

## 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 (at 8.00 am IST)	11920.50	-0.07%

### Nifty Key Levels

Support	S1: 11920	S2 : 11880
Resistance	R1 : 11960	R2 : 12050

### Market Outlook

Formation of hanging man on daily chart augur well for bulls as decline has bought. Now, Index needs to cross and sustain above 11960 level to continue its rally towards 12000 & 12050 levels. However, if it breaks below 11920 level, it would witness selling pressure, which will take Nifty towards the 11880 & 11850 range

### Institutional Turnover

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
28-May-19	18,471	18,972	(501)
May-19	110,311	114,485	(4,172)
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
28-May-19	4,088	3,819	269
May-19	74,417	68,182	6,234

### FII DERIVATIVES POSITION FOR 28-May-2019

Net (Amt. in crs)

INDEX FUTURES	(947)
INDEX OPTIONS	(353)
STOCK FUTURES	133
STOCK OPTIONS	8

### Sectoral Performance (%)

	1 Day	1 Week	1 Month	1 Year
Auto Components	0.76	3.14	(3.29)	(21.72)
Automobiles	(0.80)	2.50	0.04	(21.49)
Chemicals	0.30	3.43	1.26	1.01
Construction & Engineering	(0.84)	8.53	11.30	1.27
Construction Materials	(0.38)	5.98	6.12	13.26
Diversified Financial Services	(0.54)	2.31	5.88	5.38
Electrical Equipment	(0.31)	6.08	2.97	0.14
Energy	0.92	1.18	(0.77)	19.30
Financials	(0.24)	3.52	5.71	11.92
Health Care	0.09	0.96	(7.44)	(1.65)
Household Durables	0.75	2.66	(0.22)	(10.22)
Household & Personal Products	0.19	0.73	1.03	5.12
Information Technology	1.35	(0.30)	(5.11)	16.24
Metals/Mining/Minerals	0.87	4.45	(1.79)	(16.90)
Telecom	(0.70)	4.52	0.87	(13.82)
Utilities	1.18	5.00	1.40	(5.64)

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

Long Position				
	DII	FII	Pro	Other
Future Index	51293	174881	38107	187099
Future Stock	34092	880713	184716	943565
Option Index Call	28770	207573	120922	570480
Option Index Put	83718	351672	128924	634051
Option Stock Call	0	35137	77592	332977
Option Stock Put	0	32978	64275	172536

Short Position				
	DII	FII	Pro	Other
Future Index	37989	181733	35728	195930
Future Stock	951677	635881	146420	309108
Option Index Call	0	138089	252408	537248
Option Index Put	0	180564	247443	770358
Option Stock Call	2292	37114	139196	267104
Option Stock Put	0	29932	86044	153813

## High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
523367	DCMSHRIRAM	46.2
524208	AARTIIND	16.9
500292	HEIDELBERG	16.4
530001	GUJALKALI	15.7
500547	BPCL	15.6
532440	MPSLTD	15.5
503806	SRF	15.1
531599	FDC	14.8
500003	AEGISCHEM	13.9
500800	TATAGLOBAL	13.6

## High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
500049	BEL	27.3
532706	INOXLEISUR	13.3
532892	MOTILALOF	12.6
500040	CENTURYTEX	11.7
526521	SANGHIIND	11.6
532430	BFUTILITIE	10.7
524742	CAPPL	10.0
532772	DCBbank	9.5
511196	CANFINHOME	9.5
532313	MAHLIFE	9.2

## Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
531508	EVEREADY	(39.4)
532667	SUZLON	(23.8)
532885	CENTRALBK	(22.4)
511072	DHFL	(20.7)
532822	IDEA	(20.6)
530943	SABTN	(19.8)
502742	SINTEX	(19.7)
500570	TATAMOTORS	(19.2)
514034	JBFIN	(16.3)
532915	RELIGARE	(16.1)

## 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	ITDCM	(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 & 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-**

- Currently, pair has been trading near channel support line which indicate strength in Rupee
- Sustainability of RSI below 50 and negative crossover in MACD on daily chart also looking conducive for our domestic currency
- On sustaining below 69.35, pair can extend down till 69 and 68.40 mark.
- 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 29-05-2019 (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%

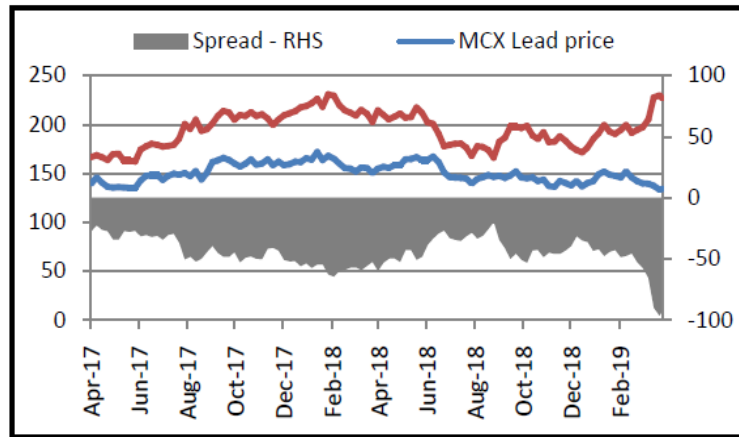


**STDC- BUY ESCORTS @ 620-610 AND ON DIP TOWARDS 590-580 SL- 540 (CLOSING BASIS) TGT-662, 683**

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## 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.

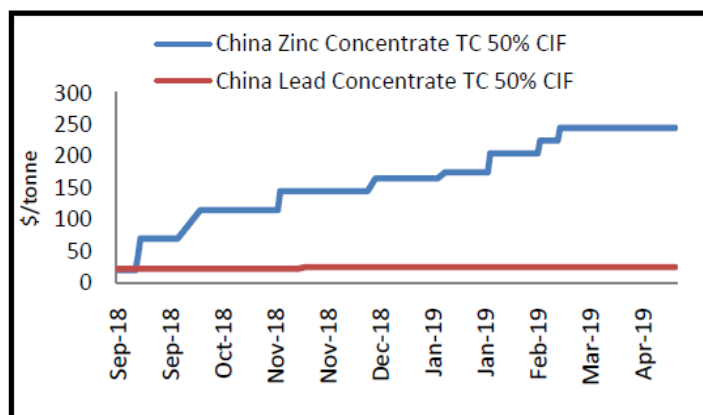


Source: Bloomberg, Narnolia Research

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.

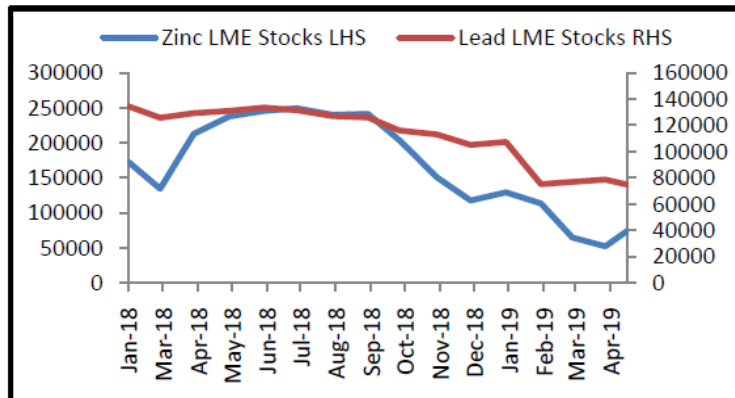
## Treatment and refining charges



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