

Trading Calls

AEGISCHEM Long/Buy 22nd October 2018

Since 9th May 2018 stock is falling corrective and on weekly chart it has formed double bottom on 11/10/18. From recent low of 170 AEGISCHEM is moving in impulse on daily as well as on hourly chart with good volume. Hence we advise our client to buy in the range of 229-220 and on decline towards 215-205 for the price target of 247 and 262 with 189 (on closing basis) as SL.

DABUR Long/Buy 22nd October 2018

Occurrence of higher lows at bottom levels showing an upsurge move on upper side. RSI took a flip on positive side from its oversold levels creates positive sentiment. Moreover, declining histogram of MACD along with Bullish crossover in MACD also looking conducive for the scrip. Furthermore, strong support is seen near 390 levels where 200 DMA is seen. Breakout is expected to come above 414 from where buying momentum in the stock will increase in coming sessions. By looking all these mentioned factors, we recommend to buy dabur around 404-408 & on the dip towards 392-396 for the target of 450 and 476 with stop loss of 373 mark on closing basis.

SUNPHARMA Long/Buy 19th October 2018

Scrip is running in the falling channel since long but now it seems to form double bottom pattern on weekly chart. As of now, it has been consolidating near its falling trend line from last few days. RSI stands above 50 mark lending its support to price action. Probability is higher that it can take support from the neckline of double bottom and surge higher in coming sessions. One can maintain buy on dips strategy at current price as risk rewards levels are looking favorable. Decent volume can trigger momentum on upside in coming days and it can accelerate toward northward direction.

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.

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.

Market	Value	% Change
SGX Nifty	10105.50	0.58%

Nifty Key Levels

Support	S1: 9950	S2 :9930
Resistance	R1 : 10150	R2 :10250

Market Outlook

After opening on a subdued note, Nifty continuously fell to make an intraday low of 1004.55 on Friday and closed the day with a net loss of 1%. The index has closed by forming 'three black crows' pattern on 15 minutes chart. There the sell-off is likely to continue in extreme short term. On the downward path 9950 is the strong support of nifty and 10200 strong resistance.

Institutional Turnover

	FII	Buy(cr.)	Sell(cr.)	Net(cr.)
26-Oct-18		4,231	5,587	-1,357
Oct-18		93,823	1,19,007	-25,185
	DII	Buy(cr.)	Sell(cr.)	Net(cr.)
26-Oct-18		4,221	2,345	1,876
Oct-18		86,569	65,550	21,019

Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(0.23)	(2.99)	(9.84)	(12.44)
Automobiles	0.18	(0.77)	(14.90)	(24.83)
Chemicals	(0.13)	(3.60)	(8.34)	(9.49)
Construction & Engineering	(0.40)	(2.54)	(11.02)	(19.37)
Construction Materials	0.42	(4.59)	(15.85)	(29.45)
Diversified Financial Services	0.16	1.59	(10.15)	(15.08)
Electrical Equipment	(0.56)	(2.98)	(5.86)	(12.07)
Energy	0.22	(3.53)	(14.88)	(11.80)
Financials	(0.88)	(1.18)	(6.66)	(11.84)
Health Care	(0.24)	(4.70)	(10.91)	(0.34)
Household Durables	(0.68)	(3.40)	(6.85)	(14.93)
Household & Personal Products	(0.50)	(1.80)	(5.91)	12.93
Information Technology	(2.05)	(5.25)	(13.12)	27.56
Metals/Mining/Minerals	(0.72)	(2.17)	(9.23)	(14.96)
Telecom	0.32	2.01	(12.49)	(43.22)
Utilities	(0.67)	(0.88)	(1.97)	(17.27)

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

	Long Position			
	DII	FII	Pro	Other
Future Index	96322	96628	33320	177950
Future Stock	28908	885922	131463	765510
Option Index Call	33658	171720	189482	544287
Option Index Put	126947	325388	208670	356830
Option Stock Call	0	10975	38222	124973
Option Stock Put	0	16727	43312	64735

	Short Position			
	DII	FII	Pro	Other
Future Index	27797	223959	20512	131952
Future Stock	1019267	527543	71191	193802
Option Index Call	0	78356	309954	550837
Option Index Put	0	111791	211143	694901
Option Stock Call	0	10944	61540	101686
Option Stock Put	0	15723	35607	73444

High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
500003	AEGISCHEM	9.7
532374	STRTECH	8.2
500472	SKFINDIA	5.4
532777	NAUKRI	5.2
500173	GUJFLUORO	4.5
509966	VSTIND	4.0
500034	BAJFINANCE	3.5
532848	DELTACORP	2.9
500840	EIHOTEL	2.7
500307	NIRLON	2.5

High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
500049	BEL	12.8
511243	CHOLAFIN	2.1
500390	RELINFRA	0.8
532772	DCBbank	0.6
506690	UNICHEMLAB	(0.4)
533248	GPPL	(1.5)
532733	SUNTV	(2.1)
531795	ATULAUTO	(2.4)
505355	NESCO	(3.2)
500870	CASTROLIND	(3.5)

Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
514034	JBFIND	(39.66)
532922	EDELWEISS	(35.39)
532885	CENTRALBK	(33.60)
532839	DISHTV	(30.42)
500570	TATAMOTORS	(29.72)
500111	RELCAPITAL	(29.57)
526797	GREENPLY	(26.76)
523204	ABAN	(22.23)
507717	DHANUKA	(19.12)
524000	MAGMA	(18.93)

Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
531500	RAJESHEXPO	(25.38)
500302	PEL	(23.69)
532144	WELCORP	(23.39)
500215	ATFL	(21.01)
500387	SHREECEM	(20.90)
509820	PAPERPROD	(20.35)
531531	HATSUN	(19.25)
502865	FORBESGOK	(18.88)
500171	GHCL	(18.22)
500165	KANSAINER	(18.20)

* 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 29-Oct-2018 (11)

STDC (11)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	22-Oct-18	STDC	BUY	AEGISCHEM	226.5	210	189	247	262
2	22-Oct-18	STDC	BUY	DABUR	406	394	373	450	475
3	19-Oct-18	STDC	BUY	SUNPHARMA	595	575	540	700	730
4	17-Oct-18	STDC	BUY	AUROPHARMA	750	705	670	830	850
5	16-Oct-18	STDC	BUY	ICICIBANK	315	304.5	290	345	360
6	09-Oct-18	STDC	BUY	TATAMOTORS	182.5	168.5	149	202	230
7	01-Oct-18	STDC	BUY	GODREJAGRO	539.5	517.5	491	585	601
8	01-Oct-18	STDC	BUY	GRANULES	95.5	86	76	114	126
9	26-Sep-18	STDC	BUY	NMDC	113.25	106.5	95.9	126	133
10	29-Aug-18	STDC	BUY	TATASTEEL	597.5	577.5	540	700	750
11	19-Jun-18	STDC	BUY	POWERGRID	197	188	173	225	235

VIEW

Without having any breather, downswing has been continuing for last few weeks. Bulls are not able to see any respite as bearish run to continue on the back of weak global cues and macro worries. This week also market hit over six month low and the selling pressure was clearly visible across the board with sectors like Real estate, Pharma, PSU, Media and Pvt Banks. The momentum is pretty much seen on the Bear's side as the overall bounce back of the market came to halt with a decline in the front line stocks.

NIFTY-

- a) Bears continue to exert pressure by pushing the Nifty to close 10000 mark
- b) Bearish belt hold which appeared on weekly chart not bode well for bulls
- c) As Nifty is trading near its crucial support of 10000-9950 zone, possibility of bounce back also not ruled out. Any bounce from these levels will be swift and fast
- d) Resistance stands at 10410 followed by 10525 level and as long as it holds below these levels it is likely to remain under pressure
- e) Indicators remain weak, but getting oversold- Daily RSI trading near 30 marks i.e. oversold territory; Weekly MACD histogram sharply fell and crossed previous bottom; Stochastic trading below 10 i.e. extreme oversold zone; ADX inches higher above 40 indicating pressure remains intact
- f) A sustained breach below 9950 will accelerate the negative sentiments and Nifty will open its tunnel towards 9800 levels.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	NIFTY LEVEL	JUSTIFICATION
Resistance 2	10525	Previous swing high
Resistance 1	10410	Top of Bearish Belt Hold
Close	10030	
Support 1	9950	Previous support
Support 2	9800	Previous swing low

Banknifty Weekly

29-Oct-18

Banknifty opened with a negative session and maintained the same throughout last week. At the end of the week the index closed at 24421. It had a net loss of 2.8% over its previous week's close. State Bank, Axis Bank and Indusind Bank were the the main catalysts to drag the index lower and they closed after losing over 5% each.

OBSERVATIONS:

- 1) **Death Cross** between 50 SMA & 100 SMA is still persisting.
- 2) MACD and RSI both are tilting downward suggesting more downside in near future.
- 3) According to the weekly chart, the trend line support of Banknifty is at 24000 while the pattern support of the index is at 23600. Therefore 23600-24000 zone would act as a short term and medium term crucial support area of Bank Nifty.

According to the above observations it can be said that the selling pressure is likely to continue in Banknifty due to the persistence of death cross and position of MACD and RSI. However the downside is limited up to 23600. Therefore we should use this correction as buying opportunity. Traders are advised to initiate fresh long position in Banknifty in 23600-2400 zone. by keeping a stop loss at 22990.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	25370
Resistance 1	24810
Close	24421
Support 1	24000
Support 2	23600

USDINR Weekly

29-Oct-18

Rupee could outperform its peer if crude oil prices manage to sustain at current levels. Crude fell almost 4 USD per barrel on assurance from Saudi Arabia that it would fill in the void left by Iranian crude when US sanction come into effect on 4th nov. Moreover, it denied using crude as a weapon to build pressure for the fair inquiry on the death of journalist. These all factors lead to selling pressure on crude oil which can give strength to the Rupee in coming weeks

TECHNICAL FACTORS-

- a) From last three weeks, Pair has been forming lower highs and lower lows indicating weakness in the momentum
- b) But for confirmation, it has to give a sustainable close below 72.60 levels 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, Resistance remains same at 75 mark from where it can surge further higher

CHART



STDC : Long / BUY

22-Oct-18

BSE Code	500003
NSE Symbol	AEGISCHEM
52wk Range H/L	300/174.65
Mkt Capital (Rs Cr)	7,339.00
Av.Cash Volume(,000)	2862
Open Interest	

Buy Price	229-220 / 215-205
Stop Loss	189
Target Price1	247
Target Price2	262
Upside in Tgt1	10%
Upside in Tgt2	17%

Technical Chart



STDC- BUY AEGISCHEM @ 229-224 AND ON DIP TOWARDS 215-205 SL- 189 (CLOSING BASIS) TGT-247, 262

Since 9th May 2018 stock is falling corrective and on weekly chart it has formed double bottom on 11/10/18. From recent low of 170 AEGISCHEM is moving in impulse on daily as well as on hourly chart with good volume. Hence we advise our client to buy in the range of 229-220 and on decline towards 215-205 for the price target of 247 and 262 with 189 (on closing basis) as SL.

STDC : Long / BUY

22-Oct-18

BSE Code	524804
NSE Symbol	DABUR
52wk Range H/L	490/311
Mkt Capital (Rs Cr)	22,859.00
Av.Cash Volume(,000)	9312.92
Open Interest	

Buy Price	400
Stop Loss	373
Target Price1	450
Target Price2	475
Upside in Tgt1	13%
Upside in Tgt2	19%

Technical Chart



STDC- BUY DABUR AROUND 404-408 AND ON DIP TOWARDS 392-396 SL-373 (CLOSING BASIS) TGT-450 AND 475

Occurrence of higher lows at bottom levels showing an upsurge move on upper side. RSI took a flip on positive side from its oversold levels creates positive sentiment. Moreover, declining histogram of MACD along with Bullish crossover in MACD also looking conducive for the scrip. Furthermore, strong support is seen near 390 levels where 200 DMA is seen. Breakout is expected to come above 414 from where buying momentum in the stock will increase in coming sessions. By looking all these mentioned factors, we recommend to buy dabur around 404-408 & on the dip towards 392-396 for the target of 450 and 476 with stop loss of 373 mark on closing basis.

STDC : Long / BUY

19-Oct-18

BSE Code	524715
NSE Symbol	SUNPHARMA
52wk Range H/L	435/679
Mkt Capital (Rs Cr)	8,148.50
Av.Cash Volume(,000)	8148.5
Open Interest	

Buy Price	590
Stop Loss	540
Target Price1	700
Target Price2	730
Upside in Tgt1	19%
Upside in Tgt2	24%

Technical Chart



STDC- BUY SUNPHARMA @ 590-600 AND ON DIP TOWARDS 570-580 SL-540 (CLOSING BASIS) TGT-700, 730

Scrip is running in the falling channel since long but now it seems to form double bottom pattern on weekly chart. As of now, it has been consolidating near its falling trend line from last few days. RSI stands above 50 mark lending its support to price action. Probability is higher that it can take support from the neckline of double bottom and surge higher in coming sessions. One can maintain buy on dips strategy at current price as risk rewards levels are looking favorable. Decent volume can trigger momentum on upside in coming days and it can accelerate toward northward direction.

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

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

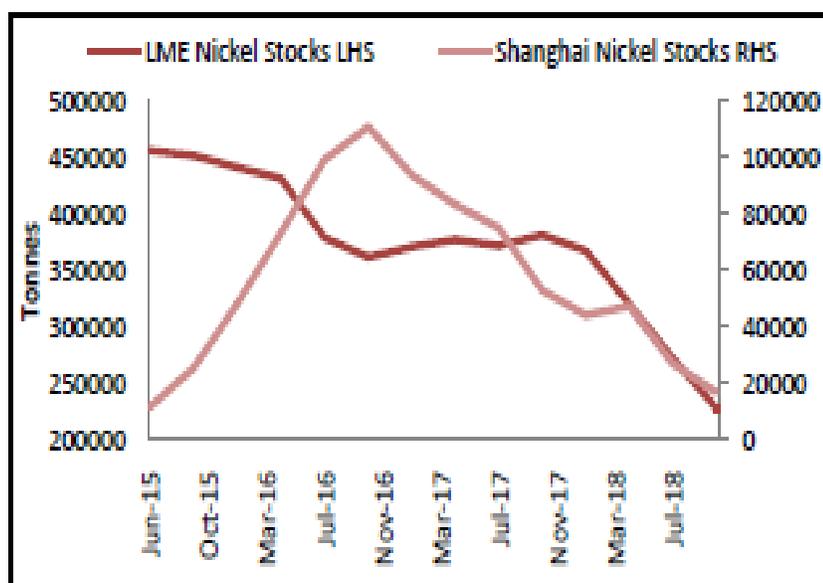
Around 65% of the nickel demand comes from this sector. World Crude steel production is increasing at a rate of 5.44% at 1.19 million tonnes during the Jan-Aug period of 2018. China, the world's largest producer, increased its steel capacity by 9 percent in the first 8 months of the year. Continuous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



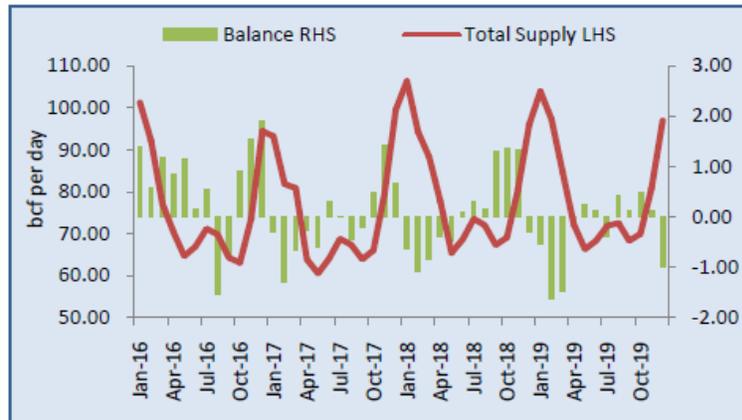
Source: Narnolia Research, Bloomberg

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.

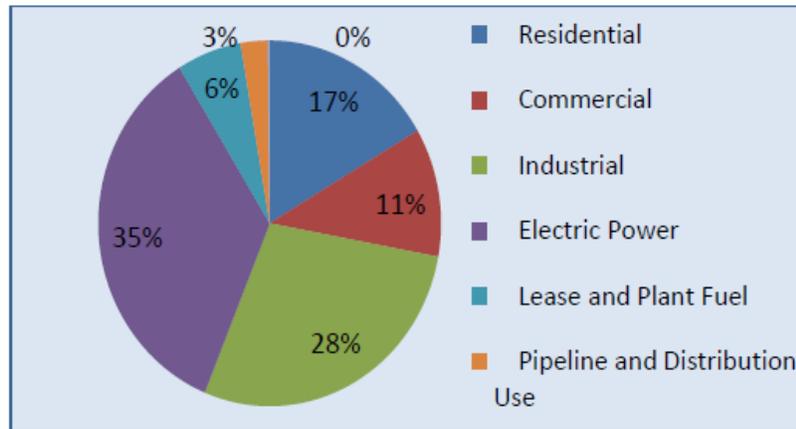
US Gas consumption

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

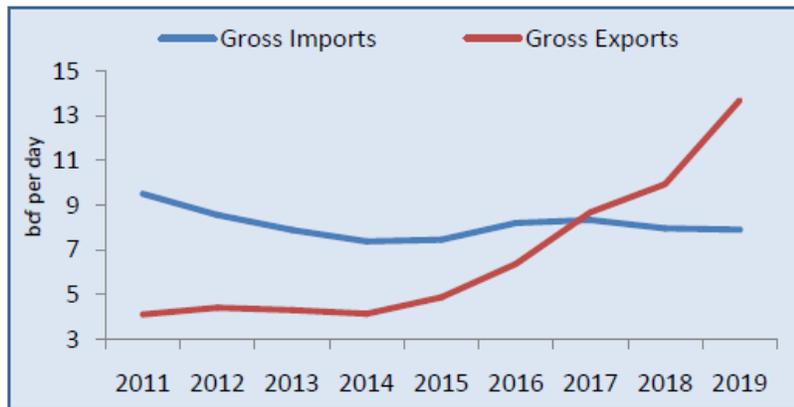
From the above figure, we can conclude that the major consuming sectors of natural gas are Electric Power, Industrial and Residential sector. With Electric power being the major consumer of natural gas comprising 35% of the total natural gas consumption followed by Industrial and Residential sector.



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

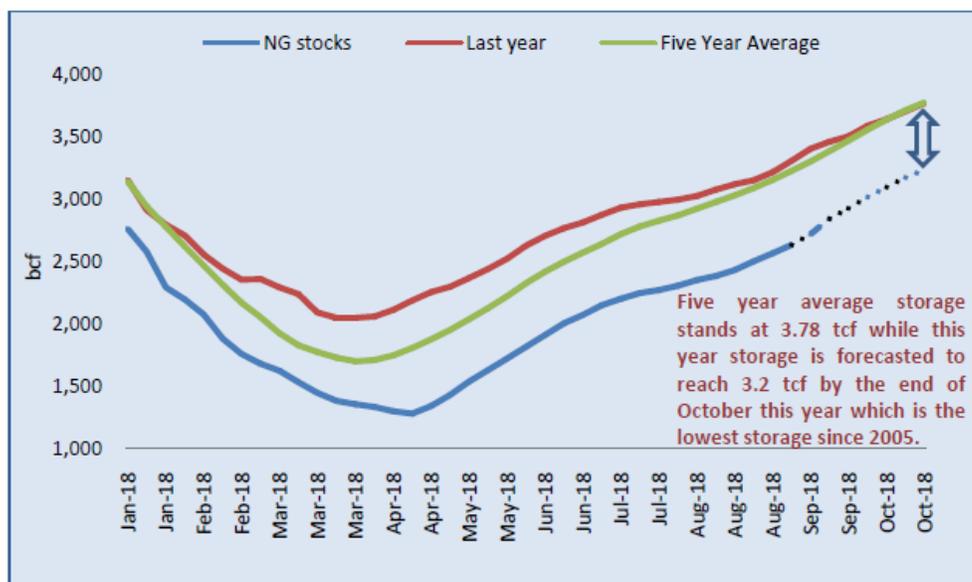


Source: Narnolia Research, EIA Short-Term Energy Outlook

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.

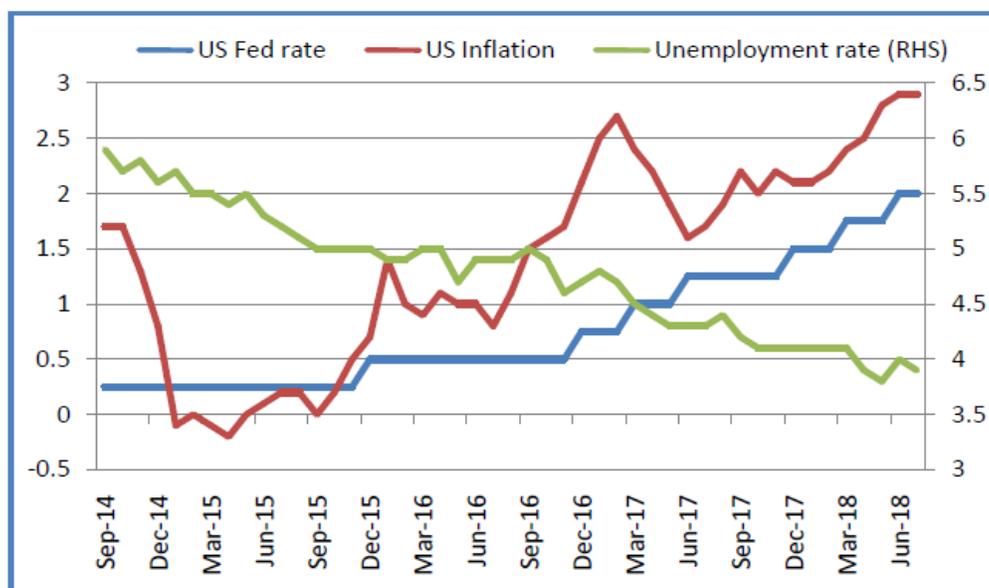
The inventory level is at the lowest level for that time of year since 2005 on high air conditioning demand this summer causing power generators to burn more gas than usual and leaving less gas available to go into storage. U.S. gas inventories will start the winter heating season at the lowest level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