

Trading Calls

REPCOHOME Long/Buy 07th February 2019

Daily as well as on weekly chart REPCOHOME is trading in wave 4. From recent bottom of 310.25, it has retraced almost 50%. But last few couple of days it is hovering at 50 SMA and today it has engulfed the previous bar with reasonable volume in early hours of market. Internal wave 4 is in form of flat. We can see the alternation between wave 2 & 4. Momentum oscillator stochastic is also in favour of Bulls. Therefore we advise our client to buy in the range of 400-390 and on decline towards 375-365 for the price targets of 436 and 448 with 329 as SL.

IRB Long/Buy 07th February 2019

After giving vertical fall, IRB has formed double bottom at 117 level. Stochastic is showing sign of strength and we further expect that it should move upward due to this recent formation. Hence we advise our client to buy in the range of 131-127 for the price targets of 143 and 150 with 115 as SL.

BAJAFINSV Long/Buy 05th February 2019

On weekly as well as daily chart BAJAFINSV is showing strength. Time analysis is also on positive side. On weekly chart it has taken support at 100 SMA and on daily chart it has taken support at 200 SMA. In respect of just preceding rising impulse on daily as well as weekly chart, it is falling as corrective and the entire near term falling bars have good amount of temperature, which is in favor of bulls. Hence we advise our client to buy in the range of 6115-6090 and on decline towards 6030-6020 for the price targets of 6470 and 6560 with 5657 as SL.

WELCORP Long/Buy 29th January 2019

Since 6th Sep 2018 stocks is falling as corrective with low volume. Recently it has made a low of 101 where it has taken multiple support. On daily scale it has formed DB. After spending some time in over sold zone, momentum oscillator stochastics is showing sign of strength. Hence we advise our client to buy in the range of 111-107 and decline towards 103-100 for the price targets of 122 and 132 with 95 as SL.

SBIN Long/Buy 14th January 2019

The stock has given breakout from a consolidation phase at around 287-300 zone for quite some time forming cup & handle pattern where it consolidated again and currently has been trading as symmetrical triangle as a mother pattern on weekly chart which breakout is expected above 307 levels where buying momentum will pick with greater pace. Indicators and oscillators also lending support to its price action. We recommend a buy in this stock for an upside target of 330 and 345 marks keeping a stop loss of 274 marks

| Market | Value | % Change |
|-------------------------------|----------|----------|
| SGX Nifty (at 8.15 am IST) | 11073.50 | -0.19% |

Nifty Key Levels

| | | |
|------------|------------|------------|
| Support | S1: 10980 | S2 : 10930 |
| Resistance | R1 : 11080 | R2 : 11111 |

Market Outlook

Benchmark Index faced resistance from 11000 levels; where as it could not sustain above 61.8% Fibonacci retracement (11085) and closed flat around 11065 in a volatile session. As long as index is trading above 10985, we maintain buy on dip strategy. Although Nifty is trading in a positive note continuously on sixth day, majority of the oscillators are in overbought zone, possibility of small retracement cannot be ruled out. Moreover, Index trading above today's high (11120) will accelerate up move taking it higher towards 11200 levels; however a close below the strong support (10985) will push prices lower towards 10930 marks.

Institutional Turnover

| FII | Buy(cr.) | Sell(cr.) | Net(cr.) |
|-----------|----------|-----------|----------|
| 07-Feb-19 | 3,331 | 2,913 | 418 |
| Feb-19 | 21,281 | 18,543 | 2,737 |
| DII | Buy(cr.) | Sell(cr.) | Net(cr.) |
| 07-Feb-19 | 3,020 | 2,725 | 294 |
| Feb-19 | 16,145 | 15,202 | 943 |

FII DERIVATIVES POSITION FOR 07-Feb-2019

| | Net (Amt. in crs) |
|---------------|-------------------|
| INDEX FUTURES | 999 |
| INDEX OPTIONS | 1,174 |
| STOCK FUTURES | 473 |
| STOCK OPTIONS | 85 |

Sectoral Performance (%)

| | 1 Day | 1 Week | 1 Month | 1 Year |
|--------------------------------|--------|--------|---------|---------|
| Auto Components | 1.13 | 0.35 | (6.17) | (19.26) |
| Automobiles | 2.08 | 8.28 | 0.50 | (21.78) |
| Chemicals | 0.92 | 0.79 | (0.49) | 1.56 |
| Construction & Engineering | (0.22) | (1.43) | (8.91) | (18.51) |
| Construction Materials | 1.50 | 1.08 | (6.15) | (18.96) |
| Diversified Financial Services | 1.05 | 2.32 | (3.05) | (3.28) |
| Electrical Equipment | 0.98 | (0.49) | (6.19) | (13.77) |
| Energy | (0.68) | 3.54 | 8.66 | 4.23 |
| Financials | 0.44 | 0.75 | (1.52) | 0.34 |
| Health Care | 1.56 | 1.16 | 1.61 | (0.50) |
| Household Durables | 0.27 | (0.80) | (2.55) | (13.77) |
| Household & Personal Products | 0.38 | 2.49 | 0.27 | 24.27 |
| Information Technology | 0.16 | 2.99 | 10.73 | 28.70 |
| Metals/Mining/Minerals | 0.23 | (2.09) | (5.79) | (25.51) |
| Telecom | 1.95 | 1.18 | (3.93) | (28.10) |
| Utilities | (0.89) | (4.25) | (8.52) | (16.75) |

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

| Long Position | | | | |
|-------------------|--------|--------|--------|--------|
| | DII | FII | Pro | Other |
| Future Index | 44123 | 183550 | 24866 | 143633 |
| Future Stock | 21120 | 931783 | 143631 | 756770 |
| Option Index Call | 24459 | 208085 | 130201 | 318148 |
| Option Index Put | 102720 | 318433 | 126516 | 522181 |
| Option Stock Call | 688 | 29358 | 57700 | 222303 |
| Option Stock Put | 12 | 33027 | 47404 | 137063 |

| Short Position | | | | |
|-------------------|--------|--------|--------|--------|
| | DII | FII | Pro | Other |
| Future Index | 45334 | 160349 | 47214 | 143275 |
| Future Stock | 962984 | 533919 | 110978 | 245423 |
| Option Index Call | 0 | 57014 | 153077 | 470802 |
| Option Index Put | 0 | 179004 | 224672 | 666174 |
| Option Stock Call | 563 | 24616 | 96564 | 188306 |
| Option Stock Put | 0 | 32852 | 61330 | 123324 |

High ES & High PS Stock Maintaining Strength

| BSE Code | NSE CODE | 1 Month Return % |
|----------|------------|------------------|
| 506820 | ASTRAZEN | 22.6 |
| 530813 | KRBL | 20.7 |
| 500325 | RELIANCE | 16.9 |
| 532541 | NIITTECH | 16.7 |
| 532755 | TECHM | 16.6 |
| 532488 | DIVISLAB | 14.2 |
| 533179 | PERSISTENT | 14.0 |
| 500209 | INFY | 14.0 |
| 532281 | HCLTECH | 12.3 |
| 500680 | PFIZER | 12.0 |

High ES & Low PS Stock Showing Strength

| BSE Code | NSE CODE | 1 Month Return % |
|----------|------------|------------------|
| 505200 | EICHERMOT | 8.9 |
| 512529 | SEQUENT | 8.3 |
| 517385 | SYMPHONY | 5.3 |
| 511243 | CHOLAFIN | 4.4 |
| 532652 | KTKBANK | 4.4 |
| 500266 | MAHSCOOTER | 3.9 |
| 500135 | ESSELPACK | 3.8 |
| 533150 | GODREJPROP | 2.5 |
| 506690 | UNICHEMLAB | 2.4 |
| 532706 | INOXLEISUR | 2.1 |

Low ES & Low PS Stock Maintaining Weakness

| BSE Code | NSE CODE | 1 Month Return % |
|----------|------------|------------------|
| 500111 | RELCAPITAL | (47.56) |
| 530943 | SABTN | (44.23) |
| 531737 | GREENCREST | (33.67) |
| 514034 | JBFIND | (32.72) |
| 532915 | RELIGARE | (30.98) |
| 532839 | DISHTV | (29.72) |
| 523204 | ABAN | (28.53) |
| 538562 | SKIPPER | (28.19) |
| 532667 | SUZLON | (25.79) |
| 532805 | REDINGTON | (23.64) |

Low ES & High PS Stock Showing Weakness

| BSE Code | NSE CODE | 1 Month Return % |
|----------|------------|------------------|
| 523457 | LINDEINDIA | (36.34) |
| 500116 | IDBI | (29.28) |
| 532144 | WELCORP | (21.43) |
| 532612 | INDOCO | (19.39) |
| 512599 | ADANIENT | (19.36) |
| 500288 | MOREPENLAB | (17.74) |
| 532401 | VIJAYABANK | (13.33) |
| 514162 | WELSPUNIND | (12.66) |
| 509820 | PAPERPROD | (12.21) |
| 517380 | IGARASHI | (12.13) |

* 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 08-Feb-2019 (5)

| STDC (5) | | | | | | | | | |
|----------|-----------|------|----------|------------|--------|--------|------|-------|-------|
| No | Date | Type | Buy/Sell | Stock | Entry1 | Entry2 | SL | Tgt 1 | Tgt 2 |
| 1 | 07-Feb-19 | STDC | BUY | IRB | 131 | 127 | 115 | 143 | 150 |
| 2 | 07-Feb-19 | STDC | BUY | REPCOHOME | 395 | 370 | 329 | 436 | 448 |
| 3 | 06-Feb-19 | STDC | BUY | BAJAJFINSV | 6102.5 | 6025 | 5657 | 6470 | 6560 |
| 4 | 29-Jan-19 | STDC | BUY | WELCORP | 109 | 101.5 | 95 | 122 | 132 |
| 5 | 14-Jan-19 | STDC | BUY | SBIN | 300 | 288.5 | 274 | 330 | 345 |

VIEW

Yet another week of volatility for the benchmark indices due to the announcement of budget which did honesty with all the sections of the society but slipped on the fiscal deficit front by 10 basis point only. It's a pro poor, pro middle class and pro farmer budget. Fiscal stimulus to small & marginal farmers and tax sops for the middle class will lead to more disposable income. Consumption led GDP recovery will continue to surprise on the upside. The Indian macros continue to hold strong with controlled crude oil prices and stable currency but stock specific news kept market sentiment negative. We expect market is likely to show prolong rangebound movement as we are approaching towards RBI's monetary policy on 7 Feb.

NIFTY-

- Nifty started the week in poor note and continued to end in red for next two days but bounced back strongly from the day of F&O expiry
- Prices once again entered towards the apex of ascending triangle after piercing below 10600 levels
- Formation of Bullish candle on weekly chart suggest positive sentiment for the market
- As long as it sustains above 10580-10600 levels, bias will remain positive
- Momentum indicator RSI and Trend following indicator MACD lending support to price action
- A decisive move above 10985-11000 zone is required for fuelling further gain on upside from where it can 11100 and 11250 levels

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

| | NIFTY LEVEL | JUSTIFICATION |
|--------------|-------------|---------------------|
| Resistance 2 | 11100 | 61.8% retracement |
| Resistance 1 | 10987 | 4 months swing high |
| Close | 10893 | |
| Support 1 | 10755 | Line of parity |
| Support 2 | 10580 | Recent swing low |

Banknifty Weekly

4-Feb-19

VIEW

After opening with a red session, Bank Nifty continuously fell to make a weekly low of 26441.55 on Tuesday. However a strong support was witnessed at 200 DMA and the index gave a sharp pullback rally from that level. At the end of the week Bank Nifty closed at 27085.95. It had net loss of 0.1% over its previous week's close.

OBSERVATIONS:

- 1) Bank Nifty has retested its channel break-down point and some fresh sellig pressure was witnessed at that level.
- 2) Bank Nifty has formed a '**Dark Cloud Cover**' pattern on daily chart. It is a bearish candlestick pattern and indicative of the fact that the demand is unable to keep up with the building supply.
- 3) Last week Bank Nifty has found a strong support at 200 DMA (currently is at 26500) .

According to the above observations it can be concluded that the Bank Nifty has given a corrective rise up to the channel break-down point and the formation of Dark Cloud Cover is giving the caution signal for the bulls. Therefore we advise traders to exit from the long position in Bank Nifty and fresh short can also be initiated by keeping a stop loss at 27535 (closing basis).

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

| RESISTANCE/SUPPORT | BANKNIFTY LEVEL |
|--------------------|-----------------|
| Resistance 2 | 27755 |
| Resistance 1 | 27534 |
| Close | 27086 |
| Support 1 | 26500 |
| Support 2 | 26150 |

VIEW

Despite the weakness seen in the dollar towards close of last week after end to US govt shutdown was announced, rupee was unlikely to strengthen much in the week ahead in view of crucial budget on Friday, foreign fund outflows weakness in bond and equity market. With foreign investors keeping themselves away from the domestic market due to election uncertainty, a slippage in the deficit would add to the pressure on bonds and the rupee through FII outflows. With oil prices apparently finding a bottom at \$ 50 barrel and hovering closer to \$ 55 barrel mark on daily chart, fiscal further challenges which weigh in coming sessions on Indian currency.

TECHNICAL FACTORS-

- Sustainability of prices above trendline suggest upswing in the coming days
- Appearance of Bullish candle after the formation of doji suggest bullishness
- Declining histogram in MACD on daily chart also giving cues of upside move
- On sustaining above 71.55, pair can extend up to 71.90 and 72.60 marks
- Key support lies at 70.85 below which it can slip down till 70.35 and 69.75 levels

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

NIFTY LEVEL

| | |
|--------------|-------|
| Resistance 2 | 72.60 |
| Resistance 1 | 71.55 |
| Close | 71.47 |
| Support 1 | 70.85 |
| Support 2 | 70.35 |

STDC : Long / BUY

7-Feb-19

| | |
|----------------------|------------|
| BSE Code | 532947 |
| NSE Symbol | IRB |
| 52wk Range H/L | 286/117.50 |
| Mkt Capital (Rs Cr) | 4,612.00 |
| Av.Cash Volume(,000) | 1983 |
| Open Interest | |

| | |
|----------------|-----|
| Buy Price | 129 |
| Stop Loss | 115 |
| Target Price1 | 143 |
| Target Price2 | 150 |
| Upside in Tgt1 | 11% |
| Upside in Tgt2 | 16% |



STDC- BUY IRB @ 131-127 SL- 115 (CLOSING BASIS) TGT-143, 150

After giving vertical fall, IRB has formed double bottom at 117 level. Stochastic is showing sign of strength and we further expect that it should move upward due to this recent formation. Hence we advise our client to buy in the range of 131-127 for the price targets of 143 and 150 with 115 as SL.

STDC : Long / BUY

7-Feb-19

| | |
|----------------------|---------------|
| BSE Code | 535532 |
| NSE Symbol | REPCOHOME |
| 52wk Range H/L | 653.45/292.50 |
| Mkt Capital (Rs Cr) | 2,483.00 |
| Av.Cash Volume(,000) | 1564 |
| Open Interest | |

| | |
|----------------|-----------------|
| Buy Price | 400-390/375-365 |
| Stop Loss | 329 |
| Target Price1 | 436 |
| Target Price2 | 448 |
| Upside in Tgt1 | 14% |
| Upside in Tgt2 | 17% |

Technical Chart



STDC- BUY REPCOHOME @ 400-390 AND ON DIP TOWARDS 375-365 SL- 329 (CLOSING BASIS) TGT-436, 448.

Daily as well as on weekly chart REPCOHOME is trading in wave 4. From recent bottom of 310.25, it has retraced almost 50%. But last few couple of days it is hovering at 50 SMA and today it has engulfed the previous bar with resonable volume in early hours of market. Internal wave 4 is in form of flat. We can see the alternation between wave 2 & 4. Momentum oscillator stochastic is also in favour of Bulls. Therefore we advise our client to buy in the range of 400-390 and on decline towards 375-365 for the price targets of 436 and 448 with 329 as SL.

STDC : Long / BUY

6-Feb-19

| | |
|----------------------|-----------|
| BSE Code | 532978 |
| NSE Symbol | BAJAFINSV |
| 52wk Range H/L | 7200/4444 |
| Mkt Capital (Rs Cr) | 97,173.00 |
| Av.Cash Volume(,000) | 36925 |
| Open Interest | |

| | |
|----------------|---------------------|
| Buy Price | 6115-6090/6030-6020 |
| Stop Loss | 5657 |
| Target Price1 | 6470 |
| Target Price2 | 6560 |
| Upside in Tgt1 | 6.75% |
| Upside in Tgt2 | 8.25% |

Technical Chart



STDC CALL BUY BAJAFINSV IN THE RANGE OF 6115-6090 AND ON DECLINE TOWARDS 6030-6020 SL 5657 TGT 6470, 6560.

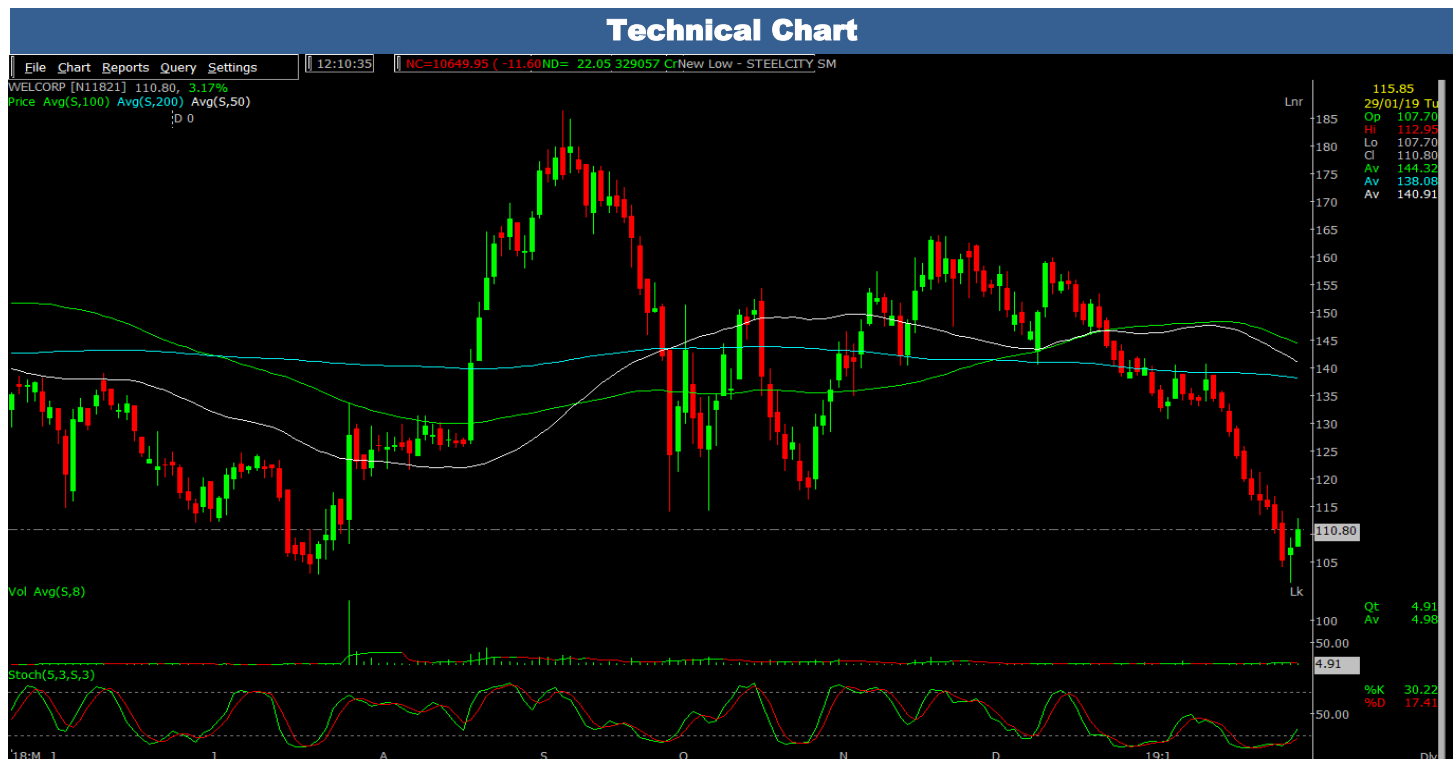
On weekly as well as daily chart BAJAFINSV is showing strength. Time analysis is also on positive side. On weekly chart it has taken support at 100 SMA and on daily chart it has taken support at 200 SMA. In respect of just preceding rising impulse on daily as well as weekly chart, it is falling as corrective and the entire near term falling bars have good amount of temperature, which is in favor of bulls. Hence we advise our client to buy in the range of 6115-6090 and on decline towards 6030-6020 for the price targets of 6470 and 6560 with 5657 as SL.

STDC : Long / BUY

29-Jan-19

| | |
|----------------------|------------|
| BSE Code | 532144 |
| NSE Symbol | WELCORP |
| 52wk Range H/L | 186.90/101 |
| Mkt Capital (Rs Cr) | 2,946.00 |
| Av.Cash Volume(,000) | 1237 |
| Open Interest | |

| | |
|----------------|-------------------|
| Buy Price | 111-107 & 103-100 |
| Stop Loss | 95 |
| Target Price1 | 122 |
| Target Price2 | 132 |
| Upside in Tgt1 | 16% |
| Upside in Tgt2 | 25% |



STDC- BUY WELCORP @ 111-107 AND ON DIP TOWARDS 103-100 SL- 95 (CLOSING BASIS) TGT-122, 132

Since 6th Sep 2018 stocks is falling as corrective with low volume. Recently it has made a low of 101 where it has taken multiple support. On daily scale it has formed DB. After spending some time in over sold zone, momentum oscillator stochastics is showing sign of strength. Hence we advise our client to buy in the range of 111-107 and decline towards 103-100 for the price targets of 122 and 132 with 95 as SL.

STDC : Long / BUY

14-Jan-19

| | |
|----------------------|-----------|
| BSE Code | 500112 |
| NSE Symbol | SBIN |
| 52wk Range H/L | 334.8/232 |
| Mkt Capital (Rs Cr) | 268183 |
| Av.Cash Volume(,000) | 47.43 |
| Open Interest | NA |

| | |
|----------------|-------------------|
| Buy Price | 299-301 & 287-290 |
| Stop Loss | 274 |
| Target Price1 | 330 |
| Target Price2 | 345 |
| Upside in Tgt1 | 11%-18% |
| Upside in Tgt2 | 22%-30% |

Technical Chart



STDC- BUY SBIN @ 299-301 AND ON DIP TOWARDS 287-290 SL- 274 (CLOSING BASIS) TGT- 330, 345

The stock has given breakout from a consolidation phase at around 287-300 zone for quite some time forming cup & handle pattern where it consolidated again and currently has been trading as symmetrical triangle as a mother pattern on weekly chart which breakout is expected above 307 levels where buying momentum will pick with greater pace. Indicators and oscillators also lending support to its price action. We recommend a buy in this stock for an upside target of 330 and 345 marks keeping a stop loss of 274 marks

LME Aluminium prices have fallen towards two year low at \$1920 per tonne after the supply tightness eased in the raw material sector and after United States decided to delay the sanctions on Russia, one of the world's largest producer of the metal. Prices have moved below its cost of production in China pressurizing the margins of the producers.

Globally, aluminium production has remained flat as the major producers like China is unable to increase the output as the current prices are unprofitable. While, US on the other side is starting to start its smelters but the outages at Canada, Brazil have offset the rise in production. China contributes almost 56% to the global production. And saying if China slows down its production rate, the world would be in huge shortfall in the coming year.

China Supply Concerns:

China's aluminium production has been falling since last three months despite of no winter output curtailments in place. China's capacity growth rate is slowing as old capacity is been shut down by the local government following strict targets set by China and the rate of new smelter capacity is falling. Although, the key ingredient, bauxite is restricted to produce during winter period on China's environmental crackdown.

Aluminum Corp of China Ltd also known as Chalco, China's largest producer, is cutting output on some of its aluminum production lines in northern China. The company is set to reduce some 470,000 tonnes of production, nearly 12% of company's output. Two smelters in Qinghai province of China of 270,000 tonnes capacity have gone off line in the last couple of weeks. These cuts have been inculcated as prices are trading below cost of production driven by reducing demand and ample of supply, forcing smelters to either partially or fully shut down its production.

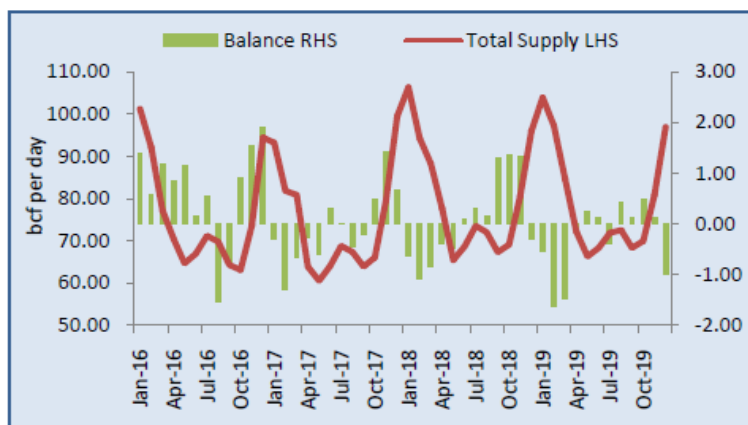
US Sanctions Tensions

US sanctions on Russia will continue add upside volatility in global aluminium prices. The U.S. Treasury Department last month postponed a Dec. 12 deadline for Deripaska to reduce his holdings in the companies, giving the Russian tycoon until Jan. 7.

Outlook

Overall, aluminium prices have declined drastically fell by almost 20% since April 2018 on extension of US sanction on Rusal and easeness in raw material supply. But we believe still some tightness in alumina market persists, as the Alunorte refinery is partially shut. Furthermore, Chinese production is expected to come down on smelters shutdown due to lower prices. However, demand weakness due to trade duties can provide some selling pressure. but prices will remain supported at lower levels. We expect MCX Aluminium prices will take support of 127-125 levels and move higher towards Rs 150-155 per kg in the short term.

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.

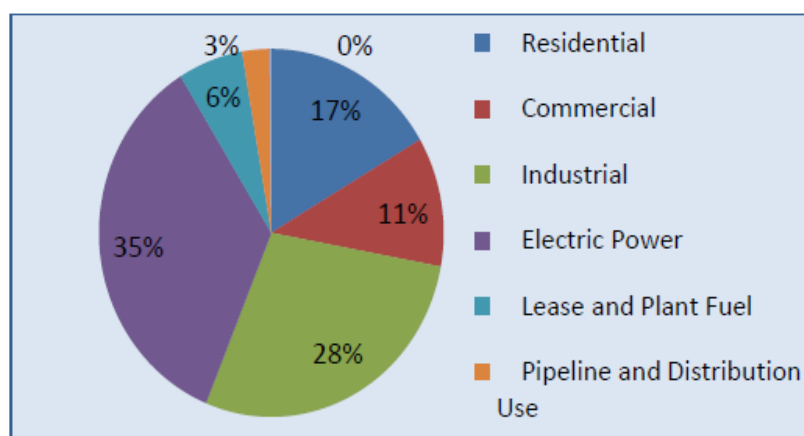
US Gas consumption

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.

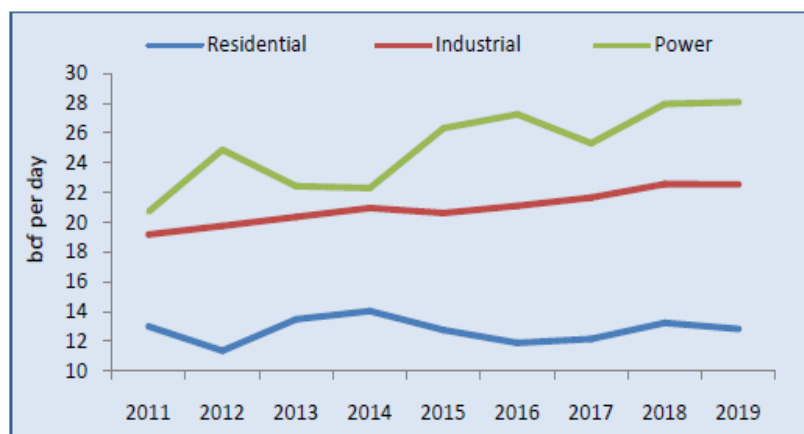
Cooling degree days (CDD) reflects the amount of energy required to cool a residence, industrial or a business. In 2018, CDD stood 18% higher than the previous year and averaged 25% above normal on hottest summer leading to strong air conditioning demand in the summer season. Warmer than normal temperatures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

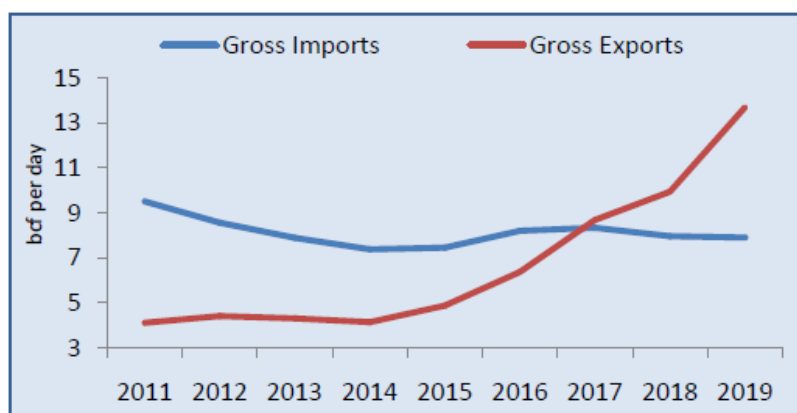
From the above figure, we can conclude that the major consuming sectors of natural gas are Electric Power, Industrial and Residential sector. With Electric power being the major consumer of natural gas comprising 35% of the total natural gas consumption followed by Industrial and Residential sector.



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

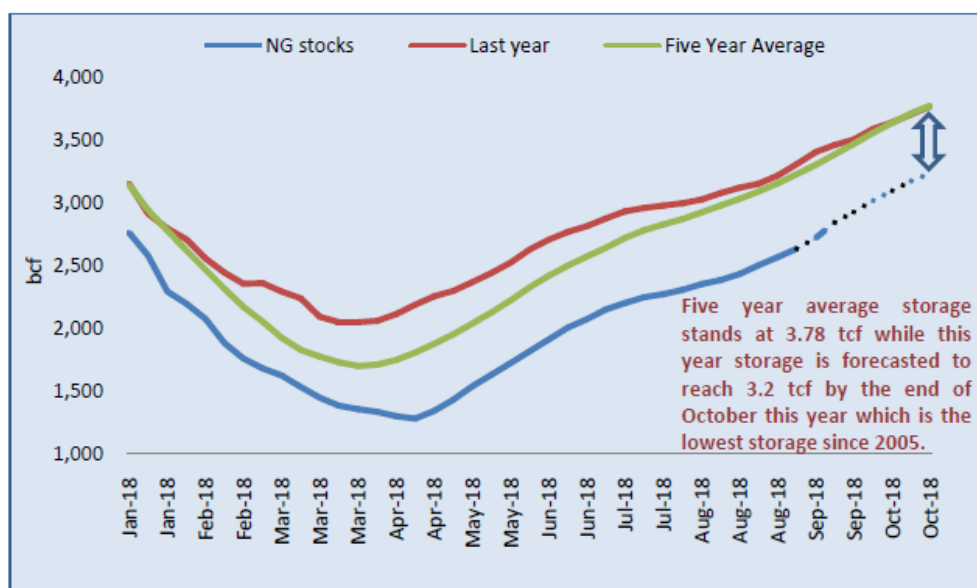


Source: Narnolia Research, EIA Short-Term Energy Outlook

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.**

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

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