

## Trading Calls

**TVSMOTOR BUY 12th April 2019**

TVSMOTOR has made an 'Inverted Hammer' pattern after downtrend on monthly chart. This is a strong reversal pattern. Apart from this, the formation of positive divergence on Stochastic is indicating some short term pullback from the current level. Therefore we recommend initiating fresh long position in the stock for trading as well as for short term investment.

**HDFCLIFE BUY 06th March 2019**

HDFCLIFE gave reversal from its downtrend. The stock has also given bullish breakout above 50, 100 DMAs. So some fresh upside is expected in the stock from the current level. Therefore we recommend initiating fresh long position in the stock for a maximum target of RS 454.

**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.

## FII DERIVATIVES POSITION FOR 18-April-2019

Net (Amt. in crs)

INDEX FUTURES	1,207
INDEX OPTIONS	2,117
STOCK FUTURES	(17)
STOCK OPTIONS	(209)

## Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
18-Apr-19	7,700	6,661	1,038
Apr-19	68,365	60,255	8,109
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
18-Apr-19	2,996	3,334	(338)
Apr-19	44,519	45,792	(1,274)

Market	Value	% Change
SGX Nifty (at 8.15 am IST)	11776.00	-0.27%

## Nifty Key Levels

Support	S1: 11700	S2 : 11666
Resistance	R1 : 11800	R2 : 11844

## Market Outlook

Although Market opened with gap-up; it could not sustain at higher levels and traded lower throughout the day, faced stiff resistance from R2 of monthly pivot point placed around 11850 marks. Index has formed a bearish candlestick pattern called 'Bearish opening Marubozu' which indicate trend reversal however one more follow up negative close is required as a confirmation. At the same time a sustained trade above psychological mark 11800 will only accelerate up move while a decisive trade below crucial support of 11750 will push index lower towards bullish gap formed in between 11690-11736 marks.

## Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(0.52)	1.51	(0.83)	(20.36)
Automobiles	(0.11)	4.04	5.53	(19.89)
Chemicals	(0.61)	0.69	1.51	1.85
Construction & Engineering	(1.44)	0.19	0.35	(10.65)
Construction Materials	(0.06)	3.31	6.75	(4.15)
Diversified Financial Services	(0.94)	(0.26)	3.10	0.84
Electrical Equipment	(0.51)	1.04	3.82	(4.11)
Energy	1.69	3.01	0.58	17.13
Financials	(0.99)	0.56	2.69	10.35
Health Care	(0.33)	0.08	1.68	3.57
Household Durables	(0.72)	(0.37)	(0.34)	(14.54)
Household & Personal Products	(0.30)	1.88	0.86	10.11
Information Technology	0.16	1.60	5.28	24.10
Metals/Mining/Minerals	(0.63)	0.99	2.31	(17.29)
Telecom	(1.38)	1.35	(0.28)	(17.21)
Utilities	(1.28)	0.50	0.43	(9.53)

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

Long Position				
	DII	FII	Pro	Other
Future Index	35864	176988	26599	119774
Future Stock	21995	839120	176370	803219
Option Index Call	32401	230569	95839	340569
Option Index Put	98412	353012	126379	440181
Option Stock Call	0	37994	63164	350254
Option Stock Put	0	30179	63281	148848

Short Position				
	DII	FII	Pro	Other
Future Index	71776	96840	33962	156647
Future Stock	896911	562979	126666	254148
Option Index Call	0	69674	182793	446911
Option Index Put	0	228489	164409	625086
Option Stock Call	2064	41155	151969	256224
Option Stock Put	0	30529	64234	147545

## High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
530517	RELAXO	20.6
524208	AARTIIND	14.6
506820	ASTRAZEN	14.4
532809	FSL	14.0
500126	MERCK	12.1
532514	IGL	11.9
532531	STAR	11.5
505890	WIDIA	11.2
500410	ACC	10.7
524494	IPCALAB	9.3

## High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
533150	GODREJPROP	32.1
534690	LAKSHVILAS	26.9
512161	8KMILES	24.4
532892	MOTILALOFS	15.9
500266	MAHSCOOTER	15.0
535789	IBULHSGFIN	14.3
532622	GDL	12.8
500413	THOMASCOOK	11.8
505355	NESCO	11.5
500135	ESSELPACK	11.0

## Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
532822	IDEA	(49.04)
532617	JETAIRWAYS	(30.24)
531737	GREENCREST	(27.65)
532939	RPOWER	(23.93)
531508	EVEREADY	(15.57)
523204	ABAN	(12.92)
500111	RELCAPITAL	(12.76)
522275	ALSTOMT&D	(10.18)
512131	SIGNET	(9.45)
530943	SABTN	(9.02)

## Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
517380	IGARASHI	(10.96)
522205	PRAJIND	(9.31)
514162	WELSPUNIND	(8.69)
506395	COROMANDEL	(8.46)
500251	TRENT	(6.51)
523457	LINDEINDIA	(4.82)
505242	DYNAMATECH	(4.38)
515030	ASAHIINDIA	(4.28)
511218	SRTRANSFIN	(4.28)
500249	KSBPUMPS	(3.78)

\* 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 22-04-2019 (2)

STDC (2)									
No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	12-Apr-19	STDC	BUY	TVSMOTOR	493	475	448	530	574
2	06-Mar-19	STDC	BUY	HDFCLIFE	381	365	343	407	454

## VIEW

After giving record high on thursday, domestic market failed to capitalize gain and slipped lower to fill the gap which occurred in the morning time. Accumulation was seen on heavyweights while small and mid cap index are expected to outperform in coming days. Although some consolidation is looking on the card but major uptrend remain intact as Indices are moving in higher troughs and higher crests formation on daily & weekly chart suggest Bulls will be on upper hand.

**NIFTY-**

- a) Nifty is moving in a sustained uptrend as the sequence of higher top and higher bottom formation remain intact.
- b) Sustainability of index above all the price pattern breakout suggest index continues to remain in an uptrend in the medium term
- c) For coming week, upside is looking capped til it sustains below the recent high of 11856 level due to the formation of bearish belt hold and negative divergence in RSI
- d) Rangebound movement is expected in coming week in the range of 12000 to 11550 levels
- e) Resistance is seen at 11860 followed by 12000 levels on upside
- f) Support lies at 11550 level followed by 11400 levels on downside.

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

	NIFTY LEVEL	JUSTIFICATION
Resistance 2	12000	Psychological level
Resistance 1	11860	Near recent top
Close	11752	
Support 1	11560	20 DMA
Support 2	11400	SL of Cup & Handle

## Banknifty Weekly

22-Apr-19

## VIEW

After opening with a positive session, Banknifty rose to make a weekly high of 30669.80. However some profit booking was witnessed on Thursday and the index corrected up to 30142. At the end of the week Banknifty closed with a net gain of 0.8% over its previous week's close.

**OBSERVATIONS:**

- 1) 'Negative Divergences' were formed both in RSI & Stochastic on the daily chart of Banknifty.
- 2) A 'Dark Cloud Cover' pattern was formed on the daily candlestick chart of Banknifty.
- 3) Banknifty is trading above its recent breakout point (29120) as well as above all the major DMAs (50, 100 & 200).

According to the above observations it can be concluded that the short term and medium term trend of Banknifty is definitely positive as it is trading above all the major DMAs (50, 100 & 200). However formation of Dark Cloud Cover pattern with negative divergences (both in RSI & Stochastic) is giving indication of some profit booking in next 2-3 days. In the profit booking process 29638 would act as a crucial support of Banknifty.

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	30950
Resistance 1	30670
Close	30223
Support 1	29638
Support 2	29120

## VIEW

Not much movement is seen in the pair and it has traded within the range of previous week candlestick. From last few weeks, pair has been trading in the range of 68.35 to 69.75 levels. A decisive breakout is required in either of direction for further directional move. Until this happen, pair will trade in the mentioned side ways range.

**TECHNICAL FACTORS-**

- a) On daily chart, pair gave double bottom breakout but failed to sustain above the neckline. However, pullback is seen which aided the pair to consolidate near the base of neckline .
- b) Pair has found the strong base near 68.35-68.30 levels. Until this break decisively, downside is looking capped
- c) For moving on upside, it has to cross and sustain above 69.75 from where it can resume its uptrend towards 70.05 and 70.25
- d) The daily strength indicator RSI and the momentum indicator MACD both are in a bullish mode which imply upside momentum.

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

## USDINR LEVEL

Resistance 2	70.05
Resistance 1	69.75
Close	69.40
Support 1	69.35
Support 2	67.90

## STDC : Long / BUY

12-Apr-19

BSE Code	532343
NSE Symbol	TVSMOTOR
52wk Range H/L	448.50/693.40
Mkt Capital (Rs Cr)	23754
Av.Cash Volume(,000)	895
Open Interest	7079000

Buy Price	475-493
Stop Loss	448
Target Price1	530
Target Price2	574
Upside in Tgt1	9.50%
Upside in Tgt2	18.60%

### Technical Chart



STDC BUY BHEL @ 475-493 SL-448 (CLOSING BASIS) TGT-530,574

TVSMOTOR has made an 'Inverted Hammer' pattern after downtrend on monthly chart. This is a strong reversal pattern. Apart from this, the formation of positive divergence on Stochastic is indicating some short term pullback from the current level. Therefore we recommend initiating fresh long position in the stock for trading as well as for short term investment.

## STDC : Long / BUY

6-Mar-19

BSE Code	540777
NSE Symbol	HDFCLIFE
52wk Range H/L	547.25/345
Mkt Capital (Rs Cr)	77853.5
Av.Cash Volume(,000)	740
Open Interest	NA

Buy Price	379-383 & 363-367
Stop Loss	343
Target Price1	407
Target Price2	454
Upside in Tgt1	7%-9%
Upside in Tgt2	19%-22%

### Technical Chart



STDC BUY HDFCLIFE @ 379-383 & 363-367 SL-343 (CLOSING BASIS) TGT-407,454

HDFCLIFE gave reversal from its downtrend. The stock has also given bullish breakout above 50, 100 DMAs. So some fresh upside is expected in the stock from the current level. Therefore we recommend initiating fresh long position in the stock for a maximum target of RS 454.



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**

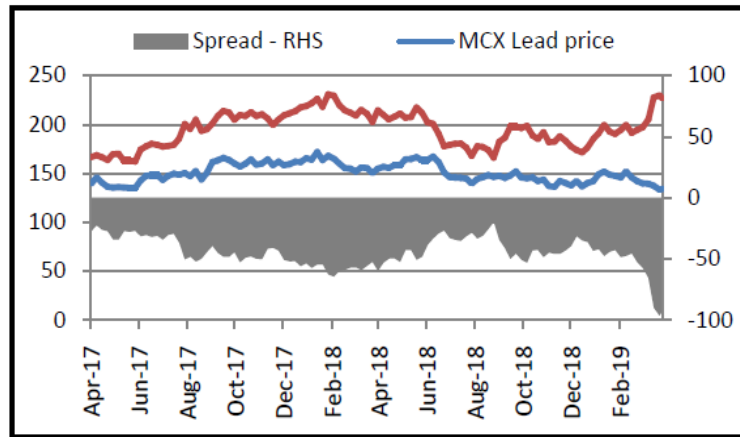
US sanctions on Russia will continue add upside volatility in global aluminium prices. The U.S. Treasury Department last month postponed a Dec. 12 deadline for Deripaska to reduce his holdings in the companies, giving the Russian tycoon until Jan. 7.

#### **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.

## Spread Call View – Sell Zinc Buy Lead

The spread of Zinc and Lead have tested the record low of -96 levels and currently the spread is trading at -92. We believe the spread to narrow towards -75 to -70 levels in the months to come.

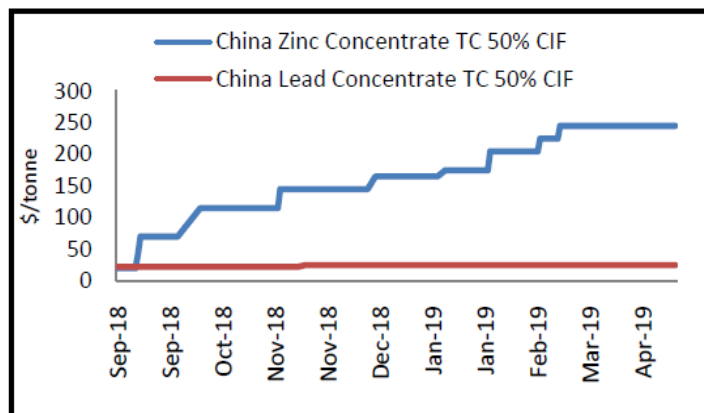


Source: Bloomberg, Narnolia Research

MCX Zinc prices have rallied by almost 23 percent since the start of this year. Zinc has been the best performer among the base metal complex in 2019 during the first quarter of 2019. While Lead prices has remained unchanged during the first quarter of 2019. We believe Lead prices to stay strong over Zinc prices in future.

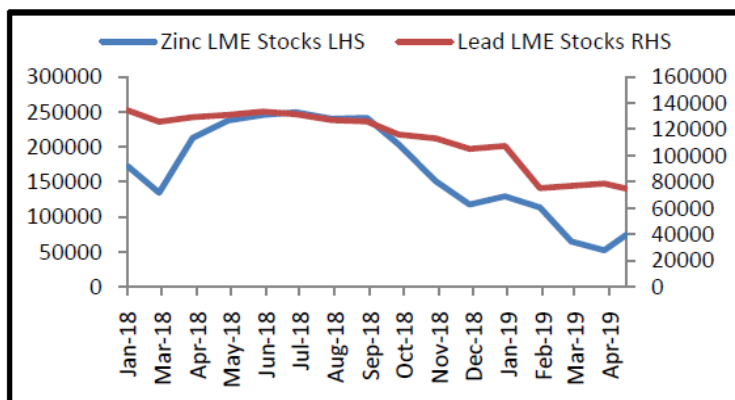
Zinc Treatment and refining charges has risen towards \$265 per tonne, up from \$20 per tonne in Sept 2018 which indicates the smelter get a higher margin towards refined production indicating the output to keep rising in coming months. On the other hand, Lead refining charges have remained unchanged helping us to forecast that no major production increase is expected in near future. This also points towards rise in zinc production will be higher as compared to lead production.

## Treatment and refining charges



Source: Bloomberg, Narnolia Research

LME inventories of both Zinc and Lead are currently near decade low levels. Although, a big inflows in zinc inventories this week have fanned expectation that supply tightness will end soon. LME Zinc inventories jumped to 73,700 tonnes, rising from the record low of 50,000 tonnes in January 2019. LME Zinc stocks have increased by 11 percent since February 2019. While Lead stocks has remained unchanged during the same period.



Source: Bloomberg, Narnolia Research

Zinc mine supply is expected to come online during the second half of 2019 as smelters earn a higher margin and with prices up 20% during the year we believe supply of zinc is expected to increase in the months to come. On the other hand, Lead supply is expected to rise by 4.1% in 2019 however the tightness in availability of lead concentrate may provide constraint to the global lead output.

### Spread Call View – Sell Zinc Buy Lead

The spread of Zinc and Lead have tested the record low of -96 and currently the spread is trading at -91. We believe the spread to narrow towards -75 to -70 levels in the months to come.

### Various Possible Outcome of Spread Call:

1. Zinc price to fall, Lead price rise
2. Both Lead and zinc prices fall, but zinc to fall more
3. Lead prices unchanged, while zinc prices fall
4. Both Lead and zinc prices rise, but lead outperform
5. Lead rise, while zinc prices unchanged

### Conclusion:

“Higher Zinc refining charges, expectation of new zinc mine supply, rising LME Zinc stocks and tighter lead market makes us to come to a conclusion to actively short zinc and buy lead.” Therefore, we expect the ratio Sell Zinc and Buy Lead to become narrow towards -75 to -70. At present the ratio is trading at -92 as on 18<sup>th</sup> April 2019.

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