

Nifty Chart



Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8204	8280	8340	8140	8080

'Nifty ended on negative note in yesterday's session. Index is oscillating within the range of 8150-8280 for a while. Momentum indicator(RSI) too is quoting in a neutral zone(~50). Therefore a sustained breach outside the range could unfold directional momentum.

Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.54	67.40	67.20	67.70	68.10

Consolidation breach of 67.40 - 67.70 zone should provide further clear direction.

Sectoral Outlook

Sector	Outlook
ENERGY	POSITIVE
IT	POSITIVE

Trading Idea - Derivatives

STRATEGY UPDATE : Cairn Call Ladder Spread

Instrument	B/S	Lot	Reco	CMP
29 DEC 275 CE	Buy	1	5.25	2.15
29 DEC 280 CE	Sell	1	2.95	1.40
29 DEC 285 CE	Sell	1	2.05	0.85

Target : Rs12000 SL : Rs3000 Hedge : Above 287.50

Market Drivers

- ✓ US Fed hiked rates by 25 bps which was largely in line with expectations. The statement was seen to be a bit more hawkish than street expectation as Fed indicated of three rate hikes in year 17 though the overall stance is indicated to be accommodative. US bond yields have been moving higher and could see more up move. US dollar could continue to strengthen. Emerging market currencies could thus see some pressure. Taking cues from the Fed statement, Indian markets are expected to open weak but overall downsides look limited on account of Fed policy.

Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 29-Dec	8300	5381025	223200
Bank Nifty 29-Dec	19000	684360	142040
Bank Nifty 15-Dec	19000	608920	150960

Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 29-Dec	8000	8032100	171850
Bank Nifty 29-Dec	18000	804360	7680
Bank Nifty 15-Dec	18000	406320	25280

Derivatives Idea

Cairn

Call Ladder Spread

Buy 1 Lot 275 CE
Sell 1 Lot 280 CE
Sell 1 Lot 285 CE



- ✓ Cairn is in Long- Long Unwinding Cycle
- ✓ Positive sector outlook along with unwinding in ATM CE could see stock inching higher towards 280.
- ✓ Since we are playing momentum, Call Ladder Spread is recommended

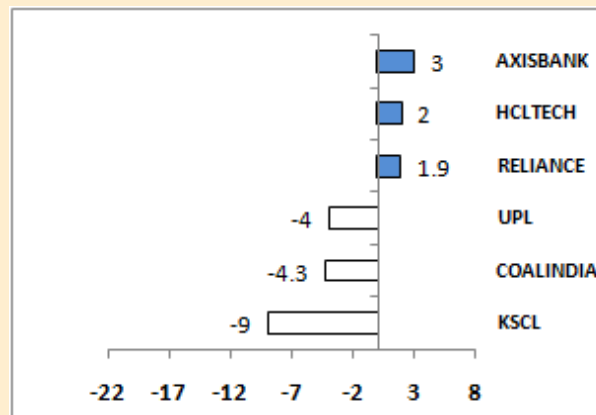
FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	-632	-2564	-4181
DII	211	240	32794

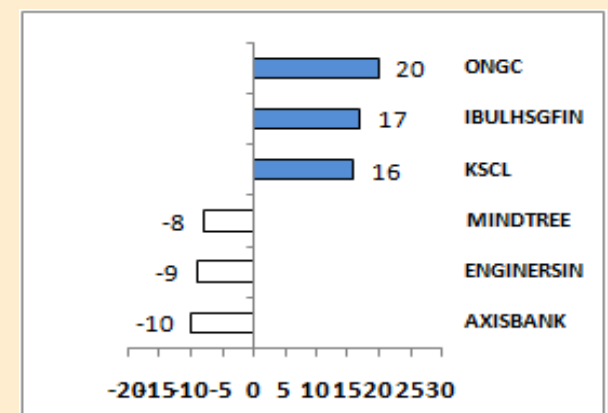
FII F&O

Institution	Net B/S	OI
Index Future	-80	Short
Index Options	-2005	Writing
Stock Futures	112	Long

Major Price % Change



Major OI % Change



Morning Meet Notes

Research Notes

Fed rate hike 25bps, stance towards faster hikes in 2017, negative for emerging markets

WPI +3.15% YoY in Nov 16, higher than consensus of 2.8%, lowest in 5 months, led by -12% decline fruits & veg prices, barring this WPI was up 4.2% YoY; no more a monetary policy variable, gives a demand sup trend

L&T Infotech (initiating coverage): Proficient miner; A combination of proven abilities and marquee customers (TP INR 800, 21% upside)

- ✓ India's sixth largest IT in terms of export revenue, top line: INR ~6k cr; focused on (BFSI: 26%), Insurance (21%), and Energy & Utilities (E&U; 13%), which together form ~60% of total revenue.
- ✓ 258 active clients, FY13-16 top 10/20 clients contributed 62/76% of incremental growth
- ✓ Rev CAGR of 12.1% over last 3 yrs. Excluding E&U (-5% CAGR), revenue CAGR for LTI : 15.7%.
- ✓ Rev growth due to scale up of key accounts including Citi (15% of total sales), Chevron and Barclays
- ✓ While E&U is stabilizing, macro challenges have impacted client spending in BFS. At LTI, BFS has slowed to 6.3% in FY16, from 13.1% in the previous year.
- ✓ Exposure to BFS & E&U may weigh on rev growth, thus estimated revenue CAGR of 8.3% over FY16-19, 11.1% EBITDA CAGR & 5.7% EPS CAGR.
- ✓ Value LTI at 13x FY19E EPS (translating into a target price of INR800),
- ✓ Rev growth in line with industry & margins similar to like-sized peers, superior cash conversion & return ratios, and target multiples of 11-14x for tier-2 IT companies
- ✓ Deterioration in profitability on the back of any policy changes around H-1B visa immigrants: key risk

	Sales	% Y/Y	EBITDA	% Y/Y	PAT	% Y/Y	Rationale	Comments
Nalco	18.5	1.7	1.7	-49.2	1.2	-46.2	BUY/77/B	1. EBITDA below est on higher RM & power costs, operating costs higher on higher fuel, effective cost of coal due to increase in moisture content in the coal during the monsoon 2. - Expect AL prod to inc from 372k tons in FY16 to 441k tons by FY18, smelter utilization increases on improved domestic coal availability. Sharp increase in alumina prices (from lows of USD230/ton to USD330/ton) a positive. Higher global alumina and coal prices benefit NACL, as it has 100% captive alumina sourcing and depends on fixed price contracts for coal. 3. . Buy, with a target price of INR77 (EV of 6.5x FY18E EBITDA).

Currency Ideas

USDINR



- ✓ As expected earlier, consolidation continues in USDINR (Dec. contract) within 67.40 - 67.70 zone.
- ✓ Either side sustained trade of this zone should provide further clear direction.
- ✓ Higher resistance is placed at 68.10 levels whereas lower support is at 67.20-67.05 zone.

GBPINR



- ✓ GBPINR as shown on the daily chart, is moving in an upward sloping trend channel C-C1 forming higher highs and higher lows.
- ✓ As long as immediate support at 85.40 or key support at 85.00 is held, dip buying is advised.
- ✓ Short-term resistances are placed at Rs.86.30 / 86.60.

MOST Market Outlook

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