

## Trading Calls

**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)	11734.00	0.47%

### Nifty Key Levels

Support	S1: 11550	S2 : 11480
Resistance	R1 : 11760	R2 : 11890

### Market Outlook

Domestic markets failed to rejoice the victory of NDA and wiped out all the morning gains after making the peak of 12041. Formation of bearish candle which engulfed previous two days candle along with negative divergence in RSI suggest consolidation in the near term. Index has to defend to its multiple support of 11550 to regain strength and inch up towards 11760 and then 11890 levels, while below 11550, weakness could be seen with every change in price setup and it can drag down till 11480 levels.

### Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
23-May-19	8,339	6,987	1,352
May-19	79,048	85,962	(6,913)
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
23-May-19	6,776	7,369	(594)
May-19	62,748	56,260	6,488

### FII DERIVATIVES POSITION FOR 23-May-2019

	Net (Amt. in crs)
INDEX FUTURES	(1,414)
INDEX OPTIONS	6,422
STOCK FUTURES	(372)
STOCK OPTIONS	134

### Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	(0.65)	0.93	(8.67)	(23.89)
Automobiles	(0.23)	5.09	(3.85)	(21.58)
Chemicals	(0.35)	3.62	(1.17)	1.28
Construction & Engineering	2.05	9.88	5.21	(1.20)
Construction Materials	1.30	5.16	5.19	10.15
Diversified Financial Services	(0.67)	7.51	4.29	6.38
Electrical Equipment	(0.14)	4.83	(3.36)	(4.31)
Energy	(0.44)	4.75	0.94	21.34
Financials	(0.51)	6.20	3.61	12.25
Health Care	(0.58)	(0.38)	(8.28)	1.46
Household Durables	(1.10)	2.60	(4.32)	(12.82)
Household & Personal Products	(0.58)	3.59	(1.27)	4.76
Information Technology	(0.89)	(2.49)	(4.03)	15.19
Metals/Mining/Minerals	(0.65)	1.22	(6.91)	(17.74)
Telecom	1.45	3.32	(2.38)	(12.63)
Utilities	0.10	3.51	(3.64)	(7.99)

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

Long Position				
	DII	FII	Pro	Other
Future Index	48788	147850	29640	155560
Future Stock	33169	886214	170813	898954
Option Index Call	28748	200209	121178	562090
Option Index Put	83718	339375	112353	366211
Option Stock Call	0	39545	66867	348842
Option Stock Put	0	34634	63064	145264

Short Position				
	DII	FII	Pro	Other
Future Index	38683	134441	42859	165855
Future Stock	953088	632574	145720	257768
Option Index Call	0	168385	266618	477222
Option Index Put	0	176775	168159	556723
Option Stock Call	2292	43392	127474	282096
Option Stock Put	0	30884	69117	142961

## High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
523367	DCMSHRIRAM	47.0
503806	SRF	18.2
511288	GRUH	14.3
531599	FDC	12.7
500034	BAJFINANCE	12.1
530001	GUJALKALI	10.9
500800	TATAGLOBAL	10.5
500247	KOTAKBANK	9.0
500292	HEIDELBERG	8.9
500312	ONGC	8.6

## High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
532772	DCBbank	12.6
500049	BEL	10.7
500266	MAHSCOOTER	6.0
500040	CENTURYTEX	5.4
532313	MAHLIFE	5.0
532892	MOTILALOF	3.6
532706	INOXLEISUR	2.8
532430	BFUTILITIE	2.4
526521	SANGHIIND	2.0
511676	GICHSGFIN	1.7

## Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
531508	EVEREADY	(53.5)
511072	DHFL	(26.4)
532822	IDEA	(26.1)
500570	TATAMOTORS	(25.8)
532885	CENTRALBK	(25.6)
532667	SUZLON	(24.4)
511431	VAKRANSOFT	(23.6)
532477	UNIONBANK	(22.8)
502742	SINTEX	(22.1)
532839	DISHTV	(19.7)

## Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
517380	IGARASHI	(23.8)
500302	PEL	(18.3)
515030	ASAHIINDIA	(17.7)
500116	IDBI	(16.4)
500420	TORNTPHARM	(15.1)
502865	FORBESGOK	(14.7)
501425	BBTC	(14.6)
500620	GESHIP	(13.0)
511218	SRTRANSFIN	(12.5)
509496	ITDCM	(12.3)

\* 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 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.

## VIEW

After going through all the doldrums of tariff war between US & China along with political chaos, things are seeming back on track. Domestic indices were on flame as they surge more than 2.5% within two days after taking support from their 100 DMA's. In coming week, market participants will be wait & watch mode till they will get clarity of direction on either of side. Projection of exit poles of sunday evening and final declaration of election result on 23rd may will play a vital role not only for the direction of the market but also the future of our nation. We can expect wild swings on both these days so we advise for preferring option strategies instead of naked longs or shorts position in the market.

Next barrier of Nifty is seen near **11550 level** which was the **neckline of bearish H&S** along with **23.6 fibonacci retracement** of upside move from 10585 to 11856 level. Above 11550, it can zoom up to 11660 levels.

On the downside, crucial support lies at **11250 followed by 11130** which is near 100 DMA's.

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

	NIFTY LEVEL	JUSTIFICATION
Resistance 2	11660	Previous swing high
Resistance 1	11550	Neckline of Bearish H&S
Close	11406	
Support 1	11250	Low of Bullish Belt Hold
Support 2	11130	100 DMA's

## Banknifty Weekly

20-May-19

VIEW

After opening with a negative session, Banknifty fell to make a weekly low of 28525. However a sharp pullback rally was witnessed on Friday and the index continuously rose to make a weekly high of 29559.45. At the end of the week Banknifty closed with a net gain of 1.5% over its previous week's close.

**OBSERVATIONS:**

- 1) Banknifty has formed a strong base near 28525 and thereafter gave a good pullback from that level.
- 2) Positive divergence was made on Stochastic.
- 3) RSI & MACD have reached at oversold zone.

The above observations suggest that the upward movement in Banknifty is expected to continue in the current week. Therefore we recommend holding long positions for a target of 30100. Fresh long can also be initiated near 29000. On the lower side 28525 would act as strong support of the index.

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	30100
Resistance 1	29610
Close	29450
Support 1	28784
Support 2	28525

## STDC / R25 Open Calls for 23-05-2019 (1)

STDC (1)									
No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	06-Mar-19	STDC	BUY	HDFCLIFE	381	365	343	407	454

## 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

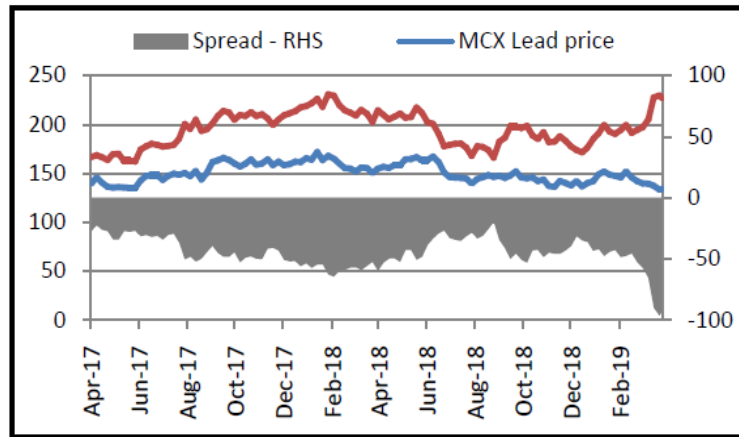


**STDC BUY HDFCLIFE @ 379-383 & 363-367 SL-343 (CLOSING BASIS) TGT-407,454**

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.

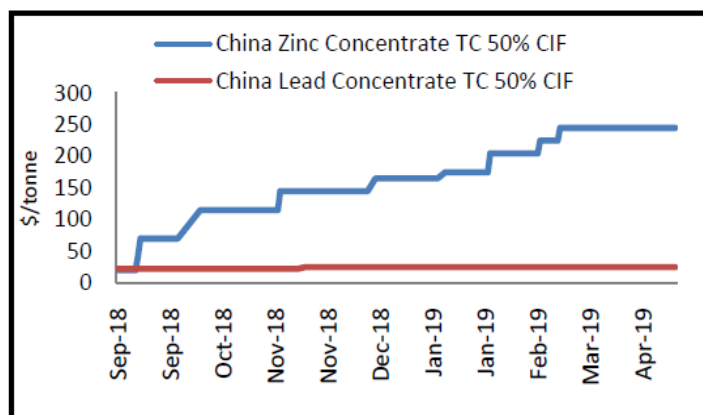


Source: Bloomberg, Narnolia Research

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.

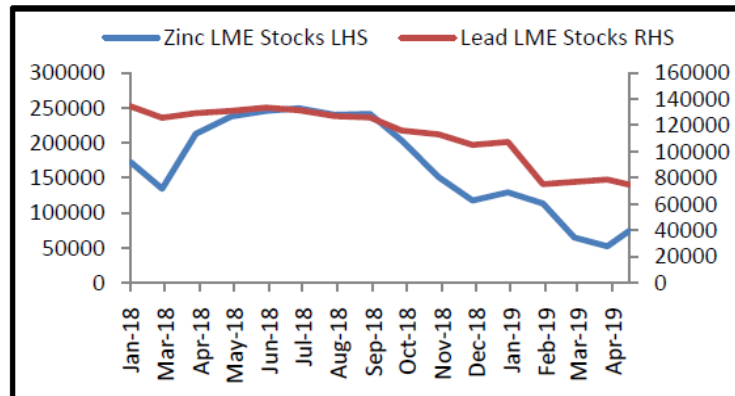
Zinc Treatment and refining charges has risen towards \$265 per tonne, up from \$20 per tonne in Sept 2018 which indicates the smelter get a higher margin towards refined production indicating the output to keep rising in coming months. On the other hand, Lead refining charges have remained unchanged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

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### 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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