Narnolia™

E Value Plus

# Technical & Quant Update

09-May-19

Edition 1309

## Trading Calls

| SBIN - R25 | BUY | 2nd May 2019 |
|---|---|---|

State Bank of India gave a bullish breakout of 'Symmetrical Triangle' pattern in March 2019 and thereafter gave around 15% up move from that level. Currently the stock is retracing towards its breakout point. So it would be prudent decision to use this retracement as buying opportunity.

| TATAMOTORS | BUY | 2nd May 2019 |
|---|---|---|

The short term trend of TATAMOTORS is looking positive as it is trading above all the major DMAs (50, 100, 200). Currently it has corrected to its breakout point of 200 DMA. The stochastic has also reached at the oversold zone. So pullback is very likely in the stock in extreme short term.

| 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.

| Market | Value | % Change |
|---|---|---|
| SGX Nifty (at 8.00 am IST) | 11376.50 | 0.23% |

**Nifty Key Levels**

| | | |
|---|---|---|
| Support | S1: 11330 | S2 : 11250 |
| Resistance | R1 : 11450 | R2 : 11500 |

### Market Outlook

On Wednesday, Nifty opened negative at 11476.70 and made a high of 11479.10. From there it moved towards the low of 11346.95 and closed negative at 11476.70 by discounting 138.45 points. On sectoral front all closed negative. India VIX fell by 0.42% and closed at 26.36.

Index has lost more than 300 points in three straight sessions. Currently, it has closed below its 50-DMA level and rests near the pattern support of the extended trend line of the 3-month long channel that it broke on the upside. We may expect some counter-trend rallies, but all upsides are likely to remain capped and the texture on the charts is remain bearish. It has also reached the extreme oversold zone, which suggests a short covering rally towards 11450 & 11500 levels is likely in the coming sessions. But, a move below 11330 can extend the correction to 11250 levels where it will achieve the target Bearish Head & Shoulder.

### FII DERIVATIVES POSITION FOR 08-May-2019

| | Net (Amt. in crs) |
|---|---|
| INDEX FUTURES | (1,129) |
| INDEX OPTIONS | (738) |
| STOCK FUTURES | (956) |
| STOCK OPTIONS | (120) |

### Institutional Turnover

| FII | Buy(cr.) | Sell(cr.) | Net(cr.) |
|---|---|---|---|
| 8-May-19 | 5,012 | 5,713 | (702) |
| May-19 | 23,519 | 25,619 | (2,098) |
| DII | Buy(cr.) | Sell(cr.) | Net(cr.) |
| 8-May-19 | 3,412 | 3,179 | 233 |
| May-19 | 16,147 | 15,740 | 407 |

### Sectoral Performance (%)

| | 1 Day | 1 Week | 1 Month | 1 Year |
|---|---|---|---|---|
| Auto Components | (1.12) | (4.26) | (6.92) | (26.20) |
| Automobiles | (1.32) | (2.49) | (4.23) | (27.38) |
| Chemicals | (0.60) | (3.11) | (5.69) | (2.46) |
| Construction & Engineering | (0.68) | (1.84) | (3.74) | (15.04) |
| Construction Materials | (0.59) | (2.28) | 1.81 | (3.26) |
| Diversified Financial Services | (1.94) | (4.27) | (7.37) | (6.50) |
| Electrical Equipment | (1.65) | (4.96) | (5.40) | (10.31) |
| Energy | (2.38) | (4.78) | 0.11 | 11.96 |
| Financials | (1.40) | (3.16) | (4.79) | 2.57 |
| Health Care | (1.29) | (3.78) | (3.55) | (1.46) |
| Household Durables | (1.52) | (3.92) | (5.93) | (19.30) |
| Household & Personal Products | (0.83) | (3.77) | (1.64) | 4.08 |
| Information Technology | (0.32) | (4.00) | 1.81 | 20.19 |
| Metals/Mining/Minerals | (0.65) | (3.87) | (4.04) | (19.06) |
| Telecom | (1.39) | (0.41) | (6.65) | (20.59) |
| Utilities | (1.49) | (1.65) | (5.42) | (12.60) |

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

| Long Position | DII | FII | Pro | Other |
|---|---|---|---|---|
| Future Index | 30120 | 177046 | 21195 | 139064 |
| Future Stock | 12606 | 853165 | 158494 | 885286 |
| Option Index Call | 31205 | 215289 | 155717 | 853972 |
| Option Index Put | 87158 | 321658 | 162839 | 437282 |
| Option Stock Call | 0 | 27843 | 58076 | 223820 |
| Option Stock Put | 0 | 28686 | 62560 | 89576 |

| Short Position | DII | FII | Pro | Other |
|---|---|---|---|---|
| Future Index | 178177 | 54545 | 96411 | 38292 |
| Future Stock | 241576 | 941952 | 598335 | 127688 |
| Option Index Call | 730691 | 0 | 131763 | 393729 |
| Option Index Put | 674742 | 0 | 142209 | 191986 |
| Option Stock Call | 196350 | 1973 | 26093 | 85323 |
| Option Stock Put | 117822 | 0 | 22334 | 40666 |

## High ES & High PS Stock Maintaining Strength

| BSE Code | NSE CODE | 1 Month Return % |
|---|---|---|
| 523367 | DCMSHRIRAM | 16.6 |
| 532777 | NAUKRI | 8.2 |
| 511288 | GRUH | 7.7 |
| 506820 | ASTRAZEN | 7.4 |
| 500312 | ONGC | 7.3 |
| 504067 | ZENSARTECH | 6.7 |
| 517174 | HONAUT | 6.7 |
| 500087 | CIPLA | 6.1 |
| 532689 | PVR | 5.7 |
| 524200 | VINATIORGA | 5.4 |

## High ES & Low PS Stock Showing Strength

| BSE Code | NSE CODE | 1 Month Return % |
|---|---|---|
| 532892 | MOTILALOFS | 9.5 |
| 500135 | ESSELPACK | 9.0 |
| 532772 | DCBbank | 4.1 |
| 532313 | MAHLIFE | 3.2 |
| 500266 | MAHSCOOTER | 2.2 |
| 501301 | TATAINVEST | 0.6 |
| 512161 | 8KMILES | 0.6 |
| 500040 | CENTURYTEX | (0.3) |
| 512529 | SEQUENT | (0.5) |
| 505355 | NESCO | (0.6) |

## Low ES & Low PS Stock Maintaining Weakness

| BSE Code | NSE CODE | 1 Month Return % |
|---|---|---|
| 531508 | EVEREADY | (52.5) |
| 532617 | JETAIRWAYS | (50.4) |
| 532939 | RPOWER | (45.7) |
| 500111 | RELCAPITAL | (43.4) |
| 500106 | IFCI | (31.2) |
| 532548 | CENTURYPLY | (26.4) |
| 532418 | ANDHRABANK | (25.0) |
| 532922 | EDELWEISS | (23.8) |
| 532885 | CENTRALBK | (21.8) |
| 533519 | L&TFH | (21.3) |

## Low ES & High PS Stock Showing Weakness

| BSE Code | NSE CODE | 1 Month Return % |
|---|---|---|
| 517380 | IGARASHI | (21.2) |
| 500116 | IDBI | (20.3) |
| 512599 | ADANIENT | (20.0) |
| 522205 | PRAJIND | (19.3) |
| 511218 | SRTRANSFIN | (17.0) |
| 500302 | PEL | (16.9) |
| 506395 | COROMANDEL | (15.0) |
| 509496 | ITDCEM | (14.3) |
| 505242 | DYNAMATECH | (13.7) |
| 514162 | WELSPUNIND | (13.1) |

* 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 companiy is relative price performance in multiple time-frame

# Analysis shown here is only for companies with market cap more than Rs 1,000 Cr.

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# STDC / R25 Open Calls for 09-05-2019 (2)

| STDC (2) / R25 (1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **No** | **Date** | **Type** | **Buy/Sell** | **Stock** | **Entry1** | **Entry2** | **SL** | **Tgt 1** | **Tgt 2** |
| 1 | 08-May-19 | R25 | BUY | SBIN | 302 | 287.5 | 258 | 338 | 380 |
| 2 | 02-May-19 | STDC | BUY | TATAMOTORS | 206 | 196 | 175 | 232 | 274 |
| 3 | 06-Mar-19 | STDC | BUY | HDFCLIFE | 381 | 365 | 343 | 407 | 454 |

## Nifty Weekly

**6-May-19**

### VIEW

Domestic market continued to trade with range bound move but gains are capped. Momentum has been declining week by week as some of the sectors had witnessed profit booking. Liquidity is increasing because of strength in Rupee due to ease in crude oil prices which can become the cause of volatility. We believe domestic bourses would remain volatile till general elections result are out.

**NIFTY-**

a) For last three days of week, Nifty has been forming doji type of candlesticks type of pattern indicate lack of strength on either of side

b) Although it formed strong base near 20 DMA's which comes at 11660 levels but still facing selling pressure at higher side

c) RSI seems to trade in the neutral zone around 50 marks on daily chart indicate lacklustre movement in coming sessions

d) For the bulls, a close above 11800 can instill confidence and from where index can surge higher till 12000 levels on upside

e) However, as long as index trades above 11550 level there will be a ray of hope for bulls and index can approach for making a new high above 11856 levels.

f) On the flip side, a decisive close below 11550 level can activate the sellers towards 11400 level on downside.

### CHART ANALYSIS


### SUPPORT & RESISTANCE LEVELS

| | NIFTY LEVEL | JUSTIFICATION |
|---|---|---|
| Resistance 2 | 11856 | Previous Top of Index |
| Resistance 1 | 11800 | Top of last two weeks candle |
| Close | 11712 | |
| Support 1 | 11660 | 20 DMA |
| Support 2 | 11550 | Swing low rising trendline |

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# BANKNIFTY

## Banknifty Weekly

**6-May-18**

### VIEW

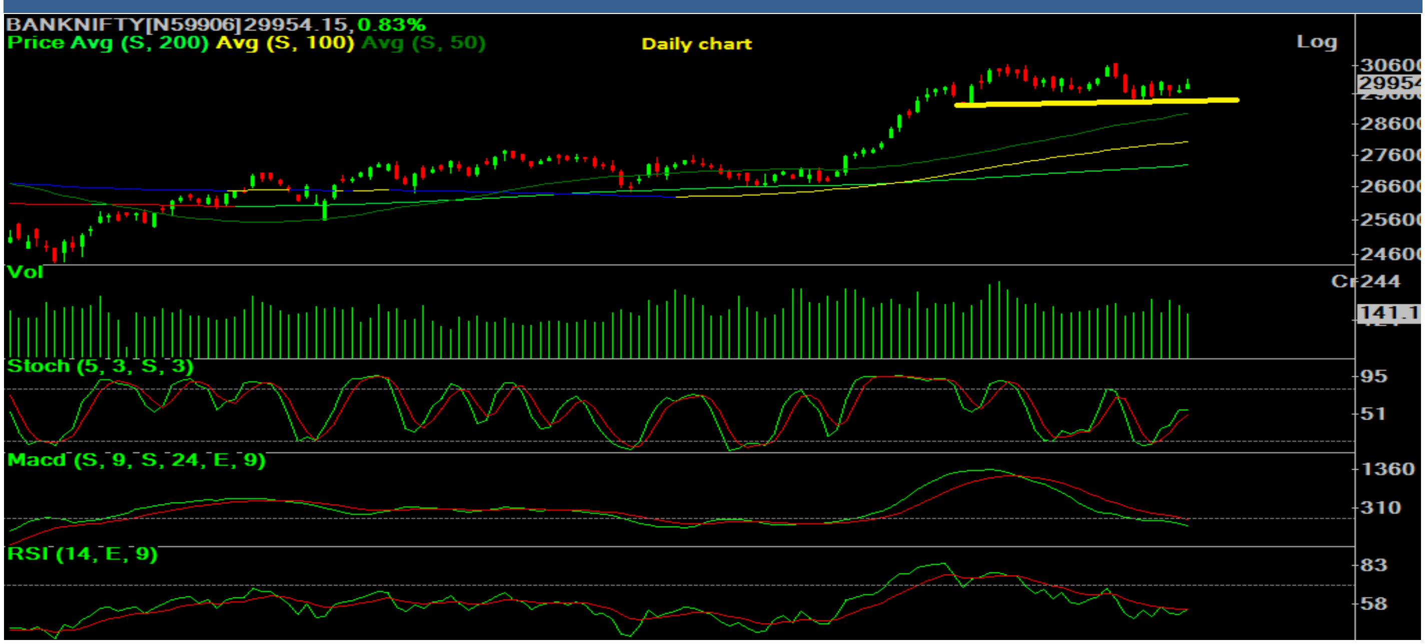
Banknifty gave a range bound and choppy movement throughout last week and closed the week with a net loss of 0.2% over its previous week's close. PSU Banking stocks were the main catalysts to close the index lower.

**OBSERVATIONS:**

1) Banknifty is fluctuating in between 29150 and 30670 since last one month
2) Bank Nifty is currently trading above 50, 100 & 200 DMAs

Currently Banknifty is in consolidation phase. The short term and medium term trend of the index is looking positive as it is trading above all the major DMAs (50, 100 & 200). Therefore every decline should be use as a buying opportunity. Currently 29120-29430 zone is the strong support areas of the Banknifty and it would be wise decision to initiate fresh long position position in the index near its strong support areas.

### CHART ANALYSIS




### SUPPORT & RESISTANCE LEVELS

| RESISTANCE/SUPPORT | BANKNIFTY LEVEL |
|---|---|
| Resistance 2 | 30671 |
| Resistance 1 | 30310 |
| Close | 29954 |
| Support 1 | 29430 |
| Support 2 | 29120 |

Narnolia™ USDINR

# USDINR Weekly

6-May-19

## VIEW

Softening in crude oil prices helped Rupee to gain strength and pair closed with negative bias. Sentiments remain buoyant amidst strong growth expectation of economy, the likelyhood of NDA returning to power again and capped upside move of dollar index. A firm trend in the rupee is likely to continue over the coming session.

**TECHNICAL FACTORS-**

a) On daily chart, pair has formed Bearish belt hold price patternbelow falling trendline suggest strength in Rupee

b) Pair can extend its downside move towards 68.35-68.30 levels where key support is seen

c) On sustaining below 68.30, further downside can be seen towards 67.80 levels

d) For moving on upside, it has to cross and sustain above 69.92 from where it can resume its uptrend towards 70.35 and 70.90

e) The daily strength indicator RSI and the momentum indicator MACD both are in a bearish mode which imply downside momentum

## CHART ANALYSIS


## SUPPORT & RESISTANCE LEVELS

| | USDINR LEVEL |
|---|---|
| Resistance 2 | 70.90 |
| Resistance 1 | 70.35 |
| Close | 69.09 |
| Support 1 | 68.30 |
| Support 2 | 67.80 |

Narnolia™ SBIN

## R-25 : Long / BUY

**8-May-19**

| | |
|---|---|
| BSE Code | 500112 |
| NSE Symbol | SBIN |
| 52wk Range H/L | 339.65/237.85 |
| Mkt Capital (Rs Cr) | 270416 |
| Av.Cash Volume(,000) | 10280 |
| Open Interest | 916200000 |

| | |
|---|---|
| Buy Price | 300-304 & 285-290 |
| Stop Loss | 258 |
| Target Price1 | 338 |
| Target Price2 | 380 |
| Upside in Tgt1 | 15.00% |
| Upside in Tgt2 | 29.00% |

### Technical Chart


R-25 BUY SBIN @ 300-304 & 285-290 SL-258 (CLOSING BASIS) TGT-338,380

State Bank of India gave a bullish breakout of 'Symmetrical Triangle' pattern in March 2019 and thereafter gave around 15% up move from that level. Currently the stock is retracing towards its breakout point. So it would be prudent decision to use this retracement as buying opportunity.

Narnolia™ TATAMOTORS

## STDC : Long / BUY

**2-May-19**

| | | | | |
|---|---|---|---|---|
| BSE Code | 500570 | | Buy Price | 204-208 & 194-198 |
| NSE Symbol | TATAMOTORS | | Stop Loss | 175 |
| 52wk Range H/L | 351.65/129 | | Target Price1 | 232 |
| Mkt Capital (Rs Cr) | 59768 | | Target Price2 | 274 |
| Av.Cash Volume(,000) | 14707 | | Upside in Tgt1 | 15.40% |
| Open Interest | 77396000 | | Upside in Tgt2 | 36.30% |

### Technical Chart


STDC BUY TATAMOTORS @ 204-208 & 194-198 SL-175 (CLOSING BASIS) TGT-232,274

The short term trend of TATAMOTORS is looking positive as it is trading above all the major DMAs (50, 100, 200). Currently it has corrected to its breakout point of 200 DMA. The stochastic has also reached at the oversold zone. So pullback is very likely in the stock in extreme short term.

Narnolia™ HDFCLIFE

## 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% |

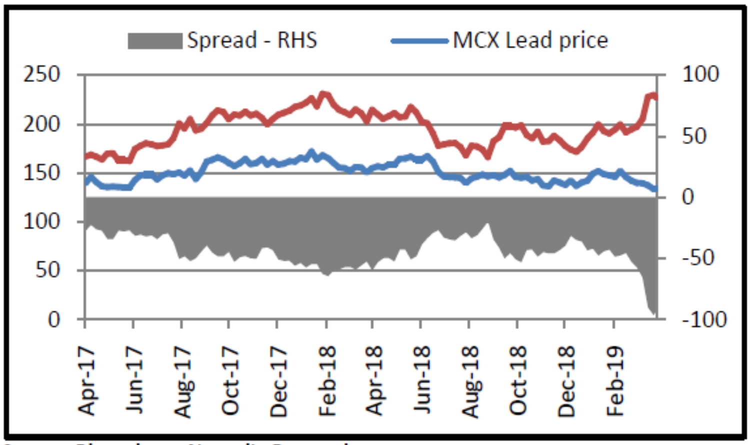
### Technical Chart


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.

**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.

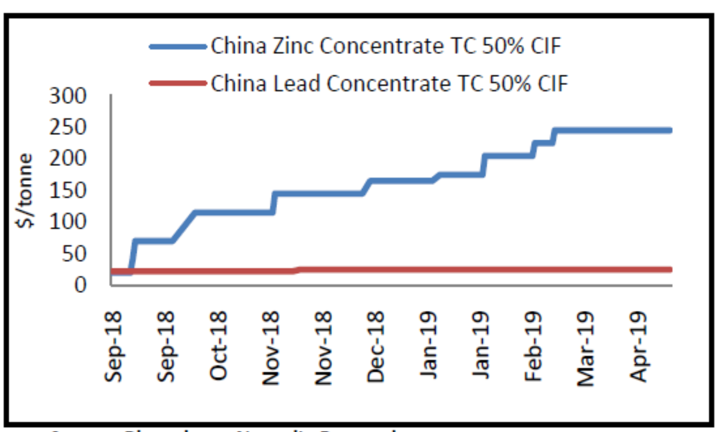



Source: Bloomberg, Narnolia Research

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.

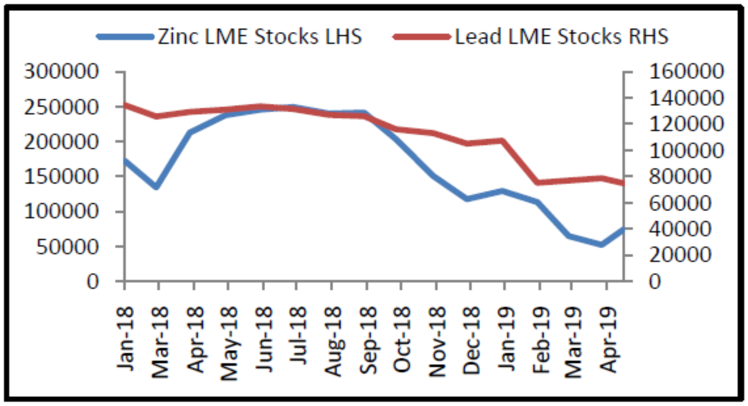
**Treatment and refining charges**




Source: Bloomberg, Narnolia Research

**Spread Call View – Sell Zinc Buy Lead** 18-Apr-18

**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 18th April 2019.**

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| | |
|---|---|
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