

MOST Market Outlook

2nd February 2017

Nifty Chart



Trading Idea - Cash & Future

Scrip	Reco	MBP	SL	Target
HPCL	BUY	536	527	555

Corporate Action:

Interim Dividend - ASHOKA INR - 0.80, BEL INR - 3.00, GAIL INR - 8.50, GANDHITUBE INR - 9.00, IIFL INR - 4.50, IRB INR - 2.00, JMFINANCIL INR - 0.65, RML INR - 2.00, VRLLOG INR - 4.00, WIPRO INR - 2.00, ZENSARTECH INR - 5.00

Stock Split - KALLAM From INR10/- to INR2/-, KDML From INR10/- to INR5/-

Security in Ban period:

HDIL, IBREALEST, JINDALSTEL

Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8738	8760	8800	8690	8670

'On the daily scale the breakout from the continuation pattern indicates the up move could extend further. Though the momentum oscillators RSI has been reporting an overbought situation but the Trend Strength Indicator (ADX) warrants further stimulus in the coming sessions. 8530 becomes the key support level for the existing up move.

Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.67	67.55	67.40	67.85	68.00

The pair is likely to trade in a lower range between intraday resistance at 67.85 and supports at 67.55-67.40 zone.

Sectoral Outlook

Sector	Outlook
ENERGY	POSITIVE
AUTO	NEUTRAL

Trading Idea - Derivatives

STRATEGY : ITC Modified Call Butterfly Spread

Instrument	B/S	Lot	Reco	CMP
23 FEB 280 CE	Buy	1	3.45	3.45
23 FEB 290 CE	Sell	2	1.45	1.45
23 FEB 295 CE	Buy	1	1	1

Target Profit: Rs.20000 SL: Rs.3700 Limited profit: Rs. 10000 above 295

Market Drivers

- ✓ Budget broadly met the expectations in terms of giving a boost to rural and general consumption. On the fiscal front, fiscal prudence was maintained. Banks, financials, auto, rural consumption plays did well post the budget. Long term capital gains tax did not get tinkered with which was a relief for the markets. Affordable housing got a boost. The govt gave a broad directive to create integrated oil companies. Overall no negative surprise, some boost for rural, agri consumption, housing should augur well. Nifty has now rallied by 10 percent from lows and some consolidation is not ruled out.

Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	9000	6112875	536625
Bank Nifty 23-Feb	20000	703840	134200
Bank Nifty 02-Feb	20500	876360	493720

Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	8400	4579200	-291825
Bank Nifty 23-Feb	19500	559080	90560
Bank Nifty 02-Feb	19000	684560	246280

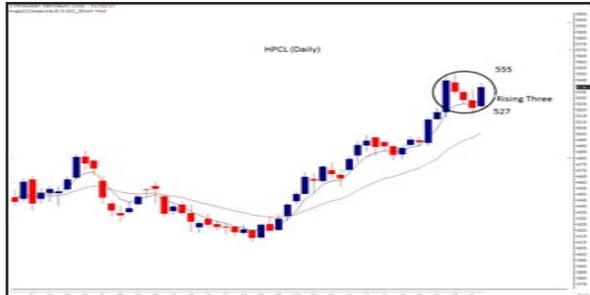
Trading Calls

HPCL

Buy

MBP INR 536

Target INR 555



- ✓ 'Rising Three' formation on the daily scale exhibits strength in the ongoing trend
- ✓ The existing move could extend towards 555 & hence trading bets could be initiated upto 536 with a stop below 527

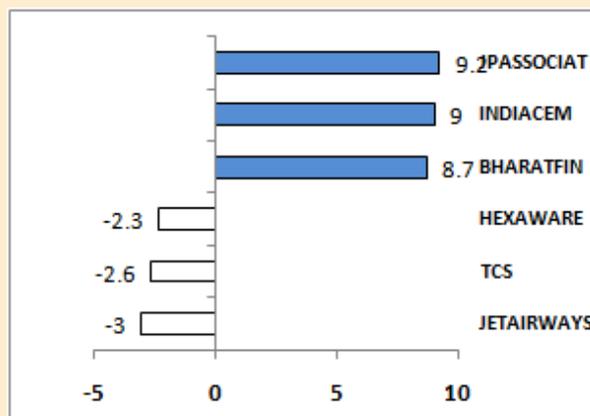
FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	93	93	1965
DII	1134	1134	28125

FII F&O

Institution	Net B/S	OI
Index Future	119	Long
Index Options	2210	Long
Stock Futures	-447	Short

Major Price % Change



Derivatives Idea

ITC

Modified Call Butterfly Spread

Buy 1 Lot 280 CE

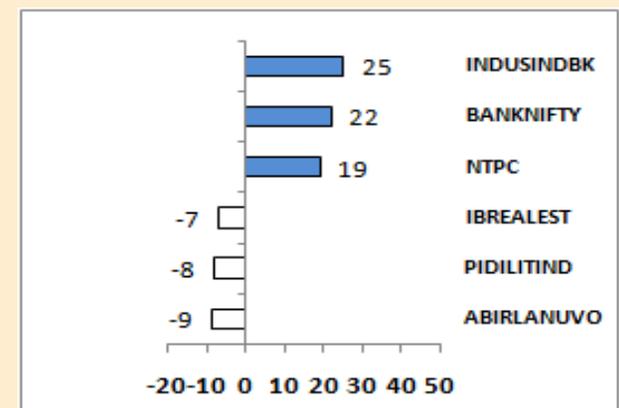
Sell 2 Lot 290 CE

Buy 1 Lot 295 CE



- ✓ ITC is long-long unwinding cycle
- ✓ Proximity of stock to highest call congestion at 270, raises expectation of strong upward momentum in case of any option trigger
- ✓ Stock witnessed in line rollover of 79% along with carried forward open interest
- ✓ To participate the upward momentum, Modified Call Butterfly Spread is recommended

Major OI % Change



Morning Meet Notes

Research Notes

AUTO Volumes

- ✓ Maruti: 27% YoY (144k vs est 133.5k) Domestic 26% YoY, exports: 45% YoY; compact: 25% YoY, mini: 11% YoY, UV: 100% (Brezza); mid size: 20% YoY
- ✓ Mahindra: -6% YoY (55212 vs est 58850) (Below est) Tractor +6% YoY, UV: -9% YoY, LCV: 12% YoY, 3W -28% YoY
- ✓ Ashok Leyland: 7% YoY (14872 vs est 12950) (Above Est)
- ✓ Eicher: RE+25% YoY, VECV: 20% YoY (In line)
- ✓ Tata Motors: -1% YoY (below est) PV : 21% YoY (led by Tiago), CV: -8% YoY

Budget 2017-18 (Maximum impact at minimum cost; edible and economy-sensitive Budget opens the room for the RBI to deliver a rate cut??)

- ✓ Fiscal Deficit reduction from 3.5% to 3.2%; anxiety around factors like LTCG and service tax hike relieved
- ✓ Total spending is budgeted to grow at 6.6%, implying that spending will fall to 12.7% of GDP, marking the lowest level since mid-1970s
- ✓ No transaction of more than INR 300k allowed by Cash; POS machines (To go from 1.5 Mn to 3.5 Mn by Sep 2017!)
- ✓ To reduce Tax Rate: Income INR 2.5 to INR 5 Lakhs from 10% to 5%; reduce Tax Rate to 25% Turnover upto INR 50cr
- ✓ Budgetary support to NHB also at lifetime high at INR 200 Bn. 10 Mn houses to be built in the next 2 years
- ✓ MNREGA allocation to INR 480 Bn from INR 380 Bn. On track for 100% Village Electrification by may 2018; double digit capex growth in FY18 (10.7%)
- ✓ Top ideas: **ICICI Bank, SBI, IOC, Tata Motors, ITC. Stocks to play the Housing and Infra focus are L&T, UltraTech and Repco Finance**
- ✓ Underweight: on **Tech, Healthcare and Consumer Staples**

Company	Sales	% Y/Y	EBITDA	% Y/Y	PAT	% Y/Y	Rationale	Comments
Eicher Motor	18.3	42.9	5.8	64.6	4.2	50.0	BUY/29172/1	1. RE: vol +38% YoY, margins at all time high: 31.8%, realisation +3% YoY 2. VECV: -7% YoY, margins decline on negative op leverage 3. Capacity expansion at 3rd plant on track, PAN india dealers at 640 to add 100 more 4. 20% vol growth CAGR for RE over FY17-19E, slow ramp up in VECV, 22% upside
IDFC							BUY/86/1	1. Low op profits at 5.5b vs 8.6b in 2Q fy17, loan book 17% YoY, AUM 2% QoQ 2. Near term quarterly trends not relevant, expect balance sheet growth for the bank to remain modest, while asset quality issues are likely to persist 3. Increase in IDF leverage (leading to higher RoE), continued traction in asset-light businesses (Securities, Asset Management), and build-up of banking business

Currency Ideas

USDINR



- ✓ NSE USDINR (Feb. contract) expectedly traded lower, closing yesterday's session near 67.67, after breaking through support near 68 earlier.
- ✓ The pair continues to look short-term bearish below 68 and sustained breach of 67.70 on NSE could likely take the pair lower towards the next best support at 67.40 level.
- ✓ Selling on rallies or on breach of 67.70 is thus advised

GBPINR



- ✓ NSE GBPINR (Feb. contract) recovered from low near 84.60 tested earlier to close yesterday's session positively near 85.50.
- ✓ The pair is now likely to find short-term support at 84.60-84.70 zone and the current pullback could extend higher towards resistance line at 86.20 levels.
- ✓ Buying on dips is thus advised as long as the pair holds this support zone.

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