

## Trading Calls

**ESCORTS BUY 24th May 2019**

Stocks is in the rising trend and it has taken multiple support at 540 on weekly scale with good volume during its corrective fall. Last week again it has taken support at 540 and near 200 SMA also with rising volume. Momentum oscillator stochastic is trading in over sold zone and trying to move up. Hence, we advice our client to buy in the range of 620-610 and on the decline towards 590-580 for the price targets of 662 and 683 with 540 on closing basis as stop loss.

| Market                        | Value    | % Change |
|-------------------------------|----------|----------|
| SGX Nifty<br>(at 8.00 am IST) | 11921.00 | -0.03%   |

### Nifty Key Levels

|            |            |            |
|------------|------------|------------|
| Support    | S1: 11810  | S2 : 11760 |
| Resistance | R1 : 11960 | R2 : 12040 |

### Market Outlook

Bulls continue to March on northward journey without any hurdles and with the indices galloping higher, the underlying trend seems to be positive. Nifty is trying to revisit its highs of 12041 which was made last week. Further upsides are likely in the near term once the immediate resistance of 11960 is taken out. Crucial supports to watch for resumption of weakness is at 11810 followed by 11760 mark.

### FII DERIVATIVES POSITION FOR 27-May-2019

Net (Amt. in crs)

|               |       |
|---------------|-------|
| INDEX FUTURES | (587) |
| INDEX OPTIONS | 1,410 |
| STOCK FUTURES | (374) |
| STOCK OPTIONS | 13    |

### Institutional Turnover

| FII       | Buy(cr.) | Sell(cr.) | Net(cr.) |
|-----------|----------|-----------|----------|
| 27-May-19 | 4,732    | 3,517     | 1,215    |
| May-19    | 91,840   | 95,512    | (3,671)  |
| DII       | Buy(cr.) | Sell(cr.) | Net(cr.) |
| 27-May-19 | 3,740    | 4,068     | (328)    |
| May-19    | 70,328   | 64,364    | 5,965    |

### Sectoral Performance (%)

|                                | 1 Day  | 1 Week | 1 Month | 1 Year  |
|--------------------------------|--------|--------|---------|---------|
| Auto Components                | 0.96   | 0.82   | (4.01)  | (21.01) |
| Automobiles                    | (0.07) | 0.73   | 0.84    | (19.91) |
| Chemicals                      | 0.78   | 2.21   | 0.96    | 2.42    |
| Construction & Engineering     | 2.73   | 8.45   | 12.24   | 3.68    |
| Construction Materials         | 2.33   | 4.98   | 6.52    | 15.48   |
| Diversified Financial Services | 1.15   | 2.25   | 6.45    | 7.40    |
| Electrical Equipment           | 3.53   | 5.13   | 3.29    | 2.83    |
| Energy                         | (0.45) | 0.05   | (1.67)  | 19.97   |
| Financials                     | 1.29   | 2.59   | 5.97    | 13.84   |
| Health Care                    | (0.20) | 0.20   | (7.53)  | 0.32    |
| Household Durables             | 2.25   | 2.53   | (0.96)  | (10.37) |
| Household & Personal Products  | 0.89   | 0.44   | 0.84    | 5.19    |
| Information Technology         | (0.05) | (2.92) | (6.37)  | 12.54   |
| Metals/Mining/Minerals         | 1.68   | 1.79   | (2.64)  | (16.46) |
| Telecom                        | (0.17) | 3.06   | 1.58    | (13.36) |
| Utilities                      | 2.34   | 2.40   | 0.21    | (5.82)  |

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

| Long Position     |       |        |        |        |
|-------------------|-------|--------|--------|--------|
|                   | DII   | FII    | Pro    | Other  |
| Future Index      | 49492 | 169892 | 36188  | 173193 |
| Future Stock      | 33399 | 889141 | 181256 | 938180 |
| Option Index Call | 28748 | 224374 | 122664 | 529686 |
| Option Index Put  | 83718 | 340677 | 124660 | 627130 |
| Option Stock Call | 0     | 36655  | 76889  | 331526 |
| Option Stock Put  | 0     | 33490  | 60670  | 175552 |

| Short Position    |        |        |        |        |
|-------------------|--------|--------|--------|--------|
|                   | DII    | FII    | Pro    | Other  |
| Future Index      | 38373  | 166870 | 35389  | 188133 |
| Future Stock      | 945761 | 648159 | 148426 | 299630 |
| Option Index Call | 0      | 146676 | 254921 | 503875 |
| Option Index Put  | 0      | 168344 | 261278 | 746563 |
| Option Stock Call | 2292   | 38184  | 135797 | 268797 |
| Option Stock Put  | 0      | 30842  | 86285  | 152585 |

## High ES & High PS Stock Maintaining Strength

| BSE Code | NSE CODE   | 1 Month Return % |
|----------|------------|------------------|
| 523367   | DCMSHRIRAM | 54.3             |
| 531599   | FDC        | 25.4             |
| 503806   | SRF        | 20.2             |
| 500547   | BPCL       | 19.4             |
| 524208   | AARTIIND   | 19.1             |
| 500292   | HEIDELBERG | 19.0             |
| 530001   | GUJALKALI  | 18.4             |
| 500003   | AEGISCHEM  | 14.5             |
| 500034   | BAJFINANCE | 13.6             |
| 532440   | MPSLTD     | 12.9             |

## High ES & Low PS Stock Showing Strength

| BSE Code | NSE CODE   | 1 Month Return % |
|----------|------------|------------------|
| 500049   | BEL        | 27.9             |
| 526521   | SANGHIIND  | 17.6             |
| 500040   | CENTURYTEX | 17.0             |
| 532430   | BFUTILITIE | 13.6             |
| 532706   | INOXLEISUR | 13.2             |
| 524742   | CAPPL      | 13.2             |
| 532772   | DCBbank    | 12.7             |
| 511196   | CANFINHOME | 11.9             |
| 532313   | MAHLIFE    | 9.7              |
| 511243   | CHOLAFIN   | 7.6              |

## Low ES & Low PS Stock Maintaining Weakness

| BSE Code | NSE CODE   | 1 Month Return % |
|----------|------------|------------------|
| 531508   | EVEREADY   | (45.5)           |
| 532822   | IDEA       | (23.5)           |
| 532885   | CENTRALBK  | (22.1)           |
| 500570   | TATAMOTORS | (21.6)           |
| 502742   | SINTEX     | (21.1)           |
| 532667   | SUZLON     | (19.6)           |
| 530943   | SABTN      | (18.0)           |
| 511431   | VAKRANSOFT | (17.5)           |
| 532915   | RELIGARE   | (16.7)           |
| 532839   | DISHTV     | (15.7)           |

## Low ES & High PS Stock Showing Weakness

| BSE Code | NSE CODE   | 1 Month Return % |
|----------|------------|------------------|
| 517380   | IGARASHI   | (19.6)           |
| 500420   | TORNTPHARM | (16.6)           |
| 500257   | LUPIN      | (13.9)           |
| 500302   | PEL        | (13.7)           |
| 532296   | GLENMARK   | (10.9)           |
| 500116   | IDBI       | (10.8)           |
| 532700   | ENIL       | (9.7)            |
| 509496   | ITDCEM     | (9.6)            |
| 501425   | BBTC       | (9.2)            |
| 502865   | FORBESGOK  | (8.0)            |

\* 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

Domestic market went gung ho due to MODI-SUNAMI which waved off 21 opposition parties and achieved a spectacular victory. Stability of govt for coming five year turns market sentiment upbeat as the fear of hung parliament is nullify. Now the political risk has reduced and there would be renewed expectations for more reforms-oriented policy in the areas of disinvestment, GST simplification, labour reforms, ease of doing business and land acquisition. However, the current level of corporate valuation, geopolitical concern such as trade wars, US-IRAN conflict and the progress of monsoon will weigh on market sentiment.

**NIFTY-**

- a) Nifty is trading above its significant moving averages ie 50, 100 and 200 SMA suggest positive bias
- b) Bullish crossover in MACD on daily chart also suggesting the same
- c) Although negative divergence in RSI on daily chart can hinder its upside move
- d) As long as it sustains above 11550, further upside move is expected
- e) Immediate resistance is seen at 11900 above which index can rise till 12200 levels

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

|              | NIFTY LEVEL | JUSTIFICATION                    |
|--------------|-------------|----------------------------------|
| Resistance 2 | 12000       | Psychological level              |
| Resistance 1 | 11900       | Near current swing high          |
| Close        | 11844       |                                  |
| Support 1    | 11550       | Neckline of previous Bearish H&S |
| Support 2    | 11425       | Peak of previous Gap             |

## Banknifty Weekly

27-May-19

## VIEW

After giving a gap-up opening, Banknifty continuously rose to make a weekly high of 31705 and closed the week with a net gain of 6% over its previous week's close. The buying was witnessed across the board. However State Bank of India, ICICI Bank and Bank of Baroda were the major gainers during the last week.

**OBSERVATIONS:**

- 1) A gap was made in between 29560 and 30111 in Banknifty.
- 2) Banknifty is trading above 50, 100, 200 DMAs.
- 3) The comparative study between Nifty and Banknifty is showing that Banknifty was relatively stronger than Nifty during the last week (Banknifty rose 5.98% where as Nifty rose just 3.84% during last week)

The above observations suggest that the short term trend of Banknifty is definitely looking positive. So every decline can be use as buying opportunity in the index. The index has left a gap in between 29560 and 30111, so it would be prudent decision to initiate fresh long position in the said range.

## CHART ANALYSIS



## SUPPORT &amp; RESISTANCE LEVELS

| RESISTANCE/SUPPORT | BANKNIFTY LEVEL |
|--------------------|-----------------|
| Resistance 2       | 31950           |
| Resistance 1       | 31706           |
| Close              | 31212.55        |
| Support 1          | 30100           |
| Support 2          | 29550           |

VIEW

With the election over, market participants will soon set its eyes on the cabinet formation, the forthcoming budget, RBI policy meet and the progress of the monsoon. These events will set the trend for the currency. Pair will remain volatile due to the impending expiry this week. Meanwhile, pair will also take cues from the US - CHINA trade war, global market and crude oil prices.

**TECHNICAL FACTORS-**

- a) Currently, pair has been trading near channel support line which indicate strength in Rupee
- b) Sustainability of RSI below 50 and negative crossover in MACD on daily chart also looking conducive for our domestic currency
- c) On sustaining below 69.35, pair can extend down till 69 and 68.40 mark.
- d) Resistance stands at 70.10 followed by 70.70 marks

**CHART ANALYSIS****SUPPORT & RESISTANCE LEVELS****USDINR LEVEL**

|              |       |
|--------------|-------|
| Resistance 2 | 70.70 |
| Resistance 1 | 70.1  |
| Close        | 69.38 |
| Support 1    | 69.35 |
| Support 2    | 68.40 |

## STDC / R25 Open Calls for 28-05-2019 (1)

| STDC (1) |           |      |          |         |        |        |     |       |       |
|----------|-----------|------|----------|---------|--------|--------|-----|-------|-------|
| No       | Date      | Type | Buy/Sell | Stock   | Entry1 | Entry2 | SL  | Tgt 1 | Tgt 2 |
| 1        | 24-May-19 | STDC | BUY      | ESCORTS | 600    | -      | 540 | 662   | 683   |

## STDC : Long / BUY

24-May-19

|                      |               |
|----------------------|---------------|
| BSE Code             | 500495        |
| NSE Symbol           | ESCORTS       |
| 52wk Range H/L       | 957.95/542.50 |
| Mkt Capital (Rs Cr)  | 7,765.00      |
| Av.Cash Volume(,000) | 4659          |
| Open Interest        |               |

|                |     |
|----------------|-----|
| Buy Price      | 600 |
| Stop Loss      | 540 |
| Target Price1  | 662 |
| Target Price2  | 683 |
| Upside in Tgt1 | 10% |
| Upside in Tgt2 | 14% |

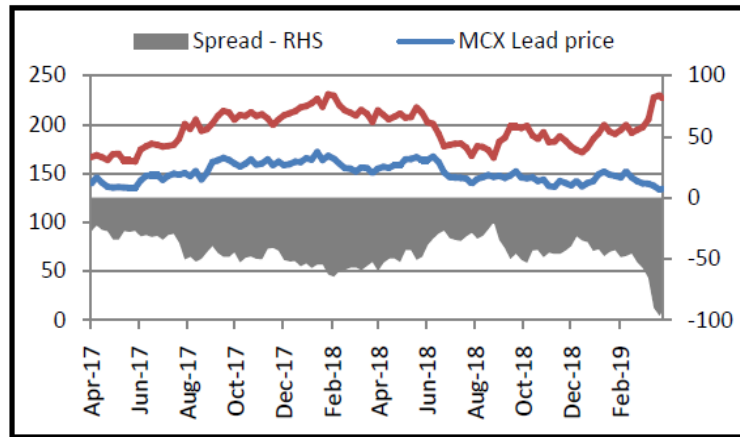


**STDC- BUY ESCORTS @ 620-610 AND ON DIP TOWARDS 590-580 SL- 540 (CLOSING BASIS) TGT-662, 683**

Stocks is in the rising trend and it has taken multiple support at 540 on weekly scale with good volume during its corrective fall. Last week again it has taken support at 540 and near 200 SMA also with rising volume. Momentum oscillator stochastic is trading in over sold zone and trying to move up. Hence, we advice our client to buy in the range of 620-610 and on the decline towards 590-580 for the price targets of 662 and 683 with 540 on closing basis as stop loss.

## 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.

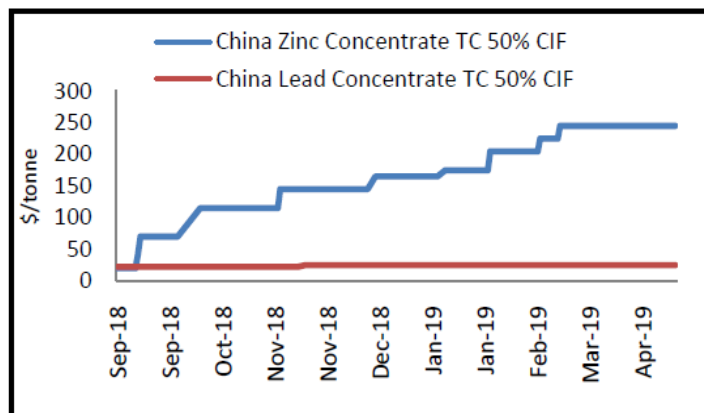


Source: Bloomberg, Narnolia Research

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.

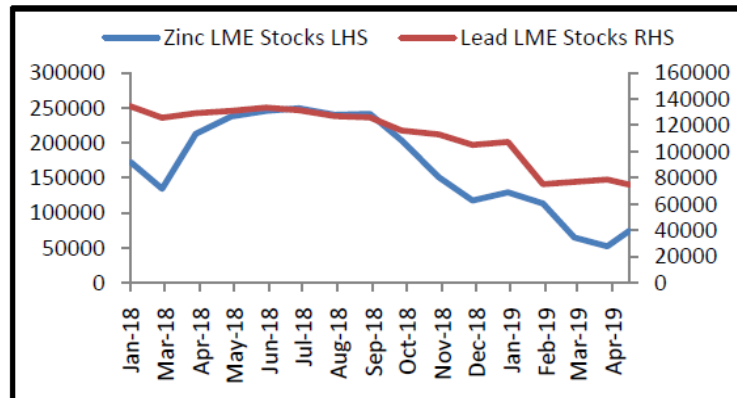
## Treatment and refining charges



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