

## 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.

**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)	11184.00	0.20%

### Nifty Key Levels

Support	S1: 11100	S2 : 11030
Resistance	R1 : 11260	R2 : 11300

### Market Outlook

Index failed to hold its gains and selling pressure was visible on every small bounce. Nifty formed an inside bar Candle on the daily scale and till it holds below 11300, it can extend its weakness towards 11,100 and then 11030 levels where 200 DMA's is seen.

## FII DERIVATIVES POSITION FOR 15-May-2019

Net (Amt. in crs)

INDEX FUTURES	276
INDEX OPTIONS	(1,897)
STOCK FUTURES	312
STOCK OPTIONS	(348)

### Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
15-May-19	4,276	5,418	(1,142)
May-19	44,001	52,211	(8,209)
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
15-May-19	3,675	3,003	672
May-19	35,728	29,613	6,115

### Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(0.56)	(3.11)	(10.46)	(26.60)
Automobiles	(1.31)	(2.81)	(11.38)	(28.00)
Chemicals	0.06	(2.46)	(7.11)	(5.32)
Construction & Engineering	(1.47)	(2.57)	(6.45)	(16.24)
Construction Materials	(0.92)	(2.97)	(3.17)	(3.23)
Diversified Financial Services	0.39	0.41	(6.55)	(4.97)
Electrical Equipment	(0.93)	(2.60)	(9.91)	(11.05)
Energy	(0.28)	(3.43)	(4.14)	6.60
Financials	(0.34)	(0.57)	(5.61)	2.02
Health Care	(0.78)	(3.66)	(8.47)	(2.03)
Household Durables	0.24	(1.76)	(7.55)	(18.19)
Household & Personal Products	(0.87)	(0.98)	(4.93)	3.09
Information Technology	0.01	(2.20)	(1.41)	16.47
Metals/Mining/Minerals	(2.03)	(5.64)	(10.82)	(22.85)
Telecom	(2.32)	(0.48)	(5.41)	(16.52)
Utilities	(1.36)	(4.26)	(10.12)	(14.14)

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

Long Position				
	DII	FII	Pro	Other
Future Index	29703	129849	25052	126426
Future Stock	16856	878019	163599	848131
Option Index Call	32417	213645	153727	711219
Option Index Put	87699	316211	137812	472147
Option Stock Call	0	33641	60711	263948
Option Stock Put	0	29305	68263	107399

Short Position				
	DII	FII	Pro	Other
Future Index	41660	96014	32076	141280
Future Stock	954438	622441	108524	221202
Option Index Call	0	169523	338536	602949
Option Index Put	0	156825	190317	666727
Option Stock Call	1973	35553	99991	220783
Option Stock Put	0	26493	47952	130522

## High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
523367	DCMSHRIRAM	29.4
506820	ASTRAZEN	14.7
503806	SRF	12.2
500027	ATUL	6.4
522074	ELGIEQUIP	5.7
500114	TITAN	5.4
530001	GUJALKALI	5.1
504067	ZENSARTECH	5.0
511288	GRUH	4.7
524200	VINATORGA	4.6

## High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
500135	ESSELPACK	10.8
532772	DCBbank	10.1
500266	MAHSCOOTER	6.6
532892	MOTILALOFS	1.3
512161	8KMILES	0.8
500040	CENTURYTEX	0.4
520155	ABGHEAVY	0.0
501301	TATAINVEST	(1.0)
532313	MAHLIFE	(1.8)
532706	INOXLEISUR	(2.5)

## Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
531508	EVEREADY	(59.6)
532617	JETAIRWAYS	(53.8)
500111	RELCAPITAL	(42.7)
532939	RPOWER	(42.0)
514034	JBFIN	(36.8)
511072	DHFL	(35.5)
500106	IFCI	(30.3)
532839	DISHTV	(26.3)
532477	UNIONBANK	(24.7)
532822	IDEA	(23.4)

## Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
517380	IGARASHI	(25.2)
500116	IDBI	(21.4)
512599	ADANI	(19.8)
500302	PEL	(18.8)
500620	GESHIP	(18.0)
511218	SRTRANSFIN	(16.9)
502865	FORBESGOK	(16.4)
515030	ASAHIINDIA	(15.9)
524404	MARKSANS	(15.2)
500085	CHAMBLFERT	(14.1)

\* 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 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 16-05-2019 (1)

STDC (1) / 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	6-Mar-19	STDC	BUY	HDFCLIFE	381	365	343	407	454

## 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-**

- Nifty gave neckline breakdown below its crucial support of 11550 level which will act as key resistance in the coming sessions.
- Index started trading below their respective averages of 20 & 50 DMA's
- The daily strength indicator RSI and the momentum indicator stochastic both are in bearish mode indicate downside move.
- However, thin line of parity which comes in the zone of 11180-11200 can restrict this downswing
- A decisive close below 11180 level could extend the correction to 11000 levels
- While a trade above 11360 can trigger a short- covering rally which may lift the index back to 11550 levels.

## CHART ANALYSIS



## SUPPORT &amp; 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

## 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 &amp; RESISTANCE LEVELS

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

## 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-**

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

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

## USDINR LEVEL

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

## 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.

## 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



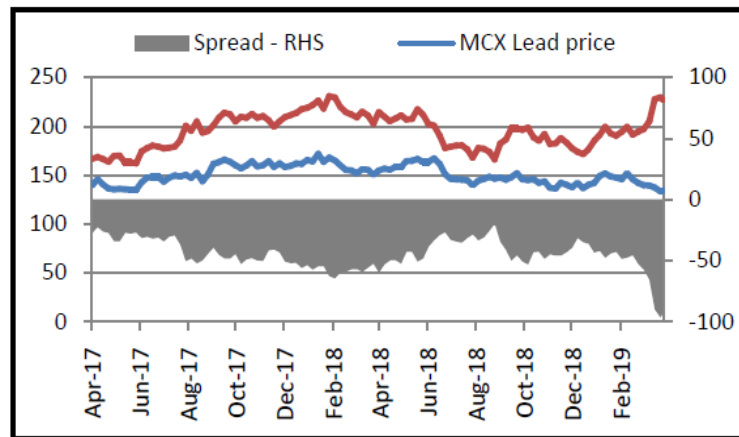
STDC BUY HDFCLIFE @ 379-383 & 363-367 SL-343 (CLOSING BASIS) TGT-407,454

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.

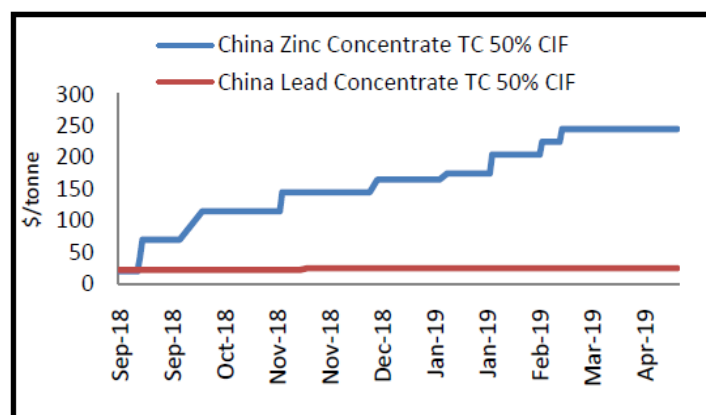


Source: Bloomberg, Narnolia Research

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.

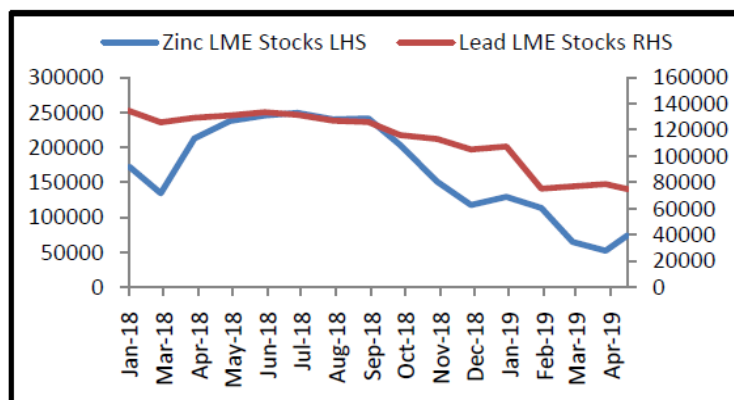
Zinc Treatment and refining charges has risen towards \$265 per tonne, up from \$20 per tonne in Sept 2018 which indicates the smelter get a higher margin towards refined production indicating the output to keep rising in coming months. On the other hand, Lead refining charges have remained unchanged 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 18<sup>th</sup> April 2019.

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Correspondence Office Address: Arch Waterfront, 5<sup>th</sup> Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; [www.narnolia.com](http://www.narnolia.com).

Registered Office Address: Marble Arch, Office 201, 2<sup>nd</sup> Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; [www.narnolia.com](http://www.narnolia.com)

Compliance Officer: Manish Kr Agarwal, Email Id: [mkagarwal@narnolia.com](mailto:mkagarwal@narnolia.com), Contact No.:033-40541700.

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