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)	11251.00	-0.28%
Nifty Key Levels		
Support	S1: 11200	S2 : 11150
Resistance	R1 : 11350	R2 : 11400

Market Outlook

Market continued to trade lower even on the last day of the week; however it has closed near monthly pivot point S3 (11272). Bearish candlestick pattern and lower top & lower bottom formations on daily chart since last 5 trading sessions, suggests negative sentiment to continue unless it breaches Friday's high, placed at 11345. At the same time Nifty is having strong support of lower trend lines around 11250-11270 levels too, which indicate possibility of halt in current down move. Although Nifty is trading in a negative note continuously from eight trading sessions, majority of the momentum oscillators are in oversold zone, possibility of bounce back cannot be ruled out. As long as Nifty trading below friday's pivot point placed at 11306, it can slip further towards 11200 levels.

FII DERIVATIVES POSITION FOR 10-May-2019

	Net (Amt. in crs)
INDEX FUTURES	(1,296)
INDEX OPTIONS	(36)
STOCK FUTURES	362
STOCK OPTIONS	27

Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
10-May-19	3,449	4,694	(1,245)
May-19	32,057	36,057	(3,999)
DII	**Buy(cr.)**	**Sell(cr.)**	**Net(cr.)**
10-May-19	3,812	2,755	1,057
May-19	23,119	20,977	2,142

Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	0.12	(3.94)	(6.90)	(25.16)
Automobiles	(0.12)	(2.94)	(5.99)	(26.78)
Chemicals	(0.11)	(3.28)	(4.88)	(2.68)
Construction & Engineering	0.80	(1.58)	(3.57)	(14.09)
Construction Materials	(0.42)	(3.24)	1.02	(2.23)
Diversified Financial Services	(0.00)	(4.06)	(6.32)	(5.14)
Electrical Equipment	(0.15)	(5.22)	(6.56)	(10.14)
Energy	(0.78)	(7.88)	(3.12)	7.49
Financials	0.41	(3.32)	(4.11)	3.48
Health Care	(0.08)	(2.55)	(5.08)	(0.11)
Household Durables	0.81	(2.99)	(5.58)	(18.05)
Household & Personal Products	(0.41)	(1.27)	(2.53)	4.65
Information Technology	(1.27)	(0.78)	1.25	18.80
Metals/Mining/Minerals	(0.87)	(5.76)	(6.36)	(19.88)
Telecom	0.91	(4.01)	(4.11)	(21.86)
Utilities	(0.55)	(3.85)	(6.00)	(12.11)

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

	Long Position			
	DII	FII	Pro	Other
Future Index	30153	140801	19358	135631
Future Stock	13714	852466	160302	871610
Option Index Call	31207	197620	134517	473787
Option Index Put	87130	317820	133921	399321
Option Stock Call	0	30526	58089	244896
Option Stock Put	0	29907	63226	99707

	Short Position			
	DII	FII	Pro	Other
Future Index	44685	100146	33648	147464
Future Stock	942702	610113	120686	224591
Option Index Call	0	123733	209719	503679
Option Index Put	0	141901	181851	614440
Option Stock Call	1973	30140	91289	210109
Option Stock Put	0	24196	44066	124578

High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
523367	DCMSHRIRAM	24.8
506820	ASTRAZEN	11.6
511288	GRUH	7.9
532809	FSL	7.4
500312	ONGC	7.2
500087	CIPLA	6.2
532540	TCS	6.0
532777	NAUKRI	5.6
500247	KOTAKBANK	5.4
532331	AJANTPHARM	5.2

High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
500135	ESSELPACK	15.4
532772	DCBbank	9.2
532892	MOTILALOFS	8.8
505355	NESCO	3.1
532706	INOXLEISUR	1.5
500040	CENTURYTEX	1.5
500266	MAHSCOOTER	1.2
512529	SEQUENT	0.5
532268	ACCELYA	0.4
532622	GDL	(0.4)

Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
531508	EVEREADY	(54.0)
532617	JETAIRWAYS	(41.6)
532939	RPOWER	(40.3)
500111	RELCAPITAL	(37.2)
500106	IFCI	(27.3)
532548	CENTURYPLY	(21.7)
511072	DHFL	(21.7)
522275	ALSTOMT&D	(19.5)
519552	HERITGFOOD	(19.3)
533519	L&TFH	(19.1)

Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
517380	IGARASHI	(24.1)
512599	ADANIENT	(18.8)
522205	PRAJIND	(16.3)
500302	PEL	(16.1)
511218	SRTRANSFIN	(15.9)
500116	IDBI	(15.3)
500085	CHAMBLFERT	(13.9)
532700	ENIL	(12.4)
509496	ITDCEM	(11.3)
500420	TORNTPHARM	(11.3)

* 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 12-05-2019 (3)

STDC (2) / R25 (1)									
No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	8-May-19	R25	BUY	SBIN	302	287.5	258	338	380
2	2-May-19	STDC	BUY	TATAMOTORS	206	196	175	232	274
3	6-Mar-19	STDC	BUY	HDFCLIFE	381	365	343	407	454

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NIFTY

Nifty Weekly

13-May-19

VIEW

Market has mirrored the downswing in global equities which was impacted on concerns over trade war escalation between US & China and zooming VIX overshadowed bullish undertone for the entire week. Further retaliation of china against US tariff can give more pain to the market. As we are approaching to central election outcome, indices could continue to trade with high volatility. Investors should avoid high beta stocks as weakness in the stocks could be severe in the move of unfavourable election result.

NIFTY-

a) Nifty gave neckline breakdown below its crucial support of 11550 level which will act as key resistance in the coming sessions.

b) Index started trading below their respective averages of 20 & 50 DMA's

c) The daily strength indicator RSI and the momentum indicator stochastic both are in bearish mode indicate downside move.

d) However, thin line of parity which comes in the zone of 11180-11200 can restrict this downswing

e) A decisive close below 11180 level could extend the correction to 11000 levels

f) While a trade above 11360 can trigger a short- covering rally which may lift the index back to 11550 levels.

CHART ANALYSIS

SUPPORT & RESISTANCE LEVELS

	NIFTY LEVEL	JUSTIFICATION
Resistance 2	11550	Neck line of Bearish H&S
Resistance 1	11360	Swing high on daily chart
Close	11278	
Support 1	11200	Line of Parity
Support 2	11000	Psychological level

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BANKNIFTY

Banknifty Weekly

13-May-19

VIEW

Banknifty gave a sharp downward movement throughout last week and closed the week with a net loss of 3.2% over its previous week's close. The selling was witnessed across the board, however Indusind Bank, ICICI Bank, Axis Bank and HDFC Bank lead to a decline.

OBSERVATIONS:

1) Banknifty has formed an 'Inverted Hammer' pattern on daily chart. It is a candlestick pattern found after down trend and usually taken to be a trend-reversal signal.
2) The Stochastic have reached at the oversold zone.

Currently Banknifty is in the profit booking phase and already corrected over 6% from its recent high of 30669.80 made on 18th April 2019. The above observations suggest that some relief rally is very likely from the current level in Banknifty. Therefore traders are advised holding/ initiating long position in the Banknifty by placing stop loss at 28375.

CHART ANALYSIS

SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	30100
Resistance 1	29610
Close	29041
Support 1	28784
Support 2	28375

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USDINR

USDINR Weekly

13-May-19

VIEW

Fresh trade war between US & China caused a jitters among emerging nation and hampered the rally of Rupee. Lack of negotiation between US & China would hurt India as it will raise india's trade deficit and current account deficit, thereby put pressure on the indian currency over a medium term period.

TECHNICAL FACTORS-

a) Emergence of bull candle near support zone suggest strength in the pair
b) Although it may face resistance near its falling trend line
c) Positive crossover in stochastic also conducive for price pattern
d) For moving on upside, it has to cross and sustain above 70.30 from where it can extend up to 71 marks
e) Strong support lies at 69.28 followed by 69.00 mark

CHART ANALYSIS

SUPPORT & RESISTANCE LEVELS

	USDINR LEVEL
Resistance 2	71.00
Resistance 1	70.3
Close	70.02
Support 1	69.28
Support 2	69.00

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SBIN

R-25 : Long / BUY

8-May-19

BSE Code	500112	Buy Price	300-304 & 285-290
NSE Symbol	SBIN	Stop Loss	258
52wk Range H/L	339.65/237.85	Target Price1	338
Mkt Capital (Rs Cr)	270416	Target Price2	380
Av.Cash Volume(,000)	10280	Upside in Tgt1	15.00%
Open Interest	916200000	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.

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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.

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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%

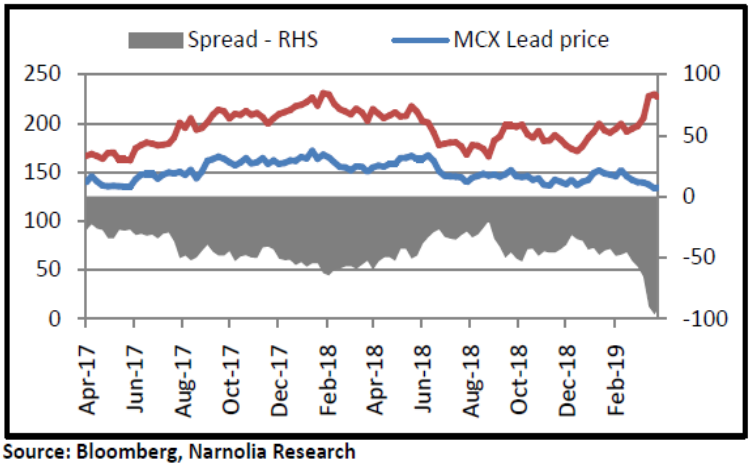
Technical Chart

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.

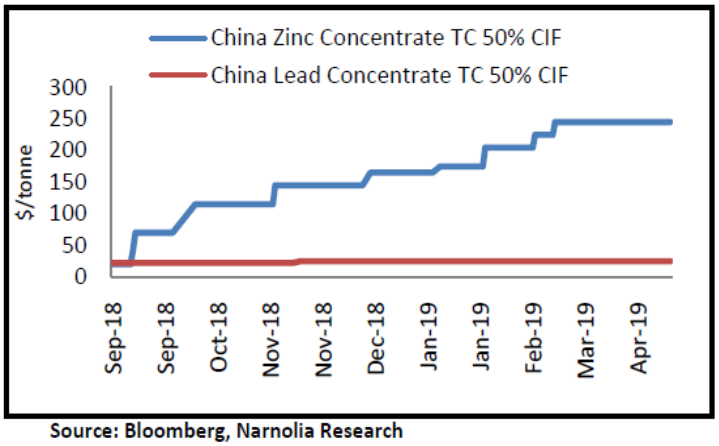


Source: Bloomberg, Narnolia Research

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.

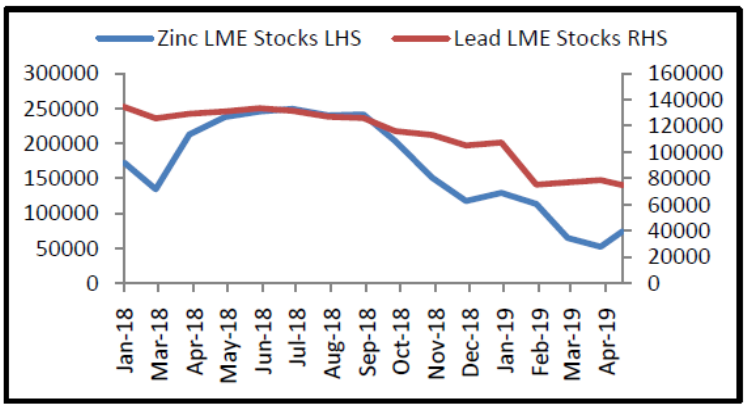
Zinc Treatment and refining charges has risen towards $265 per tonne, up from $20 per tonne in Sept 2018 which indicates the smelter get a higher margin towards refined production indicating the output to keep rising in coming months. On the other hand, Lead refining charges have remained unchanged helping 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

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

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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.

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