

# MOST Market Outlook

9th February 2017

## Nifty Chart



## Trading Idea - Cash & Future

Scrip	Reco	CMP	SL	Target
<b>ZEEL</b>	<b>BUY</b>	<b>513</b>	<b>508</b>	<b>525</b>

## Corporate Action:

**Interim Dividend** - AEGISLOG INR - 0.35, CUMMINSIND INR - 5.00, GENUSPOWER INR - 0.10, GHCL INR - 1.50, IBULHSGFIN INR - 9.00, IOC INR - 13.50, KPCL INR - 1.00, MARICO INR - 2.00, SHARDA INR - 6.25, TCI INR - 0.50  
**ARCHITORG**- Right Issue of Equity Shares

## Security in Ban period:

CEATLTD, CENTURYTEX, HDIL, IBREALEST, JINDALSTEL, JPASSOCIAT, ORIENTBANK, RCOM, SUNTV, WOCKPHARMA

## Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
<b>8796</b>	<b>8835</b>	<b>8860</b>	<b>8760</b>	<b>8725</b>

'Nifty rebounded post the policy announcement & reclaimed its lost ground to close the day above its previous days close. The sequence of higher highs & higher lows on the intraday scale remains firm until 8720 is held on a closing basis. Only a sustained breach below the 8720 would indicate loss in momentum & push the index lower towards its intermediate supports around 8600.

## Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.34	67.05	66.80	67.45	67.70

The pair is likely to trade in a range between support at 67.05 and immediate resistance at 67.45.

## Sectoral Outlook

Sector	Outlook
<b>ENERGY</b>	<b>POSITIVE</b>
<b>MEDIA</b>	<b>NEUTRAL</b>

## Trading Idea - Derivatives

### STRATEGY UPDATE : Banknifty Ratio Call Spread

Instrument	B/S	Lot	Reco	CMP
23 FEB 20500 CE	Buy	1	191	202
23 FEB 21000 CE	Sell	2	54	49

Target Profit: Rs.15000 around 21000 Initial Outflow: Rs.3500  
Hedge above : Rs. 21375

## Market Drivers

- ✓ Domestic market saw volatility as RBI kept policy rates on hold. The broad expectation was of 25 bps rate cut. RBI has now effectively moved to pause stance and rate cuts look unlikely as RBI shifts its focus to inflation. Bond yields moved higher. On the results front, NTPC was in line, Cipla was a tad below expectation while union bank was below expectation. Hero Motor numbers were better than street expectation. Post policy the focus will remain on earnings of corporate and global cues.

## Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	9000	6255300	92625
Bank Nifty 23-Feb	21000	841160	-63960
Bank Nifty 09-Feb	21000	1056360	423560

## Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	8500	6264225	544125
Bank Nifty 23-Feb	19500	800160	11760
Bank Nifty 09-Feb	20000	918720	467600

## Trading Calls

**ZEEL**

**Buy**

CMP INR 513

Target INR 525



- ✓ 'Mature continuation pattern on the daily scale
- ✓ Breach above 516 could attract momentum
- ✓ Trading longs could be considered with a stop below 508 for an immediate target upto 525

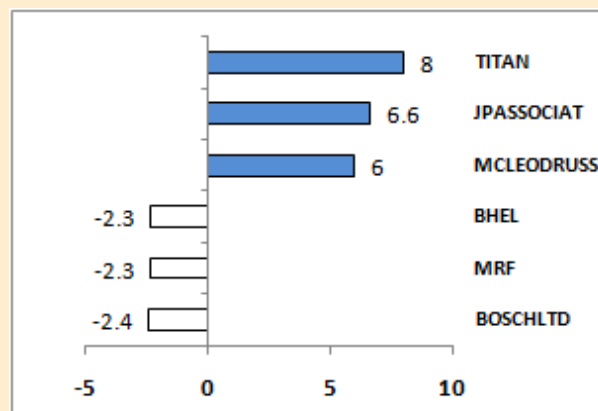
## FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	-128	225	2098
DII	-167	2883	29875

## FII F&O

Institution	Net B/S	OI
Index Future	603	Long
Index Options	-258	Writing
Stock Futures	-797	Short

## Major Price % Change



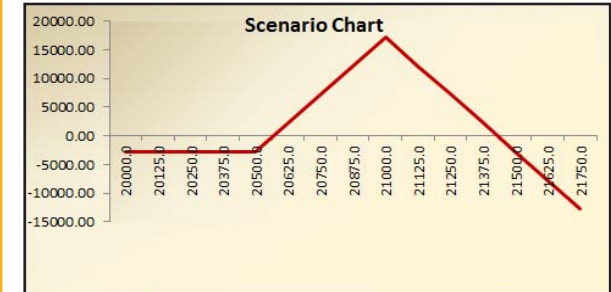
## Derivatives Idea

**Banknifty**

Buy 1 Lot 20500 CE

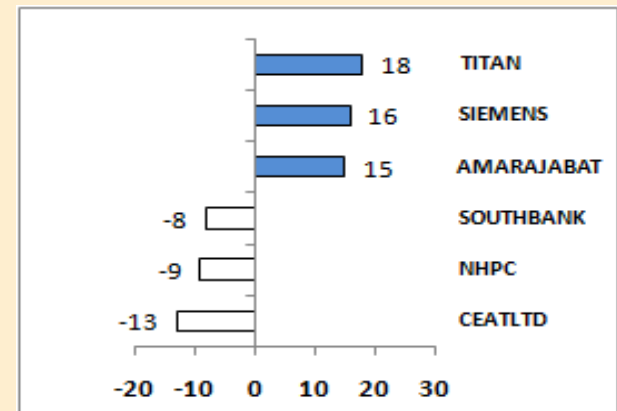
Sell 2 Lot 21000 CE

**Ratio Call Spread**



- ✓ Banknifty is in long-long Unwinding Cycle
- ✓ Option data shows highest put concentration at 19500/20000 indicating support zone
- ✓ Any unwinding in OTM Calls could lead to option trigger thereby fuelling the momentum towards 20500-21000. Considering falling volatility, and to take advantage of time decay, Ratio Call Spread is recommended

## Major OI % Change



## Morning Meet Notes

### Research Notes

- ✓ JLR Jan-17 below est at 48,740 units (+7% YoY); LR declines ~10%, while Jaguar volumes jump ~80% driven by F-Pace and XF
- ✓ NA +29% YoY China 12% YoY EUR -8% YoY, UK +2% YoY

### RBI shifts monetary policy stance from 'accommodative' to 'neutral'

- ✓ Higher crude oil prices, volatile exchange rates, & fuller effects of the 7th Pay Commission, MPC expects CPI of 4-4.5% in 1HFY18 and 4.5-5% in 2HFY18
- ✓ Revised its FY17 GVA growth forecast from 7.1% to 6.9% and projects FY18 growth at 7.4%
- ✓ Focus of 4% inflation target, rate cuts could be behind us for near term.

Company	Sales	% Y/Y	EBITDA	% Y/Y	PAT	% Y/Y	Rationale	Comments
Bharat Forge	9.4	-11.0	2.6	-20.6	1.3	-22.8	BUY/1110/I	1. Tonnage -7% YoY, realisation improved 4% QoQ, exports +7% QoQ recovery in industrial, domestic +7% YoY 2. EBITDA margins down 20bps to 27.6%, management expects recovery via prebuying in india, recovery in oil & gas, class 8 truck 3. Strong cyclical recovery, coupled with structural improvement in business quality driven by a shift toward technologyintensive business (from capex intensive business), would drive strong ~35% EPS CAGR, 25x March cons EPS
NTPC	192.9	11.4	51.4	13.6	22.4	8.5	BUY/199/I	1. Shift in measuring GCV of coal from after secondary crusher to wagon top no effect, replacement of old plants to be made without loss of ROE 2. 3.7GW commission in before March 2017 good booster, Expect DC CAGR of 7.5% and regulated equity CAGR of 15% over FY16-21E, RoE is expected to improve from 12% in FY16 to ~13% in FY20E
Birla Corp	7.2	-8.2	0.4	-9.6	0.0	-87.7	BUY/869/B	1. Vol -11% YoY, weak sales in north & central, realisation -3% QoQ, energy cost -11% YoY, cost optimization efforts to yield results in FY18 2. Total capacity now at 15.5mt post Reliance cement shares, increase presence in UP, MP and East Mah 3. Largest players in the consolidated Satna cluster with ~22% market share, EV/tonne of USD68, value ay 80USD, 17% upside
Gateway	2.9	7.7	0.6	-5.0	0.3	-11.9	BUY/314/I	1. Container volumes +7% YoY, Viramgam terminal's construction to get commissioned by March 2017, would help in catering to Mundra, Pipavav and JNPT, increase the lead distance for double stacking 2. FY16-19 volume CAGR at 11/8%, div yield at 2-3%, 18% upside
PNB	37.3	-9.4	31.5	8.1	2.1	306.2	BUY/185/B	1. 53% miss on PAT, PpoP +8% YoY, loan growth -2% QoQ, Nims at 2.3% 2. GNPL stable at 13.7%, slippages fell -9% QoQ, retail 12% YoY 3. : Significant stress is being recognized over last several quarters (GNPA% at 13.7% v/s 6.6% as of FY15), upgrade of stressed assets could be positive, roll forward our target price to December 2018, 23% upside
Union Bank	22.8	7.0	18.5	38.8	1.0	32.4	BUY/172/B	1. Muted NII growth 7%, NIM contraction to 2%, GNPA increased to 11.8% , slippages increased 8% QoQ 2. Elevated stress addition, high credit costs to keep ROE in check, cut earnings by 46% for FY17E 3. Revise out target to INR 172, step run up in price recently limits upside

## Currency Ideas

### USDINR



- ✓ NSE USDINR (Feb. contract) initially rallied towards an intraday high above 67.50 but failed to hold higher after the RBI monetary policy decision to close near the day's low at 67.34.
- ✓ DGCX USDINR later on completed the expected move lower towards the 76.4% retracement support level of 67.05.
- ✓ 67-67.05 zone could now act as a key support and failure to breach the same could result in a short-covering move towards 67.40-67.45 area.
- ✓ Further selling is advised only on sustained breach of this range with lower support seen at 66.80 level

### JPYINR



- ✓ NSE JPYINR (Feb. contract) has been steadily inching higher since mid-December 2016 after a huge decline seen earlier.
- ✓ However, the pair has been facing resistance near 60.50-60.60 zone since the past few sessions.
- ✓ Although the initial short-term bias still looks positive above channel support near 59.60, the upside too looks limited from current levels.
- ✓ Selling on rallies near resistance is thus advised.

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