

Trading Calls

ALUMINIUM BUY 06th December 2018

In Aluminium 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.

Market	Value	% Change
SGX Nifty (at 8.15 am IST)	10676.50	0.22%

Nifty Key Levels

Support	S1: 10580	S2 : 10500
Resistance	R1 : 10750	R2 : 10780

Market Outlook

Weak sentiment continued to grapple stock benchmarks, which opened the session in red amid broad-based selling. Occurrence of Inside Bar, as it traded in the previous day's range, but supply pressure was intact at higher levels. As long as it trades below the 10750 mark, it can slip towards 10580 and then 10500 levels, while on the upside resistance are seen at 10780 followed by 10800 levels.

Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
18-Feb-19	6,304	7,544	(1,240)
Feb-19	54,909	55,053	790
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
18-Feb-19	4,279	1,942	2,337
Feb-19	39,487	34,730	4,756

FII DERIVATIVES POSITION FOR 18-Feb-2019

	Net (Amt. in crs)
INDEX FUTURES	(434)
INDEX OPTIONS	(488)
STOCK FUTURES	(71)
STOCK OPTIONS	(96)

Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(0.96)	(2.77)	(10.14)	(24.28)
Automobiles	(0.80)	(3.29)	(7.39)	(26.64)
Chemicals	(1.21)	(3.37)	(6.46)	(5.09)
Construction & Engineering	(0.71)	0.64	(9.08)	(21.20)
Construction Materials	(1.38)	(2.25)	(8.37)	(24.52)
Diversified Financial Services	(0.97)	(2.17)	(7.58)	(9.04)
Electrical Equipment	(1.43)	(4.86)	(12.48)	(21.48)
Energy	(1.05)	(3.12)	(1.15)	(1.85)
Financials	(0.75)	(2.30)	(5.51)	(2.74)
Health Care	(0.78)	(2.94)	(3.66)	(7.93)
Household Durables	(1.28)	(3.74)	(8.48)	(20.15)
Household & Personal Products	(1.23)	(3.77)	(3.62)	15.67
Information Technology	(1.64)	(3.12)	3.68	23.27
Metals/Mining/Minerals	(1.13)	(2.14)	(9.38)	(31.78)
Telecom	0.67	(2.41)	(0.85)	(27.67)
Utilities	(0.44)	0.88	(9.46)	(18.85)

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

Long Position				
	DII	FII	Pro	Other
Future Index	47053	185892	30963	145380
Future Stock	28935	943426	171590	806108
Option Index Call	25110	222721	138873	643335
Option Index Put	96999	387977	171999	445448
Option Stock Call	688	51963	57031	350056
Option Stock Put	0	45245	64238	159003

Short Position				
	DII	FII	Pro	Other
Future Index	30143	212776	25508	140861
Future Stock	963563	585289	150189	251018
Option Index Call	0	92959	295194	641886
Option Index Put	0	179235	191115	732073
Option Stock Call	605	41449	153998	263686
Option Stock Put	0	41730	74299	152457

High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
533179	PERSISTENT	17.1
526299	MPHASIS	15.2
532755	TECHM	13.9
533155	JUBLFOOD	9.8
532281	HCLTECH	9.7
532129	HEXAWARE	8.6
500325	RELIANCE	7.6
500680	PFIZER	7.5
500114	TITAN	7.0
506820	ASTRAZEN	6.9

High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
532706	INOXLEISUR	7.3
532648	YESBANK	5.8
517385	SYMPHONY	2.9
501301	TATAINVEST	(0.2)
500135	ESSELPACK	(0.6)
505537	ZEEL	(0.8)
503310	SWANENERGY	(1.1)
505200	EICHERMOT	(1.2)
511243	CHOLAFIN	(3.5)
532733	SUNTV	(3.6)

Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
511072	DHFL	(41.21)
532667	SUZLON	(34.72)
531737	GREENCREST	(33.24)
502742	SINTEX	(30.09)
500111	RELCAPITAL	(29.78)
523204	ABAN	(29.67)
532477	UNIONBANK	(28.47)
520056	SUNCLAYLTD	(27.83)
532915	RELIGARE	(24.81)
532149	BANKINDIA	(24.50)

Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
532144	WELCORP	(27.24)
517380	IGARASHI	(26.04)
500288	MOREPENLAB	(23.64)
514162	WELSPUNIND	(22.99)
500480	CUMMINSIND	(21.18)
512599	ADANIENIT	(20.93)
524404	MARKSANS	(20.04)
532612	INDOCO	(19.17)
532401	VIJAYABANK	(18.37)
502865	FORBESGOK	(17.78)

* 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-Feb-2019

STDC

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2

VIEW

Lack of positive variables creates negative sentiment in domestic equity market. From last few days, Indian market continue to underperform inspite of well performance from the Global market and appreciation of Indian currency. Inflows has reduced this month due to muted Q3 results and outcome of general election. Expecting minor pull back on upside as Indices are reaching towards significant retracement zone.

NIFTY-

- a. Bears continue to gain the momentum as Nifty shrink below its key support levels along with other sectorial indices
- b. It was broadly a significant bearish momentum as we observed the breadth to be negative since the start of the session.
- c. Nifty has made multi top pattern on the daily chart which become hurdles for the Bulls
- d. Although Index took support from its upward sloping line which can give a ray of hopes to Bulls
- e. A short term bounce is expected from the level of 10620-10600 zone where key support has seen
- f. If we are below these mentioned levels then we may see the expansion of bearish momentum till 10430 where 61.8% retracement is seen of the upside move from 10004 to 11118 levels.
- g. Upside resistance is seen at 10890 followed by 11040 levels.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

	NIFTY LEVEL	JUSTIFICATION
Resistance 2	11040	Line of parity
Resistance 1	10890	Previous swing
Close	10794	
Support 1	10620	Immediate Suport
Support 2	10430	61.8% retracement

VIEW

After opening with a negative session, Bank Nifty continuously fell to make a weekly low of 26635.25. However the selling got a pause near our expected level of 200 DMA and the index also gave some pullback from that level. At the end of the week Bank Nifty closed at 26794. It has a net loss of 1.83% over its previous week's close.

OBSERVATIONS:

- a. Bank Nifty has found a strong support at 200 DMA.
- b. Continuous selling pressure was witnessed in Bank Nifty near its trend line areas. Therefore it becomes a short term 'supply zone' of Bank Nifty.
- c. Stochastic has reached at its oversold zone.

According to the above observations it can be concluded that some immediate pullback is expected in Bank Nifty due to the oversold position of stochastic. Therefore we advise to book profit of short positions. Fresh long also be initiated by keeping a stop loss at 200 DMA (currently is at 26602) on closing basis. On the upward path 27690-27750 zone (trend line resistance areas) is likely to act as a strong supply zone of Bank Nifty.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	27690
Resistance 1	27150
Close	26794
Support 1	26602
Support 2	26335

VIEW

Higher crude oil prices and persistent selling pressure in local equities can spoil the party for Rupee Bulls. Positive risk sentiment is not changing the direction for the USD and Dollar Bulls are still in control of the trend. Foreign fund outflows is another concern for the depreciation of Rupee in near term. India trade deficit to 14.7 bn in January and export drop by over 1.5 bn while import remain unchanged can become key factors to give pressure on the domestic currency.

TECHNICAL FACTORS-

- a. Pair has bounced back after hitting the low from our mentioned support of 70.35 mark
- b. Back to back three bull candle showing upside swing but it can face resistance near downward its downward sloping line
- c. Formation of Hammer on weekly chart suggests further room for upside
- d. Negative crossover in MACD suggest upside is capped in coming sessions
- e. On sustaining above 71.55, pair can extend up to 71.81 and 72.60 marks
- f. Short term support lies at 70.80 below which it can slip down till 70.35 and 69.75 levels

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

USDINR LEVEL

Resistance 2	72.64
Resistance 1	71.81
Close	71.33
Support 1	70.35
Support 2	70.00

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.

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Analyst's ownership of the stocks mentioned in the Report	NIL
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