

# MOST Market Outlook

19th January 2017

## Nifty Chart



## Trading Idea - Cash & Future

Script	Reco	CMP	SL	Target
MARUTI	SELL	5699	5745	5560

## Corporate Action:

NHPC- Interim Dividend - INR 1.70; NUTRA - Bonus issue 1:10  
ISGEC- Interim Dividend - INR 15.0

## Security in Ban period:

CENTURYTEX, HDIL, IBREALEST, JINDALSTEL, JPASSOCIAT, JUSTDIAL, RCOM

## Nifty Outlook

Nifty	R1	R2	S1	S2
8429	8455	8475	8395	8330

'Nifty remains confined within the 'Bearish Marubozu' range with resistance held firm around 8450. The placement of the daily RSI near the overbought zone warrants caution. A breach below 8370 (Low of Marubozu candlestick formation) would activate the pattern & accelerate the downward momentum. The index could witness a corrective wave during the coming week. Hence we recommend reducing leveraged longs & deploying adequate hedge for a while.

## Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
68.14	68.00	67.75	68.25	68.50

Short-term bias looks sideways-to-negative as long as 68.50 is capped as strong resistance.

## Sectoral Outlook

Sector	Outlook
BANKS	NEUTRAL
AUTO	NEGATIVE

## Trading Idea - Derivatives

### STRATEGY UPDATE : Nifty Modifies Put Butterfly Spread

Instrument	B/S	Lot	Reco	CMP
25 JAN 8350 PE	Buy	1	40	26.5
25 JAN 8200PE	Sell	2	15	7.2
25 JAN 8100PE	Buy	1	8.5	3.5

Maximum Profit: Rs. 9800 at 8200 Maximum Loss: Rs.1400  
Limited profit: Rs. 2000 below 8000

## Market Drivers

- ✓ Indian markets continued to trade in a range. Metals, consumer sector did better. Mid cap index did relatively better. FIIs have been net buyers for the last couple of days. Nifty has resistance around the 8450 levels and some consolidation is being seen around these levels. Among key results today to watch out for will be Yes Bank. With reports indicating that currency circulation has reached pre Nov 8 levels, this could also suggest return of normalcy in trade. Sectors like auto, consumer, cement, and financials could see renewed interest. Results as well as Budget expectations would drive stocks from a short term perspective.

## Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 25-Jan	8500	4918800	-141525
Bank Nifty 25-Jan	19000	1117880	4800
Bank Nifty 19-Jan	19500	980640	356320

## Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 25-Jan	8300	6274350	-565200
Bank Nifty 25-Jan	18500	-20200	-34320
Bank Nifty 19-Jan	19000	686320	260240

## Trading Calls

### MARUTI

**Sell**

CMP INR 5699  
Target INR 5560



- ✓ 'Occurrence of 'Bearish Engulfing' followed by a Doji formation augurs well for the termination of ongoing upmove & a swift correction
- ✓ RSI reversion from the overbought zone complements the setup & a move towards the short term average could be witnessed soon
- ✓ Short positions could be considered with a stop above 5745 & Target upto 5560

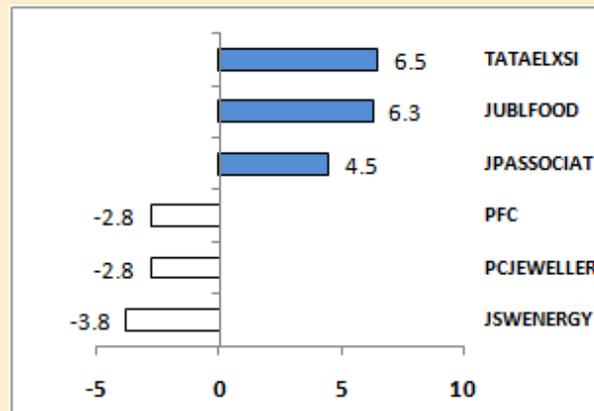
## FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	319	-2776	-13358
DII	245	2822	38185

## FII F&O

Institution	Net B/S	OI
Index Future	-896	Short
Index Options	-708	Writing
Stock Futures	167	Long

## Major Price % Change



## Derivatives Idea

### Nifty

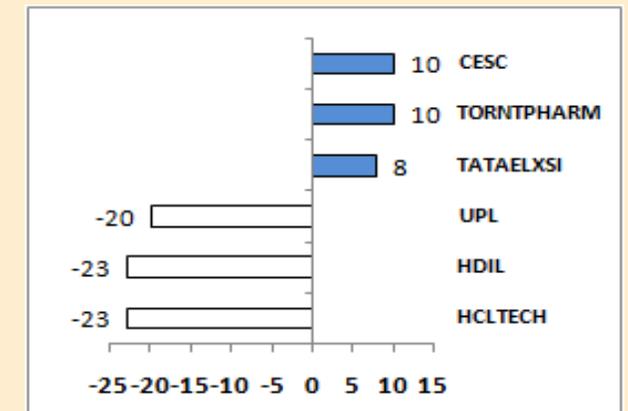
**Modifies Put Butterfly Spread**

Buy 1 Lot 8350 PE  
Sell 2 Lots 8200 PE  
Buy 1 Lot 8100 PE



- ✓ Nifty is in Long- Long unwinding cycle
- ✓ It is trading near the vicinity of its highest call congestion at 8400
- ✓ Nifty PCR OI too is quoting at 1.22 near the upper band of 1.20. Considering profit booking could be expected at current level. Low risk Modified Put Butterfly Spread is recommended

## Major OI % Change



## Morning Meet Notes

### Research Notes

#### IOC (Buy TP: INR 464, 33% upside)

- ✓ Utilization of Paradip refinery more than 80% in December, 4 out of 5 sections of pipeline started filling, expect 3-4mtpa deliveries
- ✓ Capex composition suggests return ratios would improve; 1.7trn capex on brownfield refinery expansions, petrochem segment, marketing and pipeline infrastructure, to improve returns further
- ✓ Recent price hikes debunk concerns about return of regulations; OMC's price hike consistently, de-regulated regime to stay
- ✓ Global peers are trading at 10.7x FY18 EPS and 6.8x FY18 EV/EBITDA.
- ✓ IOCL trading at 8.7x FY18 EPS and 6.1x times FY18 EV/EBITDA
- ✓ Value IOCL using SOTP. Refining and petrochem segments are valued at 5x FY19 EV/EBITDA, and marketing and pipeline segments at 7.5x FY19 EV/EBITDA

#### Tata Communications (Mcap: INR 19kcr, TP: INR 778, 17% upside)

- ✓ Global telecom company of the Tata group, company's infrastructure includes sub-sea, terrestrial communications networks, data centers and it provides fixed line and wireless services
- ✓ Transformed from a commodity network provider to customized enterprise solutions provider, Data business: 57% of total rev
- ✓ Deep connectivity and array of customized solutions should drive a healthy 10% CAGR in data revenue over FY16-19 in a largely commoditized market
- ✓ Expect 300bps margin exp in traditional network business on op leverage, value added services to inch up margins
- ✓ Recently-announced sale of its African venture, Neotel, and data center should help deleverage TCOM's balance sheet by ~48% to INR60b; Other triggers: 40% capex reduction, higher FCF, RoIC improvement to ~18% by FY19
- ✓ Better placed than consumer telcos: Low capex intensity, low competitive pressures, limited regulatory risk, possible ROIC exp
- ✓ Currently trades at 6x FY19E EV/EBITDA, we value at 7.1x to core FY19E EBITDA, 14% EBITDA CAGR, deleveraging

Company	Sales	% Y/Y	EBITDA	% Y/Y	PAT	% Y/Y	Rationale	Comments
Havells	150.6	13	1.9	4.0	1.3	12.0	BUY/440/A	1. Market share gains across products, WC support, incentives, Cables & Wires +17.4% YoY , Electrical consumer durables +19% YoY, margins contracted due to incentives, WC 30days vs 20 days 2. Raise FY17/FY18E EPS by 19/6%, value at 32x FY19E Eps

## Currency Ideas

### USDINR



- ✓ USDINR (Jan. contract) failed to sustain below the critical support of 68.00 and closed the previous session with a positive note at 68.16
- ✓ Overall bias looks sideways-to-negative as long as 68.50 is capped as strong resistance level
- ✓ The pair sustained break below the critical support of 68.00 will signify further weakness towards 67.75 - 67.65 area
- ✓ Immediate resistance is at 68.20-68.25 whereas major resistance remains at 68.50

### JPYINR



- ✓ JPYINR (Jan. contract) traded in a sideways range in the previous session closing with a negative note at 68.14
- ✓ Overall, the pair will continue to remain in a pullback mode and dip buying is still advised in short-term
- ✓ Immediate supports remains at 59.90 - 59.75 zone whereas critical support remains at 58.90
- ✓ Dip buying near supports will be advised targeting 60.70 - 60.90 levels

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