

Trading Calls
AUROPHARMA
Long/Buy
17th October 2018

Auropharma rebounded as it seemed bottomed out from broadening wedge falling trendline that boded well for bulls and they take the charge once again. There is multiple confluence of support at 725-735 levels coupled with RSI which has been sustaining above 50 mark showing a positive move on upside. Formation of Symmetrical triangle price pattern on daily chart suggest it has a potential to move on northward side in coming sessions. As of now, it is trading near its lower band of symmetrical triangle where risk and reward ratio seems favourable. Breakout came with decent volume which imply bullishness in the scrip. One can take entry with the stop loss of 670 for the target of 830 and 850 marks.

ICICIBANK
Long/Buy
16th October 2018

After giving a decent fall, scrip seems to be bottoming out near its channel support line. It found a base near 50% Fibonacci retracement of the upside move from 266 to 346.80 which is giving a hope to Bulls for making long position in the scrip. 200 DMA is seen around 305 levels which is key support. Sustainability above falling channel is giving edge to Bulls. Weekly chart is showing parity with its historical levels. MACD & RSI also lending support to its price action. One can go long around 313-317 levels and on dip towards 303-306 with the SL of 290 for the target of 345 and 360 mark.

ADFFOODS
Long/Buy
12th October 2018

Since 1st Dec 2017 stocks is falling in flat formation and it has taken multiple support at 190 levels. Momentum oscillator stochastic is showing sign of strength. Hence we advise our client to buy ADFFOODS in the range of 207-203 and on decline towards 196-192 for the price targets of 218 and 233 with 181 as SL on closing basis.

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.

Market	Value	% Change
SGX Nifty	10326.00	-0.54%

Nifty Key Levels

Support	S1 :10390	S2 : 10200
Resistance	R1 :10500	R2 :10540

Market Outlook

Market witnessed erosion of long after few days of winning streak and faced resistance near 10705 level. Bearish engulfing pattern has occurred on daily chart after supertech default signalled that some more round of selling is left behind. As of now, nifty has to sustain above 10390 levels to avert any weakness. If this levels is breached then we will again see Nifty struggle to find a base around its previous lows and it can slip down till 10200 & 10100 levels. While on upside, the levels of 10500 & 10540 are likely to offer key resistance to the index in the coming periods.

Institutional Turnover

	FII	Buy(cr.)	Sell(cr.)	Net(cr.)
17-Oct-18		4,681	4,541	140
Oct-18		61,641	80,456	(18,815)
	DII	Buy(cr.)	Sell(cr.)	Net(cr.)
17-Oct-18		3,548	3,891	(343)
Oct-18		56,299	39,786	16,513

Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(1.98)	0.59	(12.43)	(10.74)
Automobiles	(3.38)	(1.70)	(18.81)	(22.21)
Chemicals	(1.47)	2.46	(8.22)	(4.23)
Construction & Engineering	(2.78)	(2.01)	(13.39)	(11.61)
Construction Materials	(1.64)	0.19	(10.83)	(20.34)
Diversified Financial Services	(3.80)	(3.15)	(17.18)	(16.34)
Electrical Equipment	(2.29)	1.83	(7.64)	(7.31)
Energy	(1.87)	5.47	(8.29)	(1.09)
Financials	(2.53)	(1.65)	(11.40)	(7.93)
Health Care	(1.60)	(0.48)	(9.48)	2.74
Household Durables	(1.64)	1.79	(11.12)	(10.19)
Household & Personal Products	(0.28)	1.78	(7.08)	13.22
Information Technology	(0.50)	(2.40)	(6.37)	36.86
Metals/Mining/Minerals	(1.70)	(0.85)	(8.66)	(11.77)
Telecom	(1.90)	(1.21)	(18.88)	(41.60)
Utilities	(1.32)	1.94	(6.88)	(13.62)

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

Long Position				
	DII	FII	Pro	Other
Future Index	75411	92412	15901	164045
Future Stock	27840	827632	168330	764421
Option Index Call	30578	254436	151055	563645
Option Index Put	112870	401814	142059	424688
Option Stock Call	0	36197	64093	319427
Option Stock Put	0	34616	64147	125238

Short Position				
	DII	FII	Pro	Other
Future Index	33961	183253	34933	95622
Future Stock	952908	491425	109186	234704
Option Index Call	0	168088	310617	521009
Option Index Put	0	175088	226842	679501
Option Stock Call	0	41174	155065	223478
Option Stock Put	0	29807	74299	119895

High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
530001	GUJALKALI	6.5
500173	GUJFLUORO	5.4
531768	POLYMED	5.3
500003	AEGISCHEM	5.1
532509	SUPRAJIT	4.4
500800	TATAGLOBAL	3.9
500027	ATUL	2.6
532488	DIVISLAB	2.1
523367	DCMSHRIRAM	1.9
500126	MERCK	0.0

High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
532706	INOXLEISUR	1.3
512573	AVANTI	0.9
505537	ZEEL	-0.3
532268	ACCELYA	-0.4
517385	SYMPHONY	-1.1
500049	BEL	-2.5
532772	DCBbank	-2.9
532733	SUNTV	-4.2
533248	GPPL	-5.0
532622	GDL	-5.4

Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
514034	JBFIND	(41.22)
500111	RELCAPITAL	(40.32)
532922	EDELWEISS	(35.21)
526797	GREENPLY	(32.76)
500570	TATAMOTORS	(31.77)
532134	BANKBARODA	(25.66)
507717	DHANUKA	(24.71)
532839	DISHTV	(24.49)
524000	MAGMA	(24.35)
500219	JISLJAEQS	(23.89)

Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
500302	PEL	(28.27)
532401	VIJAYABANK	(27.42)
501425	BBTC	(25.41)
532454	BHARTIARTL	(23.17)
509820	PAPERPROD	(21.17)
532144	WELCORP	(21.08)
500215	ATFL	(20.98)
531500	RAJESHEXPO	(20.46)
502865	FORBESGOK	(20.42)
505192	SMLISUZU	(20.36)

* 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 19-Oct-2018 (10)

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 (9)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	16-Oct-18	STDC	BUY	AURPPHARMA	750	705	670	830	850
2	16-Oct-18	STDC	BUY	ICICBANK	315	304.5	290	345	360
3	12-Oct-18	STDC	BUY	ADFFOODS	205.5	194	186	218	233
4	09-Oct-18	STDC	BUY	TATAMOTORS	182.5	168.5	149	202	230
5	01-Oct-18	STDC	BUY	GODREJAGRO	539.5	517.5	491	585	601
6	01-Oct-18	STDC	BUY	GRANULES	95.5	86	76	114	126
7	26-Sep-18	STDC	BUY	NMDC	113.25	106.5	95.9	126	133
8	29-Aug-18	STDC	BUY	TATASTEEL	597.5	577.5	540	700	750
9	19-Jun-18	STDC	BUY	POWERGRID	197	188	173	225	235

VIEW

Domestic market witnessed roller coaster ride throughout a week, making its wild swing between gains and losses but on Friday surprisingly, it logged biggest one day gain in 29 months. Sensex closed at 34,733 points, rose 2.15% while nifty settled at 10472, inched 2.3% higher. This pullback came a day after both the indices declined over 2% to six months lows. Softening in crude oil prices along with dollar index and Rupee's newfound strength buoyed sentiment of market participants. Although short term bottom has been made by Indices but Bulls has to cross many hurdles to recover their lost ground.

NIFTY-

- Downswing is looking capped for the time being after carnage over the past few decades as Nifty formed **Hammer near its rising trend line** on weekly chart
- Emergence of **Morning star** along with **positive divergence** on daily chart indicate this pull back extend higher
- Positive reversal** is seen on weekly chart as RSI forged lower low's and priced formed higher low's suggest reversal on upside.
- India VIX fell 9.3% to 18.62 on Friday, reflecting easing of nerves
- As per Dow theory, **Inter market divergence** between Nifty & Banknifty seems positive trigger for the market
- However, **Negative crossover in MACD** imply caution near key resistance levels.
- On crossing above 10540 level, it can extend this pull back till 10640 and 10755 levels
- While support lies at 10320 levels followed by 10130-10100 levels. Below this, it can show weakness till 9950 levels.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	NIFTY LEVEL	JUSTIFICATION
Resistance 2	10640	Previous swing high
Resistance 1	10540	Immediate Resistance
Close	10472	
Support 1	10320	Low of Bullish belt hold
Support 2	10130	Low of morning star

VIEW

Last week Banknifty started to trade with a green session and thereafter rose to make a weekly high of 10492.45 on Friday and closed the week with a net gain of 3.89% over its previous week's close. Kotak bank and ICICI bank were the main catalysts to lift the index higher and they contributed around 10.5% and 3.5% respectively during the week.

OBSERVATIONS:

1) Positive divergences were formed both in RSI and Stochastic in the daily chart. This pattern indicates an immediate revision in the price level from its current downtrend. So a good pullback was witnessed in Banknifty last week.

2) The comparative study between Nifty and Banknifty is showing that Banknifty was relatively stronger than Nifty during the last week. Banknifty has gained 3.9% while the Nifty has gained 1.5% during the last week.

According to the above observations it can be concluded that some more upside is expected in Banknifty due to the existence of positive divergences both in RSI & Stochastic. On the upward path some crucial resistance are 25710 and 26100.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	26100
Resistance 1	25710
Close	25396
Support 1	24900
Support 2	24240

VIEW

USDINR pair continues to show its strength and hit a record high of 74.95 mark, almost hit our target of 75 mark which we keep on highlighting from the last 2 to 3 months in our quarterly and weekly reports. But after hitting that high, it managed sharp recovery to end at 73.80 mark as the US Dollar Index showed weakness after touching a 6 week high level early this week while oil prices slipped around 5%. Falling global market has led to risk aversion, which may continue heightened volatility in the forex market including Rupee. Moreover, softness in India's 10-year bond yield along with US 10 year bond yield which comes near at 3.15% from its 7-year high of 3.261 are the other factor for the strength in the Rupee. If US Dollar Index and Brent oil continues their declining phase, certainly rupee will get more relief in short term.

TECHNICAL FACTORS-

- a) Negative divergence on daily chart and emergence of shooting star on weekly chart played a key role in the halt of the pair.
- b) But for confirmation, it has to give a decisive close below 73- 72.50 zone from where it will slip lower till 71.50 and 70.25 mark
- c) Declining histogram of MACD also giving cue for the strength in the rupee
- d) However, as long as it holds above 72.50 mark bias will remain positive and it can retest its recent high of 75 mark.

CHART



STDC : Long / BUY

17-Oct-18

BSE Code	524804
NSE Symbol	AUROPHARMA
52wk Range H/L	809/527
Mkt Capital (Rs Cr)	17,886.00
Av.Cash Volume(,000)	4422526
Open Interest	

Buy Price	750
Stop Loss	670
Target Price1	820
Target Price2	850
Upside in Tgt1	9%
Upside in Tgt2	13%

Technical Chart



STDC- BUY AUROPHARMA @ 745-755 AND ON DIP TOWARDS 700-710 SL-670 (CLOSING BASIS) TGT- 830, 850

Auropharma rebounded as it seemed bottomed out from broadening wedge falling trendline that boded well for bulls and they take the charge once again. There is multiple confluence of support at 725-735 levels coupled with RSI which has been sustaining above 50 mark showing a positive move on upside. Formation of Symmetrical triangle price pattern on daily chart suggest it has a potential to move on northward side in coming sessions. As of now, it is trading near its lower band of symmetrical triangle where risk and reward ratio seems favourable. Breakout came with decent volume which imply bullishness in the scrip. One can take entry with the stop loss of 670 for the target of 830 and 850 marks.

STDC : Long / BUY

16-Oct-18

BSE Code	532174
NSE Symbol	ICICIBANK
52wk Range H/L	256/365
Mkt Capital (Rs Cr)	2,01,614.00
Av.Cash Volume(,000)	10093739
Open Interest	

Buy Price	310
Stop Loss	290
Target Price1	345
Target Price2	360
Upside in Tgt1	11%
Upside in Tgt2	16%

Technical Chart



STDC- BUY ICICI BANK @ 313-317 AND ON DIP TOWARDS 303-306 SL-290 (CLOSING BASIS) TGT-345,360

After giving a decent fall, scrip seems to be bottoming out near its channel support line. It found a base near 50% Fibonacci retracement of the upside move from 266 to 346.80 which is giving a hope to Bulls for making long position in the scrip. 200 DMA is seen around 305 levels which is key support. Sustainability above falling channel is giving edge to Bulls. Weekly chart is showing parity with its historical levels. MACD & RSI also lending support to its price action. One can go long around 313-317 levels and on dip towards 303-306 with the SL of 290 for the target of 345 and 360 mark

STDC : Long / BUY

12-Oct-18

BSE Code	519183
NSE Symbol	ADFFOODS
52wk Range H/L	347.50/191
Mkt Capital (Rs Cr)	439.00
Av.Cash Volume(,000)	285
Open Interest	

Buy Price	205
Stop Loss	186
Target Price1	218
Target Price2	233
Upside in Tgt1	6%
Upside in Tgt2	14%



STDC- BUY ADFFOODS @ 203-207 AND ON DIP TOWARDS 196-192 SL- 186 (CLOSING BASIS) TGT-218, 233

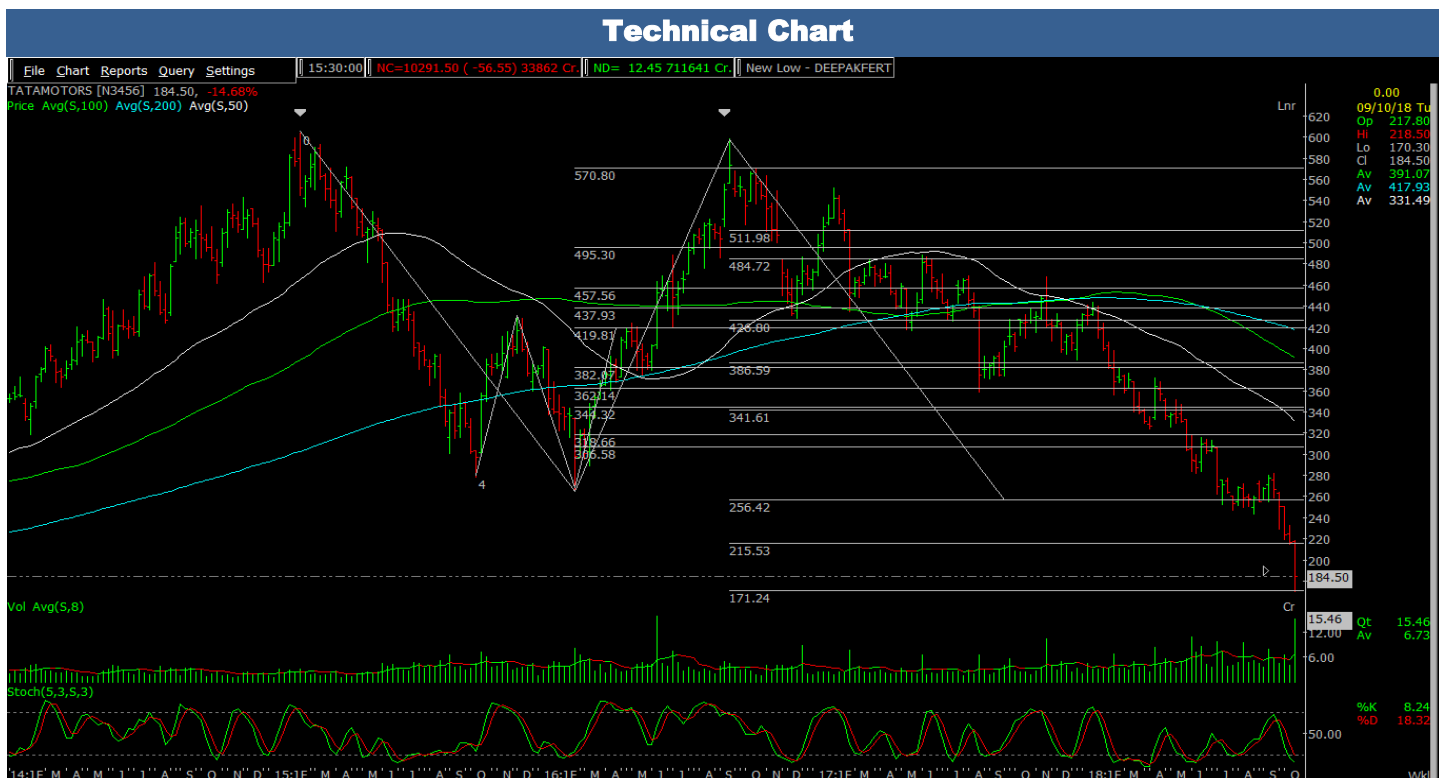
Since 1st Dec 2017 stocks is falling in flat formation and it has taken multiple support at 190 levels. Momentum oscillator stochastic is showing sign of strength. Hence we advise our client to buy ADFFOODS in the range of 207-203 and on decline towards 196-192 for the price targets of 218 and 233 with 181 as SL on closing basis.

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

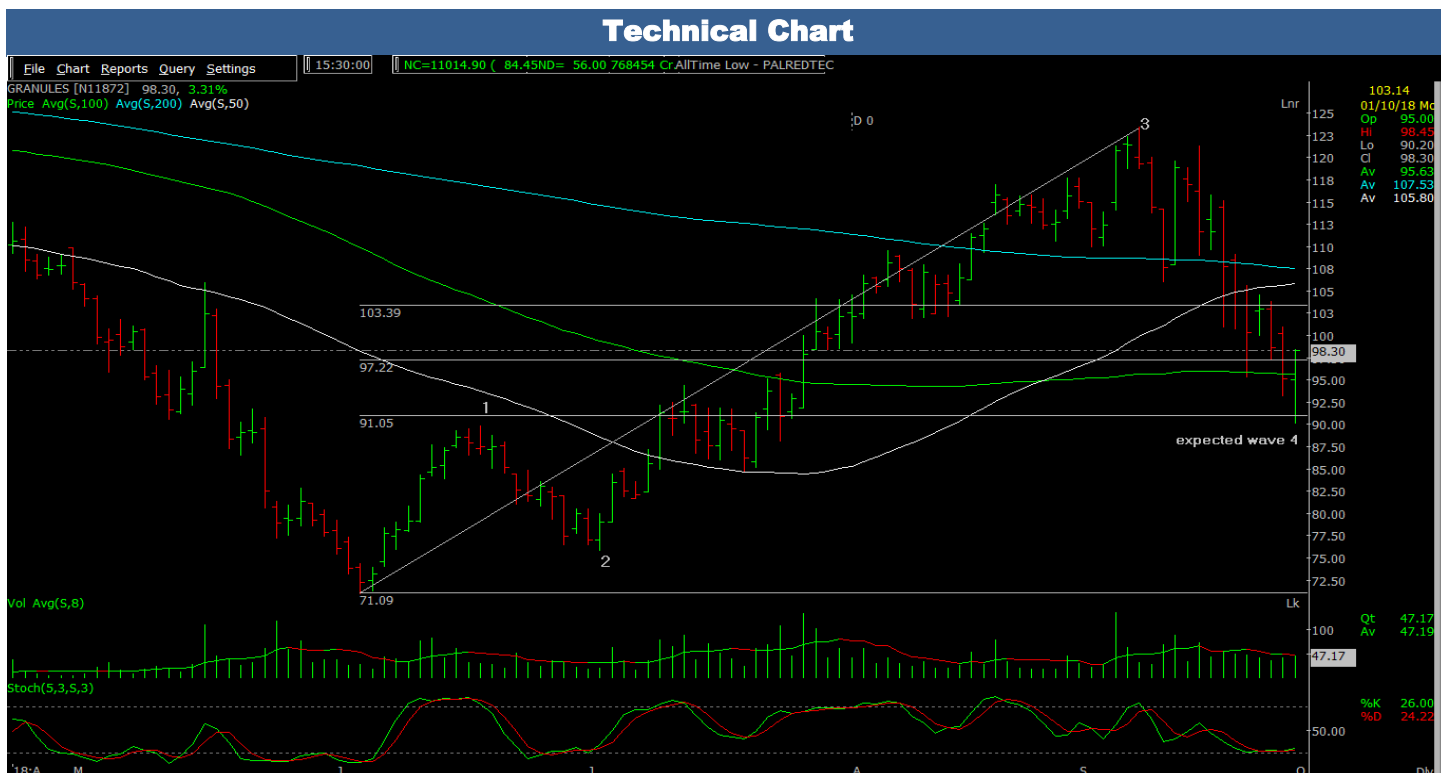
Since 23rd Apr 2018 stocks is in complex correction. It seems it has formed wave B on 1st Oct 2018 at 492.55 and further we expect that wave C may help it to move on upper side. During entire fall of wave B, volume was low which is technically good. Momentum oscillator Stochastics is also supporting 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.

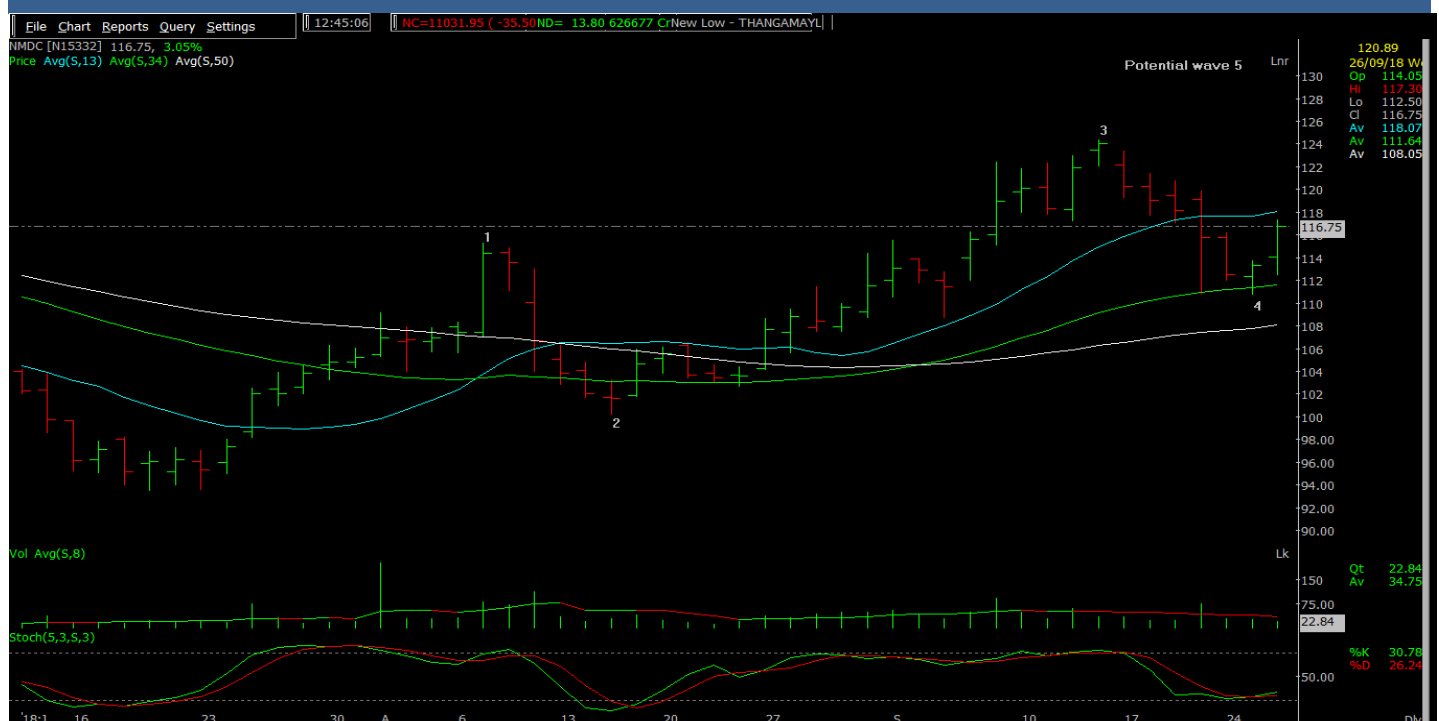
STDC : Long / BUY

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)	20,49,752.00
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.

Nickel Prices to Rally on Higher Steel and EV Demand**08-Oct-18**

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

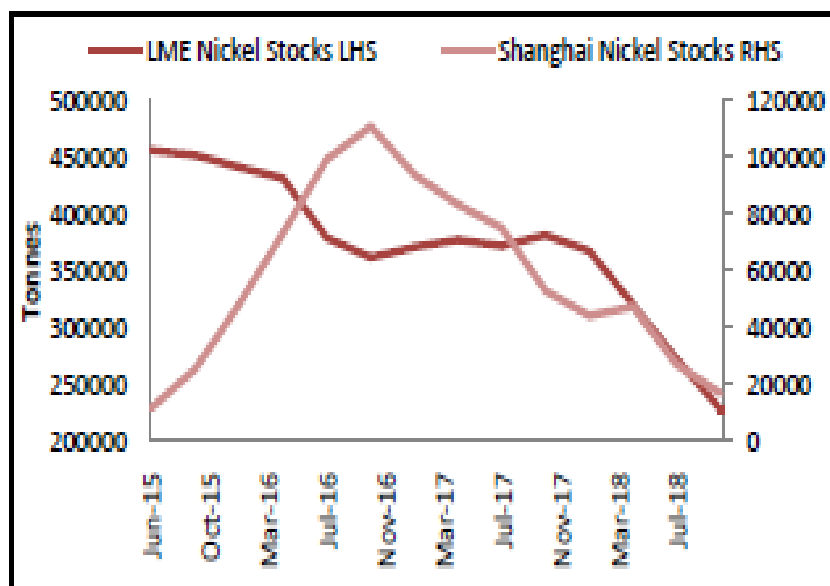
Around 65% of the nickel demand comes from this sector. World Crude steel production is increasing at a rate of 5.44% at 1.19 million tonnes during the Jan-Aug period of 2018. China, the world's largest producer, increased its steel capacity by 9 percent in the first 8 months of the year. Continuous 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 at least \$18,000 per tonnes for the next 18-24 month to bring in more nickel sulfide i.e. Class 1 Nickel for battery sector.

Inventory



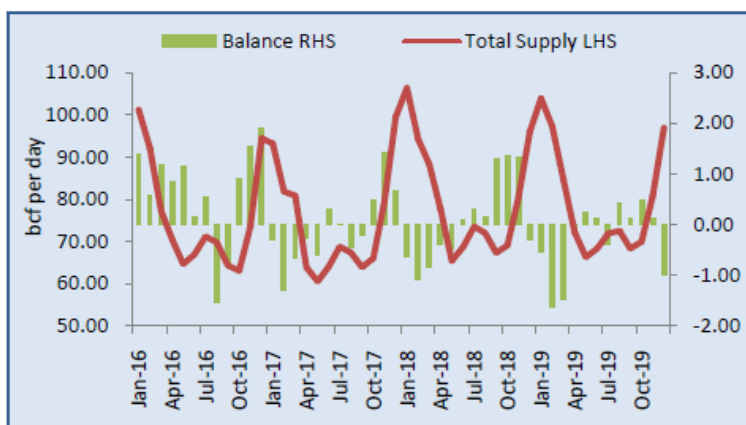
Source: Narnolia Research, Bloomberg

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.

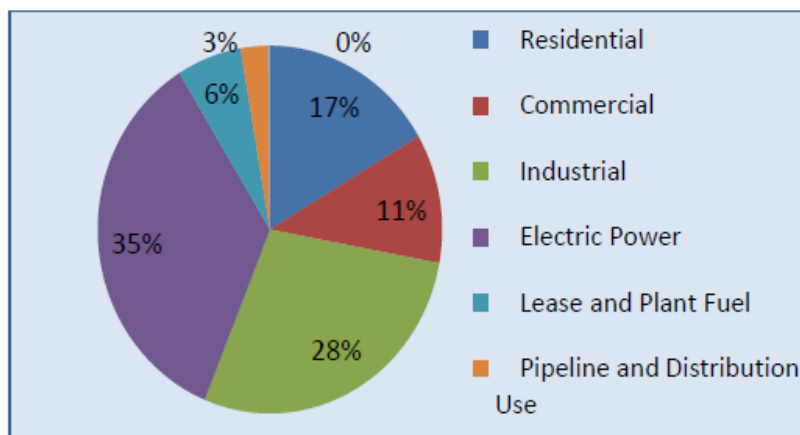
US Gas consumption

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.

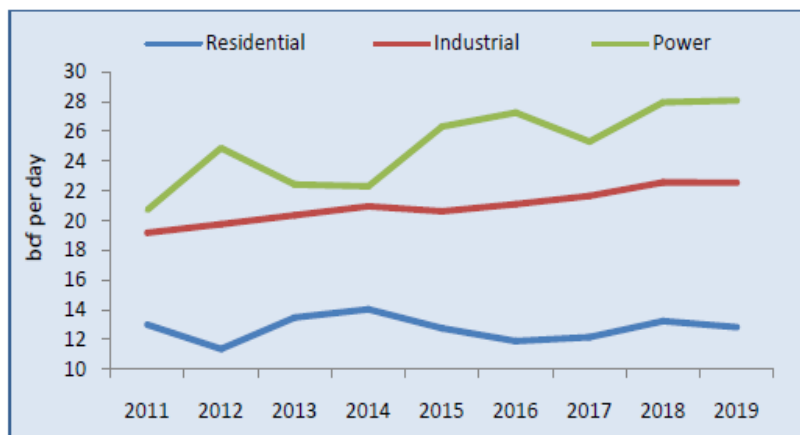
Cooling degree days (CDD) reflects the amount of energy required to cool a residence, industrial or a business. In 2018, CDD stood 18% higher than the previous year and averaged 25% above normal on hottest summer leading to strong air conditioning demand in the summer season. Warmer than normal temperatures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

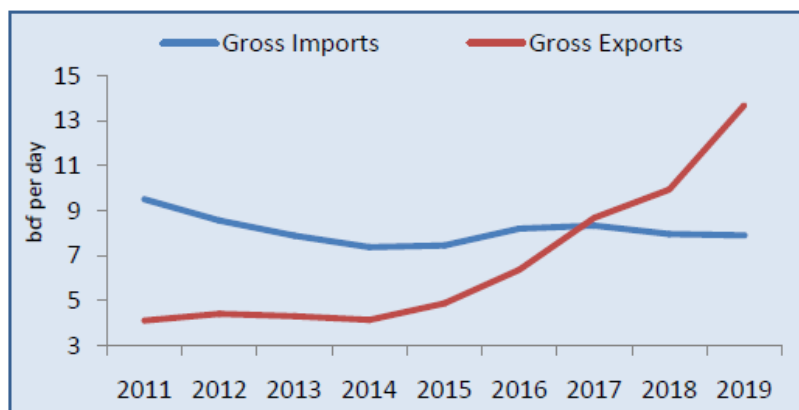
From the above figure, we can conclude that the major consuming sectors of natural gas are Electric Power, Industrial and Residential sector. With Electric power being the major consumer of natural gas comprising 35% of the total natural gas consumption followed by Industrial and Residential sector.



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

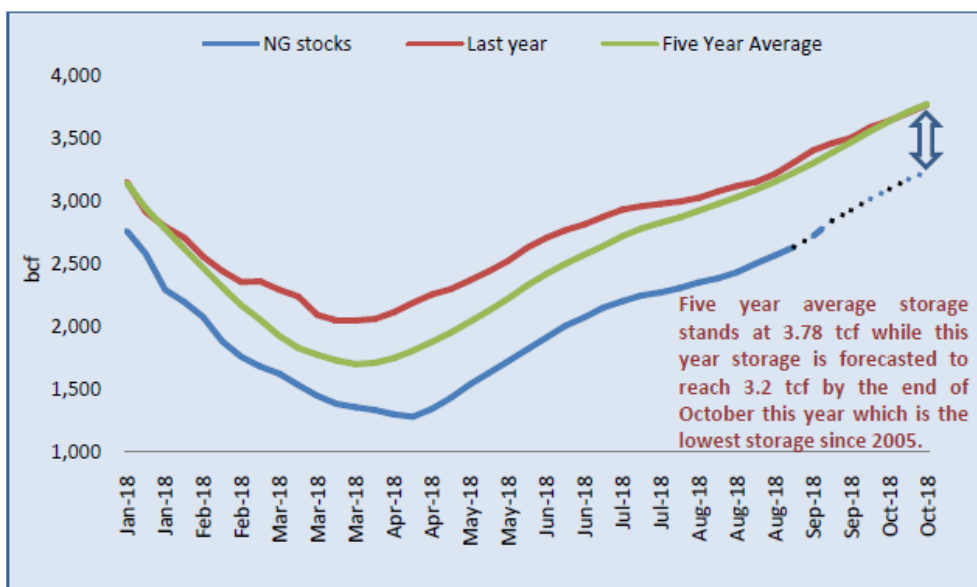


Source: Narnolia Research, EIA Short-Term Energy Outlook

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.

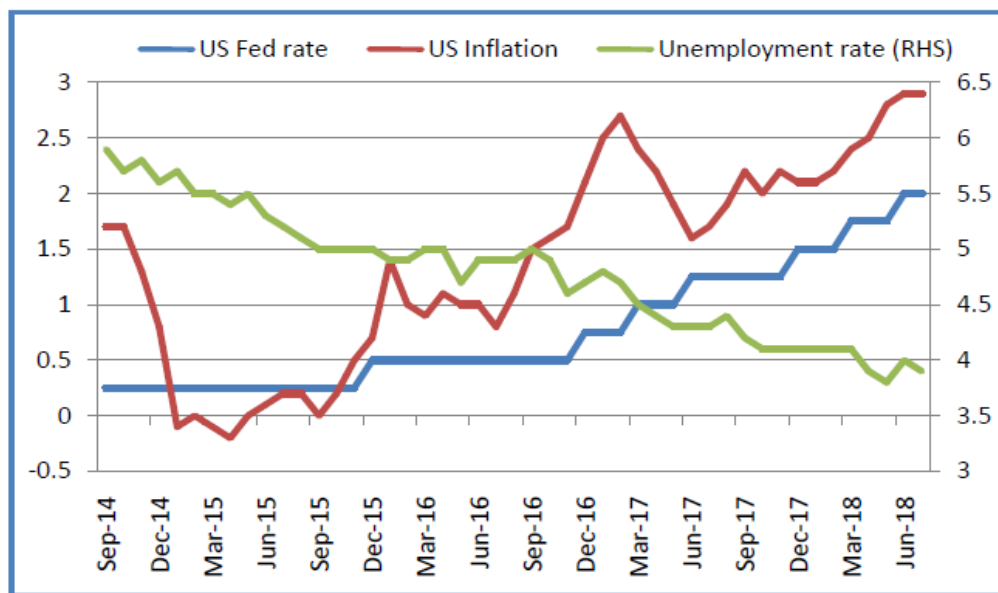
The inventory level is at the lowest level for that time of year since 2005 on high air conditioning demand this summer causing power generators to burn more gas than usual and leaving less gas available to go into storage. U.S. gas inventories will start the winter heating season at the lowest level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

Analyst's ownership of the stocks mentioned in the Report	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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