

# MOST Market Outlook

17th, June 2016

## Nifty Chart



## Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8158	8200	8230	8165	8135

'Spinning Top' formation on the 60 min scale post the pullback indicates short term weakness to continue. The reversion of the momentum oscillator RSI from the overbought zone augurs well for the ongoing corrective move within the uptrend to continue further. A breach below 8080 would amplify the bearish momentum & push nifty towards its lower bound placed around 8000-7950.

## Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.41	67.22	67.05	67.50	67.80

Buying on sustained break above 67.50 is advised targeting 67.80 - 67.90 area.

## Sectoral Outlook

Sector	Outlook
OMC	Positive
BANKS	Neutral

## Market Drivers

- ✓ Last trading session saw buyers coming back during closing hours. Stock specific buying on market declines continued to be trading flavor for Indian markets. US markets recovered modestly towards the end, to closing in green. Meanwhile Murder of UK Lawmaker stalled campaign for 'Brexit' vote yesterday. Yesterday, the Bank of England kept its key interest rate unchanged at a record low of 0.5% and made no changes to its 375-billion-pound (\$530 billion) asset-purchase program. Back home RBI data puts the current account deficit at \$300 million in the fourth quarter of 2015-16, down from \$700 million a year earlier and sharply lower from \$7.1 billion recorded in the previous quarter, a positive development. News flow on advancement of monsoon and opinion polls on outcome of 'Brexit' referendum will be determining factor for trading bias in near term.

## Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 30-Jun	8300	6125175	264525
Bank Nifty 16-Jun	18000	100770	74730
Bank Nifty 30-Jun	18000	561270	-5730

## Trading Idea - Cash & Future

Scrip	Reco	MBP /MSP	SL	Target
BPCL	BUY	1012	960	1120
YES BANK	SELL	1060	1090	1000

## Trading Idea - Derivatives

### STRATEGY - DHFL Ratio Call Spread

Instrument	B/S	Lot	Reco	CMP
210 CE	Buy	1	5	3.5
220 CE	Sell	2	2.3	1.7

Target Profit : 7500      Stop Loss : 1000

## Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 30-Jun	8000	7476325	-612825
Bank Nifty 16-Jun	17500	72750	33000
Bank Nifty 30-Jun	17000	646680	-67110

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## Trading Calls

**BPCL** MBP INR 1012

**Buy**

Target INR 1120



- ✓ 'Positive sector outlook & mature continuation pattern on the immediate scale augurs well for outperformance
- ✓ A breach above 1020 would activate the pattern & push the stock towards its pattern target placed at 1120 which could be traded with a stop at 960

**YES BANK** MSP INR 1060

**Sell**

Target INR 1000



- ✓ 'Spinning Top' formation on the weekly scale exhibits sign of exhaustion. The pattern will be activated once the stock declines below 1040 & confirm the corrective move
- ✓ The negative divergence on the daily RSI augurs well for the expected weakness. Yes Bank could be short sold once below 1060 for a trading target upto 1000

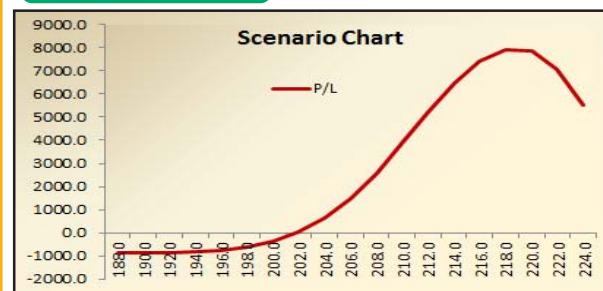
## Derivatives Idea

**DHFL**

Buy 1 Lot 210 CE

Sell 2 Lots 220 CE

**Ratio Call Spread**



**Target Profit : 7500 Stop Loss : 1000**

- ✓ DHFL is in Long- Long unwinding cycle
- ✓ Unwinding in 210 CE will augurs for momentum on higher side
- ✓ Put built-up at 200 could act as immediate support
- ✓ Expecting Falling volatility and to benefit from time decay, Ratio Call Spread is recommended

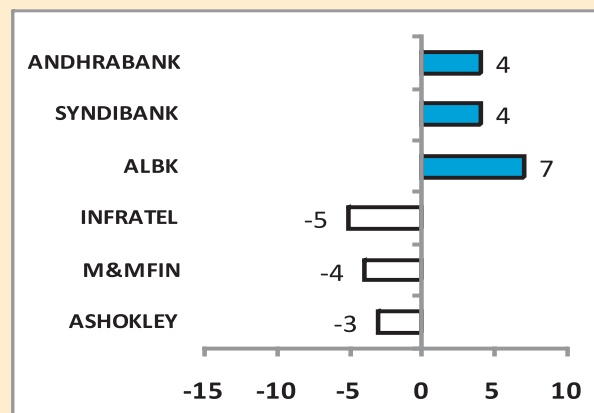
## FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	-157	3693	-41309
DII	-163	-2615	60182

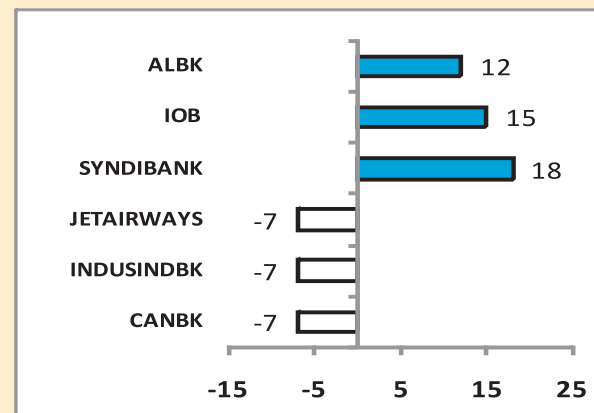
## FII F&O

Institution	Net B/S	OI
Index Future	-439	Long Unwinding
Index Options	-1144	Synthetic Short
Stock Futures	-112	Short

## Major Price % Change



## Major OI % Change



## Morning Meet Notes

### Fundamental News Flow

- ✓ **Current Account Deficit (4QFY16):** 0.1% of GDP vs. est. of Surplus of 0.4%;
  - Merchandise as well as invisibles (services & income) decline
  - Capital flows slowed to a 10 qtr low on account of high FII outflows
- ✓ **Brexit vote** uncertainty over murder of UK Lawmaker

### Research Notes

- ✓ **HDFC Life** and **Max Life** are reportedly in talks to merge to create India's largest Life Insurance entity with a combined AUM will be INR 1.1 Lac Cr

### **Maruti: Yen appreciation continues to hurt**

- ✓ Yen surges to 22 month high at 104; co does not hedge
- ✓ Over last 5 yrs, imports from Japan have reduced from 25% levels to 15% levels
- ✓ For all new models along with Brezza and thereafter, the royalties will be in rupees
- ✓ Although a positive move; too less too late
- ✓ Stock to remain under pressure; CMP: 4084; TP: 4525

### **Gold close to \$1300 / above INR 30k: to benefit Gold Loan companies**

- ✓ Manappuram & Muthoot to grow earnings at 25-30% in FY17E; to outperform in short term
- ✓ Manappuram to continue outperformance beyond FY17E as Microfinance mix rises
- ✓ ROEs to rise from 12-15% to 18-20% by FY18E
- ✓ Both companies trade at 1.5x FY18 P/B; can re-rate to 1.8-2.0x

## Currency Ideas

### USDINR



- ✓ Positive opening will be seen for USDINR around 67.52 as per parity
- ✓ Price sustained trade above resistance 67.50 will signify further positive move and will lead the rally towards 67.80
- ✓ Immediate support remains at 67.22 whereas critical support is at 67.05
- ✓ Buying above 67.50 is advised for the session

### EURINR



- ✓ EURINR traded sideways with negative bias for the second consecutive session closing at 75.47
- ✓ Strong support for the pair remains at 75.45 (rising trend line) whereas immediate resistance is at 76.20
- ✓ As long as above 75.45, bias remains sideways to positive and hence dip buying is advised. However, sustained breach below support will confirm further short-term weakness targeting 75.05 - 74.70 levels

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