave 4 correction at 90 and finally managed to close above 100 SMA. Momentum Oscillator Stochastics is also trying to find support at over sold zone. Hence we recommend Buy in GRANULES in the range of 94-97 and on dip towards 88-84 for the price targets of 114 and 126 with 76 as SL on closing basis.

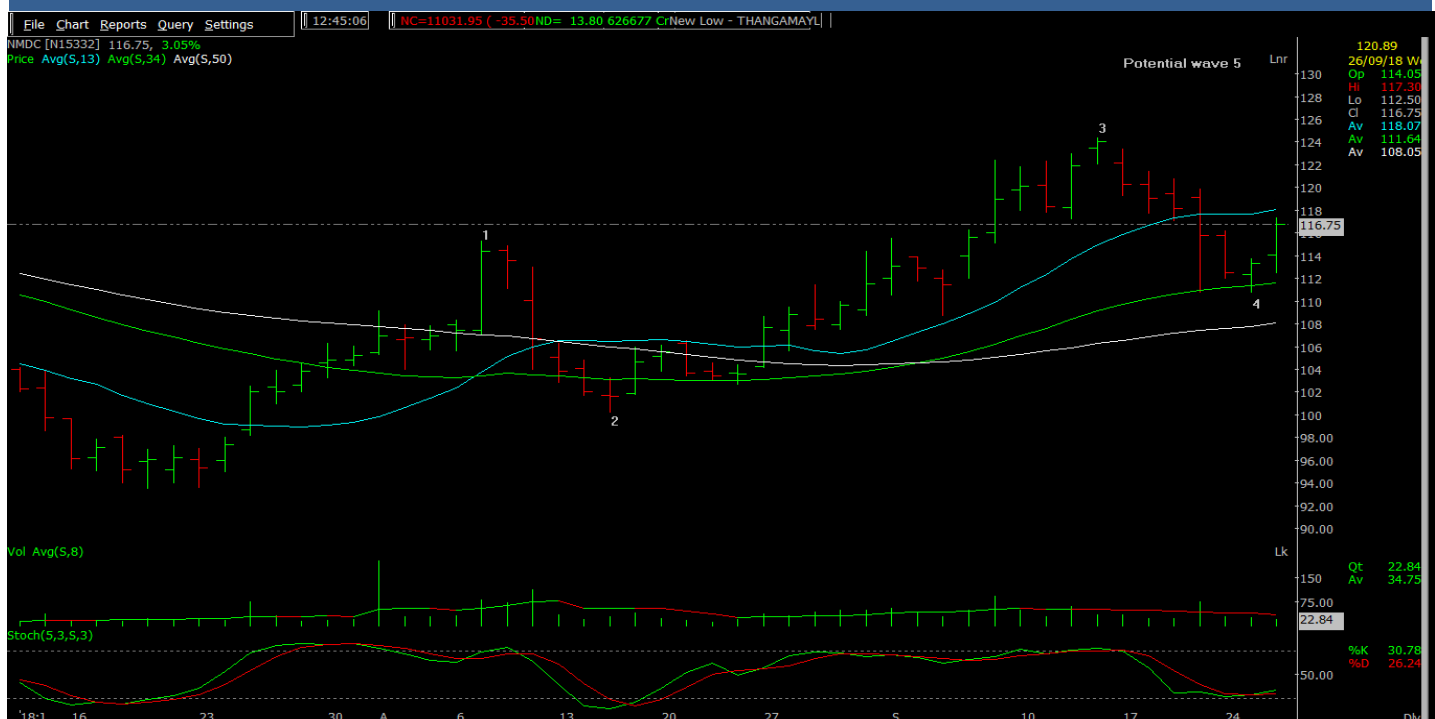
STDC : Long / BUY

26-Sep-18

BSE Code	526371
NSE Symbol	NMDC
52wk Range H/L	162.55/93.50
Mkt Capital (Rs Cr)	36,970.00
Av.Cash Volume(,000)	9242
Open Interest	

Buy Price	114.50-112/109-105
Stop Loss	95.9
Target Price1	126
Target Price2	133
Upside in Tgt1	14%
Upside in Tgt2	21%

Technical Chart



STDC- BUY NMDC @ 114.50-112 AND ON DIP TOWARDS 109-105 SL- 95.90 (CLOSING BASIS) TGT-126, 133.

Since 19th July 2018 stock is moving in impulse. Last few couple of days it was spending time in wave 4. As wave 2 was vertical fall so we expect that wave 4 should not damage price more. We are trying to incash the moment of wave 5 so we advise our client to buy in the range of 114.50-112 and on dip towards 109-105 for the price target of 126 and 133 with 95.90 as SL on closing basis.

STDC : Long / BUY

29-Aug-18

BSE Code	500470
NSE Symbol	TATASTEEL
52wk Range H/L	747/493
Mkt Capital (Rs Cr)	66,918.00
Av.Cash Volume(,000)	988532
Open Interest	

Buy Price	587.5
Stop Loss	540
Target Price1	700
Target Price2	750
Upside in Tgt1	19%
Upside in Tgt2	28%

Technical Chart



STDC- BUY TATASTEEL @ 595-600 AND ON DIP TOWARDS 575-580 SL-540 TGT- 700, 750

Formation of multi bullish candle above rising trend line showing that demand is going to generate from bulls side. Golden crossover is seen on daily chart where 50 DMA has crossed 100 DMA while going on upside. Both daily and weekly strength indicator RSI along with the momentum indicator Stochastic are in bullish territory and sustaining above their reference lines which signal strength and upward momentum in price. Thus, taking consideration the above factors, maximum upside can be expected to 700 and 750 marks.

R-25 : Long / BUY

16-Aug-18

BSE Code	500112
NSE Symbol	SBIN
52wk Range H/L	351/230
Mkt Capital (Rs Cr)	2,049,752.00
Av.Cash Volume(,000)	113967
Open Interest	

Buy Price	290
Stop Loss	255
Target Price1	340
Target Price2	380
Upside in Tgt1	17%
Upside in Tgt2	31%

Technical Chart



R-25:BUY SBIN AROUND 290-295 AND AROUND 270-275 SL- 255 (CLOSING BASIS) TGT- 340, 380

Stock bottomed out near the levels of 230-235 and has been forming cup and handle as being mother pattern on weekly chart. Emergence of Bullish engulfing showing upswing move towards channel resistance line from where stock can give breakout on upside . Scrip has respected the up trendline and prices has started running in the channel. Sustainability above 61.8% Fibonacci retracement of the fall from 351 to 230 marks also creating positive rhythm in the scrip. Declining MACD histogram and sustainability of RSI above 50 adds the conviction of going long for the target of 340 and 380 with SL of 255 marks.

After almost decade, Nickel market has finally turned around and now sits on a structural deficit market and may have entered the prolonged period of under supply. Global nickel market is expected to end the year showing a deficit of 120,000 tonnes in 2018 and 65,000 tonnes in 2019.

Global nickel mine production growth rate is set to slow in 2018. The production increase from Indonesia and New Caledonia is partly offset due to fall in Philippines nickel ore output on account of suspension of mines on environmental grounds. Global refined nickel production is expected to reach 2.21 million tonnes in 2018. Nickel refined production is expected to increase due to higher availability of nickel ore from Indonesia, helping the Chinese NPI producers to increase their nickel pig iron production.

Global nickel demand is expected to increase by more than 9 percent this year at 2.33 million tonnes. At the start of the year, nickel demand was forecast to rise by just 5 percent. But demand from the two drivers – stainless steel and battery increased in turn supported nickel prices in 2018.

Continuous Rise in Stainless Steel Production

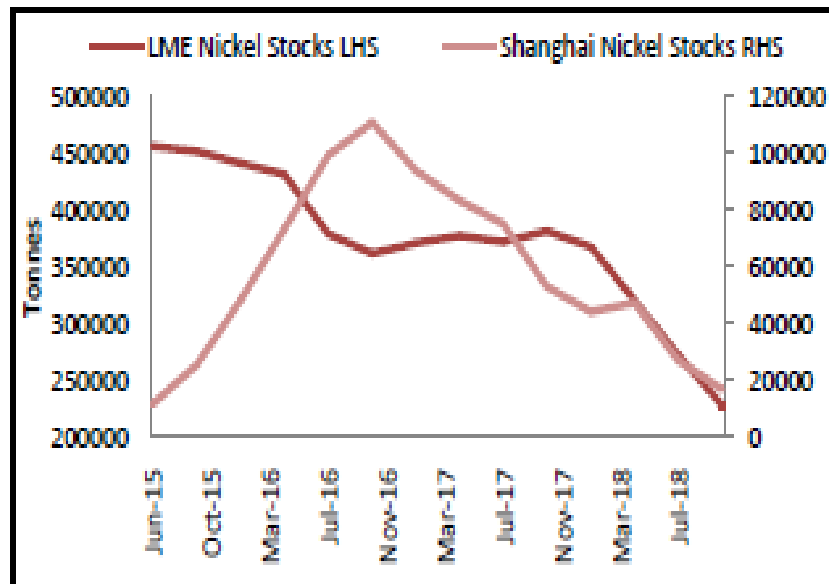
Around 65% of the nickel demand comes from this sector. World Crude steel production is increasing at a rate of 5.44% at 1.19 million tonnes during the Jan-Aug period of 2018. China, the world's largest producer, increased its steel capacity by 9 percent in the first 8 months of the year. Continuous growth in stainless steel production increases nickel usage and would create a supply shortage in the global nickel market.

Battery demand

Battery demand is growing at a fast pace however the base is still very low. Currently, it contributes to just 3-5% of nickel demand. Battery demand from electric vehicles will be growing at a rate of 24% from the 2017-2025. Going with the number, there are expectations of 350,000-400,000 tonnes of new demand coming from this sector by 2025. Electric vehicles sales are accelerating. Global sales of electric vehicles reached the 400,000 barrier in the second quarter, rising 77 percent from a year earlier, according to a report from Bloomberg NEF. The latest forecast shows the sales of electric vehicles is forecasted to increase from a record 1.1 million worldwide in 2017, to 11 million in 2025 and then surging to 30 million in 2030.

It would take several years to fulfill this high demand as the Electric Vehicle market needs Class 1 nickel mined from nickel sulfide ores. There are only a handful of projects at this stage and it would take 6-7 years to bring to the market. Nor Nickel, one of the largest nickel producer, says the current nickel prices are not enough for more investment in nickel mine and production. For it to be attractive, nickel prices would have to be atleast \$18000 per tonnes for the next 18-24 month to bring in more nickel sulfide i.e. Class 1 Nickel for battery sector.

Inventory



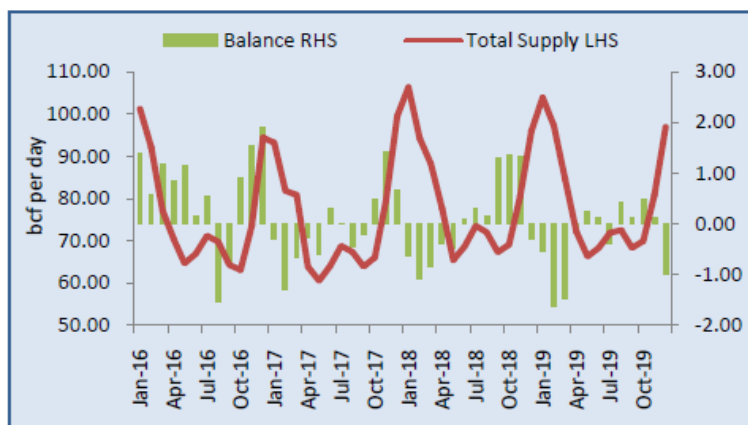
Source: Narnolia Research, Bloomberg

Tightness in an inventory has been one of the reason granting support to the nickel prices. The inventory in both the exchanges – LME and Shanghai has fallen drastically this year. LME Nickel inventories at the London exchanges fell to 228,000 tonnes in September 2018 down from 450,000 tonnes, down by almost 50% since June 2015. Shanghai stocks have been declining since the start of the year, and are standing at the lowest since November 2015.

Outlook

We believe Nickel prices may continue to remain supported at current levels on lower inventories, structural deficit market along with hopes of robust demand from stainless steel sector and electric vehicle sector. LME Nickel are expected to trade higher and test \$14500-\$15000 per tonne in the coming quarter of 2018 and in MCX, Nickel prices are expected to reach Rs 1050-1130 per kg by the end of the year 2018.

Demand Supply Scenario:



Source: Narnolia Research, U.S. EIA

US Natural gas market normally shifts into deficit during the November to February period i.e. winter season in US. During this high period of demand, natural gas should be well-supplied or else supply tightness worry will emerge and prices will start to rally higher.

US Dry gas production

US Dry natural gas production is rising this year and is estimated to be at 82.2 bcf per day in August, up by 0.7 bcf/day in July, almost 7.4 bcf per day higher than last year. In 2018, US Dry gas production has increased by almost 10% on an average as compared to last year. Furthermore, EIA expects the dry natural gas production to keep rising on an average of 84.7 bcf per day in the coming year. Due to significant natural gas production increase in 2018, NYMEX natural gas prices have been unable to breach \$3 per MMBtu for the most of the summer.

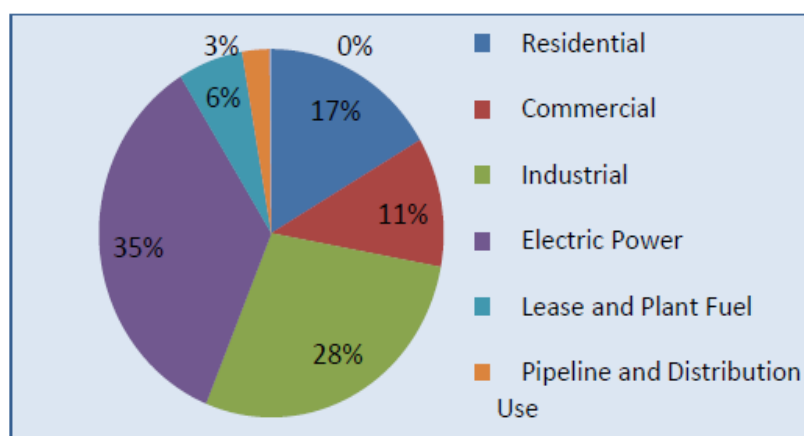
US Gas consumption

US Natural gas consumption has increased by 7% this year standing at 79.86 bcf per day. This increase in consumption is due to higher demand from the residential and industrial sector along with higher exports as compared to last year levels. Higher consumption of natural gas has been one of the reason for the lowest storage injection this October since the year 2005.

There are two demand driving season for natural gas – Winter and Summer. During winter, demand is measured by number of heating degree days and during summer, natural gas demand is measured by the number of cooling degree days.

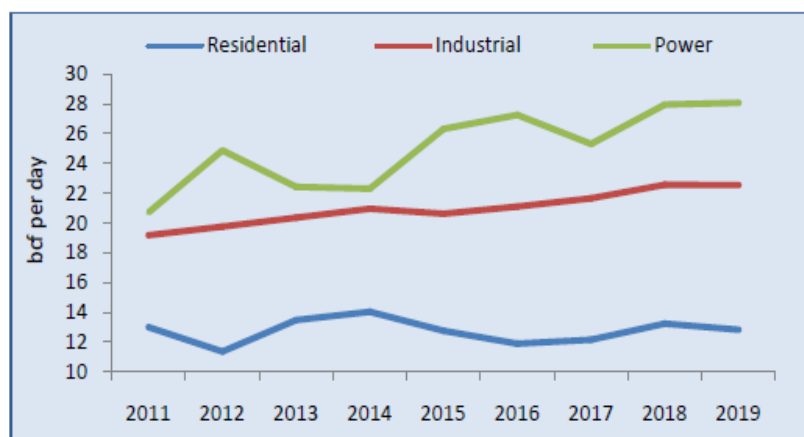
Cooling degree days (CDD) reflects the amount of energy required to cool a residence, industrial or a business. In 2018, CDD stood 18% higher than the previous year and averaged 25% above normal on hottest summer leading to strong air conditioning demand in the summer season. Warmer than normal temperatures extended into the month of September and provided further firmness to the natural gas prices.

Sector wise: Natural Gas Consumption Demand



Source: Narnolia Research, Bloomberg

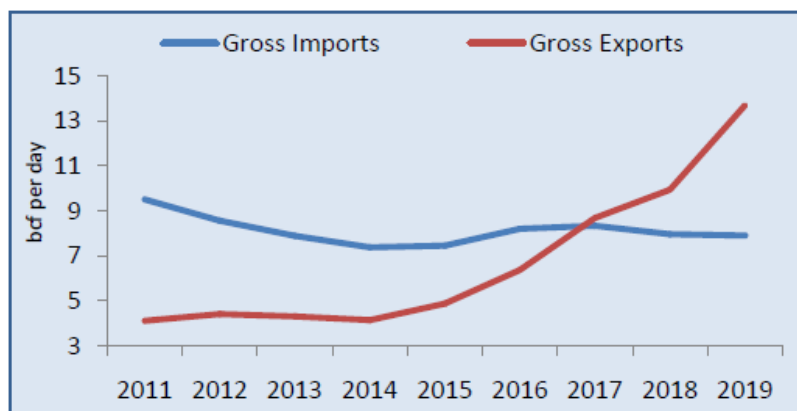
From the above figure, we can conclude that the major consuming sectors of natural gas are Electric Power, Industrial and Residential sector. With Electric power being the major consumer of natural gas comprising 35% of the total natural gas consumption followed by Industrial and Residential sector.



Source: Narnolia Research, Bloomberg

As you can see in the above figure, natural gas demand from largest contributing sector – power and industrial has been rising since the year 2011. Electric Power demand has risen from 20.7 bcf per day in 2011 to 28.07 bcf per day in 2018. Industrial demand of natural gas has increased on a slower rate as compared to electric power however, overall demand from this sector has shown a rising trend.

US Attention towards Exports

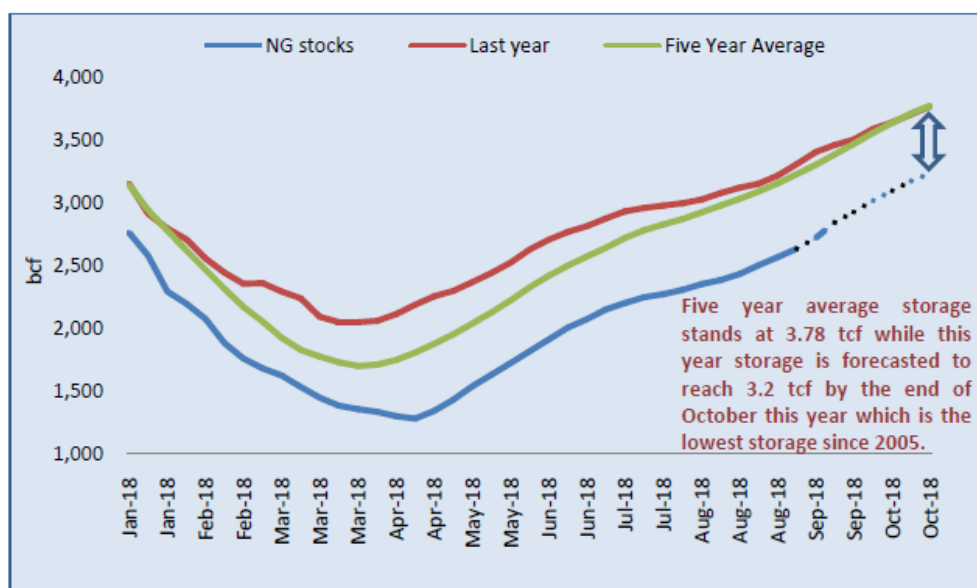


Source: Narnolia Research, EIA Short-Term Energy Outlook

United States had been a net importer while a time ago but after the shale gas revolution in the US, the nation has shifted from net importer to evolving natural gas exporter.

US exports have risen tremendously from 5 bcf per day in 2014 to almost 9 bcf per day in 2018, an increment of 80%. Furthermore, there are expectations of US exports to reach 13 bcf per day in 2019. US Exports accounts for 12% of the total natural gas consumption. US LNG exports have started to rise from last year after the US removed ban on US gas exports. As of now, only few US companies have been allowed to export natural gas to other countries. Moreover, more permission will be granted to other companies to exports this year. We expect US LNG exports to rise by threefold by 2020.

Storage Levels



Source: Narnolia Research, Bloomberg

As per our calculation, we expect U.S. natural gas inventories will total 3.2 trillion cubic feet (Tcf) at the end of October 2018 which will be way below the five year average of 3.781 tcf. At present, natural gas inventories are at 2.722 tcf, natural gas inventories are 586 bcf or 20% below than the last year level and 672 bcf or 17.5% below the five-year average.

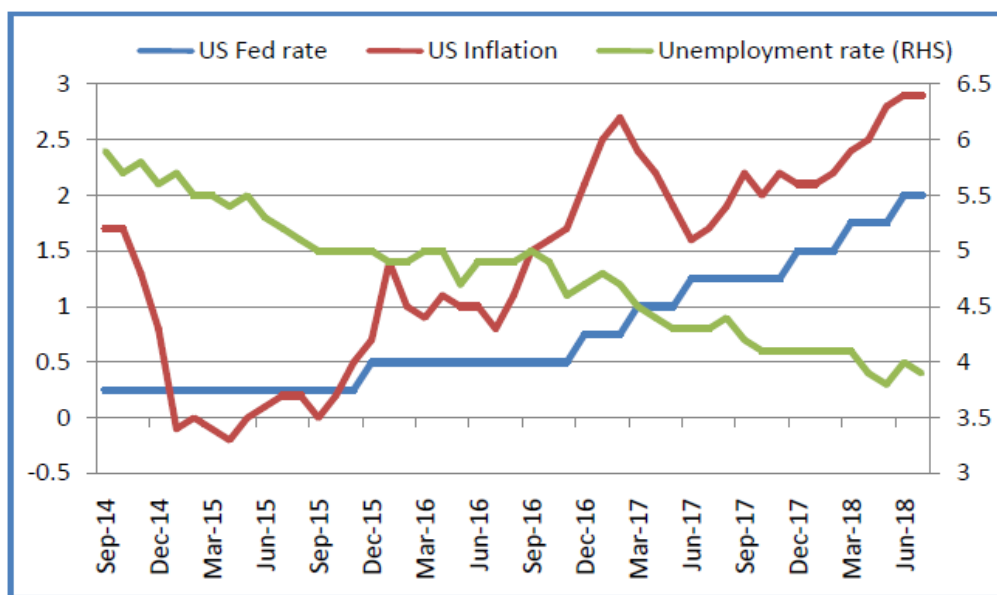
The inventory level is at the lowest level for that time of year since 2005 on high air conditioning demand this summer causing power generators to burn more gas than usual and leaving less gas available to go into storage. U.S. gas inventories will start the winter heating season at the lowest level since 2005, leaving the market vulnerable to winter price spikes.

Winter season forecast – Natural gas prices are unlikely to give a steep fall ahead of winter season forecast. If the weather forecast shows a cold winter ahead, prices would immediately get the support on future rise in demand for natural gas.

Outlook

After taking all the factors into consideration, we expect Natural Gas prices are likely to remain strong this winter season. With low stockpiles heading into the winter demand season, robust domestic consumption and higher natural gas exports from US are propping up prices, which are expected to average \$3.10/MMBtu this year and \$3.25/MMBtu in 2019. The only factor keeping the prices closer towards \$3/MMBtu is the record high production of natural gas in the United States. However, tightness in inventory during the winter season will overshadow the worries of record high production which will drive prices higher. **We expect MCX Natural gas prices to test 245-250 levels** in the coming six months time frame. **Therefore, any downside until the end of October towards Rs 205-210 in MCX should be used as the buying opportunity.**

The US Fed Chairman Powell emphasized the central bank's push to raise interest rates despite President Donald Trump's recent criticism of higher interest rates. The topic of Fed Powell speech at the symposium was "Monetary Policy in Changing Economy". US have gradually raised its interest rates from 0.25% at crisis level towards the new normal rate of 2.0% at present. Fed sees the current path of slowing raising rates to be the new normal policy as the unemployment rate has declined steadily, currently near 3.9% which is at a 20 year low while inflation has recently moved up near 2 percent suggest that there is no sign that the economy is overheating.



Source: Bloomberg, Narnolia Research

According to the Fed, US economy faces three of the real long term structural challenges – slow growth in real wages, decline in economic mobility, meeting the budget deficit and a decade long low productivity path. Fed reversed its monetary policy and increased rates seven times by 25 bps since December 2015 with no looking back on its course of action expressing confidence in the economy and further gives assurance that it can keep the inflation well under control. Fed said with strong economic outlook, inflation close to its targeted level and job market running satisfactorily well, my team of analyst are monitoring the economic data and setting up that the appropriate policy which could benefit the growth, strong labour market and keep inflation at appropriate levels. At the same time, Powell said that in case the economy faces any financial crisis or inflation rises beyond controllable level, "We will do whatever it takes."

With the US economy on a verge of new normalization, US Fed doesn't seem comfortable in viewing the changes in inflation as a single barometer to decide on future course of action over interest rate hikes as other

economic areas are performing strong with solid household, business and consumer confidence, continuous increase in job creation, slow and steady rise in income and employment.

Fed Powell's measured tone about the economy and the message he gave appeared to have reached the investors quite clearly with the stock markets closing in green and Dollar index reversing its uptrend. Fed Powell is on track for at least several more increases in the Fed's benchmark short-term interest rate which means September rate hike appears to be right on table. As of 2018, there have been two rate hikes and two more rate hikes are coming, one on next month and other in December.

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NIL

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*The name of the Company has been changed from "Microsec Capital Limited" to "Narnolia Financial Advisors Limited" pursuant to change of control. The change in name has been duly effected in the records of the Registrar of Companies (ROC). The application for fresh registration in the new name of "Narnolia Financial Advisors Limited" pursuant to change of control is under process with SEBI.

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